Stock Code: 5515

建國工程

CHIEN KUO CONSTRUCTION CO.,LTD.

2018 Annual Report

<u>*Notice to readers*</u>

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

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Spokesperson
Name: Chang-Shiou Wu
Title: General Manager
Tel: 886-2-27849730
E-mail: spokesman@ckgroup.com.tw

Deputy Spokesperson
Name: Shu-Feng Yang
Title: Accounting Assistant President
Tel: 886-2-27849730
E-mail: spokesman@ckgroup.com.tw

Headquarters, Branches and Plant
Headquarters
Address: 20F, No. 67, Sec. 2, Dunhua S. Rd., Da'an District, Taipei City 106, Taiwan
Tel: 886-2- 27849730

Stock Transfer Agent
Yuanta Securities
Address: B1. B2, No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 103, Taiwan
Tel: 886-2-25865859
Website: www.yuanta.com.tw

Auditors
Deloitte & Touche
Auditors: I-wen Wang, You-wei Fan
Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei, 11073, Taiwan
Tel.: 886-2-25459988
Website: www2.deloitte.com/tw/tc.html

Overseas Securities Exchange
None

Corporate Website
http://www. ckgroup.com.tw

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Chapter 1 Letter to Shareholders

Ladies and gentlemen:

The operating performance of Chien Kuo Construction in 2018 was better than that of the previous year, marking the third consecutive year with growth in both revenue and profits.

As the Taiwanese housing market is in constant decline over the recent years, we have focused our interest on three business areas—plants and offices, composite commercial facilities and public construction on turnkey basis. For three consecutive years till 2018, we have acquired each year a public housing project on turnkey basis. In addition, construction in progress comprised large-scale plants and offices and residential buildings projects launched by listed construction companies of a total contract value exceeding NT$20 billion. In concrete business in Mainland China, the profits grew in 2018 due to reduction in administrative expenses as a result of contracting the operating areas.

The consolidated revenue for 2018 was NT$6.82 billion, up 19% over 2017, mainly due to the growth in operating revenue from concrete. The net income attributable to shareholders of the Company was NT$210 million, up 20% over 2017. Earnings per share was NT$0.62. The following is a summary of the Company's 2018 consolidated business:

(I) Operational Highlight

Unit: NT$ Thousand

Item	2018	2017	Growth
Operating revenue	6,824,128	5,733,908	19%
Operating costs	6,082,369	5,188,280	17%
Gross profit	741,759	545,628	36%
Operating expenses	381,479	329,301	16%
Net operating income (loss)	360,280	216,327	67%
Non-operating income and expense	14,843	44,156	-66%
Income before tax	375,123	260,483	44%
Net income	207,708	172,173	22%
Net income attributable to non-controlling interest	2,037	995	105%
Net income attributable to shareholders of the Company	205,671	171,178	20%

(II) Cash Flows and Profitability Analysis

1. Cash Flows

Unit: NT$ Thousand

Item	Amount
Net cash provided by operating activities	196,005
Net cash provided by investing activities	294,792
Net cash used in financing activities	(597,940)
Effect of exchange rate changes on cash and cash equivalents	44,631
Cash reduction	(62,512)
Cash amount - beginning of the year	2,518,297
Cash amount - end of the year	2,455,785

2. Profitability Analysis

Item		Ratio
Return on assets		2.4%
Return on equity		4.2%
Ratio of paid-in capital	Operating income	10.8%
	Income before tax	11.2%
Net profit margin		3.0%
Earnings per share (NT$)		0.62

The Taiwanese government has introduced a series of policies to lower housing prices, rapidly freezing the real-estate market. The China-US trade war has spurred the activity once again in the industry. In addition to the relatively stable non-residential products, e.g., office facilities and retail department stores, the demand for plants will also likely increase. Looking forward to 2019, the construction business will continue to improve the value of innovation and differentiation, implement safety and health works, advance quality and differentiation in emerging technology, and expand business to include plants and offices, composite commercial facilities and turnkey business by utilizing the integrated electromechanical application ability and BIM professionalism. It will also utilize emerging technologies from construction experience over the past few years and focus on optimization of construction quality, improve information service for construction project management, and become a strategic partner with property developers.

In view of changing investment and politico-economic environment in mainland China, we will act in a conservative manner but without undue pessimism. The concrete business will focus its operations in niche-type regions and adhere to the principle of “Cash Is King” to actively collect receivables to lower business risk.

Bound by the core value of “Integrity, Optimization, Well-being and Harmony”, and with a management direction of “Safety and Health First, Quality as Priority, Mastery of Construction Duration and Construction Costs, Customer Service and Growth in Learning”, Chien Kuo Construction expects itself to be the “New Generation of Construction Teams That Is Technology-based, Social-cared, and Humanistic-aesthetics-oriented"; the business growth, though more substantial in 2018 than in the previous two years, still has considerable room for improvement in the future. We will continue to take correct measures to refine our strategy and execution efficiency in line with environmental changes, and work toward the long-term interests of our shareholders.

Last but not least, may all shareholders

Peaceful and joyful

Chairman: Chang-shiou Wu

Chapter 2 Company Profile

I. Date of Incorporation: November 21, 1960

II. Company History

Time	Overview
1931	Mr. CHEN Huo-sheng, the founder, established He-fa Trade Company, a civil engineering firm and predecessor of Chien Kuo Construction.
1946	Reorganized as Chien Kuo Construction Contractor under the leadership of Mr. CHEN Jin-zao
1949	Contracted with Taiwan Cement for gravel mining in Taiwan, the start of CK's gravel mining business
1960	Chien Kuo Construction Contractor obtained the qualification of Grade A construction company and was renamed "Chien Kuo Construction Co. Ltd., with Mr. CHEN Jin-zao as the founding chairman.
1962	Contracted for the Shimen Reservoir Water Works project.
1965	Undertook construction of tail race of Qingshan Dam of Taipower and expanded its business to include the various tunnel construction projects of Zengwun Reservoir, becoming a renowned construction company for its tunnel construction.
1967	Chairman CHEN Jin-zao designated one of the "Top 10 Outstanding Construction Industry Entrepreneurs" at the inaugural wards.
1971	Mr. CHEN Jung-hui became the chairman.
1973	1. Contracted for the construction of the tail race and surge chamber of Qingshan Power Plant. 2. Chien Kuo Construction received a Medal in Civil Engineering at the 12th International Federation of Asian & Western Pacific Contractors Association
1974	Contracted for the tunnel construction for the North-Link Railway, one of the government's Ten Major Infrastructure Projects
1976	Mr. TSAI Ming-shou became the third chairman.
1980	Launched the limestone mining business in Ho-Ping Mine Ground of Taiwan Cement Corporation, becoming the first professional mining company to enter the mine ground.
1988	Mr. CHEN Chi-te became the fourth chairman.
1993	Paid-in-capital amounted to NT$310 million and staged the initial public offering.
1995	1. Contracted for the structure construction of new plants of UTAC-Taiwan in Hsinchu Science Park, the first such performance in high-tech plant construction. 2. Established Shanghai Chien Kuo Concrete Co., Ltd. and entered the pre-mix concrete market in China.
1996	1. Established Shanghai Chien Hwei Concrete Co., Ltd; Established Jiangsu Chien Kuo Mining (Jurong) Industrial Co., Ltd. to contract for the mining business with Jingyang Concrete. 2. Invested in Chien Kuo Development Co., Ltd. to engage in the construction business.
1998	Chien Kuo Construction, Shanghai Chien Kuo and Chien Hui Concrete received ISO 9002 certification from SGS
1999	Officially listed as an OTC stock trade on TPEx.

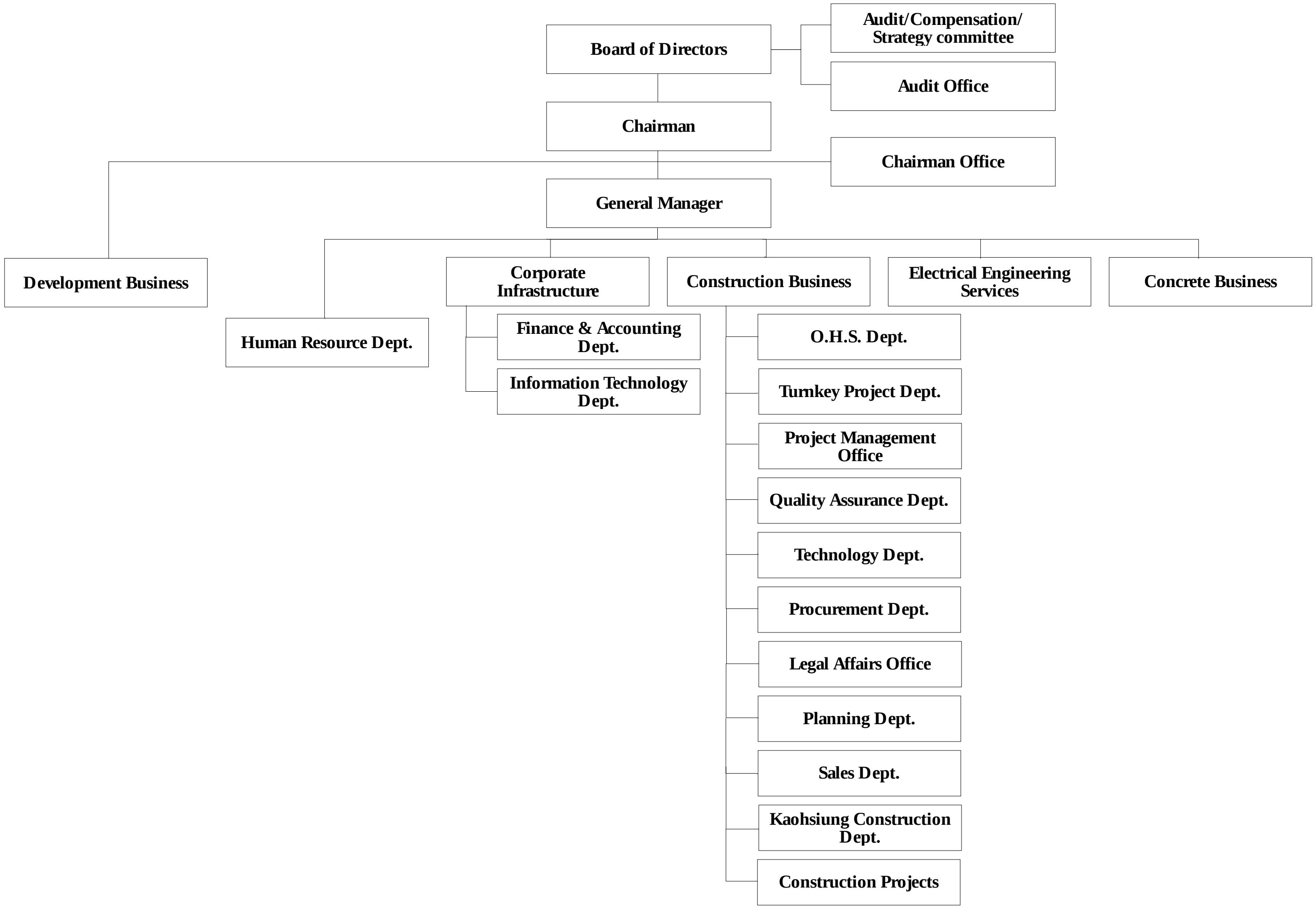
Time	Overview
2001	Established Shun Long International Electrical Engineering Co., Ltd. to integrate mechanical and electrical engineering
2002	Established Chien Kuo Construction Consultant (Kunshan) Co., Ltd. to engage in the construction business in Mainland China.
2003	1. Listed from TPEx to TWSE. 2. Established Huizhou Chien Kuo Mining Co., Ltd. in Huizhou City, Guangdong Province, and undertook the quarrying business of Huizhou Universal Cement Corporation.
2004	Established Yingde Chien Kuo Mining Co., Ltd. in Yingde City, Guangdong Province, and undertook the quarrying business of Taiwan Cement Corporation (Yingde)
2005	Received Merit of Excellence in Construction from the Chinese Institute of Engineers
2007	Established Guigang Chien Kuo Mining Co., Ltd. in Guigang City, Guangdong Province, and undertook the mining construction business of Taiwan Cement Corporation (Guigang)
2008	Won the first place prize in the Golden Lion Award in the National Goldern Award for Architecture
2009	Contracted for construction of the "Shanghua Renai Building", the first urban renewal project managed by owners of the same buildings in Taipei City.
2010	1. Contracted for construction of the main structure of National Kaohsiung Center for the Arts (Weiwuying) 2. Received Merit of Excellence, Best Management and Best Design at the Taipei City 2nd Fence Greening Contest. 3. Honored at the 10th Arts and Business Award awarded by Council for Cultural Affairs of the Executive Yuan.
2011	1. Contracted for the interior utility and air conditioning engineering of National Kaohsiung Center for the Arts (Weiwuying) 2. The newly established "Hesheng Mining Co., Ltd." and "Hefa Miing Co., Ltd." have undertaken the limestone mining business demerged from the Company.
2012	Sale of the equity interests in the invested subsidiaries of “Jiangsu Chien Kuo Mining Engineering Co., Ltd.”, “Yingde Chien Kuo Mining Engineering Co., Ltd.” and “Guigang Chien Kuo Mining Engineering Co., Ltd.”.
2013	1. Sale of the equity interest in the subsidiary “Hesheng Mining Co., Ltd.”. 2. Established the subsidiary WeBIM Services Co., Ltd.
2014	1. Sale of equity interest in the invested subsidiary “Huizhou Chien Kuo Mining Co., Ltd.”. 2. The liquidation and dissolution of the invested subsidiary “Hefa Mining Co., Ltd.” were completed.
2015	1. Received the Excellence Award at the 2014 Taipei City Corporate Volunteering Award 2. Contracted for the construction of "Defu Ruiguang" and "Lè Architecture" and won the Excellent Unit Award at the “Construction Site - 7S Cleanliness Contest” held by Taipei City. 3. Contracted for the construction of Cathay Diamond Building and won the Excellent Unit Award at the 2014 MOL Occupational Safety and Health Unit Award.

Time	Overview
2016	1. Received three awards including Excellent Unit Award/Excellent Personnel Award/Innovative Occupational Safety Award at the Taipei City 2015 Labor Safety Award 2. Received Occupational Safety Model Award at the MOL 2015 Promotion of Occupational Safety and Health Award 3. Received Golden Stone Award and Golden Stone Grand Award at the 24th Chinese Golden Stone Award for Architecture regarding construction quality
2017	1. Received the Performance Award at the 2016 MOL Promotion of Occupational Safety and Health Award and Extraordinary Contribution Award and Distinctive Personnel Award at the 2016 Taipei City Labor Safety Award. 2. Received the Award for Respect and Keenness Toward Jobs at the 2016 New Taipei City Labor Safety Award. 3. The construction of the "Fulong Xikou" project won the Excellent Unit Award at the 2016 MOL Promotion of Occupational Safety and Health Award and the grand awards of Excellent Unit Award/Innovative Occupational Safety Award at the 2016 Taipei City Labor Safety Award. 4. The construction of "Defu Ruiguang" was awarded the Award for Outstanding Self-management of Construction Site at the 2016 Labor Safety Award. 5. The construction of the "Pinyang Xinzhuang" project won the Excellent Unit Award at the 2016 MOL Promotion of Occupational Safety and Health Award and the Excellent Unit Award at the 2016 New Taipei City Labor Safety Award. 6. The construction of the "Cathay Minsheng" project was awarded the Excellent Unit Award for 2016 awarded by Kaohsiung City Labor Bureau.
2018	1. The construction of the "Fubon Hotel" was awarded two awards, namely, National Excellent Unit Award by the Ministry of Labor of the Executive Yuan and the Excellent Promotion Unit Award at the Taipei City Labor Safety Award. 2. The construction of the "Xinzhuang Pinyang" project won two awards, namely, National Excellent Unit Award by the Ministry of Labor of the Executive Yuan and the Excellent Unit Award at the New Taipei City Labor Safety Award. 3. The construction of the "Zhonglu No. 2" social housing project was awarded the MOL Golden Safety Award for Public Construction. 4. The construction of the "Fubon Infinite" project was awarded the Excellent Construction Site for 2018 by the Kaohsiung Environmental Protection Bureau. 5. The construction of the "Ruiguang Public House" social housing project won the Excellent Unit Award for Implementation at the Taipei City Labor Safety Award.

Chapter 3 Corporate Governance Report

I. Organization

(I) Organizational Structure



(II) Major Business of the Major Departments

Department Name	Business
Chairman Office	1. Supervise and verify the operational performance of the Group and its various business segments. 2. Design and implement the business strategy of the Group and its various business segments. 3. Execute Board resolutions. 4. Maintain investor relations. 5. Design and implement corporate social responsibility (CSR), define corporate identity (CI), and maintain corporate image.
Construction Business	1. Contract for and construction of residential buildings, factory, technology buildings, office buildings, medical facilities, incinerators, large-scale industrial/commercial wholesale/shopping development projects. 2. Construction project management services. 3. Promote R&D works regarding new construction technology. 4. Architecture design; plan and implement the construction operation on a turnkey basis.
Concrete Business	1. Contract for the supply of concrete for government public construction, commercial buildings, residential buildings, industrial plants and other construction projects. 2. Innovative research and development of technology to improve the quality of concrete. 3. The development of new markets for concrete product supply, and investment in concrete production plants.
Human Resource Dept.	1. The establishment of human resources system, addition and supplementation of human power, education training and development, salary and wages, assessment and promotion, registration, editing and documentation of the Company’s personnel information. 2. Launch projects to promote the Company's vision and strategy - key performance evaluation, incentive rewards, occupational competence evaluation. 3. Establish a labor-management communication platform to maintain good labor-management relations, promote labor-management harmony and achieve a win-win situation for both parties. 4. Other personnel administration.
Information Dept.	1. Plan and implement the strategic development of enterprise-wide hardware and software. 2. Plan and implement relevant information security safeguards. 3. Build an ERP system and other services that are needed for future business development.
Finance and Accounting Dept.	1. Accounting works and preparation of financial statements, planning and treatment of taxation. 2. Prepare, execute and review the annual budget. 3. Fund planning and raising, daily financial operations, post-investment tracking management and other services. 4. Assist the business units in the feasibility assessment of new business development, return on investment and use of funds.

II. Information on the Directors, Supervisors, General Manager, Vice General Managers, Associate Managers, and Managerial Officers of Departments and Branch Offices

(I) Directors and Supervisors

1. Directors and Supervisors Information

April 23, 2019

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Inaugurated)	Tenure (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions Currently Held with the Company or Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship
Chairman	Republic of China (R.O.C.)	Jianhui Investment Co., Ltd. Representative: Chang-shiou WU	Male	2018.06.29	3	2012.06.18	54,195,416 300,000	16.21% 0.09%	54,295,416 300,000	16.24% 0.09%	0 2,000	0.00% 0.00%	0 0	0.00% 0.00%	Ph.D. Civil Engineering & Engineering Mechanics, University of Arizona (USA) General Manager of Pei-Fon Co. Ltd. (Shanghai) General Manager of Ruentex Resource Integration Co. Ltd. General Manager of Ruentex Engineering& Construction Co. Ltd.	General Manager of Chien Kuo Construction Co. Ltd. Chairman (corporate representative) of Shun Long International Electrical Engineering Co., Ltd. Director (corporate representative) of Chien Kuo Development Director (corporate representative) of Anping Real Estate Co., Ltd. Director of Silver Shadow Holdings Limited. Director of Golden Canyon Limited. Director of Chien Kuo Asia Co., Ltd. Director of Shun Long (Hong Kong) Director of Suzhou Chien Hua Concrete Co., Ltd.	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Inaugurated)	Tenure (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions Currently Held with the Company or Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship
																Director of Wuxi Chien Bang Concrete Co., Ltd. Director of Yangzhou Chien Yung Concrete Co., Ltd. Director of Jiangsu Shili Construction Co., Ltd. Director of Chien Kuo Construction Consultant (Kunshan) Co., Ltd. Director of Chien Ya (Nantong) Information Technology Consultant Co., Ltd. Director of Chien Ya (Yangzhou) Technology Consultant Co., Ltd.			
Vice Chairman	Republic of China (R.O.C.)	Chi-te CHEN	Male	2018.06.29	3	1988.04.27	20,307,858	6.07%	20,307,858	6.07%	2,627,091	0.79%	0	0.00%	MBA, University of Santa Clara, (USA)	Director (corporate representative), Taiwan Cement Corporation Chairman (corporate representative), Chia Hsin Property Management and Development Director, Chia Hsin Cement Corporation Chairman (corporate representative), Ruihui Corporation Chairman,	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Inaugurated)	Tenure (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions Currently Held with the Company or Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship
																Chien Hwei Investment Co.,Ltd. Chairman (corporate representative), Rock Publishing International Chairman (corporate representative), Chien Kuo Development Chairman (corporate representative), Anping Real Estate Co., Ltd. Director, Silver Shadow Holdings Co., Ltd. Director, Golden Canyon Co.,Ltd. Director, Chien Kuo Asia Co.,Ltd. Director, Shun Long (Hong Kong) Co., Ltd. Chairman, Chien Huei Cultural & Educational Foundation Chairman, Chien Kuo Foundation for Arts and Culture			
Director	Republic of China (R.O.C.)	Pang-yen YANG	Male	2018.06.29	3	2006.06.15	1,741,458	0.52%	1,741,458	0.52%	0	0.00%	0	0.00%	Master of Instrument Engineering, University of California (USA)	Chairman, Huacheng Capital Co., Ltd. Director (corporate representative), Antai International Investment Co., Ltd. Independent Director,	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Inaugurated)	Tenure (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions Currently Held with the Company or Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship
																CORETEK OPTO CORPORATION Director, Lian Chang Electronic Enterprise Co., Ltd. Director (corporate representative), Teco International Investment Co., Ltd Director, Chien Kuo Foundation For Arts And Culture Chairman (corporate representative), Huicheng Capital Co., Ltd. Director, YoungTek Electronics Corp.			
Director	Republic of China (R.O.C.)	Chien Hsiang Investment Co., Ltd. Representative: Jui-hsing TSAI	Male	2018.06.29	3	2015.06.22 2018.06.29	723,000 550,271	0.22% 0.16%	723,000 550,271	0.22% 0.16%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	Martin College DIPLOMA OF GRAPHIC DESIGN (MULTIMEDIA)	Chairman, Jianxin Construction Co., Ltd. Chairman, Chien Hsiang Development Co., Ltd. Director, Chien Hsiang Investment Co., Ltd. Supervisor, Chien Hsiang Construction Co., Ltd. Supervisor, Jixin Construction Co., Ltd.	-	-	-
Director	Republic of China (R.O.C.)	Tzu-chiang YANG	Male	2018.06.29	3	2012.06.18	0	0.00%	0	0.00%	61	0.00%	0	0.00%	PhD. Business Management,	Chairman (corporate representative),	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Inaugurated)	Tenure (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions Currently Held with the Company or Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship
															National Chengchi University MBA, University of Illinois at Urbana-Champaign, USA	Huihong Consulting Co., Ltd. Director (corporate representative), Huiyang Venture Capital Co., Ltd. General Manager, Huiyang Venture Capital Co., Ltd. Director, Asustek Computer Co., Ltd. Director, Airiti Inc. Director, Hongyang Health Care Co., Ltd. Independent Director, DBS Bank Director, Taiwan Stock Exchange Director, Pegatron Corporation Director, TTY Biopharm Company Limited Associate Professor, Department of Business Administration, National Chengchi University Director, Financial Literacy & Education Association			
Director	Republic of China (R.O.C.)	Chien Hui Investment Co., Ltd.	Male	2018.06.29	3	2012.06.18	54,195,416 0	16.21% 0.00%	54,295,416 0	16.24% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	Master of Business Administratio	General Manager of Construction	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Inaugurated)	Tenure (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions Currently Held with the Company or Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship
		Representative: Pai-tso SUN				2015.08.18									n, National Chengchi University Executive Deputy General Manager, Hong Pu Real Estate Development Co., Ltd. General Manager, Chien Kuo Asia Co.,Ltd.	Business of Chien Kuo Construction Co., Ltd. Supervisor (corporate representative), Hong Pu Real Estate Development Co., Ltd. General Manager, Chien Kuo Development General Manager, Anping Real Estate Co., Ltd. Director (corporate representative) of Shun Long International Electrical Engineering Co., Ltd. Director of Silver Shadow Holdings Co., Ltd. Director of Golden Canyon Co., Ltd. Director of Chien Kuo Asia Co., Ltd. Director, Chien Ya (Shanghai) Information Technology Co., Ltd.			
Director	Republic of China (R.O.C.)	Chung CHENG	Male	2018.06.29	3	2003.05.02	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Electrical and Computer Engineering, University of California (USA) MBA, University of Santa Clara (USA)	Director, China Real Estate Management Chairman (corporate representative), China Development Asset Management Co., Ltd.	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Inaugurated)	Tenure (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions Currently Held with the Company or Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship
																General Manager, Kang Ning Life Co., Ltd. Director, Keyware Electronics Co., Ltd. Director, Xu Chang Biotech Co., Ltd.			
Director	Republic of China (R.O.C.)	Chu-hsin LEE	Male	2018.06.29	3	2009.06.16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor of Electrical Engineering, National Chiao Tung University	Director, Perfect Corp. (Cayman) Director, Hongwell Co., Ltd.	-	-	-
Director	Republic of China (R.O.C.)	Yu-jui CHANG	Male	2018.06.29	3	2009.06.16	1,512,255	0.45%	1,512,255	0.45%	0	0.00%	0	0.00%	M.B.A., National Dong Hwa University	Deputy General Manager, Chuen Tung Shareholder Service Co., Ltd. Director Junyue Co., Ltd.	-	-	-
Director	Republic of China (R.O.C.)	Chi-hsin CHEN	Male	2018.06.29	3	2016.06.21	1,800,396	0.54%	1,800,396	0.54%	448	0.00%	0	0.00%	Kaohsiung Commercial and Industrial Vocational High School	Business Manager, Headway Group	-	-	-
Independent Director	Republic of China (R.O.C.)	Chin-pao TSAI	Male	2018.06.29	3	2018.06.29	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Accounting, National Chengchi University Master of Laws, National Chengchi University	Independent Director, ECOVE Environment Corporation Independent Director, Sunny Friend Environmental Technology Co., Ltd. Independent Director, TANVEX BIO PHARMA, INC. Adjunct Associate Professor, Department of Accounting, National	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Inaugurated)	Tenure (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions Currently Held with the Company or Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship
																Chengchi University Director, TIC Group Chairman (corporate representative), Jiaguang Development Industrial Co., Ltd. Chairman (corporate representative), Wonshida Development Industrial Co., Ltd. Director (corporate representative), TransGlobe Life Insurance Inc. Chairman (corporate representative), Orient Golf Co., Ltd. Director (corporate representative), FCB Leasing Director (corporate representative), FCB International Leasing,Ltd. Director (corporate representative), FCB Leasing (Xiamen)Ltd.			
Independent Director	Republic of China (R.O.C.)	Chen-yu FENG	Male	2018.06.29	3	2018.06.29	0	0.00%	0	0.00%	0	0.00%	0	0.00%	J.D., Cornell University(USA)	Joint Professor of the Department of Law of NCCU and NCCU Graduate Institute of Technology Innovation & Intellectual	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Inaugurated)	Tenure (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions Currently Held with the Company or Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship
																Property Management (TIIPM) Independent Director, Elitegroup Computer System Independent Director, OBI Pharma, Inc. Independent Director, Eurocharm Holdings Co., Ltd.			
Independent Director	Republic of China (R.O.C.)	Li-hsing I	Male	2018.06.29	3	2018.06.29	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Civil Engineering, University of Texas at Austin(USA)	Responsible person, Citygreat Information Technology Co., Ltd. Director, Taiwan Society Of Construction Engineers Adjunct Associate Professor, Tamkang University Consultant and Director, ASIA WORLD ENGINEERING & CONSTRUCTION CO.	-	-	-

2. Major corporate shareholders

April 23, 2019

Name of Corporate Shareholders	Major corporate shareholders	
	Shareholders	Shareholding Ratio (%)
Chien Hui Investment Co., Ltd.	Chi-te CHEN	89.25%
	Shen-yu PANG	9.63%
	Chen-ching CHEN	1.11%
	Chi-i CHEN	0.01%
Chien Hsiang Investment Co., Ltd.	Tzu-tsao TSAI	40.00%
	Jui-hsing TSAI	33.33%
	Jui-chung TSAI	20.00%
	Hsiao-hung CHU	6.67%

3. Directors Information

April 23, 2019

Criteria / Name	Possess Five Years of Work Experience and Meet One of the Following Professional Criteria			Compliance with Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Corporate Representative of Chien Hui Investment Co., Ltd.: Chang-shiou WU			✓			✓	✓	✓		✓	✓	✓		0
Chi-te CHEN			✓	✓					✓	✓	✓	✓	✓	0
Pan-yen YANG			✓	✓		✓	✓	✓		✓	✓	✓	✓	1
Tzu-chiang YANG	✓		✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	1
Corporate Representative of Chien Hsiang Investment Co., Ltd.: Jui-hsing TSAI			✓	✓	✓	✓	✓	✓		✓	✓	✓		0
Corporate Representative of Chien Hui Investment Co., Ltd.: Pai-tso SUN			✓			✓	✓	✓		✓	✓	✓		0
Chung CHENG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chu-hsin LEE			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chi-hsin CHEN			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yu-jui CHANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chin-pao TSAI	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Chen-yu FENG	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Li-hsing I	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick (□) the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

(1) Not an employee of the Company or any of its associates.

(2) Not a director or supervisor of the Company or any of its associates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any

subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or whose shareholding is ranked among the top 5.

(6) Not a shareholder that holds more than 5% of shares at the Company, nor a director, supervisor or manager of a specific company or institution that has financial or business correspondence with the Company.

(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or any of its associates, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee who exercises their powers as prescribed in Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Not a spouse or a relative within the second degree of kinship of other directors.

(9) Not having any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act

(10) Not elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.

(II) Information on the General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Supervisors of Departments and Branches

April 23, 2019

Title	Nationality	Name	Gender	Date Elected (Inaugurated)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions Currently Held with Other Companies	Managers who are a Spouse or a Relative Within Two Degrees of Kinship		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationships
General Manager	Republic of China (R.O.C.)	Chang-shiou WU	Male	2014.10.16	300,000	0.09%	2,000	0.00%	0	0.00%	Ph.D. Civil Engineering & Engineering Mechanics, University of Arizona (USA) General Manager of Pei-Fon Co. Ltd. (Shanghai) General Manager of Ruentex Resource Integration Co. Ltd. General Manager of Ruentex Engineering& Construction Co. Ltd.	Chairman (corporate representative) of Shun Long International Electrical Engineering Co., Ltd. Director (corporate representative) of Chien Kuo Development Director (corporate representative) of Anping Real Estate Co., Ltd. Director of Silver Shadow Holdings Co., Ltd. Director of Golden Canyon Co.,Ltd. Director of Chien Kuo Asia Co.,Ltd. Director of Shun Long (Hong Kong) Co., Ltd. Director of Suzhou Chien Hua Concrete Co., Ltd. Director of Wuxi Chien Bang Concrete Co., Ltd. Director of Yangzhou Chien Yung Concrete Co., Ltd. Director of Jiangsu Shili Construction Co., Ltd. Director of Chien Kuo Construction Consultant (Kunshan) Co., Ltd. Director of Chien Ya (Yangzhou) Technology Consultant Co., Ltd. Director of Chien Ya (Nantong) Information Technology Consultant Co., Ltd.	-	-	-
Chief Financial Officer	Republic of China (R.O.C.)	Pai-tso SUN (Note 1)	Male	2014.02.05	0	0.00%	0	0.00%	0	0.00%	Master of Business Administration, National Chengchi University Executive Deputy General Manager of Hong Pu Real Estate Development Co., Ltd. General Manager of Chien Kuo Asia Co.,Ltd.	Supervisor (corporate representative) of Hong Pu Real Estate Development Co., Ltd. Director of Silver Shadow Holdings Co., Ltd. Director of Golden Canyon Co.,Ltd. Director of Chien Kuo Asia Co.,Ltd. Director of Chien Ya (Shanghai) Information Technology Co., Ltd. Director (corporate representative) of Shun Long International Electrical Engineering Co., Ltd. General Manager of Chien Kuo Development General Manager of Anping Real Estate Co., Ltd.	-	-	-
General manager of the concrete business	Republic of China (R.O.C.)	Kuo-feng TING	Male	2015.07.01	154,552	0.05%	0	0.00%	0	0.00%	Master of Construction Management, New York Institute of Technology, USA Bai Yi Construction Group Pacific Engineers & Constructors, Ltd.	Director of Chien Ya (Shanghai) Information Technology Co., Ltd. Chairman and General Manager of Suzhou Chien Hua Concrete Co., Ltd. Chairman and General Manager of Wuxi Chien Bang Concrete Co., Ltd. Chairman and General Manager of Yangzhou Chien Yung Concrete Co., Ltd. Director and General Manager of Jiangsu Shili Construction Co., Ltd. Chairman and General Manager of Chien Kuo Construction Consultant (Kunshan) Co., Ltd. Chairman and General Manager of Chien Ya	-	-	-

Title	Nationality	Name	Gender	Date Elected (Inaugurated)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Positions Currently Held with Other Companies	Managers who are a Spouse or a Relative Within Two Degrees of Kinship		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationships
												(Yangzhou) Technology Consultant Co., Ltd. Chairman and General Manager of Chien Ya (Nantong) Information Technology Consultant Co., Ltd. Director of Changzhou Changlong Handling Co., Ltd.			
Consultant	Republic of China (R.O.C.)	Yi-hsin PANG	Male	2013.07.22	12,169	0.00%	6,929	0.00%	0	0.00%	MBA, California State University, Stanislaus (USA) Chief Financial Officer of Hongtai Enterprise Assistant General Manager of China Development Industrial Bank Vice General Manager of Dean Witter Reynolds Inc. USA	Supervisor of Shun Long International Electrical Engineering Co., Ltd.	-	-	-
Vice General Manager	Republic of China (R.O.C.)	Shu-fu HUANG (Note 2)	Male	2011.05.03	0	0.00%	0	0.00%	0	0.00%	Department of Civil Engineering, National Central University General Manager of Grand Union Construction Company Limited, Manager of Tuntex Construction	-	-	-	-
Vice General Manager	Republic of China (R.O.C.)	Meng-chung LEE (Note 3)	Male	2011.05.19	0	0.00%	0	0.00%	0	0.00%	Department of Architecture, Chung Yuan Christian University Director of Construction Engineering Division of Dharma Drum Mountain Humanities and Social Improvement Foundation General Counselor, Zongbo Hall, Construction Department, Rich Honour	Chairman and General Manager of WeBIM Services	-	-	-
Vice General Manager	Republic of China (R.O.C.)	Hsi-chun LIU	Male	2016.01.01	0	0.00%	0	0.00%	0	0.00%	Master of Civil Engineering, Tamkang University Business Manager of Tri Hope Creative Dev. Co. Ltd. Assistant General Manager, Real Estate Department, Nan Shan Life Insurance Company, Ltd. Special Assistant for Chairman of KENMEC MECHANICAL ENGINEERING CO., LTD. Special Assistant for Chairman of Great Construction System Inc. Special Assistant for Chairman of Centry Development Corporation	-	-	-	-
Vice General Manager	Republic of China (R.O.C.)	Kuan-chun CHANG	Male	2016.04.16	95,031	0.03%	0	0.00%	0	0.00%	Master of Civil Engineering, National Chiao Tung University San Ching Engineering Division Director of Yicheng Engineering Co., Ltd.	-	-	-	-
Vice General Manager	Republic of China (R.O.C.)	Wen-yun TIEN	Male	2016.04.16	0	0.00%	7,351	0.00%	0	0.00%	Department of Civil Engineering, Vanung University Manager of the Engineering Department, The Eslite Corporation Manager of the Engineering Department, Yaqing Construction Co., Ltd.	-	-	-	-

Title	Nationality	Name	Gender	Date Elected (Inaugurated)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Positions Currently Held with Other Companies	Managers who are a Spouse or a Relative Within Two Degrees of Kinship		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationships
											Te Chang Construction Co., LTD Pacific Construction Co., Ltd.				
Vice General Manager	Republic of China (R.O.C.)	Kuo-feng LIN	Male	2016.08.01	0	0.00%	0	0.00%	0	0.00%	Department of Civil Engineering, Feng Chia University Deputy Director of BES Engineering Co. Worksite Director, Continental Engineering Group Vice General Manager of Ruentex Engineering& Construction Co. Ltd.	-	-	-	-
Vice General Manager	Republic of China (R.O.C.)	Mao-sheng KAN (Note 4)	Male	2018.05.09	8,925	0.00%	0	0.00%	0	0.00%	Master of Construction Management, National Central University Assistant Manager of the Construction Department of Kedge Construction Co. Ltd. Assistant Manager of the Construction Department of Cianding Construction Co. Ltd.	-	-	-	-
Vice General Manager	Republic of China (R.O.C.)	Jun-kuang YANG (Note 5)	Male	2018.07.02	0	0.00%	0	0.00%	0	0.00%	Master of Civil Engineering, South Dakota School of Mines and Tech., U.S.A Quality Assurance Manager, Continental Engineering Group Assistant General Manager, Construction Management Department and Cost Management Department, Construction Division, Continental Engineering Group Assistant General Manager, Construction Project Department, Construction Division, Continental Engineering Group Assistant General Manager, Mining Department, Construction Division, Continental Engineering Group Indian Subsidiary, Overseas Division, Continental Engineering Group. Director-Central Services	Director (corporate representative) of WeBIM Services	-	-	-
Assistant General Manager	Republic of China (R.O.C.)	Cheng-te CHOU	Male	2008.03.28	60,654	0.02%	0	0.00%	0	0.00%	MBA, San Diego State University (USA) . Assistant General Manager, Auditing Office, Senao International Assistant General Manager, Auditing Office, Continental Engineering Group	Supervisor (corporate representative), Chien Kuo Development Supervisor (corporate representative), Anping Real Estate Co., Ltd.	-	-	-
Assistant General Manager	Republic of China (R.O.C.)	Ssu-chia KUNG	Female	2012.05.01	0	0.00%	0	0.00%	0	0.00%	Master of International FinanceUnited, University of Birmingham (United Kingdom) Associate Manager of Financial Planning Department of Far EasTone Telecommunications Co., Ltd. Assistant Manager of Funding and Investment Management Department of NCIC	Director (corporate representative) of Chien Kuo Development Director (corporate representative) of Shun Long International Electrical Engineering Co., Ltd. Supervisor of Suzhou Chien Hua Concrete Co., Ltd. Supervisor of Wuxi Chien Bang Concrete Co., Ltd. Supervisor of Yangzhou Chien Yung Concrete Co., Ltd. Supervisor of Jiangsu Shili Construction Co., Ltd. Supervisor of Chien Ya (Yangzhou) Technology Consultant Co., Ltd. Supervisor of Chien Ya (Nantong) Information	-	-	-

Title	Nationality	Name	Gender	Date Elected (Inaugurated)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Positions Currently Held with Other Companies	Managers who are a Spouse or a Relative Within Two Degrees of Kinship		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationships
												Technology Consultant Co., Ltd. Supervisor of Chien Kuo Construction Consultant (Kunshan) Co., Ltd. Director (corporate representative) of Anping Real Estate Co., Ltd. Director of Chien Ya (Shanghai) Information Technology Co., Ltd.			
Assistant General Manager	Republic of China (R.O.C.)	Shu-fen YANG	Female	2013.11.13	0	0.00%	0	0.00%	0	0.00%	Department of Accounting and Statistics, National Taipei University of Business Associate General Manager of the Accounting Department of Seednet Manager of the Accounting Department of NCIC	Supervisor of Chien Ya (Shanghai) Information Technology Co., Ltd. Supervisor of WeBIM Services	-	-	-

Note 1: Pai-tso SUN served as the chief financial officer on July 1, 2018.

Note 2: Shu-fu HUANG was dismissed at May 8, 2018.

Note 3: Meng-chung LEE was dismissed at March 19, 2019.

Note 4: Mao-sheng KAN served as vice general manager on May 1, 2018.

Note 5: Jun-kuang YANG served as vice general manager at July 2, 2018.

III. Remuneration to Directors, Supervisors, General Managers and Vice General Managers in the Most Recent Year

(I)

1. Remuneration Paid to Directors (Including Independent Directors)

Unit: NT$ Thousand

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration to Directors</th><th colspan="2" rowspan="2">(A+B+C+D) as a % of Net Income (Note 10)</th><th colspan="8">Relevant Remuneration Received by a Director Who is Also an Employee of the Company</th><th colspan="2" rowspan="2">(A+B+C+D+E+F+G) as a % of Net Income (Note 10)</th><th rowspan="4">Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 11)</th></tr>
<tr><th colspan="2">Base Compensation (A) (Note 2)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonus to Directors (C) (Note 3)</th><th colspan="2">Allowances (D (Note 4)</th><th colspan="2">Salary, Bonuses, and Allowances (E) (Note 5)</th><th colspan="2">Severance Pay (F)</th><th colspan="4">Employee Compensation (G) (Note 6)</th></tr>
<tr><th rowspan="2">From the Company</th><th rowspan="2">From companies in the consolidated financial statements (Note 7)</th><th rowspan="2">From the Company</th><th rowspan="2">From companies in the consolidated financial statements (Note 7)</th><th rowspan="2">From the Company</th><th rowspan="2">From companies in the consolidated financial statements (Note 7)</th><th rowspan="2">From the Company</th><th rowspan="2">From companies in the consolidated financial statements (Note 7)</th><th rowspan="2">From the Company</th><th rowspan="2">From companies in the consolidated financial statements (Note 7)</th><th rowspan="2">From the Company</th><th rowspan="2">From companies in the consolidated financial statements (Note 7)</th><th rowspan="2">From the Company</th><th rowspan="2">From companies in the consolidated financial statements (Note 7)</th><th colspan="2">From the Company</th><th colspan="2">From companies in the consolidated financial statements (Note 7)</th><th rowspan="2">From the Company</th><th rowspan="2">From companies in the consolidated financial statements (Note 7)</th></tr>
<tr><th>Amount in Cash</th><th>Amount in Stock</th><th>Amount in Cash</th><th>Amount in Stock</th></tr>
<tr><td>Chairman (Note 12)</td><td>Chien Hwei Investment Co.,Ltd. Representative: Chang-shiou WU</td><td rowspan="6">3,780</td><td rowspan="6">3,780</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">9,200</td><td rowspan="6">9,200</td><td rowspan="6">198</td><td rowspan="6">198</td><td rowspan="6">6.41%</td><td rowspan="6">6.41%</td><td rowspan="6">10,322</td><td rowspan="6">14,219</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">8</td><td rowspan="6">0</td><td rowspan="6">8</td><td rowspan="6">0</td><td rowspan="6">11.43%</td><td rowspan="6">13.32%</td><td rowspan="6">None</td></tr>
<tr><td>Vice Chairman (Note 13)</td><td>Chi-te CHEN</td></tr>
<tr><td>Director</td><td>Pan-yen YANG</td></tr>
<tr><td>Corporate Director</td><td>Chien Hsiang Investment Co., Ltd.</td></tr>
<tr><td>Director</td><td>Tzu-chiang YANG</td></tr>
<tr><td>Juristic-person Director</td><td>Chien Hwei Investment Co.,Ltd. Representative: Pai-tso SUN</td></tr>
</table>

Juristic-person Director (Note 14)	Chien Hwei Investment Co.,Ltd. Representative: Pei-lun SSU																					
Director (Note 15)	Chung CHENG																					
Director (Note 16)	Chu-hsin LEE																					
Director (Note 17)	Yu-jui CHANG																					
Director (Note 18)	Chi-hsin CHEN																					
Independent Director (Note 19)	Chin-pao TSAI																					
Independent Director (Note 20)	Chen-yu FENG																					
Independent Director (Note 21)	Li-hsing I																					
*Other than disclosure in the above table, Directors' remunerations earned by providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the 2018 financial statements: None																						

Please refer to the notes on the following page.

Range of Remuneration

Range of Remuneration Paid to the Company's Directors	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	From the Company (Note 8)	From companies in the consolidated financial statements (Note 9) H	From the Company (Note 8)	From companies in the consolidated financial statements (Note 9) I
Under NT$ 2,000,000	Chi-te CHEN Pan-yen YANG Tzu-chiang YANG Chung CHENG Chu-hsin LEE Yu-jui CHANG Chi-hsin CHEN Chin-pao TSAI Chen-yu FENG Li-hsing I Chien Hwei Investment Co.,Ltd. Represented by Chang-shiou WU, Pai-tso SUN, Pei-lun SSU Chien Hsiang Investment Co., Ltd. Represented by Tzu-tsao TSAI, Jui-hsing TSAI	Chi-te CHEN Pan-yen YANG Tzu-chiang YANG Chung CHENG Chu-hsin LEE Yu-jui CHANG Chi-hsin CHEN Chin-pao TSAI Chen-yu FENG Li-hsing I Chien Hwei Investment Co.,Ltd. Represented by Chang-shiou WU, Pai-tso SUN, Pei-lun SSU Chien Hsiang Investment Co., Ltd. Represented by Tzu-tsao TSAI, Jui-hsing TSAI	Chi-te CHEN Pan-yen YANG Tzu-chiang YANG Chung CHENG Chu-hsin LEE Yu-jui CHANG Chi-hsin CHEN Chin-pao TSAI Chen-yu FENG Li-hsing I Chien Hwei Investment Co.,Ltd. Represented by Pei-lun SSU Chien Hsiang Investment Co., Ltd. Represented by Tzu-tsao TSAI, Jui-hsing TSAI	Chi-te CHEN Pan-yen YANG Tzu-chiang YANG Chung CHENG Chu-hsin LEE Yu-jui CHANG Chi-hsin CHEN Chin-pao TSAI Chen-yu FENG Li-hsing I Chien Hwei Investment Co.,Ltd. Represented by Pei-lun SSU Chien Hsiang Investment Co., Ltd. Represented by Tzu-tsao TSAI, Jui-hsing TSAI
NT$2,000,000 ~ NT$4,999,999	-	-	Chien Hwei Investment Co.,Ltd. Represented by Pai-tso SUN	Chien Hwei Investment Co.,Ltd. Represented by Pai-tso SUN
NT$5,000,000 ~ NT$9,999,999	-	-	Chien Hwei Investment Co.,Ltd. Represented by Chang-shiou WU	-
NT$10,000,000 ~ NT$14,999,999	-	-	-	Chien Hwei Investment Co.,Ltd. Represented by Chang-shiou WU
NT$15,000,000 ~ NT$29,999,999	-	-	-	-
NT$30,000,000 ~ NT$49,999,999	-	-	-	-
NT$50,000,000 ~ NT$99,999,999	-	-	-	-
NT$100,000,000 or above	-	-	-	-
Total	15	15	15	15

Note 1: The name of directors shall be listed separately (for corporate shareholders, the names of such corporate shareholders and their representatives shall be listed separately), and the various payments shall be disclosed in aggregate.

Note 2: Refereed to the remuneration paid to directors in 2018 (including their salaries, duty allowance, severance payments, bonuses, and performance rewards).

Note 3: The remuneration paid to directors in 2018 was NT$9,200 thousand as resolved by the Company's Board Meeting on March 28, 2019; such amount for distribution was estimated in accordance with the Company's Regulations Governing Allocation and Payment of Remuneration to Directors.

Note 4: Business expenses paid out to directors in 2018 (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods such as cars). Excluding the one company car and one driver provided by the Company. The car leasing expenses for the year totaled NT$1,006 thousand.

Note 5: Referred to the remuneration paid to directors in 2018 who simultaneously held another position in the Company (as a General Manager, Vice General Manager, manager, or an employee), including salaries, duty allowances, severance payments, bonuses, performance rewards, transport fees, special expenses, various allowances, accommodation, and provision of physical items such as a car.) Excluding the one company car provided by the Company. The car leasing expenses for the year totaled NT$576 thousand. The salary expenses recognized in accordance with IFRS 2 "Share-based Payment", including the acquisition of employee stock option certificates and restricted stock awards (RSA), and participation in subscription of new shares in a capital increase by cash, shall also be accounted for as remuneration.

Note 6: Referred to the employee compensation (including cash and stock) received by a director who simultaneously held another position in the Company (as a general manager, vice general manager, manager, and an employee.) Such amount for distribution was estimated in accordance with the Company's Regulations Governing Employee Compensation, as well as individual performance.

Note 7: Total remuneration in various items paid out to the Company's directors by all companies (including the Company) listed in the consolidated statements shall be disclosed.

Note 8: For the total remuneration in various items paid out to the Company's directors, the name of each director shall be disclosed in the corresponding range of the remuneration.

Note 9: It is required to disclose the various remuneration in the aggregate paid by the Company and all consolidated entities to each director, whose name is also required to be disclosed in the range of remuneration to which they belong.

Note 10: The Company's net income for 2018 was NT$205,671 thousand; for those who have adopted IFRS, the term "net income" denotes the net income as stated on the standalone/individual financial statements for the most recent annual period.

Note 11: a. Compensations received by the directors from other non-subsidiary companies invested by the Company shall be disclosed in this column.

b. Where a director has received compensation from an investee other than the Company's subsidiaries, such remuneration shall be consolidated into column I of the Table of Remuneration Range, which column shall then be changed to the title of “All Reinvestment”.

c. Remuneration denotes the rewards, compensation (including compensation for an employee, a director and a supervisor) and related remuneration in connection with business expenses that are paid to one of the Company’s directors who serves as a director, supervisor or manager for an investee other than the Company’s subsidiaries.

Note 12: Director Mr. Chang-shiou WU has served as Chairman of the Board since June 29, 2018.

Note 13: Director Mr. Chi-te CHEN has served as Vice Chairman of the Board since June 29, 2018.

Note 14: Director Mr. Pei-lun SSU, the representative of the Chien Hui Investment Co. Ltd., resigned on June 29, 2018.

Note 15: Independent director Mr. Chung CHENG Wu has been elected director since June 29, 2018.

Note 16: Independent director Mr. Chu-hsin LEE has been elected director since June 29, 2018.

Note 17: Independent director Mr. Yu-jui CHANG has been elected director since June 29, 2018.

Note 18: Supervisor Mr. Chi-hsin CHEN has been elected director since June 29, 2018.

Note 19: Mr. Chin-pao TSAI has been elected independent director since June 29, 2018.

Note 20: Mr. Chen-yu FENG has been elected independent director since June 29, 2018.

Note 21: Mr. Li-hsing I has been elected independent director since June 29, 2018.

＊ Since the contents of the remuneration disclosed in this table are different from the concept of income used in the Income Tax Act, the purpose of this table is for disclosure, not for taxation uses.

2. Remuneration Paid to Supervisors

Unit: NT$ Thousand

Title	Name	Remuneration Paid to Supervisors						(A+B+C) as a % of Net Income (Note 8)		Compensation Paid to Directors from an Investee Other than the Company's Subsidiary (Note 9)
		Base Compensation (A) (Note 2)		Bonus to Supervisors (B) (Note 3)		Allowances (C) (Note 4)				
		From the Company	From companies in the consolidated financial statements (Note 5)	From the Company	From companies in the consolidated financial statements (Note 5)	From the Company	From companies in the consolidated financial statements (Note 5)	From the Company	From companies in the consolidated financial statements (Note 5)	
Supervisor	Yu-jui CHANG (Note 10)	240	240	0	0	8	8	0.12%	0.12%	None
Supervisor	Chi-hsin CHEN (Note 11)									

Range of Remuneration

Range of Remuneration Paid to the Company's Supervisors	Name of Supervisor	
	Total of (A+B+C)	
	From the Company (Note 6)	From companies in the consolidated financial statements (Note 7) D
Under NT$ 2,000,000	Yu-jui CHANG Chi-hsin CHEN	Yu-jui CHANG Chi-hsin CHEN
NT$2,000,000 ~ NT$4,999,999	-	-
NT$5,000,000 ~ NT$9,999,999	-	-
NT$10,000,000 ~ NT$14,999,999	-	-
NT$15,000,000 ~ NT$29,999,999	-	-
NT$30,000,000 ~ NT$49,999,999	-	-
NT$5,000,000 ~ NT$9,999,999	-	-
NT$100,000,000 or above	-	-
Total	2	2

Note 1: The name of supervisors shall be listed separately (for corporate shareholders, the names of such corporate shareholders and their representatives shall be listed separately), and the various payments shall be disclosed in the aggregate.

Note 2: Refereed to the remuneration paid to supervisors in 2018 (including their salaries, duty allowance, severance payments, bonuses, and performance rewards).

Note 3: The remuneration paid to directors in 2018 was NT$9,200 thousand as resolved by the Company's Board Meeting on March 28, 2019; such amount for distribution was estimated in accordance with the Company's Regulations Governing Allocation and Payment of Remuneration to Directors.

Note 4: Business expenses paid out to directors in 2018 (including transport, special expenses, various allowances, accommodation, and provision of physical goods such as cars). In the case of the provision of housing, motor vehicles and other means of transport or exclusive individual expenses, the nature and cost of the assets provided, the actual lease payment or lease payment measured at fair market value, oil and other payments shall be disclosed. If there is a driver, please note the Company's payment for the driver, which shall not be included in the remuneration.

Note 5: Total remuneration in various items paid out to the Company's supervisors by all companies (including the Company) listed in the consolidated statement shall be disclosed.

Note 6: For the total remuneration in various items paid out to the Company's supervisors, the name of each supervisor shall be disclosed in the corresponding range of the remuneration.

Note 7: It is required to disclose the various remuneration in the aggregate paid by the Company and all consolidated entities to each supervisor, whose name is also required to be disclosed in the range of remuneration to which they belong.

Note 8: The Company's net income for 2018 was NT$205,671 thousand; for those who have adopted IFRS, the term "net income" denotes the net income as stated on the standalone/individual financial statements for the most recent annual period.

Note 9: a. Compensations received by a supervisor from an investee other than the Company's subsidiaries shall be disclosed in this column.

b. Where a supervisor has received compensation from an investee other than the Company's subsidiaries, such remuneration shall be consolidated into column D of the Table of Remuneration Range, which column shall then be changed to the title of "All Reinvestment".

c. Remuneration denotes the rewards, compensation (including compensation for an employee, a director and a supervisor) and related remuneration in connection with business expenses that are paid to one of the Company's supervisors who serves as a director, supervisor or manager for an investee other than the Company's subsidiaries.

Note 10: Independent director Mr. Yu-jui CHANG has been elected director since June 29, 2018.

Note 11: Supervisor Mr. Chi-hsin CHEN has been elected director since June 29, 2018.

＊ Since the contents of the remuneration disclosed in this table are different from the concept of income used in the Income Tax Act, the purpose of this table is for disclosure, not for taxation uses.

3. Compensation Paid to General Managers and Vice General Manager

Unit: NT$ Thousand

Title (Note 1)	Name (Note 1)	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Profit Sharing- Employee Bonus (D) (Note 4)				(A+B+C+D) as a % of Net Income (Note 8)		Compensation Received from an Investee Other than the Company's Subsidiary (Note 9)
		From the Company	From companies in the consolidated financial statements (Note 5)	From the Company	From companies in the consolidated financial statements (Note 5)	From the Company	From companies in the consolidated financial statements (Note 5)	From the Company		From companies in the consolidated financial statements (Note 5)		From the Company	From companies in the consolidated financial statements (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
General Manager	Chang-shiou WU													
Chief Financial Officer (Note 10)	Pai-tso SUN													
Concrete Business General Manager	Kuo-feng TING													
Consultant	Yi-hsin PANG													
Vice General Manager (Note 11)	Shu-fu HUANG	18,817	22,817	0	0	9,260	12,217	38	0	42	0	13.67%	17.05%	None
Vice General Manager (Note 12)	Meng-chung LEE													
Vice General Manager	Hsi-chun LIU													
Vice General Manager	Kuan-chun CHANG													
Vice	Wen-yun													

Title (Note 1)	Name (Note 1)	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Profit Sharing- Employee Bonus (D) (Note 4)				(A+B+C+D) as a % of Net Income (Note 8)		Compensation Received from an Investee Other than the Company's Subsidiary (Note 9)
		From the Company	From companies in the consolidated financial statements (Note 5)	From the Company	From companies in the consolidated financial statements (Note 5)	From the Company	From companies in the consolidated financial statements (Note 5)	From the Company		From companies in the consolidated financial statements (Note 5)		From the Company	From companies in the consolidated financial statements (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
General Manager	TIEN													
Vice General Manager	Kuo-feng LIN													
Vice General Manager (Note 13)	Mao-sheng KAN													
Vice General Manager (Note 14)	Jun-kuang YANG													

∗ Regardless of the title, any position equivalent to the general manager or vice general manager (for example: president, CEO, chief operational officer...etc.) shall also be disclosed.

Range of Remuneration

Range of Remuneration Paid to the General Manager and Vice General Managers	Name of General Manager and Vice General Managers	
	From the Company (Note 6)	From companies in the consolidated financial statements (Note 7)
Under NT$ 2,000,000	Shu-fu HUANG Mao-sheng KAN Jun-kuang YANG	Shu-fu HUANG Mao-sheng KAN Jun-kuang YANG
NT$2,000,000 ~ NT$4,999,999	Pai-tso SUN Meng-chung LEE Yi-hsin PANG Hsi-chun LIU Kuan-chun CHANG Kuo-feng LIN Wen-yun TIEN	Pai-tso SUN Meng-chung LEE Yi-hsin PANG Hsi-chun LIU Kuan-chun CHANG Kuo-feng LIN Wen-yun TIEN Kuo-feng TING
NT$5,000,000 ~ NT$9,999,999	Chang-shiou WU	-
NT$10,000,000 ~ NT$14,999,999	-	Chang-shiou WU
NT$15,000,000 ~ NT$29,999,999	-	-
NT$30,000,000 ~ NT$49,999,999	-	-
NT$5,000,000 ~ NT$9,999,999	-	-
NT$100,000,000 or above	-	-
Total	11	12

Note 1: The names of general manager and vice general managers shall be listed separately and the payments shall be disclosed collectively.

Note 2: Referred to the salary, duty allowances and severance payments paid to the general manager or vice general manager in 2018.

Note 3: Referred to the compensation paid to general managers or vice general managers, namely bonuses, performance rewards, transport fees, special allowances, other allowances, accommodation, provision of physical items such as a car, and other compensation. Excluding the one company car provided by the Company. The car leasing expenses for the year totaled NT$576 thousand. The salary expenses recognized in accordance with IFRS 2 “Share-based Payment”, including the acquisition of employee stock option certificates and restricted stock awards (RSA), and participation in subscription of new shares in a capital increase by cash, shall also be accounted for as remuneration.

Note 4: The compensation paid to employees in 2018 was NT$9,200 thousand as resolved by the Company’s Board Meeting on March 28, 2019; such amount for distribution was estimated in accordance with the Company’s Regulations Governing Employee Compensation, as well as personal performance. “Net income” refers to the Company’s net income for 2018 in the amount of NT$205,671 thousand; for those who have adopted IFRS, the term “net income” denotes the net income as stated on the standalone/individual financial statements for the most recent annual period.

Note 5: Total compensations of various items paid out to this Company's general managers and vice general managers by all companies (including the Company) listed in the consolidated financial statements shall be disclosed.

Note 6: Names and the of the Company's general managers and vice general managers shall be disclosed in the range corresponding to the total of compensations paid to them. The names of the general manager and vice general managers shall also be disclosed in the proper compensation range.

Note 7: Total compensation of various items paid to every general manager and vice general manager of the

Company by all companies (including the Company) listed in the consolidated financial statements shall be disclosed. The name of the general manager and vice general manager shall also be disclosed in the proper compensation range.

Note 8: "Net income" refers to the net income for the most recent year; for those who have adopted IFRS, the term "net income" denotes the net income as stated on the standalone/individual financial statements for the most recent annual period.

Note 9: a. Compensations of the Company's general manager and vice general managers received from investees other than the Company's subsidiaries shall be disclosed in this column.

b. Where a general manager or vice general manager has received compensation from an investee other than the Company's subsidiaries, such compensation shall be consolidated into column E of the Table of Remuneration Range, which column shall then be changed to the title of "All Reinvestment".

c. Compensation denotes the rewards, compensation (including compensation for an employee, a director and a supervisor) and related compensation in connection with business expenses that are paid to one of the Company's general manager or vice general manager who serves as a director, supervisor or manager for an investee other than the Company's subsidiaries.

Note 10: Pai-tso SUN served as the chief financial officer on July 1, 2018.

Note 11: Shu-fu HUANG was dismissed at May 8, 2018.

Note 12: Meng-chung LEE was dismissed at March 19, 2019.

Note 13: Mao-sheng KAN served as vice general manager on May 1, 2018.

Note 14: Jun-kuang YANG served as vice general manager on July 2, 2018.

＊ Since the contents of the remuneration disclosed in this table are different from the concept of income used in the Income Tax Act, the purpose of this table is for disclosure, not for taxation uses.

4. Names of Managers Who Distributed Employee Compensation and the Status of Distribution

April 23, 2019

Unit: NT$ Thousand

	Title (Note 1)	Name (Note 1)	Amount in Stock	Amount in Cash	Total	Total amount as a percentage of net income (%)
Manager:	General Manager	Chang-shiou WU	0	56	56	0.03%
	Chief Financial Officer (Note 3)	Pai-tso SUN				
	General manager of the concrete business	Kuo-feng TING				
	Consultant	Yi-hsin PANG				
	Vice General Manager (Note 4)	Shu-fu HUANG				
	Vice General Manager (Note 5)	Meng-chung LEE				
	Vice General Manager	Hsi-chun LIU				
	Vice General Manager	Wen-yun TIEN				
	Vice General Manager	Kuan-chun CHANG				
	Vice General Manager	Kuo-feng LIN				
	Vice General Manager (Note 6)	Mao-sheng KAN				
	Vice General Manager (Note 7)	Jun-kuang YANG				
	Assistant General Manager	Cheng-te CHOU				
	Assistant General Manager	Ssu-chia KUNG				
	Assistant General Manager	Shu-fen YANG				

Note 1: Individual names and titles shall be disclosed, whereas earnings distribution may be disclosed in the aggregate.

Note 2: The compensation paid to employees in 2018 was NT$9,200 thousand as resolved by the Company's Board Meeting on March 28, 2019; such amount for distribution was estimated in accordance with the Company's Regulations Governing Employee Compensation, as well as personal performance. "Net income" refers to the Company's net income for 2018 in the amount of NT$205,671 thousand; for those who have adopted IFRS, the term "net income" denotes the net income as stated on the standalone/individual financial statements for the most recent annual period.

Note 3: Pai-tso SUN served as the chief financial officer on July 1, 2018.

Note 4: Shu-fu HUANG was dismissed at May 8, 2018.

Note 5: Meng-chung LEE was dismissed at March 19, 2018.

Note 6: Mao-sheng KAN served as vice general manager on May 1, 2018.

Note 7: Jun-kuang YANG served as vice general manager at July 2, 2018.

(II) Separately compare and describe total remuneration, as a percentage of net income, as paid by the Company and by all companies included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and vice general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

Title	2017 Ratio of Total Remuneration to Net Income, Which Remuneration Was Paid to the Company's Directors, Supervisors, General Managers and Vice General Managers by the Company and All Consolidated Entities	2018 Ratio of Total Remuneration to Net Income, Which Remuneration Was Paid to the Company's Directors, Supervisors, General Managers and Vice General Managers by the Company and All Consolidated Entities
Director	11.60%	13.33%
Supervisor	0.89%	0.12%
General Manager and Vice General Managers	18.59%	17.06%

The policy on distribution of remuneration to directors and supervisors is set forth in the Company's Articles of Incorporation and was approved by the Shareholders' Meeting; the means of payment by which remuneration to the general manager and vice general managers are paid was conducted in accordance with the Company's Regulations Governing Management of Salaries and Wages and other related regulations.

IV. Implementation of Corporate Governance

(I) Implementation Status of the Board of Directors

In 2018, the Company held a total of 6 Board Meetings, attended (presented) by directors and supervisors as listed below:

Title	Name (Note 1)	Number of Times of Attendance (Presence) in Person	Number of Times of Proxy Attendance	Attendance (Presence) Rate (%) (Note 2)	Note
Chairman	Representative of Chien Hui Investment Co., Ltd.: Chang-shiou WU	6	0	100%	Formerly a director; Re-elected chairman of the board on June 29, 2018 when he was a corporate representative.
Vice Chairman	Chi-te CHEN	6	0	100%	Formerly chairman of the board; Re-elected vice chairman of the board on June 29, 2018.
Director	Pan-yen YANG	6	0	100%	Formerly vice chairman of the board; Re-elected director on June 29, 2018.
Director	Chien Hsiang Investment Co., Ltd.	0	0	0%	Resigned on June 29, 2018
Director	Representative of Chien Hsiang Investment Co., Ltd.: Jui-hsing TSAI	4	0	100%	Newly elected on June 29, 2018
Director	Tzu-chiang YANG	3	3	50%	Re-elected on June 29, 2018
Director	Chien Hwei Investment Co., Ltd Representative: Pei-lun SSU	0	2	0%	Resigned on June 29, 2018
Director	Chien Hwei Investment Co., Ltd Representative: Pai-tso SUN	6	0	100%	Re-elected on June 29, 2018
Director	Chung CHENG	3	2	50%	Formerly an independent director; Re-elected director on June 29, 2018.
Director	Chu-hsin LEE	6	0	100%	Formerly an independent director; Re-elected director on June 29, 2018.
Director	Chi-hsin CHEN	5	1	83%	Formerly a supervisor; Re-elected director on June 29, 2018.
Director	Yu-jui CHANG	5	1	83%	Formerly a supervisor; Re-elected director on June 29, 2018.
Independent Director	Chin-pao TSAI	4	0	100%	Newly elected on June 29, 2018

Independent Director	Chen-yu FENG	4	0	100%	Newly elected on June 29, 2018
Independent Director	Li-hsing I	3	1	75%	1. Newly elected on June 29, 2018 2. Independent director Chin-pao TSAI was delegated as a proxy to attend the 4th Board Meeting of 2018.

Other Required Disclosure:

I. Among the six board meetings held in 2018, each was attended by at least one independent director, either in person or by proxy of another independent director. For details of such proxy, please refer to the notes in the above columns.

II. In case any of the following circumstances occur at the Board Meeting, it is required to clearly specify the meeting date, meeting session, meeting content, opinions of all independent directors, and the Company's response thereto:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act.

(II) Board resolution to which an independent director objects or for which an independent director has a qualified opinion, either in the documentation or in writing, in addition to matters stated in the preceding subparagraph. Independent directors who attended the Board Meeting, either in person or by proxy, did not have any objection to or qualified opinion for any of the proposals.

III. Implementation Status of Directors' Avoidance of Meetings Due to Conflicts of Interests:

1. Due to conflict-of-interest concerns, Chairman Chen and Vice Chairman Yang, who were directors of Chien Kuo Foundation For Arts And Culture, avoided the 18th Board Meeting of the 20th session of Board of Directors, where the proposal to donate such a foundation was offered. Such a proposal was presided over by independent director Chu-hsin LEE by proxy and was approved by the rest of the directors present as it had been proposed.
2. The proposal at the 1st Board Meeting of the 21st session of Board of Directors to recruit members of the 4th Remuneration Committee, for which independent directors Mr. Chin-pao TSAI, Mr. Chen-yu FENG and Mr. Li-hsing I had avoided the voting due to conflicts of interest concerns, was approved by all other directors present as it had been proposed.
3. The proposal at the 1st Board Meeting of the 21st session of Board of Directors to recruit the general manager of the Company, for which director Chang-shiou WU had avoided the voting due to conflicts of interest concerns, was approved by all other directors present as it had been proposed.
4. The proposal at the 2nd Board Meeting of the 21st session of Board of Directors to fix the remuneration for a director who is a concurrent general manager of the Company, for which director Chang-shiou WU had avoided the voting due to conflicts of interest concerns, was presided by vice chairman Chi-te CHEN by proxy, and was approved by all other directors present as it had been proposed.
5. The proposal at the 3rd Board Meeting of the 21st session of Board of Directors to appoint members of the Strategic Committee, on which independent director Chin-pao TSAI, Mr. Kua-teng SU, directors Chi-te CHEN, Pan-yen YANG and Chang-shiou WU had avoided the discussion due to conflicts of interest concerns, was presided by director Tzu-chiang YANG by proxy and approved by all other directors present as it had been proposed.
6. The proposal at the 4th Board Meeting of the 21st session of Board of Directors to fix the incentive bonus for a departmental manager, on which director Chang-shiou WU had avoided the discussion due to conflicts of interest concerns, was presided by vice chairman Chi-te CHEN by proxy and approved as it had been proposed by all other directors attending the meeting, either in person or by proxy.

IV. The objectives of strengthening the competence functions of the Board of Directors in the current and the most recent annual periods (such as setting up an Audit Committee, improving information transparency, etc.) and assessment of the implementation status:

(I) Members of the Company's Board of Directors, who value diversified elements and possess the knowledge, skills and literacy required for their jobs, regularly hear the report from the management team and give instruction and suggestion, communicating with the management team well and thus maximizing shareholders interests. There were 6 Board Meetings held in 2018, where

	information transparency was evident in that all critical resolutions were posted onto the MOPS according to law.
(II)	The Company held the Shareholders' Meeting on June 29, 2018, in which re-election for directors was held and the Audit Committee established.
(III)	In order to strengthen the efficiency of corporate decision-making, the Company established the Strategic Committee at the 3rd Board Meeting, the 21st session of the Board of Directors on November 8, 2018.

Note 1: Where a director or a supervisor is a corporation, disclose the names of such a corporate shareholder and its representative.

Note 2: (1) Where a director or a supervisor resigns before the end of the annual period, the note column shall be annotated with the date of resignation. Actual attendance (presence) rate (%) shall be calculated as at the number of times of attendance (presence) in person divided by the number of Board Meetings held during his/her term of service.

(2) Where an election of directors or supervisors is held before the end of the annual period, list the names of both the incoming and outgoing directors or supervisors in the note column with annotations specifying whether the directors or supervisors are outgoing, incoming or re-elected, as well as the date of the election. Actual attendance (presence) rate (%) shall be calculated as at the number of times of attendance (presence) in person divided by the number of Board Meetings held during his/her term of service.

(II) The operation status of the Audit Committee or the supervisors' participation in the operation of the board

1. Operation Status of the Audit Committee: The 1st Audit Committee was established by the Company at the 1st Board Meeting of the 21st session of the Board of Directors on June 29, 2018.
2. The main purpose of the operation of the committee is to supervise the following matters:
   (1) Fair expression of the Company's financial statements.
   (2) Appointment (Dismissal) of the Company's CPAs and their independence and performance.
   (3) Effective implementation of internal control of the Company.
   (4) The Company's compliance with relevant laws and regulations.
   (5) Management of the existing or potential risks of the Company.
3. The committee has power over the following matters:
   (1) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
   (2) Assessment of the effectiveness of the internal control system.
   (3) The adoption of or amendment to the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act.
   (4) Matters in which a director is an interested party.
   (5) Asset transactions or derivatives trading of a material nature.
   (6) Loans of funds, endorsements, or provision of guarantees of a material nature.
   (7) The offering, issuance, or private placement of equity-type securities.
   (8) The hiring or dismissal of a certified public accountant, or their compensation.
   (9) The appointment or discharge of a financial, accounting, or internal audit officer.
   (10) Annual financial statements and semi-annual financial statements.
   (11) Other material matters as may be required by the Company or by the competent authority.

4. In 2018 the Audit Committee held 3 meetings (A), in which the attendance and presence of independent directors are stated as below:

Title	Name	Times of Attendance in Person (B)	Times of Proxy Attendance	Rate of Attendance in Person (%) (B/A) (Note)	Note
Independent Director	Chin-pao TSAI	3	-	100%	Newly elected on June 29, 2018
Independent Director	Chen-yu FENG	3	-	100%	Newly elected on June 29, 2018
Independent Director	Li-hsing I	2	1	67%	Newly elected on June 29, 2018

Other Required Disclosure:

I. In case any of the following circumstances occur at the operation of the Audit Committee, it is required to clearly specify the Board meeting date, meeting session, meeting content, resolutions by the Audit Committee and the Company's response thereto:

(I) Matters enumerated in Article 14-5 of the Securities and Exchange Act.

Date	Session	Meeting Content	Resolution	Company's Handling of the Opinions of the Audit Committee
August 9, 2018	1st Time, 1st Session	The Company's financial statements for the six-month period ended June 30, 2018. The proposal to sell the equity of the China investee, Nantong Chien Cheng Concrete Co., Ltd. Proposal to endorse/guarantee the bank financing facility borrowed by invested subsidiaries The proposal to retire treasury shares and alter the registration.	Audit Committee: Unanimously approved by all committee members present as it had been proposed. Submitted to the Board of Directors for resolution.	Board of Directors: Approved by all directors present.
November 8, 2018	2nd Time, 1st Session	Proposal to offer an annual audit plan for 2018 for Chien Kuo Construction Co. Ltd.	Audit Committee: After the discussion, the Audit Committee resolved to have the Auditing Office consider the risk assessment outcomes, adjust the audit frequency of critical audit matters and revise the audit plan before such a plan is proposed again to the next meeting of the Audit Committee and to the next Board Meeting.	Board of Directors: Resolved, pursuant to the resolution of the Audit Committee, to have the Auditing Office consider the risk assessment outcomes and adjust the audit frequency of critical audit matters for the financial statements of Chien Kuo Construction Co. Ltd. for 2019 before such an audit plan is proposed again to the next Board Meeting.
December 20, 2018	3rd Time, 1st Session	Proposal to offer an annual audit plan for 2019 for the Company.	Audit Committee: The proposal has been modified pursuant to the Audit Committee's resolution to consider the risk assessment outcome and adjust the audit frequency of critical audit items, a modification evident in that the audit frequency of three critical audit items, namely "Operation of Business Contracting and Receivable Collection Cycle", "Operation of Acquisition and Payment Cycle" and "Operation of	Board of Directors: All directors attending the meeting either in person or by proxy unanimously approved the proposal as it had been proposed.

			Construction Management Cycle" has been raised from once annually to twice annually. All independent directors attending the meeting either in person or by proxy unanimously approved the proposal as it had been proposed.	

(II) Apart from the preceding matters, any resolution that was not approved by the Audit Committee but approved by two-thirds of all directors: None.

II. The implementation of avoidance of conflicts of interest by independent directors shall clearly specify the name of the independent director, meeting content, reasons for avoidance of conflicts of interest, and their participation in voting: None.

III. Communication between independent directors, internal audit supervisors and CPAs (shall cover the critical matters, methods and results of the Company's financial and business conditions).

Date	Communication Party	Subject Matter	Result
August 9, 2018	CPA	Status of review of the financial statements for the six-months period ended June 30 Key Audit Matters	Known
	Chief Audit Officer	Audit report	Known
November 8, 2018	CPA	Status of review of the financial statements for the nine-months period ended September 31 Explanation of major changes in the Company Act	Known
	Chief Audit Officer	Audit report	Deficiencies of internal control have not been improved for two consecutive times. The department concerned is requested to submit a project report at the next meeting.
December 20, 2018	Chief Audit Officer	Audit report	The formulation of each procedure/internal regulation/standard contract should be completed before the next meeting of the Audit Committee.

Note:

∗ Where a director or a supervisor resigns before the end of the annual period, the note column shall be annotated with the date of resignation. Actual attendance rate (%) shall be calculated as at the number of times of attendance in person divided by the number of times of meetings of the Audit Committee held during his/her term of service.

∗ Where an election for independent directors is held before the end of the annual period, list the names of both the incoming and outgoing independent directors in the note column with annotations specifying whether the independent directors are outgoing, incoming or re-elected, as well as the date of the election. Actual attendance rate (%) shall be calculated as at the number of times of attendance in person divided by the number of times of Audit Committee meetings held during his/her term of service.

5. Supervisors' participation in the operation of the Board of Directors: The 1st Audit Committee was established and the positions of supervisors cancelled by the Company at the 1st Board Meeting of the 21st session of Board of Directors on June 29, 2018. Two Board Meetings have been held in the most recent year, and the presence status is as follows:

Title	Name	esence in Person	Presence Rate (%)	Note
Supervisor	Chi-hsin CHEN	2	100%	Elected director on June 29, 2018.
Supervisor	Yu-jui CHANG	2	100%	Elected director on June 29, 2018.

Other Required Disclosure:

I. The composition and responsibilities of the supervisor:
   - (I) Communication between the supervisor and the Company's employees and shareholders: When a supervisor considers it necessary, he or she may contact an employee or a shareholder directly at any time.
   - (II) Communication between supervisors, the internal audit officers and CPAs:
     1. The audit officers present at the Company's Board Meetings and make a presentation on the audit reports.
     2. The audit officers regularly send an audit report to the supervisor, who may submit his/her opinion for discussion at any time.
     3. Direct communication channels have been established for supervisors and CPAs to communicate at irregular intervals.

II. Where a supervisor presents at a Board Meeting and delivers an opinion, it is required to specify the Board Meeting date, session and contents, resolutions of the Board, and the Company's handling of the supervisor's opinion: All supervisors presented at the Board Meetings didn't object to any of the Board's resolutions.

Note:

＊ Where a supervisor resigns before the end of the annual period, the note column shall be annotated with the date of resignation. Actual attendance rate (%) shall be calculated by applying the number of times of presence in person.

＊ Where an election for supervisors is held before the end of the annual period, list the names of both the incoming and outgoing supervisors in the note column with annotations specifying whether the supervisors are outgoing, incoming or re-elected, as well as the date of the election. Actual presence rate (%) shall be calculated by applying the number of times of presence in person.

(III) Corporate Governance Implementation Status, Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies", and the Reasons Therefor

<table>
<tr><th rowspan="2">Item Assessed</th><th colspan="3">Operation Status (Note)</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>I. Has the company established and disclosed its own corporate governance best practice principles based on the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?</td><td>v</td><td></td><td>The Company has completed the revision of its own "Corporate Governance Best Practice Principles" at the 19th Board Meeting of the 20th Board of Directors on May 10, 2018, which were applicable on and after June 29, 2018 when the Audit Committee was established at the 1st Board Meeting of the 21st session.</td><td>No deviations exist in that such principles has been revised pursuant to the latest version.</td></tr>
<tr><td>II. The shareholding structure of the Company and shareholders' interests
(I) Does the company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?
(II) Does the company maintain a register of the major shareholders with controlling power, as well as a register of the ultimate controller of those major shareholders?
(III) Does the company establish and enforce the risk control mechanism and firewall mechanism between itself and associates?
(IV) Does the company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?</td><td>v
v
v
v</td><td></td><td>(I) The Company's website (www.ckgroup.com.tw) has a stakeholder area to provide investors with a communication channel to deal with the problems stated on the left side.
(II) The stock agent provides the shareholders roster on behalf of the Company. The Company also regularly tracks and has insight into it via the monthly declaration of insiders shareholding changes declared by directors and supervisors.
(III) The Company has established a control mechanism over the investee companies, with a dedicated person responsible for management. Such mechanism has been established in accordance with either the Company's internal control system, internal audit system and related regulations and procedures, or laws and regulations.
(IV) The Company has stipulated internal rules that prohibit company insiders from trading securities using information not disclosed to the market.</td><td>No Deviation.
No Deviation.
No Deviation.
No Deviation.</td></tr>
<tr><td>III. Composition and responsibilities of the Board of Directors
(I) Does the Board of Directors formulate a strategy as to achieve</td><td>v</td><td></td><td>(I) The Company has established a system for selection of directors that is comprehensive in that it considers the composition and diversification of the</td><td>No Deviation.</td></tr>
</table>

Item Assessed	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor
	Yes	No	Summary Description	
diversity among Board members, and, if so, is such strategy being implemented? (II) In addition to the Remuneration Committee	v		board of directors. The selection procedures for all directors are fair, open and just in that they comply with the Company's Articles of Incorporation, Regulations Governing Election of Directors, and Corporate Governance Best Practice Principles. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards: 1. Basic conditions and values: Gender, age, nationality and culture. 2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience. ■ Each Board member shall have the knowledge, skills and literacy necessary to perform their duties. In order to achieve the ideal objective of corporate governance, the Board as a whole shall possess the abilities, including but not limited to the followings: 1. Operation management ability. 2. Financial analysis ability. 3. Crisis management ability 4. Leadership and decision-making ability 5. Legal knowledge 6. Ability to manage construction and civil engineering. ■ Implementation status of the policy on diversification of Board members 1. The Company re-elected directors in 2018. Each of the 13 directors has the knowledge, skills and literacy necessary to perform their duties. They as a whole possesses the various abilities to perform decision-making respecting the construction industry, crisis management, leadership and decision-making, and assists the Board in making decisions that	No Deviation.

<table>
<tr><th rowspan="2">Item Assessed</th><th colspan="3">Operation Status (Note)</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>and the Audit Committee established according to law, has the company voluntarily established other functional committees?
(III) Does the company stipulate regulations and methods for assessing the performance of the Board of Directors that are regularly conducted every year?

(IV) Does the company regularly evaluate the independence of CPAs?</td><td>v

v</td><td></td><td>are forward-looking, objective and comprehensive.
2. There are two directors who are also a simultaneous employer of the Company, accounting for 15%; the three independent directors account for 23%, all of whom are new to the current session, with one being a financial and accounting professional, another being a law professional, and the other being an engineering professional. The rest of the directors have rich experience in business management, with professional skills such as financial analysis, crisis management, leadership and decision-making.
3. At present, there are no female directors in the Company. Due to the industry characteristics, there are fewer females in the engineering and construction industry. In the future, female directors will be given special consideration for the selection of directors.
4. Diversification status among the Board members is as follows:
<table>
<tr><th>Core Diversification Item
Name of Director</th><th>Operation Management</th><th>Financial Analysis</th><th>Crisis Management</th><th>Leadership and Decision Making</th><th>Law</th><th>Construction and Civil Engineering Management</th><th>Other Projects</th></tr>
<tr><td>Chang-shiou WU</td><td>v</td><td></td><td>v</td><td>v</td><td></td><td>v</td><td></td></tr>
<tr><td>Chi-te CHEN</td><td>v</td><td>v</td><td></td><td>v</td><td></td><td></td><td></td></tr>
<tr><td>Pan-yen YANG</td><td>v</td><td>v</td><td></td><td>v</td><td></td><td></td><td>Venture capital</td></tr>
<tr><td>Tzu-chiang YANG</td><td>v</td><td>v</td><td>v</td><td>v</td><td></td><td></td><td>Venture capital</td></tr>
<tr><td>Pai-tso SUN</td><td>v</td><td>v</td><td></td><td>v</td><td></td><td>v</td><td></td></tr>
<tr><td>Chung CHENG</td><td>v</td><td>v</td><td></td><td>v</td><td></td><td></td><td></td></tr>
<tr><td>Chu-hsin LEE</td><td>v</td><td>v</td><td></td><td>v</td><td></td><td></td><td></td></tr>
<tr><td>Chi-hsin CHEN</td><td>v</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Yu-jui CHANG</td><td>v</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Jui-hsing TSAI</td><td>v</td><td></td><td></td><td></td><td></td><td>v</td><td></td></tr>
<tr><td>Chin-pao TSAI</td><td>v</td><td>v</td><td>v</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Chen-yu FENG</td><td></td><td></td><td></td><td></td><td>v</td><td></td><td></td></tr>
<tr><td>Li-hsing I</td><td>v</td><td></td><td></td><td>v</td><td></td><td>v</td><td></td></tr>
</table>
(II) In order to improve the efficiency of the Board decision-making, the Company established the Strategic Committee at the 3rd Board Meeting of the 21st session of the Board of Directors on November 8, 2018.</td><td>No Deviation.

No Deviation.</td></tr>
</table>

Item Assessed	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor
	Yes	No	Summary Description	
			(III) The Company, at the Board Meeting in 2018, established the "Regulations Governing Evaluation of Board Performance", by which evaluation of board performance for the preceding year was conducted in January, 2019. Parties being evaluated consisted of the Board operation as a whole (including functional committees) and the performance of individual Board members. The evaluation was conducted by the team of corporate governance by means of an internal questionnaire. ■ The measurement of the performance evaluation of the Board (including functional committees) includes five major dimensions: 1. The extent to which they participate in the operation of the company. 2. Improvement in the quality of Board decision-making. 3. The composition and structure of the Board and various functional committees. 4. Selection and continuing education of directors. 5. Internal control. ■ The measurement items of the performance evaluation of the Board made by Board members themselves comprise six major dimensions: 1. Mastery of company goals and tasks. 2. Cognition of directors' duties. 3. The extent to which they participate in the operation of the company. 4. Internal relationship management and communication. 5. Selection and continuing education of directors. 6. Internal control. ■ Evaluation Outcome: 1. Due to the concurrence of an election for directors in 2018, the evaluation period of newly elected directors spans from June 29, 2018 to December 31, 2018. 2. Outcome of the self-conducted evaluation of overall Board performance (including functional committees).	

<table>
<tr><th rowspan="2">Item Assessed</th><th colspan="3">Operation Status (Note)</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Evaluation Dimension</th><th>Evaluation Outcome</th></tr>
<tr><td>The extent to which they participate in the operation of the company.</td><td>Beyond the standard</td></tr>
<tr><td>Improvement in the quality of Board decision-making.</td><td>Beyond the standard</td></tr>
<tr><td>The composition and structure of the Board and various functional committees.</td><td>Beyond the standard</td></tr>
<tr><td>Selection and continuing education of directors.</td><td>Beyond the standard</td></tr>
<tr><td>Internal control.</td><td>Beyond the standard</td></tr>
</table>
3. The outcome of the self-conducted evaluation by Board members are all beyond the standard.
4. The outcome of the above evaluation was reported to the Company’s 5th Board Meeting of the 21st session of the Board of Directors on March 28, 2019. Directors suggested that it’s advisable that meeting materials be provided at an earlier time, so that the newly elected directors may understand the dynamics of the industry under which the Company falls, responsibilities and obligation, and fully exploit their occupational competence as director. Such a suggestion for improvement will be made at the next meeting.
5. When selecting or nominating an independent director, the Company shall base on its selection on the outcome of the evaluation of the performance of such an independent director.
(IV)The company evaluates the independence of the CPAs once a year. Neither the CPA firm selected nor the CPAs selected are a stakeholder with the Company and do not abide by the rules of independence. The Company completed the evaluation of the independence of CPAs at the 18th Board Meeting of the 20th session of the Board of Directors on March 29, 2018. Such an evaluation, as well as the appointment of CPA, were approved and conducted based on the evaluation items set out in Article 47 of Certified Public Accountant Act and Statement No. 10 of The Norm of Professional Ethics for Certified
</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Item Assessed</th><th colspan="3">Operation Status (Note)</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td>Public Accountant of the Republic of China.
<table>
<tr><th>Item</th><th>Result</th></tr>
<tr><td>1. As of the latest certification, there was no circumstance in which replacement hasn’t been made for 7 straight years.</td><td>■Yes □No</td></tr>
<tr><td>2. No significant financial interest with the principal.</td><td>■Yes □No</td></tr>
<tr><td>3. Avoid any inappropriate relationship with the principal.</td><td>■Yes □No</td></tr>
<tr><td>4. CPAs should ensure that their assistants are honest, impartial and independent.</td><td>■Yes □No</td></tr>
<tr><td>5. Prohibited from auditing or certifying the financial statements of the institution for which he/she served two years prior to his/her CPA practice.</td><td>■Yes □No</td></tr>
<tr><td>6. CPA’s name shall not be used by others.</td><td>■Yes □No</td></tr>
<tr><td>7. No shareholding in the Company or associates.</td><td>■Yes □No</td></tr>
<tr><td>8. No borrowing from the Company or associates.</td><td>■Yes □No</td></tr>
<tr><td>9. No co-investment or profit-sharing relationship with the Company or associates.</td><td>■Yes □No</td></tr>
<tr><td>10. Not simultaneously taking a regular position in the Company or associates and receiving a fixed salary therefrom.</td><td>■Yes □No</td></tr>
<tr><td>11. Not involved in the management competence of the Company or associates as to make decisions.</td><td>■Yes □No</td></tr>
<tr><td>12. Not engaging in other business that may cause a loss of independence.</td><td>■Yes □No</td></tr>
<tr><td>13. Not a spouse, a lineal relative by blood or by marriage, or a relative within the second degree of kinship of the management of the Company.</td><td>■Yes □No</td></tr>
<tr><td>14. Not charging any commission in connection with the business.</td><td>■Yes □No</td></tr>
<tr><td>15. Not subject to any disciplinary action or damage to the principle of independence up to now.</td><td>■Yes □No</td></tr>
</table></td><td></td></tr>
<tr><td>IV. If the company is a publicly-listed company, has the company set up a dedicated (concurrent) unit or personnel to handle matters relating to corporate governance (including but not limited to providing directors and supervisors with materials necessary to perform their duties, handling matters in connection with the Board Meeting and the Shareholders'</td><td>v</td><td></td><td>At the 4th Board Meeting of the 21st session of Board of Directors on December 20, 2018, the Company established a concurrent personnel responsible for corporate governance: manager Yu-Yun Lin (who has an attorney's license) of the Department of Legal Affairs, who then summoned representatives from Department of Legal Affairs, Auditing Office, Secretary Office of the Board, and Office of Public Affairs to form the Corporate Governance Team. The scope of the team’s tasks includes:</td><td>No Deviation.</td></tr>
</table>

Item Assessed	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor
	Yes	No	Summary Description	
Meeting in accordance with laws and regulations, conduct company registration and alteration of company registration, and prepare meeting minutes for the Board Meetings and the Shareholders' Meeting?)			1. Provide the material required for the directors and independent directors to perform their duties. 2. Assist directors and independent directors in complying with laws and regulations; obtain liability insurance for directors in accordance with the law. 3. Provide members of the Corporate Governance Team irregularly with information to propagandize related laws and regulations. 4. Handling self-assessment of corporate governance evaluation. The Convener has completed the study respecting legal compliance, participated in the Corporate Governance Practice Seminar (6 hours) on March 29, 2019 and the Inside Trading Prevention Conference for 3 hours on April 26, 2019, and will continue to pursue courses related to corporate governance. The implementation of duties of the Corporate Governance Team in 2018: 1. Obtained the liability insurance for directors. 2. Completed the self-conducted corporate governance evaluation; urged and assisted relevant departments in improving corporate governance evaluation items; Improved information transparency.	
V. Does the company establish communication channels between stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a stakeholder area on the company's website, and respond appropriately to important corporate social responsibility issues of concern to stakeholders?	v		The Company's website (www.ckgroup.com.tw) has a stakeholder area to provide investors with a communication channel to deal with the problems stated on the left side.	No Deviation.
VI. Does the company commission a professional shareholder services agency to handle matters in connection with the shareholders' meeting?	v		The Company appoints Yuanda Securities Co., Ltd. to deal with matters relating to the Shareholders' Meeting.	No Deviation.
VII. Information Disclosure (I) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (II) Does the company have other information	v v		(I) The Investor Zone on the Company's website can be accessed at: www.ckgroup.com.tw (II) The Company has set up an English website to enhance information	No Deviation. No Deviation.

Item Assessed	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor
	Yes	No	Summary Description	
disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?			disclosure, assigned a designated specialist to collect and disclose information, and appointed appropriate personnel to act as spokespersons and acting spokespersons in accordance with the laws and regulations.	
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	v		(I) The Company has updated its website, at which a brief introduction to the organizational structure and members of the Board of Directors is provided, and an investor zone and stakeholders zone set up to serve as a communication channel. (II) The situation of directors and supervisors for further training is declared on MOPS according to the prescribed time schedule. (III) The Company purchases liability insurance for directors every year and declares it on MOPS as required. (IV) Cultivation plan for succession of Board members and major management: The company pays attention to the implementation of the succession plan. In addition to its excellent work ability, the successor is in line with the Company's principle of conducts of "Integrity, Optimization, Well-being and Harmony" and its values, so as to create long-term value and make the Company sustainable. At the same time, the Company continues to employ talents who have excellent strategic execution capabilities and experience in listed companies and cultivate them to take the position of key management. Such cultivation includes relevant curriculum training held annually on planning management ability, professional occupational competence, establishment of company system and reflection of innovation and transformation characteristics. Trainees may apply such professional training and foster their own judgment on decision-making. (V) Linkage between directors performance evaluation and remuneration:	No Deviation.

<table>
<tr><th rowspan="2">Item Assessed</th><th colspan="3">Operation Status (Note)</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons Therefor</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td>1. Remuneration paid to directors is determined in accordance with Article 18-1 of the Company’s Articles of Incorporation, in which the Board is authorized to determine such remuneration by reference to the industry standard, as well as the extent to which directors participate in the management of the Company.
2. The procedures for the establishment of remuneration are based on the results of the performance evaluation of the Board and Regulations Governing Allocation and Payment of Remuneration to Directors. In addition to the Company's overall operational performance, business risks of the industry in the future and development trends, it also considers the achievement rate of personal performance and its contribution to the Company’s performance, in order to fix remuneration as reasonable as possible. The Remuneration Committee and the Board have reviewed the reasonableness of the performance evaluation and remuneration, and regularly review the remuneration system in line with real operating conditions and laws and regulations, so as to strike a balance between risk control and sustainable management of the Company.</td><td></td></tr>
<tr><td colspan="5">IX. Please, based on the latest report of Corporate Governance Evaluation released by the Corporate Governance Center of TWSE, state the circumstances in which improvement has been made, and propose priorities and measures for those that have not yet improved.
In 2018, the Company has:
1. Established the Audit Committee
2. Established the Strategic Committee
3. Delegated concurrent personnel in charge of corporate governance
4. Established the Corporate Governance Team
5. Established the Regulations Governing Evaluation of Board Performance and completed the performance evaluation for 2018.</td></tr>
</table>

Note: Provide a brief description in the summary description column, regardless of whether yes or no is selected.

(IV) Where a company has established a remuneration committee, it is required to disclose the composition, duties and implementation status of such a committee.

The Board of the Company has decided to establish the Remuneration Committee on October 28, 2011, whose composition, duties and implementation status is as follows:

1. Information of Members of the Remuneration Committee

Title (Note 1)	Criteria / Name	Possess At Least Five Years of Work Experience and Meet One of the Following Professional Criteria			Independence Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Note
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director (Note 3)	Chen-yu FENG	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3	-
Independent Director (Note 4)	Chin-pao TSAI	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	-
Independent Director (Note 5)	Li-hsing I	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Others (Note 6)	Kua-teng SU	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3	-
Independent Director (Note 7)	Chung CHENG			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director (Note 8)	Chu-hsin LEE			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Others (Note 9)	Wei-feng JIANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note 1: In the Title column, please identify whether the person is a director, independent director or other.

Note 2: Please tick the boxes below each criterion if a member meets these conditions within two years prior to being elected and during his/her term of service.ü

(1) Not an employee of the Company or any of its associates.

(2) Not a director or supervisor of the Company or any of its associates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or whose shareholding is ranked among the top 5.

(6) Not a shareholder that holds more than 5% of shares at the Company, nor a director, supervisor or manager of a specific company or institution that has financial or business correspondence with the Company.

(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or any of its associates, or a spouse thereof;

(8) Not having any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.

Note 3: Mr. Chen-yu FENG was elected independent director on June 29, 2018.

Note 4: Mr. Chin-pao TSAI was elected independent director on June 29, 2018.

Note 5: Mr. Li-hsing I was elected independent director on June 29, 2018.

Note 6: Mr. Kua-teng SU was elected on June 29, 2018.

Note 7: Independent director Mr. Chung CHENG resigned on June 29, 2018.

Note 8: Independent director Mr. Chu-hsin LEE resigned on June 29, 2018.

Note 9: Mr. Wei-feng JIANG resigned on June 29, 2018.

2. Operations of the Remuneration Committee

(1) The number of members of the Remuneration Committee was added up to 4 persons as a result of an additional member chosen on the election for members of the Remuneration Committee of the third session on June 29, 2018.

(2) Tenure of members of the committee of the 3rd session: June 30, 2018 to June 29, 2021

(3) The Remuneration Committee held 5 meetings (A) in 2018. The qualification and attendance of the Committee members are stated as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%) (Note)	Note
Convener	Chen-yu FENG	3	0	100%	Elected on June 29, 2018
Member	Chin-pao TSAI	3	0	100%	Elected on June 29, 2018
Member	Li-hsing I	2	1	66.67%	Elected on June 29, 2018
Member	Kua-teng SU	3	0	100%	Elected on June 29, 2018
Former convenor	Chu-hsin LEE	2	0	100%	Resigned on June 29, 2018
Former member	Chung CHENG	2	0	100%	Resigned on June 29, 2018
Former member	Wei-feng JIANG	1	1	50%	Resigned on June 29, 2018

Other Required Disclosure:
In the case that the Board declines to adopt a recommendation of the remuneration committee, or that the Board modifies the same, it shall specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company’s response to the remuneration committee’s opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
Where there is any resolution of the Remuneration Committee to which a member objects, or on which a member has a qualified opinion, and such objection or qualified opinion is documented or reduced to a written statement, it is required to disclose the meeting date, meeting session, proposal content, opinions of all members and the response thereto: None.
Subject matters and resolutions of the Remuneration Committee of 2018 are as follows:

Date of Convention	Subject Matter	Resolution	Company's Handling of the opinions of members of the Audit Committee
March 29, 2018 7th time, 2nd session	I. Proposal respecting the amount of compensation to employees and remuneration to directors and supervisors for 2017	Approved by all members and reported to the Board.	Approved by all directors present and implemented according to the meeting results.

	II. Proposal respecting addition and revision of the Remuneration Committee Charter	Approved by all members and reported to the Board.	
May 10, 2018 8th time, 2nd session	I. Proposal respecting revision of the Remuneration Committee Charter	Approved by all members and reported to the Board.	
	II. Proposal to amend the Regulations Governing Distribution, Allocation, and Payment of Remuneration to Directors and Supervisors.	Approved by all members and reported to the Board.	
August 9, 2018 1st time, 3rd session	I. Proposal to fix the remuneration for the chairperson who is a concurrent general manager.	Approved by all members and reported to the Board.	
November 8, 2018 2nd time, 3rd session	I. Proposal to discuss the 2019 incentive compensation for, and performance evaluation of the chairman who is a concurrent general manager.	Supplemented the contents of the previous meeting; Approved by all members.	
December 20, 2018 3rd time, 3rd session	I. Proposal to formulate the quota and principle for the distribution of the year-end performance bonus for 2018.	Approved by all members and reported to the Board.	
	II. Proposal to fix incentive rewards for 2018 for departmental managers	Approved by all members and reported to the Board.	

Note:

(1) Where a member of the Remuneration Committee resigns before the end of the annual period, the note column shall be annotated with the date of resignation. Actual attendance rate (%) shall be calculated as at the number of times of attendance in person divided by the number of times of meetings of the Remuneration Committee held during his/her continuance in office.

(2) Where an election for members of the Remuneration Committee is held before the end of the annual period, list the names of both the incoming and outgoing members in the note column with annotations specifying whether the members are outgoing, incoming or re-elected, as well as the date of the election. Actual attendance rate (%) shall be calculated as at the number of times of attendance in person divided by the number of times of meetings of the Remuneration Committee held during his/her continuance in office.

(V) Corporate Social Responsibility:

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
I. Corporate Governance Implementation (I) Does the company stipulate corporate social responsibility (CSR) policies and systems, and review the effectiveness of the implementation thereof? (II) Does the company provide educational training on corporate social responsibility on a regular basis? (III) Does the company establish an exclusively (or concurrently) dedicated unit for promoting CSR? Is the unit empowered by the Board of Directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the Board of Directors? (IV) Does the company declare a reasonable remuneration policy, and integrate the employee performance evaluation system with its CSR policy, as well as	V V V V		(I) The Company has formulated the "Corporate Social Responsibility Best Practice Principles" and the "Ethical Corporate Management Best Practice Principles", by which it continues to closely examine the relevant business. At the end of the year, the Office of Public Affairs reports to the Board of Directors and reviews the effectiveness of the implementation of the year. (II) Every year, the Company provides the existing employees with the corporate culture training activity, namely the "Integrity Seminar", in which the chairman of the Board promulgates the core value of the Company, namely "Integrity, Optimization, Well-being and Harmony", so as to facilitate employees' focus and implementation of the Company's core value, and to formulate and cohere the philosophy of ethical corporate management. In 2018, three sessions of the Integrity Seminar were held on March 3, July 14, and July 21, respectively, attended by a total of 221 persons. The Company regularly conducts social responsibility education and training for new employees, in which the concept of corporate social responsibility and ethical management for at least one hour is taught. The educational training courses totaled 8 sessions in 2018, completed by a total of 116 persons. (III) The Office of Public Affairs, set up by the Company in the Chairman's Office immediately under the chairman of the Board, is responsible for promoting matters in connection with corporate social responsibility and ethical corporate	Compliance and no deviation. Compliance and no deviation. Compliance, no significant deviation. Compliance and no deviation.

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
establish an effective reward and disciplinary system?			management, and for executing policies, propagating work and promoting projects, and ensuring the Implementation of the Ethical Corporate Management Best Practice Principles by the various business units based on their job duties and scope. At the end of each year, the Office of Public Affairs reports to the Board of Directors on the business execution and promotion results of the year. Under the supervision and promotion of the Board of Directors, it continuously promotes the implementation of corporate social responsibility, ethical corporate management and the core values of the enterprise. (IV) The Company's salary-approval standard, which is based on the employee's past experience, ability, the value of the post applied for, and annual salary survey level, is superior to the minimum wages required by the Labor Standards Act, and applies to each employee without gender differences. The “Regulations Governing Performance Development” is also set up for performance evaluation twice a year. Salary is adjusted based on the employee performance, company operation status, internal and external overall environmental changes and market salary results. The salary adjustment range of 2018 is between 0% to 8.32. %. There was a criterion for score assessment in the column titled “CSR Recognition and Participation” on the Performance Evaluation Form. Employees score when they actually participate in the charitable events held by the Company. The score evolves to a higher level in line with their times of participation, an incentive to encourage employees to actively participate in charitable events, so as to implement employee performance evaluation and CSR policies.	
II. Sustainable Environment	V			Compliance and no

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
(I) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (II) Does the company establish proper environmental management systems based on the characteristics of their industries? (III) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas verification, as well as establish company strategies for energy conservation and carbon reduction?	V V		(I) The Company adopted and implemented the "Environmental Policy" in January 2019 to fulfill its commitment to implementing environmental protection, environmental management, green procurement and energy conservation. Such a policy employs the strategy as to how to reduce the consumption of energy, paper and water resources, to manage waste recycling and to improve the energy efficiency of equipment, in order to reduce the impact on the environment during the business operation. (II) Under the Department of Administrative General Affairs, the Company set up a material management business in charge of the establishment of a management system responsible for resource allocation, recycling and reuse of various construction sites throughout the country. Such a business is based on the spirit of the Corporate Social Responsibility Best Practice Principles and Environmental Policy, and continues to effectively implement the Company's policy on developing a sustainable environment. (III) Since 2016, the Company has voluntarily conducted the greenhouse gas verification at its corporate headquarter. In 2017, CO2e was 159.17 tons, which comprised 9.77 tons of scope 1 CO2e and 149.40 tons of scope 2 CO2e. In 2018, CO2e was 161.02 tons, which comprised 9.70 tons of scope 1 CO2e and 151.32 tons of scope 2 CO2e. The Company continues to promote green procurement that is recyclable, low-polluting and resource-saving, strives to reduce the consumption of energy, paper and water resources, manages waste recycling, improves the energy efficiency of equipment, regularly reviews environmental and energy conservation goals, and continuously improves the performance of environmental	deviation. Compliance and no deviation. Compliance and no deviation.

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
			management. Related measures include: Offices are fully replaced with LED fixtures; bathrooms are equipped with water-saving devices; the temperature of the air conditioner is controlled at the optimal operating temperature; lights are turned off during the break to save power and energy consumption; paperless conference is promoted and video conferencing system is optimized; company cars are regularly examined and, where the energy consumption is inefficient, replaced; hybrid electric vehicles may be selected for use after assessment depending on the needs. From 2019 onwards, the Company will incorporate climate change into its risk management procedures, and assess the impact of climate change on business operations so as to develop countermeasures.	
III. Preserving Public Welfare (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (II) Does the Company establish an employee complaint mechanism and channel, and handle it properly?	V V V		(I) The Company's "Human Rights Policy" was passed by the Board of Directors in 2018, ensuring that members of the company are treated with fairness and dignity. From 2019 onwards, the Office of Public Affairs will report the results of the human rights assessment to the Board of Directors at the end of each year, and incorporate relevant rights awareness and human rights risk mitigation measures into the education training for new employees and the company assembly training. The Company, which strictly abides by labor laws and regulations, has set up internal regulations, such as “Regulations Governing Management of Salaries and Wages”, “Regulations Governing Attendance Management” and “Regulations Governing Performance Development”. The employment conditions therein preclude differential treatment	Compliance and no deviation. Compliance and no deviation.

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
(III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? (IV) Does the company set up a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them? (V) Does the company provide employees with an effective training program	V V		based on gender, age, religion, sexual orientation and other factors, e.g. working conditions for female employees are not inferior to those for male employees, securing employee’s legitimate rights. (II) Any questions an employee has about the company or any problems encountered in the work can be submitted in writing or by e-mail to the top management of the Human Resources Department, or be sent via email to the employee's exclusive complaint mailbox (Email:ckgservice@ckgroup.com. Tw). The top management of the Human Resources Department will verify the content of the employee's grievance, and inform the employee of the results of the investigation thereafter. The relevant means of filing a grievance are also posted on the Company's website. (III) In order to provide a safe and healthy working environment for employees, the Company provides with free physical checkups, regular education training respecting safety and health, and an automatic external electrocardiographic defibrillator (AED) at the construction site. 1. The Company regularly holds "Safety and Health Education Training" every year. In 2018, 12 sessions were held at January 8, January 10, February 6, March 6, March 8, August 1, August 15, September 5, September 9, October 9, November 6, and November 30, respectively, at which external experts were invited to organize safety and health education training courses to reduce occupational disasters. 2. The Company conducts a roll call respecting safety and health issues at each construction site every morning from 7:30 to 8:00. All personnel set to enter the site (including	Compliance, no significant deviation. Compliance and no deviation. Compliance and no deviation.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
respecting career competence development? (VI) Does the company establish any consumer protection mechanisms and grievance -appealing procedures regarding procedures for research and development, procurement, production, operation and service? (VII) Does the company advertise and label its goods and services according to relevant regulations and international standards? (VIII) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships? (IX) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V V V V		the Company's employees and suppliers' employees), during the course of the roll call, are made known of the types of hazards, and of the safeguard equipment required. 3. Each employee is provided with a free physical examination every two years. Afterwards, doctors are invited to provide treatment or improvement suggestions for employees whose health has flashed a red signal. Then there is a follow-up made by the Human Resources Department to ensure the health of each employee. 4. The Human Resources Department and the Department of Safety and Health have jointly promulgated and conducted four major health plans, namely, prevention of musculoskeletal disorders respecting human factor engineering, prevention of exceptional workload (overwork prevention), prevention of wrongful physical or mental harm in the workplace, and protection of maternal health in the workplace. 5. Having formulated the "Regulations Governing Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment", ensuring that employees are not sexually harassed by others in the workplace. 6. The establishment of the Company's internal library, with rich and diverse collection of books, allows employees to fully enjoy the pleasure of reading during the break, thereby getting spiritual and mental satisfaction. (IV) The Company has an internal announcement system, from which employees are made known of the operating organization, business, personnel, and rewards and punishments that are important to the Company's operation.	Compliance and no deviation. Compliance and no deviation. Compliance and no deviation. Compliance and no deviation.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
			Also, the latest operating information is disclosed on the Company's website, enabling employees and stakeholders to obtain the latest operating information of the Company. (V) Talents are the lifeblood of the Company's sustainable operation. In order to improve employees' occupational competence and ensure that every employee can receive it fairly, the Company holds a series of training courses respecting occupational competence development every year. For instance, in 2018, a total of 85 educational training courses were held concerning 15 major areas, including laws, WeBIM Sync, engineering (including curtain walls, steel bars, underground structures, etc.), project management and quality audits, all lectured by the Company's technicians, lawyers, project managers and senior executives in order to improve employees occupational competence respecting different domains. The Company also lists "Learning and Development" as a critical indicator for performance scoring, so as to encourage employees' engagement. In addition, for the purpose of encouragement, wherever an employee takes an external professional courses, the Company fully subsidizes the costs of such courses. (VI) The Company's Business Department and the Department of Customer Service have special personnel to handle customer needs and complaints. The personnel in the Business Department is mainly responsible for enterprise customers, whereas the personnel in the Department of Customer Service is mainly responsible for general customers. With professional personnel providing a full-set of repairing services after the completion of construction for enterprises and residents, the	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
			Company strives to satisfy customer needs and advance its ultimate goal of service quality. A grievance may be filed by a direct phone call to the designated personnel, or by email. Relevant information is available on the Company's website. Immediately after having received customer grievance, the Company demands the department concerned send a specialist to handle such grievance, so as to sort out customers' problems. (VII) The Company has received the certification of ISO 9001:2015 Quality Management Systems, a guarantee that the provision of services by the Company fully comply with relevant laws, regulations and standards. (VIII) Before corresponding with any suppliers, the Company conducts a comprehensive investigation concerning their financial position, process and outcomes of their past dealings of transaction, in order to determine whether there are any circumstances in which they impacted the environment or society, and to incorporate such circumstances into the evaluation item for selection of suppliers. (IX) For the purpose of encouraging suppliers to fulfill their corporate social responsibilities, all contracts between the Company and suppliers contain a clause stipulating that suppliers shall strictly comply with the Occupational Safety and Health Act and the Regulations Governing Contractor Safety and Health Management Principles, and that in case of breach of contract, the Company may at any time terminate or cancel the contracts therebetween.	
IV. Enhancing Information Disclosure	V			Compliance, no

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
(I) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?			(I) The Company discloses relevant governance information on the MOPS as required by law. In addition, the Company’s website has a society engagement area and a stakeholder area. In 2019, it also has compiled its Corporate Social Responsibility Report for 2018, in which information concerning the Company's corporate social responsibility is disclosed to the public.	significant deviation.
V. If the Company has established the corporate social responsibility principles based on the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any deviation between their established principles and their implementation thereof: No Deviation.				
VI. Other important information to facilitate a better understanding of the company’s corporate social responsibility practices： Action plans and the implementation outcomes thereof of the corporate social responsibility for 2018: (I) Adhering to the philosophy of “Take from society, give back to society”, the Company always seeks to have an in-depth understanding of what the society needs, and actively assists social welfare communities and provides necessary assistance to the disadvantaged groups. 1. Repair plan for buildings of the Chung Yi Social Welfare Foundation: The Company appointed the engineering professional colleagues to assist in planning, and prompted coordinating suppliers to participate in raising the resources needed for such a social welfare community. 2. Through the Huashan Social Welfare Foundation, the Company was informed of a solitary-living senior whose residence was in urgent need of repair. The Company dispatched its professional engineers to help with planning the repair, in the hope that the solitary-living elder may have a home to shelter away from wind and rain. 3. Raised daily necessities for the social welfare units in need, e.g. solicited clothing donation for Cihfang Foundation and moon cakes or rice dumplings for Chung Yi Social Welfare Foundation. (II) The Company provides employees with 2 days of paid volunteer leave each year to encourage employees to actively participate in charitable events. 1. Called employees to constitute a volunteer group to participate in the Indigence 30 - Homeless Year-end Party of the Genesis Social Welfare Foundation; arranged for colleagues to assist in the execution of administrative affairs at The Garden of Hope Foundation; planned, in spring and autumn, to have colleagues accompany children of Chung Yi Social Welfare Foundation for an educational tour; provided volunteer human powers for Huashan Social Welfare Foundation; and other charitable events. 2. In 2018, 108 people participated in the volunteer activities of the “The Garden of Hope Foundation”, “Genesis Social Welfare Foundation ” and “Chung Yi Social Welfare Foundation”, either as administrative volunteer or as service volunteer. The total number of service hours was 840 hours; Between 2010 and 2018, the Company has had a record of 1,328 people participating in charitable events and 7,580 hours of participation in volunteer service.				

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
3. 36 people voluntarily participated in the activities for the promotion of arts and literature conducted by Chien Kuo Foundation For Arts And Culture, a related party, and the service hours totaled 144 hours. (III) Regular celebrations of birthday gatherings and occasional family days are held to bring employees closer to each other in a joyful atmosphere, and to eliminate communication barriers between employees, so as to facilitate the Company's business development and policy implementation. (IV) In 2018, the Company donated NT$500,000 to the "Indigence 30" campaign launched by the Genesis Social Welfare Foundation.				
VII. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:				

Item	Institution	Verification
ISO 9001 Quality Management System	SGS	ISO9001:2015 (Certification No.: TW17/00089)
OHSAS 18001 Occupational Health and Safety Management System	SGS	OHSAS18001:2007 (Certification No.: TW17/00091)
CNS 15506 Taiwan Occupational Health and Safety Management System	SGS	CNS15506:2011 (Certification No.: CB05-106005-01)

Note 1: Provide a brief description in the summary description column, regardless whether yes or no is selected.

Note 2: Companies who have compiled a CSR report may specify the ways to access the CSR and the page numbers of the cited content in the "summary description" column.

(VI) Implementation of Ethical Corporate Management

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
I. Establishment of ethical corporate management policies and programs (I) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies? (II) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, code of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies? (III) Does the company establish appropriate compliance measures for the business activities prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and any other such activities associated with high risk of unethical conduct?	V V V		(I) In March 2018, the Company revised its "Ethical Corporate Management Best Practice Principles", by which the directors, supervisors, functional committee members, managers and all employees of the Company were required to abide, and continued to strictly review the relevant business in accordance with the principles. (II) The Company regularly conducts necessary educational publicity for directors, supervisors, functional committee members, managers and employees, and specifies various business regulations and e-mail boxes for filing grievance, in order to prevent the occurrence of dishonesty. The various regulations are announced on the Company's website. (III) The Company has set precautionary measures against unethical operating risks and promulgated such measures in management meetings, which measures include prohibition of bribing and bribery-taking, prohibition of providing illegal political contributions, prohibition of making improper charitable donations or sponsorships, prohibition of employees providing or accepting unreasonable gifts, hospitality or other illegitimate benefits.	No Deviation.
II. Implementation of Ethical Management (I) Does the company assess the ethics records of whom it has business relationship with and include business	V		(I) The Company collects the bank records of the person with whom it is corresponding, and specifies in the procurement contract an ethics clause stating that contract parties must abide by the ethic management policy, and that where the counter-	No Deviation.

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
conduct and ethics related clauses in the business contracts? (II) Does the company set up a unit which is dedicated to or tasked with promoting the company's ethical standards and reports directly to the Board of Directors with periodical updates on relevant matters? (III) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly? (IV) To implement relevant policies on ethical conducts, does the company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically? (V) Does the company provide internal and external ethical conduct training programs on a regular basis?	V V V V		party involves in any unethical conduct, the Company may terminate or cancel the contract therebetween at any time. (II) The ethical management policy is specified both in the Articles of Incorporation and on the external websites of the Company and the business group. The Office of Public Affairs, as well as the Human Resource Department of the business group, are responsible for the formulation of the ethical management policies and precautionary programs, for supervision on the implementation thereof, and for reporting to the Board of Directors at the end of each year. (III) The Company has set up an email-box for grievance-filing, as well as formulated its Code of Ethical Conduct, by which it conducts related business, prevents conflicts of interest, and averts unethical conducts such as pursuing one's own interest. (IV) In order to ensure the implementation of ethical management, the Company has established an effective accounting system and an internal control system, whose compliance is regularly audited by internal and external auditors. (V) The Company holds the "Integrity Seminar" every year, in which the core corporate value of "Integrity, Optimization, Well-being and Harmony" is publicized to all colleagues.	
III. Implementation of the Whistle-blowing Mechanism (I) Does the company establish specific whistle-blowing and reward systems, set up conveniently accessible whistle-blowing channels, and designate	V V		(I) Employees can report violations of Ethical Corporate Management Best Practice Principles to the management and auditors through an electronic service mailbox. The Company reviews the rewards and punishments of employees based on the "Employee Rewards and Punishment Regulation" and	No significant deviation

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
responsible individuals to deal with the one being whistle-blown? (II) Does the company establish standard operation procedures for investigating the whistle-blowing matters received and ensuring such whistle-blower are handled in a confidential manner? (III) Does the company adopt proper measures to prevent a whistle-blower from retaliation for his/her whistle-blowing?	V		announces the relevant rewards and punishments on the internal website. (II) Abiding by the Personal Information Protection Act, the Company has established a whistle-blowing system, which serves as a proper channel for whistle-blowing and requires the identity of the whistle-blower and the whistle-blowing contents be kept confidential.	
IV. Enhancing Information Disclosure (I) Does the company disclose the contents of its ethical management principles as well as information about the implementation thereof on its website and Market Observation Post System (“MOPS”)?	V		(I) The Company’s website publicly discloses its "Ethical Corporate Management Best Practice Principles" and related information, please refer to http://www.ckgroup.com.tw/.	No significant deviation
V. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any deviation between the policies and their implementation: No significant deviation				
VI. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies): Ethical Corporate Management Action Plan: (I) The Company provides the employees with the corporate culture training activity, namely the "Integrity Seminar", in which the core corporate value of “Integrity, Optimization, Well-being and Harmony” is promulgated, so as to facilitate employees’ focus and implementation of the Company’s core value, and to formulate and cohere the philosophy of ethical corporate management. (II) In the education and training courses for new employees, the Company publicizes to them the corporate culture and ethical management, which focus on the introduction of the core value of the enterprise and the implementation of its Ethical Corporate Management Best Practice Principles. (III) Amended the Employees Work Rules to promote the implementation of the Ethical Corporate Management Best Practice Principles.				

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and the Reasons Therefor
	Yes	No	Summary Description (Note 2)	
(IV) Unobstructed employee communication channels, e.g. setting up employee communication box and a dedicated specialist, and handling face-to-face communication meetings with employees. Ethical Corporate Management Implementation: (I) Integrity Seminars, of which the theme is to focus and implement the core corporate value, were held in Taipei and Kaohsiung in March and July 2018 for three times, each lasted for 6 hours, with a total of 221 people completing the training. (II) Completed the amendment to the Employees Work Rules in May 2018, which is disclosed on the Company’s internal information platform. (III) The training sessions for new employees, of which the theme is about corporate culture and ethical management, were held in April, July, August, and October of 2018 for 8 times, each lasted for 2 hours, with a total of 116 people completing the training.				

(VII) If the company has set up corporate governance principles and relevant rules, the company shall disclose the methods of inquiry:

The Company has established its Corporate Governance Best Practice Principles, which can be found both on MOPS and on the Company's website at www.ckgroup.com.tw.

(VIII) Other important information to facilitate a better understanding of the Company's corporate governance activities:

The Company has formulated its Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. The Company, whose corporate governance spirit is embodied in each internal control system, will set up the Audit Committee in accordance with the mandatory schedule, has currently established three seats of independent directors and structured a company website in the English language, so as to safeguard shareholders' rights, strengthen the occupational competence of the Board, respect the rights and interests of stakeholders, and improve the transparency of information.

(IX) Internal Control System Implementation Status

1. Statement of Internal Control System

Chien Kuo Construction Co. Ltd.

Statement of Internal Control System

Date: March 28, 2019

Based on the findings of a self-assessment, Chien Kuo Construction Co. Ltd. states the following with regard to its internal control system during the year 2018:

I. The Company acknowledges that the establishment, implementation and conservation of the internal control system are the responsibilities of the Board of Directors and the managers of the Company. The Company has constructed such a system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.

II. The internal control system has inherent constraints. No matter how comprehensively designed, an effective internal control system is only capable of providing adequate assurance of achieving the three above-mentioned objectives. Moreover, the effectiveness of the internal control system may be altered due to changes in the environment and circumstances. Nevertheless, the Company’s internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component is also composed of several items. Please refer to the Regulations for the above items.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

V. Based on the findings of such evaluation, the Company believes that, on December 31, 2018, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of its subsidiaries), to provide reasonable assurance over its operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

VI. This Statement is an integral part of the Company’s annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange

Law.

VII. This Statement was passed by the Board of Directors in their meeting held on March 28, 2019, with all the 13 directors present having no dissenting opinions and affirming the content of this Statement.

Chien Kuo Construction Co. Ltd.

Chairman: Chang-shiou WU Signature

General Manager: Chang-shiou WU Signature

2. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: No occurrence, hence not applicable.

(X) Any penalty inflicted by law on the company and its insiders, any penalty inflicted by the company on its insiders having non-compliance with the internal control system, major non-compliance and the improvement thereof as at the most recent fiscal year and the current fiscal year up to the publication date of the annual report: None.

(XI) Major resolutions of Shareholders' Meeting and Board Meetings as at the most recent fiscal year and the current fiscal year up to the publication date of the annual report:

1. Major resolutions of the Shareholders' Meeting

Meeting Year	Meeting Time	Major Resolutions	Review of implementation
2018	2018.06.29	1. Passed the Company's proposal of the 2017 Business Report and Financial Statements. 2. Passed the Company's 2017 earnings distribution proposal. 3. Passed the proposal to amend partial clauses of the Company's Articles of Incorporation. 4. Passed the proposal to amend the Company's "Procedure for Acquisition and Disposal of Assets". 5. Passed the proposal to amend the Company's "Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees" 6. Passed the Proposal to amend the Company's "Procedures for Election of Directors and Supervisors" and to change the name of such procedures to "Procedures for Election of Directors". 7. Passed the proposal to amend a portion of the Company's "Rules and Procedures of Shareholders' Meeting." 8. Completed the election of 13 Board members of the 21st session of Board of Directors of the Company (including three independent directors). 9. Pass the proposal to dissolve the non-competition clause imposed on new directors and their corporate representative.	1. The 2017 earnings distribution proposal has been fully executed. 2. Set July 29, 2018 as the ex-dividend date; completed the distribution of cash dividends on August 28, 2018.

2. Important resolutions of the Board of Directors for 2018 and the year up to April 30, 2019

Date	Session	Proposal
March 29, 2018	The 18th Board meeting of the 20th session	I. Passed the proposal to adopt the Company's 2017 Annual Business Report, Financial Statements and Consolidated Financial Statements. II. Passed the proposal to adopt the Company's 2017 Earnings Distribution Proposal. III. Passed the proposal respecting the amount of compensation to employees and remuneration to directors and supervisors for 2017 IV. Passed the proposal to revise the Company’s Articles of Incorporation V. Passed the proposal to revise the Company’s Procedures for Acquisition or Disposal of Assets VI. Passed the proposal to revise the Company’s “Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees” VII. Passed the Proposal to amend the Company’s “Procedures for Election of Directors and Supervisors” and to change the name of such procedures to “Procedures for Election of Directors”. VIII. Passed the proposal to amend a portion of the Company’s “Rules and Procedures of Shareholders’ Meeting”. IX. Passed the proposal of “Election of 13 Members of Board of the 21st Session of the Company (Including Three Independent Directors)” and listed such proposal on the agenda of the 2018 Shareholders’ Meeting. X. Passed the proposal to nominate 13 Board members of the 21st session of the Company (including three independent directors). XI. Pass the proposal of the Shareholders' Meeting dissolving the non-competition clause imposed on new directors and their corporate representatives. XII. Approved matters relating to the date, place and subject matters of the 2018 Shareholders’ Meeting. XIII. Approved matters relating to the rights of shareholders with more than 1% shareholding to propose a proposal. XIV. Approved matters relating to the rights of shareholders with more than 1% shareholding to nominate. XV. Passed the proposal to amend a portion of the Company’s “Regulations Governing Procedure for Board of Directors Meetings”. XVI. Passed the proposal to revise the Company’s “Ethical Corporate Management Best Practice Principles”. XVII. Passed the proposal to revise a portion of the Company’s “Code of Ethical Conduct”. XVIII. Passed the “Audit Committee Charter” proposal. XIX. Passed the proposal of the Company’s “Rules Governing the Scope of Powers of Independent Directors”. XX. Passed the proposal to revise a portion of the Company’s “Procedures for Halt and Resumption of Transaction Applications”. XXI. Passed the proposal of the Company’s “Rules Governing Financial and Business Matters Between the Company and Its Associates”. XXII. Passed the proposal respecting addition and revision of the Company’s “Remuneration Committee Charter”. XXIII. Approved the Company’s “Statement of Internal Control System” for 2017. XXIV. Pass the proposal of “Endorsement/Guarantee Against the Renewal of Bank Credit Lines for Investee Companies”. XXV. Passed the proposal to assess the independence of, and to appoint, CPAs certifying the Company’s financial statements. XXVI. Passed the proposal to donate NT$1.62 million to Chien Kuo Foundation For Arts And Culture.

Date	Session	Proposal
		XXVII. Passed the proposal to liquidate and dissolve "Jiangsu Shili Construction Co., Ltd.", a China investee of the Company. XXVIII. Passed the proposal to liquidate and dissolve "Chien Kuo Construction Consultant (Kunshan) Co., Ltd.", a China investee of the Company.
May 10, 2018	The 19th Board meeting of the 20th session	I. Passed the proposal to review the criteria of the Company's directors (including independent directors) for nominating a candidate. II. Passed the proposal to revise a portion of the Company's "Internal Control System". III. Passed the proposal to revise a portion of the Company's "Enforcement Rules of Internal Auditing". IV. Passed the proposal to revise the Company's "Corporate Governance Best Practice Principles". V. Passed the proposal respecting revision of the Company's "Remuneration Committee Charter". VI. Passed the proposal to revise the Company's "Regulations Governing Distribution, Allocation, and Payment of Remuneration to Directors and Supervisors". VII. Passed the proposal to loan funds to Chien Kuo Development Co., Ltd., a subsidiary. VIII. Passed the proposal to endorse/guarantee the new bank financing facility borrowed by invested subsidiaries
June 29, 2018	The 1st Board meeting of the 21st session	I. Passed the proposal to recommend and elect the chairman of the Board. II. Passed the proposal to recommend and elect the vice chairman of the Board. III. Passed the proposal to engage members of the Remuneration Committee of the 4th session. IV. Passed the proposal to engage the general manager of the Company.
August 10, 2018	The 2nd Board meeting of the 21st session	I. Passed the proposal to sell the equity of the China investee, Nantong Chien Cheng Concrete Co., Ltd. II. Passed the proposal to endorse/guarantee the bank financing facility borrowed by invested subsidiaries III. Passed the proposal to retire the Company's treasury shares and alter the registration. IV. Passed the proposal to fix the remuneration for the chairperson who is a concurrent general manager.
November 30, 2018	The 3rd Board meeting of the 21st session	I. Proposal to offer an annual audit plan for 2018 for Chien Kuo Construction Co. Ltd. II. Passed the proposal to establish the Company's "Strategic Committee" and to formulate the "Strategic Committee Charter". III. Passed the proposal to appoint members of the Strategic Committee of the 1st session.
December 20, 2018	The 4th Board meeting of the 21st session	I. Passed the proposal to offer an annual audit plan for 2019 for the Company. II. Passed the Company's 2019 budget proposal. III. Passed the proposal to set up concurrent personnel responsible for corporate governance. IV. Passed the proposal to formulate the Company's "Regulations Governing Evaluation of Board Performance". V. Passed the proposal to formulate the Company's "Human Rights Policy". VI. Passed the proposal to fix the quota and principle for the distribution of the year-end performance bonus for 2018. VII. Passed the proposal to fix incentive rewards for 2018 for departmental managers.
March 28, 2019	The 5th Board meeting of the 21st	I. Passed the proposal respecting the amount of compensation to employees and remuneration to directors and supervisors for 2018 II. Passed the proposal to adopt the Company's 2018 Annual Business Report, Financial Statements and Consolidated Financial Statements.

Date	Session	Proposal
	session	III. Passed the proposal to adopt the Company's 2018 Earnings Distribution Proposal. IV. Passed the proposal to reduce the Company's capital in cash. V. Passed the proposal to revise the Company's Procedures for Acquisition or Disposal of Assets. VI. Passed the proposal to revise the Company's "Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees". VII. Approved matters relating to the date, place and subject matters of the 2019 Shareholders' Meeting. VIII. Approved matters relating to the rights of the Company's shareholders with more than 1% shareholding to propose a proposal. IX. Passed the proposal to adjust the Company's 2019 consolidated budget. X. Passed the proposal to revise the Company's "Rules for Internal Authorization - Board of Directors". XI. Passed the proposal to revise the Company's "Internal Control System". XII. Approved the Company's "Statement of Internal Control System" for 2018. XIII. Approved the Company's "Standard Operating Procedures for Handling Directors' Requests". XIV. Passed the proposal to assess the independence of, and to appoint, CPAs certifying the Company's financial statements. XV. Passed the proposal of the Company endorsing/guaranteeing the new bank financing facility borrowed by invested subsidiaries XVI. Passed the proposal to set a benchmark for the performance targets for the Company's professional managers for 2019. XVII. Passed the proposal to set a benchmark for the performance bonus for the Company's professional managers.

(XII) Major contents of any dissenting opinions on record or stated in a written statement made by Directors or Supervisors against major resolutions of the Directors' Meeting in the most recent fiscal year and the current fiscal year up to the publication date of the annual report: None.

(XIII) Summary of the resignation and dismissal of the Company personnel including chairman, general manager, accounting managers, finance managers, internal auditing managers and R&D managers in the most recent fiscal year and the current fiscal year up to the publication date of the annual report : General manager Chang-shiou WU was promoted to be a concurrent chairman.

V. CPA Fees

Unit: NT$ Thousand

Name of Accounting Firm	Name of the accountants	Audit Fees	Non-Audit Fees					Audit Period	Note
			System design	Business registration	Human resource	Others (Note 2)	Subtotal		
Deloitte & Touche Taiwan	I-wen WANG Yu-wei FAN	2,175	-	-	-	340	340	2018.01.01-2018.12.31	The column "Others" herein includes payments made on behalf of another party, the cost of typing and printing in the amount of NT$100 thousand, and the cost for the Transfer Pricing Report in the amount of NT$240 thousand.

Note 1: Where this Company replaces the CPA or accounting firm, the auditing periods of the former and successor CPA or firm shall be annotated separately with the reason for replacement noted. The accounting and non-accounting fees paid to the former and successor CPA or firm shall also be disclosed.

Note 2: Non-audit fees shall be annotated separately in various service items. If the Others column in non-audit fees reaches 25% of the total non-audit fees, the service details should be listed in the Note column.

Audit Fees:

(I) When the futures commission merchant changes its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount of the audit fees before and after the change and the reason shall be disclosed: None.

(II) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 15 percent or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: None.

VI. Replacement of CPA:

(I) Former CPA: None.

(II) Successor CPA: None.

(III) Former CPA's written reply to article 10, subparagraph 5, item 1 and item 2-3 of the regulations: Not applicable.

VII. The Company's Chairman, General Manager, or Managers of Finance or Accounting Who Have Worked in the Firm of the CPA(s) or Its Affiliates within the Latest Fiscal Years: None.

VIII. Changes in Transfer or Pledge of Shares Made by Directors, Supervisors, and Managers, and Major Shareholders Holding More Than Ten Percent (10%) of the Company's Shares in 2018 and up to the Issuance Date of the Annual Report:

(I) Changes in Shareholding of Directors, Supervisors, Managers and the Top 10 Major Shareholders

Title	Name	2018		Up to April 23, 2019	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Chien Hwei Investment Co.,Ltd.	230,000	0	0	0
Corporate representative of the chairman of the Board	Chien Hwei Investment Co., Ltd. Representative: Chang-shiou WU	0	0	0	0
Vice Chairman	Chi-te CHEN	0	0	0	0
Director	Pan-yen YANG	0	0	0	0
Director	Chien Hsiang Investment Co., Ltd.	0	0	0	300,000
Corporate representative of the director	Chien Hsiang Investment Co., Ltd. Representative: Jui-hsing TSAI	0	550,000	0	0
Director	Tzu-chiang YANG	0	0	0	0
Corporate representative of the director	Chien Hwei Investment Co., Ltd. Representative: Pai-tso SUN	0	0	0	0

Title	Name	2018		Up to April 23, 2019	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Director	Chung CHENG	0	0	0	0
Director	Chu-hsin LEE	0	0	0	0
Director	Chi-hsin CHEN	200,000	0	0	0
Supervisor director	Yu-jui CHANG	0	0	0	0
Independent Director	Chin-pao TSAI	0	0	0	0
Independent Director	Chen-yu FENG	0	0	0	0
Independent Director	Li-hsing I	0	0	0	0
General Manager	Chang-shiou WU	0	0	0	0
Chief Financial Officer	Pai-tso SUN	0	0	0	0
Consultant	Yi-hsin PANG	0	0	0	0
Vice General Manager	Mao-sheng KAN	0	0	0	0
Vice General Manager	Meng-chung LEE	0	0	0	0
Vice General Manager	Hsi-chun LIU	0	0	0	0
Vice General Manager	Kuan-chun CHANG	(9,000)	0	0	0
Vice General Manager	Wen-yun TIEN	0	0	0	0
Vice General Manager	Kuo-feng LIN	0	0	0	0
Vice General Manager	Jun-kuang YANG	0	0	0	0
Assistant General Manager	Cheng-te CHOU	0	0	0	0
Finance Manager	Ssu-chia KUNG	0	0	0	0
Accounting Manager	Shu-fen YANG	0	0	0	0
Major Shareholder	Chien Hwei Investment Co., Ltd.	230,000	0	0	0

(II) Transfer of equity made by directors, supervisors, managers and the top 10 major shareholders with a counter-party who is a related party: None.

(III) Pledge of equity made by directors, supervisors, managers and the top 10 major shareholders with a counter-party who is a related party: None.

IX. Relationship Between the Top 10 Major Shareholders

Name (Note 1)	Personal Shareholding		Spouse & Minor Children Shareholding		Combined Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within the Second Degree of Kinship(Note 3)		Note
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Title (or name)	Relationship	
Chien Hwei Investment Co., Ltd. Chairman: Chi-te CHEN	54,295,416	16.24%	0	0.00%	0	0.00%	Stone Publishing, Deqing Investment	Chairman is the same person.	-
							Chen-ching CHEN	Director of the Company	
Chi-te CHEN	20,307,858	6.07%	2,627,091	0.79%	0	0.00%	Daughter Chen-ching CHEN, mother Yueh-e CHEN-CHIU	Relatives within second degree of kinship	-
							Taiwan Cement Corporation	Director of the Company	
Chen-ching CHEN	14,370,490	4.30%	0	0.00%	0	0.00%	Chi-te CHEN, Yueh-e CHEN-CHIU	Relatives within second degree of kinship	-
							Chien Hui Investment, Rock Publishing Intl., Deqing Investment	Director of the Company	
HSBC Hosted Neon Free Weijie Master Fund	11,487,000	3.44%	0	0.00%	0	0.00%	None	None	-
Rock Publishing Intl. Chairman: Chi-te CHEN	11,030,979	3.30%	0	0.00%	0	0.00%	Chien Hui Investment, Deqing Investment	Chairman is the same person.	-
							Chen-ching CHEN	Director of the Company	
Taiwan Cement Corporation	9,402,794	2.81%	0	0.00%	0	0.00%	Chi-te CHEN	Chi-te CHEN is the representative of the	-

Name (Note 1)	Personal Shareholding		Spouse & Minor Children Shareholding		Combined Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within the Second Degree of Kinship(Note 3)		Note
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Title (or name)	Relationship	
Chairman: An-ping CHANG								corporate director of the company.	
Deqing Investment Co., Ltd. Chairman: Chi-te CHEN	7,200,000	2.15%	0	0.00%	0	0.00%	Chien Hui Investment, Rock Publishing Intl.	Chairman is the same person.	-
							Chen-ching CHEN	Director of the Company	
Yueh-e CHEN-CHIU	6,904,663	2.07%	0	0.00%	0	0.00%	Chi-te CHEN, Chen-ching CHEN	Relatives within second degree of kinship	-
Taiwan Huiquan Brewery Co. Ltd. Chairman: Ya-chi MAI	6,388,000	1.91%	0	0.00%	0	0.00%	None	None	-
Wu-hsien HSIEH	4,694,000	1.40%	0	0.00%	0	0.00%	None	None	-

Note 1: Please separately identify the names of the top 10 shareholders and, where the shareholder is a corporation, separately list the names of the corporate shareholder and its representative.

Note 2: The calculation of shareholding ratio should separately indicate the percentage of shares held under the person's own identity, under a spouse, minor children, and by nominee arrangement.

Note 3: The relationships between the shareholders listed above, including juristic persons and natural persons, shall be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Note 4: Shares calculated up to April 23, the book closure date

X. Number of Shares Held and Combined Shareholding Ratio on the Same Investee by the Company, Directors, Supervisors and Managers of the Company, and the Entity Directly or Indirectly Controlled by the Company

December 31, 2018

Unit: share;%

Reinvestment (Note 1)	Investment of the Company		Investments of directors, supervisors, managers and directly or indirectly controlled businesses		Portfolio investment	
	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)
Silver Shadow Holdings Limited	32,701,154	100%	0	0%	32,701,154	100%
Golden Canyon Limited	15,740,000	100%	0	0%	15,740,000	100%
Chien Kuo Development Co., Ltd.	11,100,000	100%	0	0%	11,100,000	100%
Shun Long International Electrical Engineering Co., Ltd.	6,063,000	86.61%	567,000	8.10%	6,630,000	94.71%
WeBIM Services Co., Ltd.	1,530,000	76.5% (Note 2)	215,000	10.75%	1,745,000	87.25%
Anping Real Estate Co., Ltd.	14,000,000	100%	0	0%	14,000,000	100%

Note 1: Investments accounted for using equity method

Note 2: Shareholding in WeBIM Services changed to 49% as of January 22, 2019.

Chapter 4 Funding Status

I. Capital and Shares

(I) Capitalization

Unit: New Taiwan Dollars (NT$)

Year/Month	Issue Price	Authorized Share Capital		Paid-in Share Capital		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
1960.11	1,000	4,500	4,500,000	4,500	4,500,000	Establishment	None	None
1971.10	1,000	6,000	6,000,000	6,000	6,000,000	Cash increase by cash in the amount of NT$1,500,000	None	None
1974.08	1,000	7,500	7,500,000	7,500	7,500,000	Cash increase by cash in the amount of NT$1,500,000	None	None
1976.07	1,000	10,000	10,000,000	10,000	10,000,000	Cash increase by cash in the amount of NT$2,500,000	None	None
1990.12	1,000	29,000	29,000,000	28,240	28,240,000	Cash increase by cash in the amount of NT$18,240,000	None	None
1991.09	10	4,900,000	49,000,000	4,900,000	49,000,000	Cash increase by cash in the amount of NT$20,760,000	None	None
1991.11	10	13,230,000	132,300,000	13,230,000	132,300,000	Capitalization of capital reserves in the amount of NT$83,300,000	None	None
1992.08	10	19,183,500	191,835,000	19,183,500	191,835,000	Capitalization of earnings in the amount of NT$59,535,000	None	None
1993.08	18.5	31,000,000	310,000,000	31,000,000	310,000,000	Capitalization of earnings in the amount of NT$40,285,350 Capitalization of capital reserves in the amount of NT$17,265,150 Cash increase by cash in the amount of NT$60,614,500	None	Order Ref. No. (82) Taiwan-Finance-Securities - (1) - 30907
1995.06	10	37,000,000	370,000,000	37,000,000	370,000,000	Capitalization of earnings in	None	Order Ref. No. (84) Taiwan-

Year/Month	Issue Price	Authorized Share Capital		Paid-in Share Capital		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
						the amount of NT$46,500,000 Capitalization of capital reserves in the amount of NT$13,500,000		Finance-Securities - (1) - 37631
1997.08	12.5	81,000,000	810,000,000	48,000,000	480,000,000	Capitalization of earnings in the amount of NT$25,900,000 Capitalization of capital reserves in the amount of NT$37,000,000 Cash increase by cash in the amount of NT$47,100,000	None	Order Ref. No. (86) Taiwan-Finance-Securities - (1) - 52236
1998.04	10	81,000,000	810,000,000	54,000,000	540,000,000	Capitalization of earnings in the amount of NT$48,000,000 Capitalization of capital reserves in the amount of NT$12,000,000	None	Order Ref. No. (87) Taiwan-Finance-Securities - (1) - 29218
1999.06	10	81,000,000	810,000,000	60,000,000	600,000,000	Capitalization of earnings in the amount of NT$54,600,000 Capitalization of capital reserves in the amount of NT$5,400,000	None	Order Ref. No. (88) Taiwan-Finance-Securities - (1) - 55260
2000.06	10	81,000,000	810,000,000	68,360,000	683,600,000	Capitalization of earnings in the amount of NT$77,600,000 Capitalization of capital reserves in the amount of NT$6,000,000	None	Order Ref. No. (89) Taiwan-Finance-Securities - (1) - 49386
2002.07	10	81,000,000	810,000,000	76,700,000	767,000,000	Capitalization of earnings in the amount of NT$83,400,000	None	Order Ref. No. Taiwan-Finance-Securities - (1) - 0910137023
2003.07 2003.08	14.5	130,000,000	1,300,000,000	112,000,000	1,120,000,000	Cash increase by cash in the amount of NT$220,000,000 Capitalization of earnings in	None	Order Ref. No. Taiwan-Finance-Securities - (1) - 0920134781

Year/Month	Issue Price	Authorized Share Capital		Paid-in Share Capital		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
						the amount of NT$133,000,000		Order Ref. No. Taiwan-Finance-Securities - (1) - 0920130288
2004.09	10	168,000,000	1,680,000,000	128,800,000	1,288,000,000	Capitalization of earnings in the amount of NT$168,000,000	None	Order Ref. No. Financial-Supervisory-Securities - (1) - 0930132035
2005.08	10	200,000,000	2,000,000,000	136,000,000	1,360,000,000	Capitalization of earnings in the amount of NT$72,000,000	None	Order Ref. No. Financial-Supervisory-Securities - (1) - 0940127524
2006.08	10	200,000,000	2,000,000,000	150,500,000	1,505,000,000	Capitalization of earnings in the amount of NT$145,000,000	None	Order Ref. No. Financial-Supervisory-Securities - (1) - 0950128621
2007.08	10	200,000,000	2,000,000,000	172,800,000	1,728,000,000	Capitalization of earnings in the amount of NT$223,000,000	None	Order Ref. No. Financial-Supervisory-Securities - (1) - 0960034768
2008.07	10	300,000,000	3,000,000,000	203,500,000	2,035,000,000	Capitalization of earnings in the amount of NT$263,800,000 Capitalization of capital reserves in the amount of NT$43,200,000	None	Order Ref. No. Financial-Supervisory-Securities - (1) - 0970032766
2009.07	10	300,000,000	3,000,000,000	232,782,114	2,327,821,140	Capitalization of earnings in the amount of NT$292,821,140	None	Order Ref. No. Financial-Supervisory-Securities-Corporate-0980032911
2009.07	13	500,000,000	5,000,000,000	292,782,114	2,927,821,140	Cash increase by cash in the amount of NT$600,000,000	None	Order Ref. No. Financial-Supervisory-Securities-Corporate-0980034517
2010.07	10	500,000,000	5,000,000,000	334,994,540	3,349,945,400	Capitalization of earnings in the amount of NT$363,567,830 Capitalization of capital reserves in the amount of	None	Order Ref. No. Financial-Supervisory-Securities-Corporate-0990034545

Year/Month	Issue Price	Authorized Share Capital		Paid-in Share Capital		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
						NT$58,556,430		
2011.06	10	500,000,000	5,000,000,000	360,119,131	3,601,191,310	Capitalization of earnings in the amount of NT$251,245,910	None	Order Ref. No. Financial-Supervisory-Securities-Corporate-1000030069
2015.02	10	500,000,000	5,000,000,000	355,119,131	3,551,191,310	Capital reduction by means of retirement of treasury shares in the amount of NT$50,000,000	None	Order Ref. No. Taiwan-Stock-Exchange - List Company - (1) - 10400022651
2015.05	10	500,000,000	5,000,000,000	345,119,131	3,451,191,310	Capital reduction by means of retirement of treasury shares in the amount of NT$100,000,000	None	Order Ref. No. Financial-Supervisory-Securities-Trading-1040021134
2015.08	10	500,000,000	5,000,000,000	338,900,131	3,389,001,310	Capital reduction by means of retirement of treasury shares in the amount of NT$62,190,000	None	Order Ref. No. Financial-Supervisory-Securities-Trading-1040031645
2015.11	10	500,000,000	5,000,000,000	337,900,131	3,379,001,310	Capital reduction by means of retirement of treasury shares in the amount of NT$10,000,000.	None	Order Ref. No. Financial-Supervisory-Securities-Trading-1040045983
2018.10	10	500,000,000	5,000,000,000	334,300,131	3,343,001,310	Capital reduction by means of retirement of treasury shares in the amount of NT$36,000,000	None	Order Ref. No. Financial-Supervisory-Securities-Trading-1040041729

Unit: Shares

Type of shares	Authorized Share Capital			Note
	Issued Shares	Un-issued Shares	Total	
Listed Common Shares	334,300,131	165,699,869	500,000,000	-

Note: The Company did not offer and issue securities by shelf registration.

(II) Composition of Shareholders

April 23, 2019

Composition of Shareholders / Quantity	Government Agency	Financial institution	Other Juridical Persons	Individual	Foreign Institutions and Foreigners	Total
Number of Shareholders	0	0	196	26,954	64	27,214
Shares Held	0	0	104,864,915	206,444,049	22,991,167	334,300,131
Shareholding Ratio (%)	0.00%	0.00%	31.37%	61.75%	6.88%	100.00%

(III) Shareholding Dispersion

April 23, 2019

Shareholding Intervals	Number of Shareholders	Shares Held	Shareholding Percentage
1 ~ 999	18,372	1,077,783	0.32%
1,000 ~ 5,000	4,974	11.710,191	3.50%
5,001 ~ 10,000	1,559	11,840,797	3.54%
10,001 ~ 15,000	651	8,054,843	2.41%
15,001 ~ 20,000	426	7,752,831	2.32%
20,001 ~ 30,000	394	9,736,538	2.91%
30,001 ~ 40,000	222	7,692,909	2.30%
40,001 ~ 50,000	113	5,196,021	1.55%
50,001 ~ 100,000	244	17,576,223	5.26%
100,001 ~ 200,000	117	15,645,571	4.68%
200,001 ~ 400,000	64	17,643,167	5.28%
400,001 ~ 600,000	29	13,952,582	4.17%
600,001 ~ 800,000	10	6,845,209	2.05%
800,001 ~ 1,000,000	5	4,369,135	1.31%
1,000,001 and over	34	195,206,331	58.40%
Total	27,214	334,300,131	100.00%

Note: The Company does not issue any preferred shares.

(IV) List of Major Shareholders

April 23, 2019

Name of Major Shareholder \ Major	Shares Held	Shareholding Percentage
Chien Hwei Investment Co.,Ltd.	54,295,416	16.24%
Chi-te CHEN	20,307,858	6.07%
Chen-ching CHEN	14,370,490	4.30%
HSBC Hosted Neon Free Weijie Master Fund	11,487,000	3.44%
Rock Publishing Intl.	11,030,979	3.30%
Taiwan Cement Corporation	9,402,794	2.81%
Deqing Investment Co., Ltd.	7,200,000	2.15%
Yueh-e CHEN-CHIU	6,904,663	2.07%
Taiwan Huiquan Brewery Co. Ltd.	6,388,000	1.91%
Wu-hsien HSIEH	4,694,000	1.40%

(V) Market Price, Net Worth, Earnings, and Dividends per Share and Relevant Information for the Most Recent Two Years

Year / Item			2017	2018	Financial information from the beginning of the current year to February 28, 2019 (Note 6)
Market Price per Share	Maximum		12.40	12.3	9.92
	Minimum		8.40	9.15	9.44
	Average		9.73	11.11	9.66
Net Worth per Share	Before Distribution		14.64	14.81	-
	After Distribution		14.14	(Note 5)	-
Earnings per Share	Weighted Average Shares		334,300,131	334,300,131	-
	Earnings per Share (Note 1)		0.51	0.62	-
Dividends per Share	Cash Dividends		0.5	(Note 5)	-
	Stock Dividends	Dividends from Retained Earnings	0	(Note 5)	-
		Dividends from Capital Reverses	0	(Note 5)	-
	Accumulated Undistributed Dividends		-	-	-
Return on Investment	Price / Earnings Ratio (Note 1)		19.08	17.92	-
	Price / Earnings Ratio (Note 3)		19.46	(Note 5)	-
	Cash Dividend Yield Rate (Note 4)		5.14%	(Note 5)	-

＊ If shares are distributed in connection with capitalization of earnings or capital surplus, disclose additional information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: If there are any retroactive adjustments needed due to stock grants, earnings per share before and after the adjustment should be listed.

Note 2: P/E Ratio = Average closing price for each share for the year/earnings per share

Note 3: P/D Ratio = Average closing price for each share for the year/cash dividend per share

Note 4: Cash dividend yield = cash dividend per share/average closing price per share for the year

Note 5: Yet to be approved by the Shareholders' Meeting this year.

Note 6: For net worth per share and net earnings per share, data from the latest quarter that has been audited (reviewed) by a CPA up to the date of publication of the annual report should be filled. For all other columns, the Company should fill the year's information up to the date of publication of the annual report.

(VI) Dividend Policy and Implementations

1. Dividend Policy in the Company's Articles of Incorporation:

   In the event that there are any earnings after the annual final accounting, such earnings shall be utilized in the first place to pay for all taxes and duties as required by law and to make up for deficits of prior years. The remaining amount, if any, shall be appropriated in the following order:

   (1) Provide legal reserve pursuant to laws and regulations.

   (2) Provide (or reverse) special reserves pursuant to laws and regulations or where operation requires.

   (3) The remaining balance, along with undistributed earnings of prior years, shall be proposed by the Board of Directors for earnings distribution, which shall then be resolved by the Shareholders' Meeting.

   The Company's dividend policy shall take into account the environment and growth of the industry, long-term financial plans and optimization of shareholders' equity. Cash dividends to be appropriated shall not be less than 10% of the total dividends to be appropriated for the year.

2. The Company's dividend policy is determined by the Board of Directors based on its operating conditions, capital requirements, capital expenditure budget, internal and external environmental changes, and the interests of shareholders. The Company's dividend policy pursues a stable dividend distribution. Since 2015, dividends have all been distributed in cash at NT$0.5 per share every year. On the precondition that no special circumstances exist, the Company's dividend policy will be on the principle of distributing no less than 50% of its net income in cash.

3. Proposal of dividend distribution awaiting the resolution of the Shareholders' Meeting in the current year

   The 2018 Earnings Distribution Proposal, which was determined as the following table at the Board Meeting held on March 28, 2019, will be conducted in accordance with relevant regulations after it has been approved by the Shareholders' Meeting to be held on June 21, 2019.

Chien Kuo Construction Co. Ltd.

2018 Earnings Distribution Table

Unit: NT$

Item	Amount
Undistributed earnings - beginning	577,452,711
Effects from initial application of IFRS 9	4,514,294
Remeasurement of defined benefit plans recognized under retained earnings	1,220,130
Undistributed earnings after adjustment	583,187,135
Net income	205,670,610
Less: Provision of legal reserve	(20,567,061)
Add: Provision of special reserve as required	10,001,734
Distributable earnings - ending	778,292,418
Less: Current year distribution item	
Cash dividends to shareholders at NT$0.5 per share	(167,150,065)
Undistributed earnings - ending	611,142,353

(VII) The Impact of Stock Dividend Issuance on Business Performance and Earnings per Share: Not applicable.

(VIII) Remuneration for employees, directors and supervisors

1. Stated percentage and scope of remuneration paid to employees, directors, and supervisors in the Articles of Incorporation

   With the pre-tax income (before netting off employees' compensation and directors' remuneration), the Company shall appropriate 0.1% to 3% of such amount as employees' compensation and no greater than 3% of such amount as directors' and supervisors' remuneration. However, in the case that the Company still has cumulative losses, a portion of the pre-tax income shall be retained in the first place to offset such losses. Employees' compensation mentioned in the preceding paragraph shall be distributed in stocks or in cash to employees of the subsidiaries who meet certain criteria, which are stipulated by the Board of Directors being authorized to do so.

2. The accounting treatment for discrepancy between the actual distributed amount and the estimated amount of remuneration to directors and supervisors and compensation to employees, or of the compensation to employees paid in shares.

in case a discrepancy exists between the actual distributed amount and the estimated distribution amount, such a discrepancy is accounted for as a change in accounting estimates and will be adjusted to the financial statements for the following year.

3. Compensation or remuneration approved by the Board of Directors:

(1) Compensation or remuneration paid to employees, directors and supervisors in the forms of cash or shares. Where the amount differs from the estimated amount in the year of recognition, disclose the differential amount, and reasons and responses therefor. The Board of Directors of the Company resolved to distribute its pre-tax income (before netting off compensation to employees and remuneration to directors and supervisors) for 2018 as follows: (a) 3% as compensation to employees in the amount of NT$9,200 thousand; (b) 3% as remuneration to directors and supervisors in the amount of NT$9,200 thousand. The distributed amounts are identical to the estimated amounts for 2018.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation. Not applicable.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

(1) The Company distributed NT$6,417 thousand as employee compensation and NT$6,417 thousand as remuneration to directors and supervisors for 2017.

(2) If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed. No Deviation.

(IX) Repurchase of Shares by the Company: None.

II. Issuance of Corporate Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Issuance of Depository Receipts: None.

V. Issuance of Employee Stock Options:

(I) The annual report shall disclose unexpired employee stock options issued by the company in existence as of the date of publication of the annual report, and shall explain the effect of such options upon shareholders' equity: None.

(II) The annual report shall disclose the names of top-level company executives holding employee stock options and the cumulative number of such options exercised by said executives as of the date of publication of the annual report. The annual report shall also disclose the names of the top 10 employees holding employee stock options with a subscribable amount reaching NT$30 million, along with the cumulative number of options exercised by these ten employees, as of the date of publication of the annual report: None.

VI. Employee Restricted Stock Awards (RSA)

(I) For all new RSA for which the vesting conditions have not yet been met for the full number of shares, the annual report shall disclose the status up to the date of publication of the annual report and the effect on shareholders' equity: None.

(II) Names and acquisition status of managerial officers who have acquired new RSA and of employees who rank among the top ten in the number of new RSA acquired, cumulative to the date of publication of the annual report: None.

VII. Status of New Share Issuance in Connection with Mergers and Acquisitions (M&A) and Acquisition of Other Company’s Shares:

(I) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the company has completed any issuance of new shares in connection with a merger or acquisition or with the acquisition of shares of any other company: None.

(II) Where the Board of Directors has, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or with the acquisition of shares of any other company: None.

VIII. Implementation of the Capital Utilization Plan: None.

Chapter 5 Operational Highlights

I. Business Contents

(I) Business Scope

1. The Company mainly engages in:

(1) Engineering service

A. Residential building construction

The Company focuses on the exquisite construction market. In recent years, we have actively strengthened our management capabilities and continued to improve our construction quality. We have created a long-term cooperative relationship of mutual trust and mutual benefit with well-known domestic listed construction companies through excellent quality, perfect service and high-quality corporate brand image. In recent years, we have successfully been contracted for various construction projects, namely, Shilin Chunfeng Yun Yan, Xinzhuang Binyang Yuerongzhuang, Kaohsiung Fubon Infiniti, Jiaoxi Tangzhicheng Tangyuan Phase II, etc. In 2018, we were also successfully contracted for the Sanchong Cathay Yueh construction project.

B. Factory and Office Buildings

Taiwan factory market, impacted by international political forces, already sees a large number of Taiwanese companies coming back to set up factories, which will give rise to demands for factory construction during 2018 and 2019. The Company has recently been contracted for the construction of a plant office of Dynapack Corp. in Guishan and a plant- office building named Kuo Yang Silicon Valley in Sijhih. Subsequently, by always adhering to the quality and good service, the Company will actively deepen its engagement in the target market, and expand the construction business toward the various areas, including green energy technology plants, plant-office buildings, cloud technology rooms, logistics warehouses, etc.

C. Public Facility Construction

The Company's involvement in the construction of large-scale public facilities has a long history, from the early phase of construction of incinerators, TRA New Zuoying Station, Shuang Ho Hospital, TACT Logistics, KHH Cargo Terminal, and the auxiliary buildings of high-speed railway stations, to the current phase of construction of Cianjin Post Office of Chunghwa Post in Kaohsiung City, buildings and parking lots of Songshan Elementary School, and the main structure, internal utility and air-conditioning projects of National Kaohsiung Center for the Arts (Weiwuying).

D. Commercial Building Construction

Defu Ruiguang and Chengyi Le Architecture, two office buildings for which the Company was contracted, have obtained the building use permits. In addition, due to the continuous opening of the cross-strait Three Direct Links policy, there will be a wave of a policy market forged by political-business forces. Domestically, the construction of the complex mall-office buildings and other projects continued to be launched. In 2017, the Company won a contract for construction of a portion of the hotel of Fubon Life Insurance located on the Chang Chun section. The Company will continue to deepen its engagement in the construction of corporate headquarters, office buildings, restaurants, shopping malls and wholesale warehouses, etc.

E. Mechanical and Electrical Engineering

Shun Long International Electrical Engineering Co., Ltd. (hereinafter referred to as Shun Long Intl.), one of the Company's subsidiaries, mainly undertakes the related electrical and mechanical engineering of air-conditioning, water and electricity, fire-fighting, intelligent building, etc., or manages electromechanical projects at the owners' requests. Shun Long Intl. has multiple technical capabilities, e.g., electromechanical design, planning and system integration, and on-site coordinating construction. It also establishes standard operating procedures and construction quality operation standards and standard construction drawings. Shun Long Intl. also uses BIM to review, design, and output construction drawings, integrates various professional construction projects, either horizontally or vertically, during the course of construction, reduces construction interface conflicts and specifies responsibilities, so as to ensure the quality of the project, to achieve the objectives of the owners and users.

F. Construction on a Turnkey Basis

The Company had been involved in the government turnkey projects in the early days, but at that time it only planned and contracted for the relevant cases for the reconstruction of the military dependents' villages. In 2016, the Company officially entered the government public housing market on a turnkey basis and used its long-time experience in quality houses to undertake the construction of public housing units. The Company feeds back to the market and acquired

Taoyuan Chung-lu No. 2 turnkey project in 2016. In the future, it will strive to contract for the turnkey business of social housing in the five major municipalities. With the experience derived from Chung-lu No. 2, the Company's technology was further deepened. In 2017, it acquired the case of Ruiguang Public Housing at Neihu District, Taipei City, followed by the case of Tucheng Youth Residential Project in New Taipei City in 2018. In addition to the public housing projects on a turnkey basis, it also fights for the exhibition, office, library and other turnkey projects. The Company will also apply the experience in investing in Weiwuying and technology development to strive to obtain projects, under the precondition of having proper profit margins. The turnkey business utilizes the technology derived from the construction of Weiwuying, e.g., patented technologies such as curving rooftop, acoustics, and includes its self-developed patents, e.g., BIM automatic modeling, customized FM system, point cloud drones and camera drones, into the feedback items of turnkey business creativity, so as to extrude its differentiation and improve the competitivity in the turnkey business market.

(2) Concrete Business

The Company manufactures and sells commercial concrete and its components in mainland China, and participates in concrete supply and pumping for construction of roads, bridges and ordinary residential projects.

2. Business Proportion

Product / Category	Business Proportion in 2017	Business Proportion in 2018
Engineering Service	66.89%	59.57%
Concrete Business	33.11%	40.43%
Total	100.00%	100.00%

3. Planned New Products (Services)

(1) Construction Service

The Company aims the individual projects at customers who are business groups, for which the Company will provide budget assessment and construction planning, and with which the Company will establish a long-term partnership. Public works will focus on the turnkey projects, which will be involved in integration at the earlier planning stage.

(2) Concrete Business

Develop high-performance concrete and strive for standardized performance with innovation and R&D technology, so as to provide customers with stable and high-quality products. In addition, each factory conducts “proportion verification” for the special-purpose concrete (high-strength concrete, self-compacting concrete, light aggregate concrete, fair-faced concrete, high-flowability concrete, and permeable concrete). The “instructional video” is used to urge partner factories to learn for on-site application.

(3) Mechanical and Electrical Business

Establish departments for development of electromechanical design and low-current communication and telecommunication system, restructures the organization, recruits professional talents to establish a company value differentiation, provides integration and value-added services throughout the construction system, and extends the life cycle of buildings and maintains sound facility management. Shun Long Intl. is aiming at widening the gap of differentiation in the industry, and serving its parent company, so as to improve the added value of the overall construction business and to expand to new markets.

(4) Construction Business

In addition to coordinating with policies concerning urban renewal and reconstruction of old and dangerous buildings, we will actively pick excellent residential locations for joint development, consider demographic changes in introducing general designs and LOHAS related plans into our products, build LOHAS products for long-term management from a professionally constructional point of view, and gradually build a brand image.

(II) Industry Overview

1. Industry Status

(1) Construction Service

A. Real Estate Market

Housing prices have bounced back after four years. Recently, due to the China-US trade war, many Taiwanese businessmen have come back, giving rise to the housing market showing signs of bottoming out. Therefore, the transaction volume of the housing market in 2019 is somewhere between 270,000 and 280,000 units. In the next three to five years, the housing market will still remain at the so-called "big U-shaped bottom correction phase". However, factors from external sources, e.g., the frequent interest rate hikes in the United States and the China-US trade war, as well as from internal sources, e.g., the "eight highs" within the Taiwan housing market, namely, high housing prices, high self-owned ratio, high-vacancy ratios, and high public facility ratios, high tax burden, high housing price to income ratio, high housing price to rent ratio and high mortgage loan rate, may have a great impact on the housing market. In recent years, domestic income has grown slowly. According to the Directorate General of Budget, Accounting and Statistics (DGBAS), from 1997 onwards, the proportion of corporate earnings to GDP has increased year by year, but the proportion of salary income to GDP has decreased year by year. By 2016, the highest 5% and the lowest 5% salary income are 106 times apart, resulting in a constant wealth gap between rich and poor. In addition, according to the DGBAS, the excess savings have exceeded NT$2 trillion annually for five consecutive years, or reached NT$11.8 trillion if summing up the amount during the said five years. This shows that the potential pressure from idle capital is still high. Despite that excess savings are favorable for investment, the current economic downturn and the inhabited tax system have contributed to strong psychological expectation for a downturn. Therefore, the oversupply situation will not change significantly in the short term. The following is a classification of the housing market trend for 2019:

a. Demographic changes resulting in reduced demand for home purchases

   According to the statistics of the Ministry of the Interior, Taiwan’s elderly population aged 65 or over accounts for 14.05%, and society has officially become an aged society. It is estimated that, in 2026, it will become a hyper-aged society and the population will experience negative growth four years thereafter. What is worth noting is that, in recent years, the number of households has increased faster than the population growth rate, and that, with the increase of the number of elderly people over the age of 65, the number of households has been declining year by year. For a market structure underpinned mainly by home purchase made by the group aged between 30 to 40, impacts are inevitable. Judging from Taiwan’s current high home-ownership rate at 85.36%, the oversupply situation in the housing market will only intensify with the passage of time.

b. Intense psychological expectation of a downturn

   After the general decline in housing prices, the market is still full of "low down-payment" or "zero down-payment" sales appeal. in addition, the real estate agencies, who are most close to the market, are still pessimistic. The consignment sales agencies, lacking confidence in the market, decline to sell on an underwriting basis. Moreover, upstream builders have little interest in buying land. The aforementioned phenomenon again indicates that the market is still pessimistic. For instance, Taipei City, New Taipei City and Taoyuan mainly focus on de-stocking the remaining housing units. The most remarkable areas among them are the Danhai New Township, Banqiao and Xinzhuang, which also show no signs of recovery.

c. The market is still dominated by de-stocking remaining housing units

According to My Housing magazine, newly-built housing units, including those in Taipei City, New Taipei City, Taoyuan and Hsinchu, accounted for an astonishing 64%, indicating that the market is still dominated by de-stocking remaining housing units. Therefore, to regain the warmth in the market, at least half of the newly-built housing units must be de-stocked. Otherwise, the builders will still be so passive as not eager to hunt for new lands, nor launch any new projects.

d. Recovery of plant-office buildings and commercial office buildings, tax system, 5 shortages to be solved

The China-US trade war is not likely to be settled in the short term. Taiwanese businessmen are eager to return to Taiwan to set up factories (plants) because of the deterioration of the investment environment. It is worth paying attention to how many enterprises will return to Taiwan in the future.

Currently, due to the clustering effect, transportation, talents and other factors, most enterprises choose to settle in the north. For instance, Wugu Industrial Zone was primarily dotted with factories (plants), whereas Neihu and Dazhi were mostly occupied with commercial office buildings. Nonetheless, in the future, more enterprises may tend to invest in plant-office buildings instead. However, Taiwan's industry has long faced problems such as water shortage, electricity shortage, worker shortage, land shortage and talents shortage. Apart from that, the marginal tax rate of the integrated housing and land tax is as high as 45%, which has scared away foreign investment in Taiwan in recent years. In the face of a high tax regime, even if the economy turns better, the foreign capital will only lease other than purchase, and refrain from having long-term investment. All these factors show that Taiwan's investment environment lacks a competitive advantage. Therefore, how to take advantage of the China-US trade war and actively improve and create an investment environment that is of quality and attracts talents is a major issue which will permit no delay.

e. Social housing and subleasing of privately owned units go hand in hand

To realize residential justice, the goal is to reach 200,000 housing units in 8 years. According to the information from the competent authority, it is divided into two stages. The first stage is from 2017 to 2020, in which 40,000 housing units are expected to be built, and subleasing of privately owned units will contribute another 40,000 units, totaling 80,000 units. The second stage is from 2021 to 2024, in which 80,000 units will be built and subleasing of privately owned units will contribute an additional 40,000 units, totaling 120,000 units. The Government hopes to gradually achieve the goal, both by building social housing units, and by subleasing of privately owned units, but the building of social housing units is not as smooth as expected. Judging from the fact that the oversupply of the real estate market becomes more evident, the need to build such a large number of social housing units should be re-considered. In addition, the construction area should be contracted to northern Taiwan. Central and southern Taiwan, where there are demographic variables and the actual demand is not as large as expected, will, if over built, see more empty houses in the future and become a major security concern.

B. Two big business opportunities will turn the table and two major products will be resurrected in the future housing market

a. Business opportunities to resurrect the construction of tourist hotels and corporate headquarters

i. Tourism policy yields good news: Taiwan's tourism, which is subject to tourists from Mainland China, is facing a short-term loss but long-term gain. In the face of political catalysis in southern market, if Taiwan can take advantage of its absolute natural resources, strengthen transportation, hardware construction and software innovation services, build Taiwan into an international tourist destination and an international tourist island renowned for its cuisine, It will not only attract international tourists, but also get rid of the difficulties resulting from drastic reduction in China tourists, and stimulate the domestic tourism market.

ii. The development of transportation and attractions in the southern market and the outlying island market will drive the theme tourism, which will lead to long-term business opportunities of commercial real estate for tourism and leisure purposes.

b. Hong Kong customers become a new force in buying small-scale composite products.

Hong Kong people have been hit by political and economic shock such as high housing prices and a large influx of inland Chinese. In recent years, they have left for Taiwan to purchase properties. The difference in language and characters between Hong Kong and Taiwan is small, and Taiwan's housing prices have a big incentive for Hong Kong, giving rise to a boom of home purchases in Taiwan. Moreover, leading builders and building projects are targeting at Hong Kong customers to be the potential buyers for the following year. The Hong Kong people who have left will definitely choose a residence-office property, which will become the primary choice for Hong Kong people.

C. Plant construction market turned to plant-office construction market

In the face of a China-US trade war, although the international community has not yet made major decisions, the uncertainties may affect Taiwanese companies' choice of using Taiwan as a priority to build factories (plants). However, according to the assessment, the volume of the plants developed may not be large, and the products developed on demand for the following 2 years will still be the plant-office buildings or composite commercial buildings. The market trend may be in line with the government's demand for smart and intelligent buildings, and will incorporate the smart system into a commercial building.

D. Public construction market

Looking at the development of Taiwan's overall political and economic environment, the government in 2019 is expected to implement the policy plan promulgated in 2016 for forward-looking construction and water management, in order to meet the government's commitment. The Forward-looking Infrastructure Development Program contains eight dimensions: railway projects to provide safe and fast transportation, water environments to build resilience against climate change, green energy infrastructure to foster environmental sustainability, digital infrastructure to create a smart and connected nation, urban and rural projects to balance regional development, child care facilities to reverse declining birth rate trends, infrastructure to ensure food safety, and human resources infrastructure to nurture talent and boost employment. Therefore, the government's public construction will drive the vitality of the domestic construction market. In addition to affecting the positioning of market construction products, the focus will be shifted to smart buildings and construction, according to government plans. In addition, the Government has proposed the policy of "200,000 social housing units in 8 years", aiming to take special care of the disadvantaged and the youth. The way to obtain 200,000 social housing units includes: 60% to 70% through new construction, 20% to 30% through offering capacity incentives, 10% to 20% through subleasing of privately owned units. Based on this, new social housing projects will continue to be the focus of public construction in 2019.

(2) Concrete Business

At present, industry policies in some areas in the mainland concrete industry are not sufficiently implemented, which seriously hinders the development of commercial concrete. The timing of industry consolidation is not right. The industry concentration is low and the industry profits are on the verge of loss. The construction industry's unspoken rules, which require contractors assume costs in advance, resulting in an increase in accounts receivable. The quality and quantity of small enterprise products are not guaranteed. However, ERP software and GPS systems are gradually accepted by enterprises, and they are developing well and need to be further improved (the penetration rate in developed regions has exceeded 50%). The management of concrete enterprises is still not mature, lacking professional management and technical talents. Regional development is extremely uneven (developed coastal areas have gradually matured, the central region has developed rapidly, and the western region has just begun). The developed regions have entered the era of a red ocean, where the price competition is fierce. There is a lack of industry leaders negotiating prices with buyers in order to secure reasonable profits in the industry. Enterprises generally have large amount of uncollected accounts receivable and low profits. It is common to hear the news of closure of concrete enterprises, which indicates that despite most companies in the industry still have reasonable profits, the way of advance-funding is risky and not conductive to business management.

2. Industry characteristics

(1) Influenced by the government's financial policy and major public construction programs

Looking back at the development of the construction industry over the years, whenever the government changes its financial policy or reveals plans to launch major public construction, the development and the gross profits of the construction industry immediately have obvious ups and downs, fully reflecting its influence on the construction industry.

(2) High risk due to price fluctuations

During the course of construction, it is susceptible to factors such as market prospects, commodity prices and inflation. In recent years, the construction industry has been affected by the increase in commodity prices and wages, causing cost fluctuations that are difficult to manage. Risk is high under the contractual terms and costs that require the construction to be completed on time.

(3) Regional and labor-intensive industries

Since most of the construction process of the construction project relies on manpower to complete, the construction industry is a labor-intensive industry. The labor of the construction industry is engaged in manual labor on a daily basis, hence the turnover rate of personnel is high and difficult to control. In addition, it is often necessary to cooperate with local subcontractors to seek local personnel, equipment and materials support. Therefore, regionality will affect costs.

(4) A wide variety of technicians

Completion of construction requires participation of a wide variety of technicians, such as: Rebar workers, formworkers, welders, and electricians and plumbers. There is a wide variety of technicians and the management interface is complex. In addition, BIM technology has been introduced in recent years. As a new digital technology tool for civil engineering, construction, and electromechanical systems, BIM still relies on personnel with professional knowledge to solve various problems encountered in the whole life cycle. Limited by the file format and integrated development of software, it is up to the information professionals with a coding background to code relevant automation programs, so as to integrate all the information in the construction process.

(5) Strong relevance between industries

The construction industry is highly correlated with industries such as cement, steel, machinery, transportation and consultancy companies. Market fluctuations in various industries will also directly impact the construction industry.

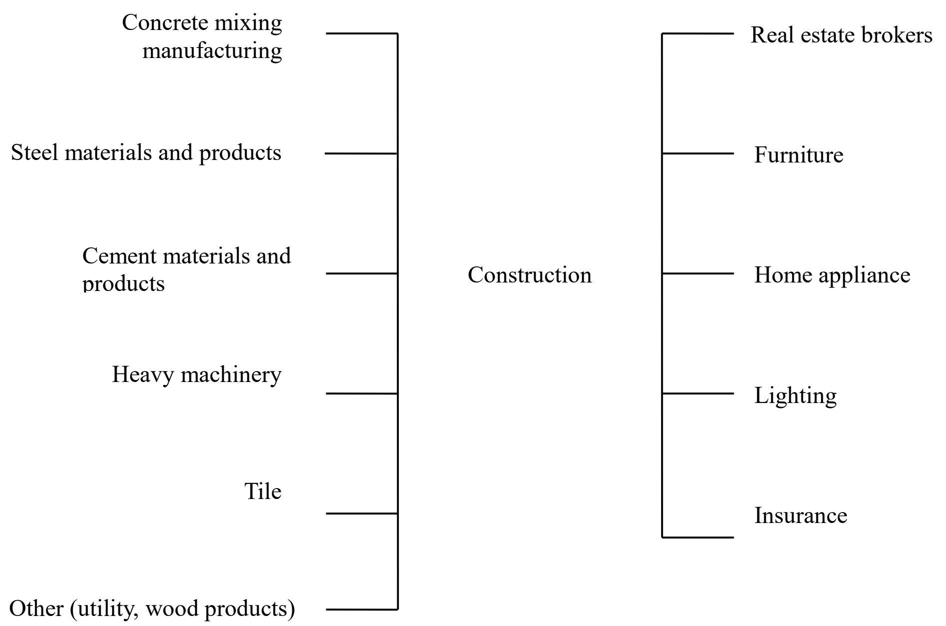
(6) Poor working environment

The construction process is more dangerous than that in general workplaces Work is affected by the climate, and the probability of occurrence of on-site occupational incidents that endanger personal safety is high.

3. Relevance between the upstream, midstream and downstream

(1) Construction Service

By source, it can be divided into government agencies, general private enterprises, construction companies, and consumers entrusting the construction. By industry, the upstream comprises ready-mixed concrete, steel materials and products, cement, mechanical and electrical equipment and ceramic tile; the downstream includes real estate agencies, brokers, furniture, home appliances, lighting and insurance. Therefore, the prospects of the construction industry greatly affect not only the industry supplying related raw materials, but also the development of other related industries.



(2) Concrete Business

The upstream of the ready-mixed concrete industry comprises steel materials and products industry (mineral powder), cement industry, chemical agent providers and providers of natural materials such as yellow sand and stone. The downstream comprises the construction and building industry. The building industry is affected by real estate prospects, investment in fix-assets, and construction of infrastructure (e.g. the road and railway transportation industry), but also affects the development of other industries.

4. Development trend

(1) Construction Service

A. Develops towards large, exquisite, and smart

In recent years, under the requirements of large-scale projects, high complexity of design, high housing prices, high technical standards and exquisite decoration requirements, large-scale builders are more qualified to participate, hence BIM (Building Information Model) is introduced. As an integrated construction interface, BIM has the professional competitive advantage of improving construction technology, and can grow in its expertise type to meet customer needs. At the same time, it needs to establish word of mouth and brand image to enhance its added value, and strengthen cost control and establish early warning and risk assessment mechanism, so as to meet customer needs and establish a core competitive niche. In addition, smart building and construction management have become another trend in the market. Having the fastest and latest smart management or R&D system will create a brand advantage in the market.

B. The government bidding model is shifting towards adopting the most advantageous tender, turnkey or BOT.

In recent years, the government has continued to actively promote major public construction, of which the bidding has been encouraged to adopt the most advantageous tender to avoid the sacrifice of construction quality due to bidding. Due to higher financial capacity of the government, public construction has become the battleground for large-scale construction companies. Large-scale construction companies need to exploit operational efficiency, strictly control costs, strengthen construction management and develop new construction technology in the construction process in order to win a bid. In order to avoid the phased outsourcing, in which the project quality can not be connected, more and more turnkey cases have appeared, even in the BOT case where the construction extends to the operation period, in the hope to integrate all the teams through a single contact window, and to activate government’s assets throughout the life of the building.

C. Adjust construction business model in line with environmental changes

Land, the material for the construction industry, is not a commodity and hard to be acquired due to the changes in society and economy. Therefore, the scale of business, human capital allocation and capital utilization need to be adjusted in line with the changes of the environment, for the purpose of a steady development. This year, we will develop the regional land with future potential, track redevelopment zones with major construction themes, properly position plans, and develop and construct the development projects and special projects that have a theme and highlights.

D. Strategic cooperation between the upstream and downstream

Construction management greatly values interface integration. In order to avert poor construction quality or lagged-behind progress due to mismanagement or difference in personnel literacy that would affect goodwill, most construction companies have long-term partnership with their professional coordinating suppliers. In preparing a tender, it works with the professional coordinating suppliers to improve the chance of winning the bid; after winning the bid, the project will be handed over to the professional coordinating suppliers who have assisted in the preparation of the tender, thereby shortening the running-in period of the two parties. The professional coordinating suppliers, due to their understanding of the Company’s various demands and their desire to maintain a long-term partnership, helps in minimizing the problems in the management interface, allowing the construction to commence as scheduled for with the set quality.

E. Product characteristics tend to diversify

Products have become diversified in line with changes in the living environment, from early large-scale community residence and traditional apartment products, to recent high-priced luxury homes, silver-haired homes, leisure hot spring homes, residential buildings that emphasize the environmental characteristics of the community, as well as commercial buildings, complex shopping malls, shopping malls, cultural and creative Industry, technology parks and their auxiliary buildings, etc.. At the same time, it also increases the requirements for smart buildings, human-friendly residential buildings, green buildings, environmental protection, barrier-free spaces, medical care, and complex residential functions (with residential and office functions).

F. Develop international markets

In the face of a domestic competitive environment, a number of construction companies have recently extended to overseas markets. They left their international footprints in China, Southeast Asia, such as Vietnam, Singapore, India and other regions, actively deploying around the international market. On the contrary, if the government opens the coastline, offshore islands, and aviation zones (Songshan, Taoyuan, Taichung, Xiaogang International Airport) in the future for tourism investment, it is certain that Taiwan construction market will be pushed onto the international competitive stage. By then, Taiwan's construction companies will be transformed into an important medium for international investment, and the international investors is certain to seek for a partnership with construction companies that are internationalized, with technological might, and has influence over the local markets.

G. The government actively promotes the introduction of BIM technology to major public construction

In recent years, in addition to the governments of Taipei City and New Taipei City who have recognized the trend of BIM technology, Taoyuan, Taichung, and even life insurance consortium have also begun to plan to introduce BIM to major public construction, and explicitly request that delivery standards and related matters may be specified on the tender documents at the same time. At present, BIM system has become one of the necessary tools in all public construction, which further demands that BIM cannot be conducted in an outsourced manner but by a construction company having BIM capability, and that BIM is introduced to all phases (design, construction, warranty, and property management).

H. Personalized and diversified consumption has become mainstream

Economic growth will rely more on the quality of human capital and technological progress. Competition will gradually shift from quantitative expansion and price competition to quality-based and differentiated competition. The industrial structure must be optimized and upgraded. The merger and reorganization of enterprises and the relative concentration of production are inevitable. Investment opportunities for new technology, new products, new industry pattern, and new business models have sprung up; personalized and diversified consumption has become mainstream; production miniaturization, intelligence, and specialization will become new features of industrial organizations. The environmental carrying capacity has reached or approached the upper limit, and a new way of developing a green low-carbon cycle must be formed. Therefore, the concrete and cement products industry needs to adjust its structure through different means, bids farewell to the traditional extensive development mode, and be promoted to the medium and high end towards high-efficiency, low-cost and sustainable.

(2) Concrete Business

A. Automatic and smart production will be further promoted. At present, the production of concrete mixing plants is basically mechanized, and some processes are also automated and controlled, but the overall degree of automation is not high. Manpower used in the production line of the same scale is almost three times more than that of developed foreign countries. Labor cost is also increasing year by year.

Being smart is the ultimate development direction of all mechanical equipment, and the mixing station is no exception. At present, most manufacturers have invested heavily in this aspect, but the degree of being smart is relatively low. In this respect, they must start with a higher degree of being completely smart.

B. At present, the low environmental protection nature of concrete mixing plants in mainland China should be improved from three aspects: dust, noise and pollution. Dust should be controlled in the transportation route of the powder. For example, the dust collector on the cement silo, the dust collector in the main building, powder convoyed by wind flume other than by spiral conveyors, and the closing of the whole plant can reduce the dust to a minimum; noise can be minimized by improving the performance of the main engine, closing the plant and using materials such as baffles. Pollution can be controlled in a number of ways, such as the construction of wastewater sedimentation tanks, secondary loop filtration devices and reuse of aggregates.

In addition, all the powdery materials are processed in a sealed state from loading, batching, metering, feeding to stirring. The dust exhaust pipe of the mixer cover, the cement metering bin and the pulverized fuel ash metering bin are connected with the dust collector, and the aggregate filler port is provided with a dust-proof plate to reduce the dust emission. The fully enclosed mixing main building and the structure of the belt conveyor greatly reduce the dust pollution to the environment. The dust removal by negative pressure and the special fiber filter cloth are used to make the dust generated during the feeding completely enter the dust collector without spreading to the surroundings, and the collected dust can be easily recycled and reused to effectively protect the environment.

C. High precision mainly refers to the measurement accuracy of aggregate, cement, water and admixture, and there is still room for improvement in current precision. The high precision of measurement is the goal and development direction of the mixing station in mainland China. Only by improving the measurement accuracy can we produce higher-grade high-strength concrete. How to improve the accuracy of the metering device is a problem worth exploring.

D. The standardization of the mixing station is its ultimate development direction. Any equipment has standards. the world has international standards, and mainland China has its own industry standards. Standardization can fundamentally reduce product costs and save a lot of energy resources. In the face of the current tight natural resources and high energy consumption and low output, we call on relevant industry authorities and large enterprises to promote this business. Although there are industry standards for mixing stations in mainland China, they are far from being able to adapt to the current development speed of mixing stations. The standards are relatively lagging behind. The industry standards have not played a guiding role to a certain extent. Many manufacturers have contended for their own standards, which has caused chaos in the market and a waste of the investment of the vast majority of users.

E. The demand for high-performance concrete and special concrete will increase, so will the anti-corrosion, fire-proof, as well as some high-performance, high-strength, high-flow, and easy-to-construct concrete in the future.

5. Competition situation

(1) Construction Service

According to the Construction and Planning Agency of the Ministry of the Interior, as at the end of 2018, the number of domestic construction companies registered was about 18,251. Although it was 269 more than the same period of last year, about 90% of them belonged to small and medium-sized enterprises. Most Grade A construction companies are those upgraded from small and medium-sized enterprises, lacking a stable financial structure and sufficient engineering staff. The Company was established in 1931. So far, it has accumulated rich construction experience and its mastery of the project progress and quality has been recognized by the owners. The Company is a competitive supplier in the industry.

(2) Concrete Business

The Company focuses its concrete business in Suzhou and Wuxi, where competitors are many and oversupply is evident. With cost control and capital advantages, the Company maintained uninterrupted raw materials in 2018 and provided better prices and payment terms for quality customers. The overall sales volume in 2018 was higher than that of the previous year, which effectively improved its market share in the regional market.

(III) Technology and R&D Overview

1. Construction Service

(1) Acoustic technology application

Based on the acoustic construction technology acquired during the construction of the National Kaohsiung Center for the Arts (Weiwuying), the Company applied for related patents, and combined the important functions of other buildings, such as: fireproof, vibration isolation, etc., which will be introduced into general construction. The Company enhances the quality of its indoor sound environment according to the usage of different buildings, and establishes its image as a professional acoustic technology provider.

(2) Special curved surface application

Based on the special modeling construction technology acquired during the construction of the National Kaohsiung Center for the Arts (Weiwuying), the Company applies for related patents. By combining CAD/CAM/BIM analysis technology, the Company improves the applicability of metal materials in the outer shell or as a special decorative object. It also considers to integrate the energy-saving design with the sunshade design of a building.

(3) MIS application

Introduced BI systems, made good use of technology tools for project management, established a common data presentation and exchange platform, reduced errors in the data transfer process, and improved the immediacy of information to accelerate the decision-making process.

(4) Construction automation application

Combined the introduction of BIM technology with the rebar placing drawing and quantity calculation, and recalculated the quantity from the reviewed model to avoid unnecessary material waste and increase construction convenience and correctness.

(5) Introduction of point cloud technology application

BIM technology in the future is bound to be closely related to construction automation. The feedback of digital information after construction must be obtained through the point cloud technology. The Company has commenced the application of this technology, for instance, scanning the sample house and the physical pipeline in the basement. Subsequent applications will continue to be developed.

(6) Introduction of aerial photography technology

In response to the needs of the turnkey project, the Company began to introduce the application of aerial photography for model-building in the design stage, so as to ensure the integration of the architectural design content with the local surroundings, and use this technology to understand the status of the existing site and the neighboring houses. It is expected that the next phase of application will focus on inspecting construction quality and occupational safety and health.

2. Concrete Business

(1) Rationally select high-quality conventional raw materials, adopt double-doping technology (mixing high-performance water reducing agent with reasonable blending amount of mineral admixture), supplemented by lower water-to-binder ratio, and adopt green premixed production method to develop high-performance concrete.

(2) Each factory refers to the current national standard (premixed concrete) GB/T14902 in mainland China, and carries out “proportion verification” and “instruction video” for special-purpose concrete (light aggregate concrete, high-strength concrete, self-compacting concrete, and permeable concrete).

(3) Reviewed the quantification of concrete mixing design and the adjusted calculations, and reviewed the quantification of various raw material technical indicators, so as to cope with the increasing requirements of concrete technical indicators and instability of raw material quality, and quickly and effectively adjusted the mixing ratio to ensure production quality.

(IV) Short and Long Term Business Development Plans

1. Construction Service

(1) Short-term plan

A. Improve accuracy and actively develop the construction market

a. Improve business accuracy and strengthen brand image

To enhance business development capability and business connection depth; to provide initial customers with service management, construction planning, building optimization and construction review recommendations, so as to enhance construction quality, implement construction techniques and risk assessment, and properly handle the needs of owners; and to improve business accuracy with excellent service. Through the enhancement of marketing and service models, together with presentation of our representative projects and award-winning cases, we will enhance our brand image. We will also target large-scale corporate customers, for which we conduct strategic planning and long-term management.

b. Refined service to become a strategic partner with excellent real estate developers

Superior quality, differentiated technology, comprehensive service, intelligent management and high-quality brand value constitute the core competitiveness advantages. Accuracy of construction and the transparency of building materials level is emphasized in the process, in the hope to establish an integrated strategy with customers and complement each other. The Company can even assist owners in having a cooperation on a turnkey basis by managing the design of architects and providing them with products on the date as scheduled for. We can also become a strategic partner with excellent real estate developers to create a long-term cooperative relationship of mutual trust and mutual benefit.

c. Strengthen customer service mechanisms

Standardize customer service mechanisms, electrolyze management process, and establish a multi-channel customer connection repair system, so as to enhance service efficiency and quality. Fully understand the feedback from owners on all stages of the project, and implement customer visits in person to understand customer needs. Doing so can not only deal with customer complaints in a timely manner, but also increase opportunities for customer visits to achieve business development goals.

d. Exploit profession integration capabilities

By exploiting multiple connections, integrate the common interests and business opportunities of landlords and the Company; actively develop new projects; fully exhibit the Company’s competitive advantages, e.g. engineering expertise, high-quality rating, taste of humanities and cultures, and a sound financial system; develop design-side integration and internal information system; provide technological and intelligent building construction services; and introduce refined turnkey business (design + construction + introduction of property management plan) to serve as the benchmark for the construction industry.

e. Optimization of procurement costs - maintenance and repair operations and improvement in supplier's service quality and capabilities

Strengthen the construction of information systems to enhance the capacity and scope of procurement and outsourcing, shortening the procurement schedule, improving project quality and efficiency, and thereby reducing procurement costs. Strengthen the system of maintenance and repair to enhance industrial competitiveness.

f. Strengthen capabilities regarding project management and labor occupational safety and health

Introduce environmental safety and health management standards, implement professional management of site environmental protection and self-inspection of safety and health, and enhance the implementation depth of technical specialization and occupational safety and health, so as to achieve the managerial objectives of reducing costs and zero occupational incident. In addition, in combination with intelligent management, the use of a camera drone to inspect the installation of external safety facilities make safety management more comprehensive.

g. Strengthen internal management

Talents are the core of a company. Therefore, we will implement human resource management, strengthen the suitability of occupational competence, improve organizational efficiency, so as to create a suitable environment for talents and enhance employee morale and cohesion.

B. Deeply cultivate large-scale enterprise customers and establish long-term mutual trust and cooperation.

C. Exploit professional design and construction integration capabilities, so as to actively develop turnkey projects and expand the market share of the Company's business.

D. Deepen the application of BIM technology and intelligentization in construction management to expand the scope of contracting projects.

a. Enhance the experience of on-site practical application which leads to an added value for customers

Strengthen the experience and on-site practical capability of BIM technology and analyze the needs of the owners, which is then applied to the construction planning and construction technique review and recommendations, so as to help improve the construction quality for customers and implement the construction techniques and risk assessment.

b. Increase market exposure and strengthen brand image

Actively present technical articles or the latest news on open technical seminars, newspapers, magazines, professional journals, and official websites; or participate in large-scale technical competitions to forge a leading brand image; and continue to strengthen business development capabilities.

c. In-depth and exquisite customization service

By employing accurate and practical BIM modeling and multi-dimensional service, we will research and develop customized services to meet the needs of owners and create an added value for customers' products, thereby improving our business.

d. Provide total solution service of BIM technology integration

Provide integration service for customers through the use of the self-developed operating platform, the ability to execute complex projects, the pioneering experience in implementation of BIM in public construction, and the development of back-end property management combined with BIM module system to provide customized system transfer.

e. Establish and strengthen internal management mechanisms

The BIM technology application and internal management are formulated into an optimization process, with those that could be informationized being built into an information management system, so as to enhance operational capabilities, improve service and efficiency, and enhance industrial competitiveness.

(2) Long-term plans

A. Continue to develop differentiated products of the Company and maintain long-term competitiveness

In addition to continuing to deepen BIM technology and applying patents for metal casing and acoustics products, in the future, we will gradually introduce various differentiated technologies, such as FM system embedded with BIM, point cloud combined with model for online house visiting, BIM rapid modeling, and camera drone inspection, etc., and introduce them into the general construction business, and apply them in the construction and development, thereby creating the advantage of the Company different from other construction companies.

B. Improve the Company's intelligent technology

Combine BIM technology with FM technology for subsequent property management; possess, develop and deepen a rapid integration system capable of performing equipment maintenance, inspection, and review of the completion drawing ; in addition to the existing point cloud system for electronic processing of existing pipelines and scanning of sample house to provide for property management in the future, use a camera drone to collect existing information for modeling to serve as a reference for the architects in designing, and thereby developing the architecture that suits the local surroundings the most.

C. Improve the feasibility of turnkey operations and develop exquisite turnkey operations

Apply the integrated design capability currently provided for public constructions in building development case for private enterprise, so as to provide efficient and suitable design solutions so that the owner can save the cumbersome procedures of design and construction subcontracting and obtain the most advantageous design.

2. Concrete Business

(1) Short-term plan

A. Optimize contractual terms for business contracted for; improve the quality of receivables; aging of payments and profits are order-oriented; and pay attention to the owners at the business-end, and to the quality, credibility and sources of funds of customers, so as to improve the quality of receivables and reduce the level of receivables.

B. Optimize the business management system:

a. Credit limit control and early warning mechanism based on customer classification

b. Strengthen and strictly control the requirement to lift the prohibition of sales

c. Negotiate collection of receivables in advance with customers based on the contractual completion rate, and re-visit the customer.

d. Accelerated the speed at which customers with delinquency payment are transferred to the legal department.

C. Safe and clean production:

a. Verification conducted by a third-party occupational safety and health company once every two months.

b. The safety education meeting is held monthly, which covers the subcontracting of pump trucks lent out.

c. Implement and improve material stocktaking methods

D. Quality aspect:

a. Improve stability of high-quality cement

b. Tracking of slump control by operators and the strength of the test block

c. Supervision and Adjustment of moisture control of the mixing machine

d. Tracking and execution of proportioning optimization test

(2) Long-term plans

A. Promotion of professional subcontracting, automation and intelligentization

a. Reduce manpower expenditure

b. Ensure product quality control

c. Effectively reduce the overall cost of production

B. Product differentiation:

a. Innovation and creativity technology:

i. High-performance high-flow concrete

ii. Mode in which admixture dominates proportioning ratio

b. Technology Promotion:

i. Strive for the iconic construction projects, such as key municipal projects, tunnels, elevated road, subway etc.

ii. Special experiment with mass concrete pouring, concrete pouring for super high-rise

C. Exquisite brand:

a. Brand promotion with the help from the industry, the government, the academics, and own advantages

b. Exploit technology to promote differentiation and advantageous supply service, thereby expanding market share

II. Market, Production and Sales

(I) Market analysis

1. Construction Service

(1) Geographic areas where main products (services) are sold (provided):

Projects undertaken by the Company mainly located in northern and southern Taiwan.

(2) Market share

The domestic construction market is huge, but the market share of each construction company is very low. The Company possesses an integrated construction team, rich construction experience, excellent construction quality, BIM technology pioneer, and technology research and development abilities. We will integrate the application of the patented smart technology with the construction or turnkey business in the future. These favorable competitive conditions will help in the Company winning construction contracts and thereby gaining further market share.

Unit: NT$100 million

Year	Total turnover of the construction industry	The total turnover of the Company's construction services	Market share
2014	21,795	25	0.11%
2015	22,293	35	0.15%
2016	21,517	38	0.17%
2017	21,465	38	0.17%
2018	23,301	40	0.17%
Data source: Ministry of Finance - Financial Statistics Database(number of profit-making businesses and sales).			

(3) Future supply and demand situation and growth

A. Supply side

The market share of large-scale construction companies, which have been operating steadily, is still low. Due to the successive financial crisis or bankruptcy of many medium-large construction companies in recent years, there emerges a market advantage for large-scale construction companies. Concerning the “Project to Expand Investment in Public Works and Revitalize the Economy” proposed by the government, in the face of increasingly large and complex projects, and in order to ensure construction quality and construction periods, the government will gradually opt for the most advantageous tender and a turnkey model, and will incorporate all aspects of conditions of a construction company into the scope of contractor selection, which no longer gives priority to low costs in consideration. Therefore, the government has turned for investment in major domestic public construction to provide the momentum for economic growth. It also actively promotes urban renewal and strengthens private investment. In addition to public housing projects on a turnkey basis, it has also increased a number of projects concerning construction of large-scale intelligent factories and hospitals on a turnkey basis. On the private construction side, large consortium and the life insurance industry will account for a considerable portion between 2018 and 2019. The builders, who were restricted by government policy and a frozen housing market in 2018, will de-stock their inventory in 2019, giving rise to a warmth in the market. However, such warmth does not result from an increasing market demand, but from that builders de-stocking their inventory, which leads to a drastic decline in the cost margins of construction companies. As for the life insurance industry, since their main purpose is for long-term investment and hedging, they prefer to select construction companies capable of absorbing financial risks. However, due to that the government increases the superficies royalty year on year, the life insurance groups are facing a surging cost. In the face of a funding gap risk, the life insurance industry will allow small and medium construction companies to compete for a bid. Therefore, there will be a trend to compete based on considerations offered and technology.

B. Demand side

a. Looking at Taiwan's overall political and economic climate, the government will actively promote the country's major construction projects. Contributed by the facts that internationally the China-US trade remains stagnant, that the central bank is likely to raise mortgage interest rates, and that builders de-stocking their inventory, the real estate market will feature a prospect where new projects must be launched but cannot be sold, leading to a housing vacancy rate in the market and an imbalance between supply and demand.

b. Major construction projects under planning for outsourcing include public housing projects in Taipei City, New Taipei City and Taoyuan City, the circled MRT system around the Taipei Metropolitan Area, TRA stations to be elevated, cultural and creative industries, social housing, urban landscape reconstruction, and airport activation projects.

c. The claims that large-scale electronic companies are expected to build a plant-office complex building to cope with the China-US trade deadlock has activated the market. Subsequently, the scientific parks and large industrial parks in various places are expected to see increasing demands for construction of plants.

d. BOT projects, where private capital is encouraged to participate in the public construction, gradually enter the construction phase after execution of several agreements. However, whether the capital can be raised for subsequent BOT projects depends on whether the preferential policy offered by the government is able to arouse investors' confidence.

C. According to survey statistics, the application of BIM technology is growing rapidly:

a. Following the New Taipei City Government, the Taipei City Government has also requested the introduction of BIM technology to public construction projects exceeding a certain amount, and will share with the New Taipei City Government the relevant BIM review platform, which will advance further to become a Taipei Consensus. In addition, Taoyuan and Taichung are catching up. For instance, they demanded BIM technology and property management system be considered in bidding for public construction projects. It can be expected that the various counties and cities will gradually demand the introduction of BIM as a necessary bidding condition.

b. In addition to Taipei City and New Taipei City, Taoyuan City and other counties and cities have also required that the introduction of BIM be stipulated on the tender for public construction projects in specific experimental area, or for a designated building types (such as public housing). Some institutions (such as Taipower, TRA, light railway and other competent authorities) hope to improve the quality of their projects by introducing such technology. It’s expected that there will an emerging market in this regard for the construction industry.

(4) Competitive niche

A. Experienced and excellent construction quality

The Company has a long history of establishment and has accumulated a considerable amount of technical capabilities and professional experience. From the early construction of reservoirs, tunnels and roads, to participation in exquisite residences, high-tech plants, hospital buildings and public construction projects such as large-scale arts and cultural centers in recent years, the Company has been highly regarded. The Company aims to compete in the markets of high-end residential buildings, commercial buildings, and public construction works.

B. Corporate image

The Company, which has been established for long, has acquired ISO certifications, as well as TOSHMS certification for its dedication to implementing environmental protection and occupational safety and health at the construction site. Such certifications help in customers’ recognition of the Company’s corporate image. In recent years, the Company has enhanced its corporate brand image by dedicating to developing innovative technology and improving the intelligent and technological process.

C. Financial ability

The construction industry is greatly affected by changes in the economy and public construction projects, hence the fluctuation in business sales and performance is inevitable. Nonetheless, the Company's funds are still sufficient to cope with a downturn or development of new business.

D. Construction management system informationization

informationization of systems of the construction industry is generally insufficient, whereas that of the Company regarding administrative affairs and construction affairs is mature, which is a relatively competitive niche compared with other construction companies. The Company has completed its 7-1 process control, smart management of safety and health, and technological innovation of construction drawings, etc., with the system of integrated planning and the system of construction process still advancing.

E. A construction company mastering multiple construction technology

Integrate by means of cultivating and inducing talents and with a strategy of Taiwan-based, civil engineering as major, and mechanical and electrical engineering as supplementary. Exploit funding advantage and forge a market segmentation by means of professionalization and centralization, so as to improve competitivity and create higher added value.

(5) Favorable factors and unfavorable factors for future development and corresponding measures

A. Favorable factor

a. Due to the customer's gradual emphasis on construction quality and construction technology, it favors a comprehensive construction company that specializes in construction engineering technology and has a corporate image and performance.

b. The government continues to compile a large number of public construction budgets to support the construction market.

c. In recent years, the Greater Taipei area has been promoting urban construction, contributing to development and utilization of urban land and the development of domestic real estate.

d. Concerning the application of BIM in both the demassification market respecting general residence and in the construction phase respecting construction management and planning, the Company has no direct or comparable competitors. Moreover, The Company is experienced in executing complex projects, pioneers the execution of BIM in public construction, capable of developing customized service for owners, has the ability to implement fully, and has model-building capability of higher quality, which together constitutes a favorable factor for BIM development.

B. Unfavorable factors

a. Judging from the fierce competition in the construction contracting market and the uncertainty of the fluctuations in the prices of raw materials and building materials, it is expected that profit margins for construction contractors will not significantly recover.

b. The housing market has returned to fundamentals. The high purchase burden and low transaction volume will suppress the growth of the housing market.

c. In view of the reduction in the private construction market, it is expected that the construction contractors will cut the profitability for winning a contract.

d. BIM currently has no clear market regulatory mechanism. Those that provide BIM technical services in the market are of uneven quality. Although the Company is confident in surpassing its rivals in quality, the customers who are seeking BIM services for the first time still have no ability to distinguish the quality of the suppliers.

C. Countermeasures

a. Target market strategy

In the face of fierce competition in the construction industry, the Company is aiming at the customers sitting within its target markets, e.g., the selection of listed high-quality builders and consortium customers, or builders who possess the criteria necessary for large and difficult government public buildings and for development of luxurious buildings, and contracts for their exquisite residence projects; upgrade the existing technical level and introduce new technical talents; enter existing markets respecting new aspects, new products and new regions; strive for urban renewal, joint construction, vibration isolation, green energy, green buildings, smart buildings, hospitals, and commercial real estate. And strengthen customer service with professionalism and quality to establish a stable source and customer base.

b. Establish good construction quality and reputation

Adhere to the Company's core values of "integrity" and establish a good construction quality and reputation. The Company, which has a long stood as a listed company, will make good use of financial advantages and build customer confidence in the Company.

c. Strengthen the accumulation of professional and technical experience

Through diversified construction projects, accumulate various construction experiences, establish core competitiveness of long-term operation, upgrade the technical capabilities to improve the past or existing complex construction methods, and introduce new technical talents, so as to achieve the goal of technological optimization and technological expansion to reduce costs and improve competitiveness. The cross-strait parties can share resources and experience and complement each other.

d. Increase cost competitiveness

Strengthen organizational effectiveness and strengthen cost control to reduce costs and maintain profit margins. Enhance the added value and open up new markets through brand management.

e. Strategic alliance

Obtain the following advantages through a strategic alliance, either an industry alliance or a horizontal alliance:

(a) Professional combination: Strive for and complete the target market performance.

(b) Knowledge transfer process: In addition to improving professional integration capabilities, strengthen self-management ability.

(c) Risk sharing: Share risks such as costs under the uncertainty of the business environment,

2. Concrete Business

(1) Geographic areas where main products (services) are sold (provided):

The distribution area analysis of the commercial concrete contracted by the Company is mainly about 30 kilometers away from the mixing station.

(2) Market share

The commercial concrete market in mainland China is huge, and the market share of premixed plants is very low. The Company has favorable competitive conditions such as a foreign-style enterprise management system and sound financial stability, which will help the Company to sell and contract, and to gain market share.

2018			
Plant	Shipping quantity (10,000 M^3)	Shipping quantity by region (10,000 M^3)	Market share
Suzhou plant	49.8	1,392	3.6%
Wuxi plant	87.1	1,539	5.6%
Subtotal	136.9	2,931	4.7%

3. Future supply and demand situation and growth

   China's concrete market forecast will reach a new high in 2019: Although steel structures have gradually penetrated the market in recent years, under the comprehensive consideration of safety costs, we can still foresee that concrete will be the main form of Chinese architecture in the future. In addition, the influence of real estate investment on concrete is relatively large. Although the growth rate of real estate investment has not recovered from the double-digit growth of previous years, the de-stocking of third- and fourth-tier cities has exceeded expectations in the past two years. Although policies such as PPP clean-up and strict control of local debts have delayed the progress of some projects, the rise of super-high-rise buildings has driven the production of high-strength concrete. From C15 to C60, prices have soared.

   At the beginning of 2018, the base price of concrete in China reached RMB400 /M3. However, influenced by environmental protection in China, the expansion of the 2+26 city, the limited mining of sand and gravel, and the improvement of the river course, the base price of concrete in China reached RMB500 /M3 in November 2018. Nonetheless, the increasing difficulty to mine sand and gravel in east China and upper Yangtze River pushed up the transportation cost, and then the concrete cost. Moreover, the unspoken rule that requires advanced-funding by contractors hasn’t seen any improvement. Although China real estate was still the most popular topic in 2019, which is conductive to demands for concrete, and the market price of concrete in some regions even exceeded the 2018 high, the management difficulty is still unable to be improved effectively.

4. Competitive niche

   (1) The financial system is sound and stable. In the fourth quarter, when the price of cement, sand and gravel soared and supply was tight, the Company still maintained a certain advantage in procurement of raw materials, and thus maintained the supply of concrete and improved customer service.

   (2) The sealed gravel yard, sand and gravel separator, and wastewater recycling system meet environmental protection requirements.

5. Favorable factors and unfavorable factors for future development and corresponding measures

(1) Favorable factor

A. Large-scale concrete mixing plants are equipped with environmentally friendly facilities and are more abundant in environmentally friendly equipment. Great improvements have been made in dust removal, waste water and waste residue management. The government's environmental protection policy continued to exert pressure and a new environmental tax was levied, which accelerated the exit of low-end small plants.

B. During the period of high raw material prices and tight supply, competitors in the industry have withdrawn from a market that required advanced-funding.

(2) Unfavorable factors

A. Relationship management in public construction takes a long time and is not easy.

B. Concrete technology is hardly easy to be differentiated from the industry.

(3) Countermeasures

A. Strengthen the management of raw material procurement, supplemented by cross-use of cash and bill payment instruments to obtain the lowest procurement cost:

Concrete industry considerably consumes material, and the direct material cost accounts for more than 80% of the concrete production cost. Control of concrete cost is the most important part of cost control. First, establish a sound system for procurement and management of raw materials. Secondly, change the contract payment terms in line with market supply and demand.

B. Production process management:

a. Personnel management

Continuously review the configuration of production personnel and train employees in key control positions.

Safety management

b. Establish a standardized safety management system, strengthen safety education, and improve employees' safety awareness, commission a third party to regularly check whether the safety facilities in the plant area are comprehensive, and establish machine account. Secondly, provide special operation manuals for various production personnel.

c. Production process and technology management

Continuously optimize the concrete mixing ratio experiment, and make the mixing ratio as fine as possible; distinguish and use different mixing ratios for different construction requirements and different construction parts to reasonably reduce costs; promote the use of various new technologies, new processes and new materials (e.g. machine-made sand) to reduce material consumption; under the precondition that the quality of commercial concrete is ensured, work hard on raw material substitutes, tap the potential in technology, and produce high-quality and low-cost products through rich experimentation and practice.

(II) Usage and Manufacturing Processes for the Company's Main Products

1. Construction Service

Construction

Product item	Important use	Production process
Residential projects, technology plants, public buildings, medical buildings, commercial buildings, and turnkey cases.	Satisfy construction needs for residence and business operation	Construction: Product production process Contracted construction Business Development → Estimation Work → Submit a Tender (Bargaining) → Win a Bid and Sign an Agreement → Construction Budget → Construction Plan → Purchase of Materials, Machine Tools, Manpower Arrangement → Construction Management → Completion Process → Review after Completion.

2. Concrete Business

Product	Important use	Production process
Commodity concrete	It is widely used in civil engineering as a building material. Nowadays most of the construction uses commercial concrete.	The cement, aggregate (sand, stone), water and admixtures, mineral admixtures, etc., which are metered and blended at a mixing ratio in a mixing station, are sold and transported by a transport vehicle at a specified time to the place of use.

(III) The Supply Status of the Major Raw Materials:

1. Construction Service

Despite the fluctuation in the price of the main construction materials (e.g., rebars (steel), concrete, cement, sand and gravel) and professional subcontracting projects, domestic supply is still stable due to good relationship with the suppliers.

2. Concrete Business

The Company's main raw materials are cement, sand and gravel, mineral powder, fly ash and admixtures, of which the price recently largely fluctuated. Despite that, with a good long-term partnership with suppliers, the supply situation is still stable. Future bidding price will take into account the risk of price fluctuation, so as to cope with the soaring concrete price in the future.

(IV) List of principal suppliers and clients in the last two years

1. List of principal clients in the last two years

Unit: NT$ Thousand

	2017				2018			
Item	Item	Amount	Ratio to net annual sales [%]	Relationships with the issuer	Item	Amount	Ratio to net annual sales [%]	Relationships with the issuer
1	A	291,487	5.07%	None	A	709,451	10.39%	None
2	B	1,350,499	23.55%	None	B	352,922	5.17%	None
	Others	4,091,922	71.38%	None	Others	5,761,755	84.44%	None
	Net sales	5,733,908	100.00%		Net sales	6,824,128	100.00%	

Note 1: Reason for increase or decrease: The Company is mainly a construction services industry and thus not applicable.

Note 2: Until the date of publication of the annual report, a company whose stock is listed on the stock exchange or traded over the counter, shall disclose the most recent financial statement audited or attested by the CPA, if any.

2. List of principal suppliers (including subcontractors) and clients in the last two years

Purchase from suppliers does not exceed 10% of the total purchase over the past two years.

(V) Production Volume and Value of the Last Two Years

Unit: NT$ Thousand

Year / Production / Main products	2017			2018		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Construction services (including electromechanical service)	-	-	3,498,292	-	-	3,724,588
Concrete Business	-	-	1,689,988	-	-	2,357,781
Total	-	-	5,188,280	-	-	6,082,369

Note: Since there is no specific unit of measurement, its production capacity and output cannot be clearly attributed, and thus is not listed.

(VI) Sales volume and value in the last two years

Unit: NT$ Thousand

Year / Sales volume and sales value / Main Product	2017				2018			
	Taiwan		China		Taiwan		China	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Construction services (including electromechanical service)	-	3,835,445	-	-	-	4,064,805	-	-
Concrete Business	-	-	-	1,898,463	-	-	-	2,759,323
Total	-	3,835,445	-	1,898,463	-	4,064,805	-	2,759,323

Note: Since there is no specific unit of measurement, its sales volume cannot be clearly attributed, and thus is not listed.

III. Number of Employees Employed for the Two Most Recent Fiscal Years and the Current Fiscal Year Up to the Date of Publication of the Annual Report

Year		2017	2018	Up to February 28, 2019
Number of employees	Direct labor	267	305	308
	Indirect labor	187	183	183
	Total	454	488	491
Average age		39.59	40.1	41.1
Average service years		6.85	5.6	5.9
Academic distribution ratio	Doctor	0.88%	0.8%	0.8%
	Master	18.06%	16.0%	16.3%
	College	50.88%	59.4%	59.7%
	Senior high school	13.88%	9.4%	9.4%
	Lower than Senior high school	16.30%	14.3%	13.8%

Note: This form does not include foreign workers.

IV. Environmental Expenditure

(I) Construction Service

1. Total damages and punishment due to environmental pollution in the most recent fiscal year and the current fiscal year up to the publication date of the annual report:

Year	2018	Up to February 28, 2019
Pollution status	Road pollution, construction at night (noise)	Road pollution, construction at night (noise)
Parties to be compensated or competent authority inflicting the penalty	Taipei City Government	Taipei City Government
Parties to be compensated or status of penalty	NT$35,700	NT$3,000
Other losses	None	None

2. Countermeasures taken and possible expenditures:

(1) Noise:

Countermeasure: A portion of the projects (e.g. diaphragm wall construction, concrete grouting works) required continued operation, which lasted till the night and resulted in the penalties. In addition to maintaining good relation with neighbors, it is necessary to control the progress of the project and reduce nighttime construction.

Possible expenses: No materially additional expenses.

(2) Environmental pollution (road):

Countermeasure: Set up a car wash station at the entrance and exit. Vehicles may leave the site only after cleaning the tires and the car body at the car wash station; the entrance and exit of the gate is designated to be the responsibility area for the security personnel; Strengthen the inspection of access control and and cleaning operation of the vehicles at the gate; and improve the cleanness of the road by spreading water thereon.

Possible expenses: No materially additional expenses.

(3) Runoff wastewater discharge:

Countermeasure: Set a settling basin at the appropriate location in the site to intercept unnecessary impurities in the runoff wastewater, and require the site to manage the use of oil to avoid contaminating the soil and water.

Possible expenses: No materially additional expenses.

(II) Concrete Business

1. Total damages and punishment due to environmental pollution in the most recent fiscal year and the current fiscal year up to the publication date of the annual report:

Year	2018	Up to February 28, 2019
Pollution status	Road pollution	None
Parties to be compensated or competent authority inflicting the penalty	Traffic police brigade in different area	None
Parties to be compensated or status of penalty	RMB 210	None
Other losses	None	None

2. Countermeasures taken and possible expenditures:

Environmental pollution (road):

Countermeasure: Each plant adds sewage treatment facilities to effectively use the water cycle to keep the plant clean; and requires the treatment of sewage (mud) conducted by suppliers who rendered vehicles

V. Labor Relations

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests;

1. Employee benefit plans

The Company has an Employee Welfare Committee to implement various welfare measures. In addition to implementing labor insurance and health insurance according to government regulations, the Company also provides group insurance for employees, as well as travel gifts or subsidies, child education subsidies, birthday gifts, marriage allowance, and funeral allowance, employee education and training, and employee stock-sharing and bonus-sharing. In the concrete business in China, in addition to paying social insurance funds and provident funds in accordance with government regulations, the Company also insured employers' liability insurance for employees, and provides them with holiday gifts, birthday gifts, wedding and funeral allowances, and employee education and training.

2. Employee continuing education and its implementation

In order to improve the quality of work and provide opportunities for employees to pursue continuous training, the Company has established employee training regulations, encouraged employees to continue their education, and provided training subsidies for continuous education.

3. Employee training and implementation status

In order to encourage employees to continue to learn and grow, the Company arranges internal training and external training for employees, so that the knowledge and experience of employees are more solid and refined due to continuous learning and training. The implementation situation is as follows:

The results of the 2018 training are as follows:

Total hours	Expense
8,432 hours of internal training 1,736 hours of external training	NT$1,181,479

4. Pension system and implementation situation

The Company has established a “Supervisory Committee of Workers’ Retirement Fund” to provide for the contribution, payment and management of labor retirement reserves. It has also established Employee Retirement Plans in accordance with the Labor Standards Law to protect employees' rights and interests. The Company makes a monthly contribution equal to 2% of the monthly salary of employees who have opted for the old pension system to the retirement reserves, deposited in a designated account with the Trust Department of Bank of Taiwan. Employees who qualify for the criteria may apply to the Supervisory Committee of Workers' Retirement Fund in accordance with relevant regulations.

From July 1, 2005 onwards, the Company also makes a monthly contribution equal to 6% of the monthly salary of employees who have opted for the new pension system to the individual retirement account of employees in accordance with the Labor Pension Act.

5. Labor-management cooperation

The Company attaches great importance to the opinions of employees, and has an employee discussion area to encourage them to participate in the provision of suggestions, so as to understand their opinions on the management system and the welfare system, which may be rendered as a reference for future improvement. Consequently, the relationship between employers and employees has been harmonious so far.

6. Secure employees rights and interests

In order to protect the rights and interests of employees, improve the lives of employees, and improve the channels for labor-management communication, the Company has established the Labor-management Committee according to law, which is responsible for co-ordinating matters concerning employment, improvement in labor conditions, and welfares.

(II) List any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of publication of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken:

As at 2018 and the current year up to the publication date of the annual report, the Company did not suffer any losses arising from material labor disputes, and maintained a good relation with employees.

VI. Important Contracts

The contracting parties, major content, restrictive clauses, and the commencement dates and expiration dates of supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year

Type of contracts	Party	Contract period	Main contents	Restrictions:
Medium-long-term loans	Bank of Taiwan and other banks	September 30, 2014 ~ September 30, 2019	Repayment of existing bank debt and enrichment of working capital	In accordance with the provisions of the syndicated loan contract
Medium-long-term loans	Land Bank of Taiwan, Xinzhuang Branch	July 13, 2017 ~ July 12, 2022	As land acquisition funds	According to the credit contract

Chapter 6 Financial Highlights

I. Condensed Balance Sheet and Condensed Statement of Comprehensive Income for the Last Five Years

(I) Condensed Balance Sheet and Condensed Statement of Comprehensive Income (Consolidated)

Condensed Balance Sheets

Unit: NT$ Thousand

Item \ Year		Financial information for the last five years				
		2014	2015	2016	2017	2018
Current assets		9,092,761	8,037,781	7,411,530	8,372,425	8,111,422
Property, plant and equipment		690,057	348,559	287,420	232,151	191,066
Intangible assets		0	0	0	0	0
Other assets		921,808	997,100	1,237,139	1,344,046	1,110,975
Total assets		10,704,626	9,383,440	8,936,089	9,948,622	9,413,463
Current liabilities	Before Distribution	2,591,920	2,107,942	2,347,248	3,713,689	2,996,300
	After Distribution	2,762,377	2,276,892	2,514,398	3,880,839	(Note 4)
Non-current liabilities		1,924,210	1,902,430	1,572,333	1,329,361	1,455,898
Total Liabilities	Before Distribution	4,516,130	4,010,372	3,919,581	5,043,050	4,452,198
	After Distribution	4,686,587	4,179,322	4,086,731	5,210,200	(Note 4)
Equity attributable to shareholders of the parent company		6,187,596	5,369,834	5,013,734	4,895,217	4,949,473
Capital		3,601,191	3,389,001	3,379,001	3,379,001	3,343,001
Capital Surplus		240,903	200,524	200,557	200,462	201,627
Retained earnings	Before Distribution	1,895,005	1,540,322	1,416,739	1,417,768	1,462,023
	After Distribution	1,724,548	1,371,372	1,249,589	1,250,618	(Note 4)
Other equity		519,373	284,789	52,272	(67,179)	(57,178)
Treasury stock		(68,876)	(44,802)	(34,835)	(34,835)	0
Non-controlling interest		900	3,234	2,774	10,355	11,792
Total equity	Before Distribution	6,188,496	5,373,068	5,016,508	4,905,572	4,961,265
	After Distribution	6,018,039	5,204,118	4,849,358	4,738,422	(Note 4)

Note 1: The 2018 consolidated financial statements were audited and certified by CPAs.

Note 2: The Company and its subsidiaries have adopted the International Financial Reporting Standards recognized by the Financial Supervisory Commission since the beginning of 2013.

Note 3: As of the printing date of the annual report, there are no financial statements for the 1st quarter of 2019 that have been reviewed by a CPA.

Note 4: The proposal for earnings distribution for 2018 is still awaiting the resolution by the Shareholders' Meeting.

Consolidated Statements of Comprehensive Income

Unit: NT$ Thousand

Item \ Year	Financial information for the last five years (Note 1)				
	2014	2015	2016	2017	2018
Operating revenue	7,002,614	5,023,379	5,168,161	5,733,908	6,824,128
Gross profit	779,968	218,381	423,930	545,628	741,759
Operating profit or loss	325,196	(154,781)	35,375	216,327	360,280
Non-operating income and expenses	23,975	(57,895)	33,517	44,156	14,843
Income before tax	349,171	(212,676)	68,892	260,483	375,123
Net income (loss) of continuing operations	193,073	(174,231)	41,617	172,173	207,708
Loss of discontinuing operation	0	0	0	0	0
Net income (loss)	193,073	(174,231)	41,617	172,173	207,708
Other comprehensive income (net value after tax) for the period	195,367	(238,817)	(229,227)	(121,706)	16,707
Total comprehensive income for the period	388,440	(413,048)	(187,610)	50,467	224,415
Net income (loss) attributable to shareholders of the parent company	189,476	(174,043)	42,077	171,178	205,671
Net income (loss) attributable to non-controlling interest	3,597	(188)	(460)	995	2,037
Total comprehensive income attributable to shareholders of the parent company	383,047	(412,860)	(187,150)	49,472	222,378
Total comprehensive income attributable to non-controlling interests	5,393	(188)	(460)	995	2,037
Earnings per Share	0.53	(0.51)	0.13	0.51	0.62

Note 1: The 2018 consolidated financial statements were audited and certified by CPAs.

Note 2: The Company and its subsidiaries have adopted the International Financial Reporting Standards recognized by the Financial Supervisory Commission since the beginning of 2013.

Note 3: As of the printing date of the annual report, there are no financial statements for the 1st quarter of 2019 that have been reviewed by a CPA.

(II) Condensed Balance Sheet and Condensed Statement of Comprehensive Income (Standalone)

Condensed Balance Sheets

Unit: NT$ Thousand

Item \ Year		Financial information for the last five years (Note 1)				
		2014	2015	2014	2017	2018
Current assets		2,354,456	2,292,254	2,545,094	2,764,914	2,423,641
Property, plant and equipment		21,489	19,364	18,887	37,132	33,526
Intangible assets		0	0	0	0	0
Other assets		6,926,366	6,629,377	5,747,757	5,973,406	5,781,607
Total assets		9,302,311	8,940,995	8,311,738	8,775,452	8,238,774
Current liabilities	Before Distribution	1,196,233	1,668,869	1,726,071	2,550,936	1,837,272
	After Distribution	1,366,690	1,837,819	1,893,221	2,718,086	(Note 3)
Non-current liabilities		1,918,482	1,902,292	1,571,933	1,329,299	1,452,029
Total Liabilities	Before Distribution	3,114,715	3,571,161	3,298,004	3,880,235	3,289,301
	After Distribution	3,285,172	3,740,111	3,465,154	4,047,385	(Note 3)
Equity attributable to shareholders of the parent company		6,187,596	5,369,834	5,013,734	4,895,217	4,949,473
Capital		3,601,191	3,389,001	3,379,001	3,379,001	3,343,001
Capital Surplus		240,903	200,524	200,557	200,462	201,627
Retained earnings	Before Distribution	1,895,005	1,540,322	1,416,739	1,417,768	1,462,023
	After Distribution	1,724,548	1,371,292	1,249,589	1,250,618	(Note 3)
Other equity		519,373	284,789	52,272	(67,179)	(57,178)
Treasury stock		(68,876)	(44,802)	(34,835)	(34,835)	0
Non-controlling interest		0	0	0	0	0
Total Equity	Before Distribution	6,187,596	5,369,834	5,013,734	4,895,217	4,949,473
	After Distribution	6,017,139	5,200,804	4,846,584	4,728,067	(Note 3)

Note 1: The Company and its subsidiaries have adopted the International Financial Reporting Standards recognized by the Financial Supervisory Commission since the beginning of 2013.

Note 2: As of the printing date of the annual report, there are no financial statements for the 1st quarter of 2019 that have been reviewed by a CPA.

Note 3: The proposal for earnings distribution for 2018 is still awaiting the resolution by the Shareholders' Meeting.

Condensed Statements of Comprehensive Income

Unit: NT$ Thousand

Item \ Year	Financial information for the last five years (Note 1)				
	2014	2015	2014	2017	2018
Operating revenue	2,538,111	3,515,176	3,827,308	3,778,110	3,932,756
Gross profit	57,531	54,509	312,966	296,108	300,682
Operating profit or loss	(133,875)	(130,386)	122,861	90,864	60,151
Non-operating income and expenses	335,802	(90,145)	(76,287)	110,222	230,261
Income (loss) before tax	201,927	(220,531)	46,574	201,086	290,412
Net income (loss) of continuing operations	189,476	(174,043)	42,077	171,178	205,671
Loss of discontinuing operation	0	0	0	0	0
Net income (loss)	189,476	(174,043)	42,077	171,178	205,671
Other comprehensive income (net value after tax) for the period	193,571	(238,817)	(229,227)	(121,706)	16,707
Total comprehensive income for the period	383,047	(412,860)	(187,150)	49,472	222,378
Earnings per Share	0.53	(0.51)	0.13	0.51	0.62

Note 1: The Company and its subsidiaries have adopted the International Financial Reporting Standards recognized by the Financial Supervisory Commission since the beginning of 2013.

Note 2: As of the printing date of the annual report, there are no financial statements for the 1st quarter of 2019 that have been reviewed by a CPA.

(III) CPA Names and Audit Opinions

Year of Certification	Name of Accounting Firm:	Name of CPA	Audit Opinions	Note
2014	Deloitte & Touche Taiwan	I-wen WANG Yu-wei FAN	Consolidated: Unqualified opinion Standalone: Unqualified opinion	-
2015	Deloitte & Touche Taiwan	I-wen WANG Yu-wei FAN	Consolidated: Unqualified opinion Standalone: Unqualified opinion	-
2016	Deloitte & Touche Taiwan	I-wen WANG Yu-wei FAN	Consolidated: Unqualified opinion Standalone: Unqualified opinion	-
2017	Deloitte & Touche Taiwan	I-wen WANG Yu-wei FAN	Consolidated: Unqualified opinion Standalone: Unqualified opinion	-
2018	Deloitte & Touche Taiwan	I-wen WANG Yu-wei FAN	Consolidated: Unqualified opinion Standalone: Unqualified opinion	-

II. Financial Analysis of the Last Five Years

(I) Financial Analysis - International Financial Reporting Standards

Financial Analysis – Consolidated

Analyzed item (Note 3)	Year (Note 1)	Financial analysis for the last five years				
		2014	2015	2016	2017	2018
Financial structure (%)	Debt to asset ratio	42.19	42.74	43.86	50.69	47.30
	Ratio of long-term capital to property, plants and equipment	1,175.53	2,087.31	2,292.41	2,685.72	3,358.61
Solvency (%)	Current ratio	350.81	381.31	315.75	225.45	270.71
	Quick ratio	338.42	397.24	347.29	195.18	228.75
	Interest coverage ratio	13.50	(5.89)	3.27	9.38	15.23
Management ability	Average receivables turnover ratio (times)	1.81	1.31	1.79	2.30	2.55
	Average collection days	202	279	204	159	143
	Inventory turnover rate (times)	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
	Average payables turnover ratio (times)	4.02	3.45	3.62	2.92	2.83
	Average inventory turnover days	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
	Property, plant, and equipment (PP&E) turnover ratio (times)	8.52	9.67	16.19	22.07	32.25
	Total asset turnover ratio (times)	0.66	0.50	0.56	0.61	0.70
Profitibility	Return on assets (%)	2.04	(1.48)	0.73	2.10	2.36
	Return on equity (%)	3.13	(3.01)	0.8	3.47	4.21
	Pre-tax income to paid-in capital (%) (Note 7)	9.70	(6.28)	2.04	7.71	11.22
	Net income to sales (%)	2.76	(3.47)	0.81	3.00	3.04
	Earnings per Share (Note 1)	0.53	(0.51)	0.13	0.51	0.62
Cash flow	Cash flow ratio (%)	(30.79)	22.68	30.95	(12.04)	6.54
	Cash flow adequacy ratio (%)	(45.27)	(1.46)	120.01	12.24	8.33

	Cash flow reinvestment ratio (%)	(13.09)	3.97	8.47	(10.22)	0.46
Leverage	Operating leverage	21.53	(32.45)	146.1	26.51	18.94
	Financial leverage	1.09	0.83	7.07	1.17	1.08

Please indicate the reasons for the changes in the financial ratios in the last two years. (Analysis may be exempted provided such changes are less than 20%)

1. Due to operating revenue growth, profits growth, and increase in deferred income tax liabilities in 2018 (influence of tax rate changes)
2. Due to decrease in interest expense as a result of repayment of loans.
3. Due to decrease in proceeds from disposal of subsidiaries and decrease in pledged certificate of deposits.

Note 1: The Company and its subsidiaries have adopted the International Financial Reporting Standards recognized by the Financial Supervisory Commission since the beginning of 2013.

Note 2: As of the printing date of the annual report, there are no financial statements for the 1st quarter of 2019 that have been reviewed by a CPA.

Note 3: The financial ratio calculation formula is as follows:

1. Financial structure
   (1) Debt to asset ratio = total debts / total assets.
   (2) Ratio of Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Liquidity (%)
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current asset - inventories) / Current liabilities
   (3) Interest coverage ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period
3. Management ability
   (1) Receivables turnover ratio (including accounts receivables and notes receivables resulting from business operations) = Net sales / Average accounts receivable in various periods (including accounts receivables and notes receivables resulting from business operations).
   (2) Average collection days = 365 / Receivables turnover ratio.
   (3) Inventory turnover ratio = Cost to sales / Average inventory value
   (4) Payables turnover ratio (including accounts payables and notes payables resulting from business operations) = Costs to sales / Average accounts payables in various periods (including accounts payables and notes payables resulting from business operations).
   (5) Average inventory turnover days = 365 / Inventory turnover ratio.
   (6) Property, plant, and equipment (PP&E) turnover ratio = Net sales / Average value of PP&E
   (7) Total asset turnover ratio = net sales / average total assets.
4. Profitibility

(1) Return on assets (ROA) = [Post-tax profit or loss + Interest expenses x (1 - interest rates)] / Average total asset value.

(2) Return on Equity (ROE) = Post-tax profit or loss / Average total equity value.

(3) Net income to sales ratio = Post-tax profit and loss / Net sales.

(4) Earnings per share = (Income or loss attributable to owners of parent company – Dividends on preferred shares) / Weighted average number of issued shares. (Note 4)

5. Cash flow

(1) Cash flow ratio = net operating cash flow / current liabilities.

(2) Net cash flow adequacy ratio = Net operating cash flow in the most recent five years / (Capital expenditures + Inventory increase + Cash dividend) in the most recent five years.

(3) Cash re-investment ratio = (Net operating cash flow – cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Leverage:

(1) Operating leverage = (Net operating revenue - Variable operating cost and expense) / Operating income (Note 6).

(2) Financial leverage = Operating income / (Operating income - Interest expenses).

Financial Analysis - Standalone

Analyzed item (Note 3)	Year (Note 1)	2014	2015	2016	2017	2018
		Financial analysis for the last five years				
Financial structure (%)	Debt to asset ratio	33.48	39.94	39.68	44.22	39.92
	Ratio of long-term capital to property, plants and equipment	37,721.99	37,554.88	34,868.78	16,763.21	19,094.14
Solvency (%)	Current ratio	196.82	137.35	147.45	108.39	131.92
	Quick ratio	201.11	144.27	176.95	92.24	102.11
	Interest coverage ratio	11.68	(6.54)	2.53	7.47	12.02
Management ability	Average receivables turnover ratio (times)	3.70	4.97	5.22	6.47	9.13
	Average collection days	99	73	70	56	40
	Inventory turnover rate (times)	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
	Average payables turnover ratio (times)	2.90	3.80	3.38	3.03	2.97
	Average inventory turnover days	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
	Property, plant, and equipment (PP&E) turnover ratio (times)	102.22	172.09	200.12	134.89	111.32
	Total asset turnover ratio (times)	0.27	0.39	0.44	0.44	0.46
Profitibility	Return on assets (%)	2.21	(1.64)	0.78	2.31	2.67
	Return on equity (%)	3.07	(3.01)	0.81	3.46	4.18
	Pre-tax income to paid-in capital (%) (Note 7)	5.61	(6.51)	1.38	5.95	8.69
	Net income to sales (%)	7.47	(4.95)	1.10	4.53	5.23
	Earnings per Share (Note 1)	0.53	(0.51)	0.13	0.51	0.62
Cash flow	Cash flow ratio (%)	(38.93)	(20.22)	41.04	(18.24)	(16.14)
	Cash flow adequacy ratio (%)	(18.55)	(47.37)	5.47	(29.45)	(55.19)
	Cash flow reinvestment ratio (%)	(10.37)	(7.38)	8.55	(10.97)	(7.34)
Leverage	Operating leverage	(18.96)	(26.96)	31.15	41.58	65.38
	Financial leverage	0.88	0.82	1.33	1.52	1.78

Please indicate the reasons for the changes in the financial ratios in the last two years. (Analysis may be exempted provided such changes are less than 20%)

1. Due to operating revenue growth, profits growth, and increase in deferred income tax liabilities in 2018 (influence of tax rate changes)
2. Due to decrease in Interest expense as a result of repayment of loans.
3. Due to decrease in proceeds from disposal of subsidiaries and decrease in pledged certificate of deposits.

Note 1: The Company and its subsidiaries have adopted the International Financial Reporting Standards recognized by the Financial Supervisory Commission since the beginning of 2013.

Note 2: As of the printing date of the annual report, there are no financial statements for the 1st quarter of 2019 that have been reviewed by a CPA.

Note 3: The financial ratio calculation formula is as follows:

1. Financial structure
   (1) Debt to asset ratio = total debts / total assets.
   (2) Ratio of Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Liquidity (%)
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current asset - inventories) / Current liabilities
   (3) Interest coverage ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period
3. Management ability
   (1) Receivables turnover ratio (including accounts receivables and notes receivables resulting from business operations) = Net sales / Average accounts receivable in various periods (including accounts receivables and notes receivables resulting from business operations).
   (2) Average collection days = 365 / Receivables turnover ratio.
   (3) Inventory turnover ratio = Cost to sales / Average inventory value
   (4) Payables turnover ratio (including accounts payables and notes payables resulting from business operations) = Costs to sales / Average accounts payables in various periods (including accounts payables and notes payables resulting from business operations).
   (5) Average inventory turnover days = 365 / Inventory turnover ratio.
   (6) Property, plant, and equipment (PP&E) turnover ratio = Net sales / Average value of PP&E
   (7) Total asset turnover ratio = Net sales / average total assets.
4. Profitibility
   (1) Return on assets (ROA) = [Post-tax profit or loss + Interest expenses x (1 - interest rates)] / Average total asset value.
   (2) Return on Equity (ROE) = Post-tax profit or loss / Average total equity value.

(3) Net income to sales ratio = Post-tax profit and loss / Net sales.

(4) Earnings per share = (Income or loss attributable to owners of parent company – Dividends on preferred shares) / Weighted average number of issued shares. (Note 4)

5. Cash flow

(1) Cash flow ratio = net operating cash flow / current liabilities.

(2) Net cash flow adequacy ratio = Net operating cash flow in the most recent five years / (Capital expenditures + Inventory increase + Cash dividend) in the most recent five years.

(3) Cash re-investment ratio = (Net operating cash flow – cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Leverage:

(1) Operating leverage = (Net operating revenue - Variable operating cost and expense) / Operating income (Note 6).

(2) Financial leverage = Operating income / (Operating income - Interest expenses).

III. The Audit Committee's Review Report for the Most Recent Fiscal Year

Chien Kuo Construction Co. Ltd.

Audit Committee Review Report

Both the 2018 Consolidated Financial Statements and the 2018 Standalone Financial Statements prepared and submitted by the Board of Directors have been audited by CPA I-wen WANG and CPA Yu-wei FAN of Deloitte & Touche Taiwan. Such two Financial Statements, the Business Report, and the Earnings Distribution Proposals have been reviewed by the Audit Committee, who, after the review, doesn't believe that there are any non-conformities. Therefore, pursuant to relevant requirements of the Securities and Exchange Act and the Company Act, we hereby submit this report.

To

The 2019 Annual Shareholders' Meeting of the Company

Chien Kuo Construction Co. Ltd.

Convener of the Audit Committee: Chin-pao TSAI

March 28, 2019

IV. The most recent annual financial report

Please refer to pages 111~173 of this annual report.

V. Standalone Financial Statements for the Most Recent Fiscal Year That Were Audited and Certified by a CPA

Please refer to pages 174~233 of this annual report.

VI. Financial Difficulties Suffered by the Company and Subsidiaries in The Most Recent Fiscal Year and the Current Fiscal Year Up to the Publication Date of the Annual Report, and the Effects on the Company's Financial Position: None.

Chapter 7 Review, Analysis, and Risks of Financial Status and Performance

I. Financial Position

Unit: NT$ Thousand

Item \ Year	2018	2017	Difference		Analysis and description of changes
			Amount	%	
Current assets	8,111,422	8,372,425	(261,003)	(3.12)	-
Property, plant and equipment	191,066	232,151	(41,085)	(17.70)	-
Other assets	1,110,975	1,344,046	(233,071)	(17.34)	-
Total assets	9,413,463	9,948,622	(535,159)	(5.38)	-
Current liabilities	2,996,300	3,713,689	(717,389)	(19.32)	-
Non-current liabilities	1,455,898	1,329,361	126,537	9.52	-
Total liabilities	4,452,198	5,043,050	(590,852)	(11.72)	-
Capital stock	3,343,001	3,379,001	(36,000)	(1.07)	-
Capital surplus	201,627	200,462	1,165	0.58	-
Retained earnings	1,462,023	1,417,768	44,255	3.12	-
Shareholders' equity	4,961,265	4,905,572	55,693	1.14	-

The changes exceed 20% and the amount of change reaches NT$10 million: None

II. Financial Performance

Unit: NT$ Thousand

Item \ Year	2018	2017	Difference		Analysis and description of changes
			Amount	%	
Net operating revenue	6,824,128	5,733,908	1,090,220	19.01	-
Operating costs	6,082,369	5,188,280	894,089	17.23	-
Gross profit	741,759	545,628	196,131	35.95	1
Operating expenses	381,479	329,301	52,178	15.85	-
Operating income	360,280	216,327	143,953	66.54	1
Non-operating income and expenses	14,843	44,156	(29,313)	(66.39)	2
Pre-tax income of continuing operations	375,123	260,483	114,640	44.01	1
Income tax expense	167,415	88,310	79,105	89.58	1、3
Net income	207,708	172,173	35,535	20.64	1

(I) The changes exceed 20% and the amount of change reaches NT$10 million:

1. The revenue of concrete in 2018 increased, which then incurred changes in gross profit/operating income/pre-tax income/income tax/net income.
2. The decrease in non-operating income and expenses was mainly due to the recognition of losses incurred by the litigation in 2018.
3. The profit-seeking enterprise tax rate in Taiwan was raised.

(II) Forecast of Sales Volume in the Following Year, Basis for Such Forecast, the Possible Impact from Such Forecast on the Company's Future Finance and Business, and the Response Plan: None.

III. Cash Flow

(I) Analysis of Cash Flow Changes for the Most Recent Year

Unit: NT$ Thousand

Cash amount - beginning of the year (December 31, 2017)	Net cash inflow resulting from operating activities throughout 2018	Net cash outflows from investing and financing activities throughout 2018	Effect of exchange rate changes on cash and cash equivalents	Cash balance (December 31, 2018)	Remedial measures for expected cash inadequacy	
					Investment plan	Financial plan
2,518,297	196,005	(303,148)	44,631	2,455,785	-	-

1. Operating activities: The cash inflow of NT$196,005 thousand was mainly due to the cash inflow generated by the current profit and the disposal of financial assets.
2. Investing activities: The cash inflow of NT$294,792 thousand was mainly due to the cash inflow generated by the decrease in the Company's advance receipts from disposal of subsidiaries, pledged certificate of deposit, and the reserve account.
3. Financing activities: The cash outflow in the amount of NT$(597,940) thousand was mainly due to repayment of bank loans and distribution of cash dividends during the year.

(II) Improvement plan for insufficient liquidity and cash flow analysis for the next year

Unit: NT$ Thousand

Cash amount - beginning of the year (December 31, 2018)	Net cash inflow resulting from operating activities throughout 2019	Net cash outflows from investing and financing activities throughout 2019	Cash balance (December 31, 2019)	Remedial measures for expected cash inadequacy	
				Investment plan	Financial plan
2,455,785	159,877	(572,713)	2,042,949	-	-

1. Analysis of changes in cash flows in 2019:
   (1) Operating activities: Cash inflow of NT$159,877 thousand is mainly cash inflows from operating activities.
   (2) Investing and financing activities: The cash outflow in the amount of NT$(572,713) thousand was mainly due to distribution of cash dividends and capital reduction during the year.
2. Remedial measures and liquidity analysis for expected cash inadequacy: There was no cash inadequacy in 2019.

IV. Major Capital Expenditures in the Most Recent Fiscal Year and Their Effects on the Company's Finance and Business

(I) Material capital expenditures and sources of funds

Unit: NT$ Thousand

Planned item	Actual or expected source of funds	Actual or expected completion date	Total funds required	Actual or scheduled use of funds				
				2015	2016	2017	2018	2019
Land development	Equity funds	2020	763,100	-	-	463,100	-	300,000

(II) Expected probable benefits: This fund is used to obtain land for investment in the construction of residential buildings for sale in order to obtain appropriate profits and to increase corporate value.

V. Investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the improvement plan, and investment plans for the coming year

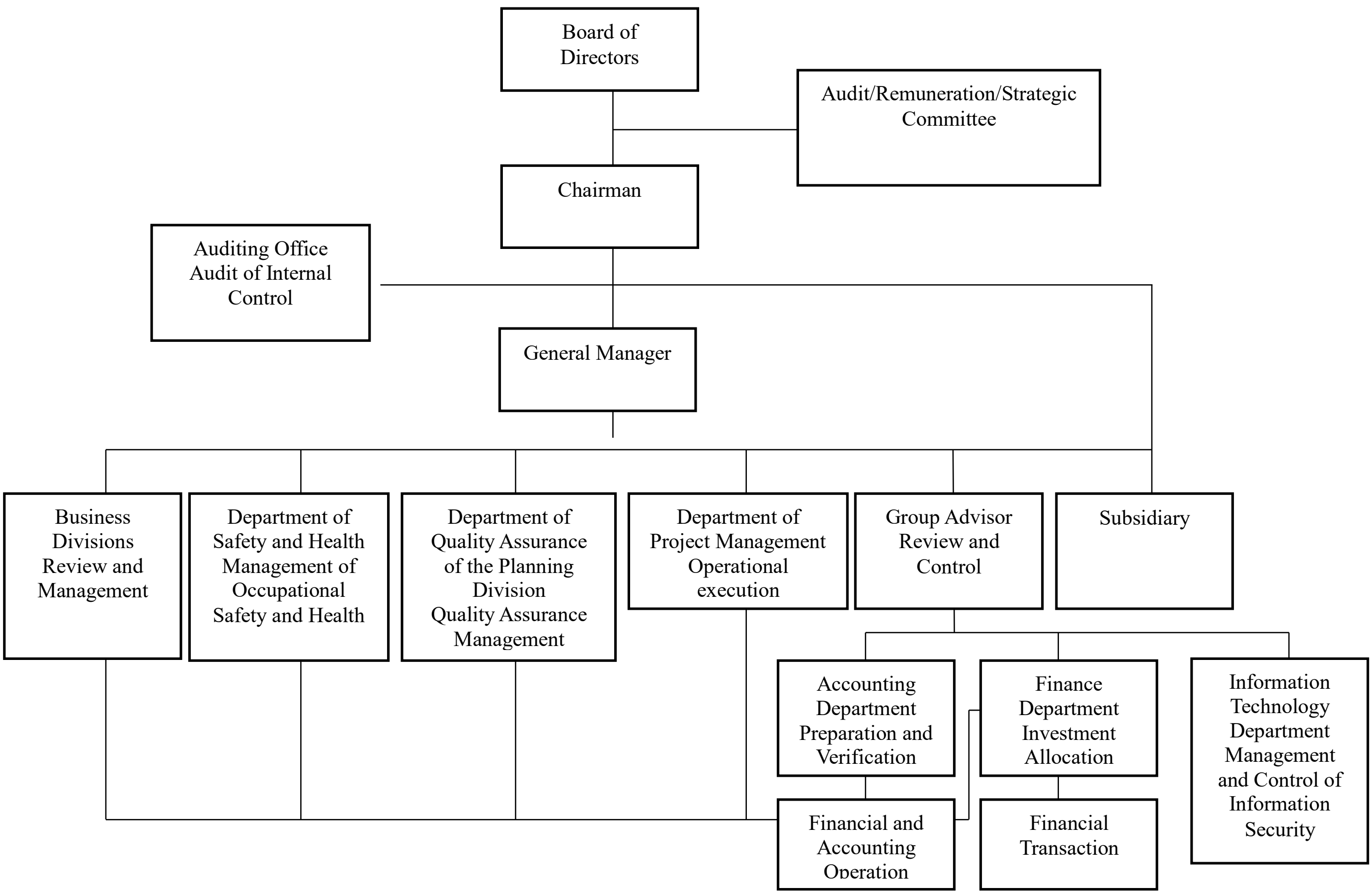
Unit: NT$ Thousand

Corporation Name	Recognition of investment gains and losses in 2018	Investment policy	Main reason for such profit or loss	Improvement plan	Investment plan for the coming year
Golden Canyon Limited	133,818	In recent years, the Company's investment strategy has continued to target upstream and downstream related industries, in the hope to increase investment gains.	Operating profits from the invested companies.	Focus on the steady operation of the current business, and at the same time carry out industrial transformation planning.	Allocate and adjust in line with the overall capital utilization of the Group at home and abroad
Silver Shadow Holdings Limited	140,475				

VI. Analysis and Assessment of Risk Matters for the Most Recent Fiscal Year and the Current Fiscal Year Up to the Publication Date of the Annual Report

(I) Management organization structure and function

1. Organization



2. Risk management function

(1) Internal Control System

The Company formulates its internal control system and implementation rules according to regulations and its organizational structure. It also formulates relevant internal operation rules, processes and control mechanisms according to duties and laws and regulations. Based on the responsibility of managers and department heads, regular review is conducted to inspect the internal control management mechanism, so as to ensure the compliance and implementation of internal control.

(2) The division of responsibilities

The departments responsible for each construction site shall formulate and manage the relevant operating indicators of their own departmental units according to the objectives of the organization's annual budget, and the supervisors of the various departments shall regularly review the implementation results in departmental, inter-departmental, and operational management meetings. In case abnormal situations, unregulated and potential high-risk operations are identified, they shall manage, improve, and follow up such problems.

Before a contracting contract or a construction contract is affixed a seal, it shall first be sent to the Department of Legal Affairs for signing, who shall provide opinions on the suspected and potential risks of the project or provides a countermeasure thereof; the Department of Safety and Health shall conduct on-site inspection on occupational safety and health issues, and shall improve and track such issues; the Department of Quality Assurance shall conduct regular inspection and improve the on-site construction quality; the Department of Project Management shall regularly analyze and control the implementation of relevant project schedules and costs, and manage, improve, and follow up any construction process differences and cost abnormalities; the Accounting Department shall prepare the subpoena and verify the accounting book according to the estimation certificates; the Finance Department shall perform related operations such as financial accounting and fund allocation, and shall provide professional advice on investment analysis and financial transactions, and shall perform routine management and report to the supervisors responsible.

According to the annual audit plan and the project audit plan approved by the Board of Directors, the Audit Office shall perform the operation check items such as operation cycle, routine financial and accounting check, project audit, self-evaluation on internal control, and subsidiary supervision as scheduled.

(3) Risk identification operation

Through various levels of departmental, inter-departmental and operational management meetings, all management units shall continuously review whether the risk factors regarding operation, organization and information decision-making faced by each construction site or department at different stages and nodes have been identified, avoided, excluded or transferred. Though the annual self-evaluation on internal control, they shall continuously check whether the relevant potential risks need to be adjusted according to internal and external environmental changes, organizational changes, legal changes, etc.. The supervisors responsible shall timely control relevant operational risks, and shall reduce the risk of performing duties faced by various departments through an improvement plan or a precautionary measure, so as to ensure that the objectives of each department can be successfully achieved.

(II) Implementation of risk policies and assessment criteria:

1. Risk policy:

The Company has different response strategies according to each type of contract and its implementation stage, and will manage and track the risk events identified so that the controllable portion of such events shall not exceed the set amount of risk appetite, and thus reasonably ensure that the Company’s objectives can be achieved. Risk appetite refers to the amount of risk that the Company is willing to accept when pursuing a goal.

2. Risk management operations:

In accordance with the law, the internal control system and the internal regulations of the Company, each business unit effectively takes the potential operating risks arising from operation procedures, whether known or identified, and incorporates them into the internal norms and operational procedures. Each supervisor responsible, through department meetings, operation management meetings, managerial statements, and cross-department coordination and communication, implements internal control management and performs preventive, improvement, and correction measures.

Based on the value-at-risk, the Auditing Office formulates an annual audit plan for the following year. Such a plan, after having been approved by the Audit Committee and the Board of Directors, will be regularly put into practice as scheduled for. Based on such a plan, the Auditing Office conducts an audit on the cyclic operation items, the routine financial and accounting operations, various projects in accordance with the plan and instruction set therein, and honestly specifies the non-conformities and operation risks on the audit report. It requires the supervisors responsible to provide an effective improvement action plan, by which it regularly monitors and tracks the items not yet be improved, and report and announce their findings according to law.

(III) Analysis and Assessment of Risk Matters

1. Impact on the Company's profit and loss due to changes in interest rates, exchange rates, and inflation, and the future countermeasures:

(1) Impact: Exchange rate changes have a significant impact.

Unit: NT$ Thousand

Factors	Financial Statement Account	2017		2018	
		Amount	%	Amount	%
Interest rate	Interest income	79,238	1.38%	51,249	0.75%
Interest rate	Interest expenditure	31,076	0.54%	26,365	0.39%
Changes in exchange rate	Exchange gains and losses	(42,287)	(0.74%)	(11,455)	(0.17%)
Revenue	Operating revenue	5,733,908	100.00%	6,824,128	100.00%

Changes in the exchange rate in the most recent year have a significant impact on the company's profit and loss. This is mainly caused by the capital allocation of the subsidiaries and involvement in forward foreign exchange contracts.

Countermeasures: The allocation of funds for each subsidiary has been adjusted, and the mature and settlement of forward exchange contracts have rendered a reduction in impact from exchange rate changes.

(2) Impact: Inflation affects oil prices and building materials prices, which will reduce operating margins.

Countermeasures: The Company relies on strengthening its clout in procurement and outsourcing, supplemented by improving the estimation ability to submit a tender, in the hope to acquire favorable material procurement and business contracts.

2. The policies to engage in high-risk, high-leverage investments, lending funds to others, endorsements and guarantees, and the transactions of derivative products, the main reasons for profits and losses, and the future countermeasures:

Impact: None. The Company does not engage in high-risk, highly leveraged investments. The policy on loaning funds to others and making endorsement/guarantee is in line with the Company’s Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees, and has not incurred any material profit of loss. Derivative commodity trading, of which the purpose is to hedge exchange rate changes, is conducted in line with the Company’s Procedure for Acquisition and Disposal of Assets, and has not incurred any material profit or loss. Countermeasures: Not applicable.

3. Future research and development plans and projected R&D investment expense:

(1) New-generation construction strategy

In 2015, the Company proposed a new-generation construction strategy, of which the purpose is to become more technological, electronic, automatic, and different, and to improve the core construction competitiveness. In 2017, the preparatory work was conducted, and in 2018, the Department of Technology was officially established. It focuses on application of information and telecommunication technology, development of professional information software and tools, and development of new construction techniques. R&D budget grows year on year, and dedicated R&D talents are recruited. Personnel will be added into in the future in accordance with the operating status of the Company, in the hope to have a stable development, and edge towards Construction 4.0.

Table: Annual Budget of the Department of Technology for Years

Year	2018	2019	2020
R&D expense	NT$4.2 million	NT$6.5 million	NT$8.5 million (estimated)
R&D manpower	7	7	10 (estimated)

(2) R&D Achievements

Concerning the Company's technological development achievements in 2018, it is the first time to introduce AI technology to the design of iron parts. The remaining research and development projects can be divided into two main categories, namely, BIM technology deepening and new construction method development. BIM technology deepening includes rebar placing technology, the technology to rapidly build BIM structural model, and the special metal casing technology. Development of new construction methods includes SD550 engineering method research, continuous wall displacement observation and camera drone inspection. Besides, the intelligent material-ordering tool is an application of AI.

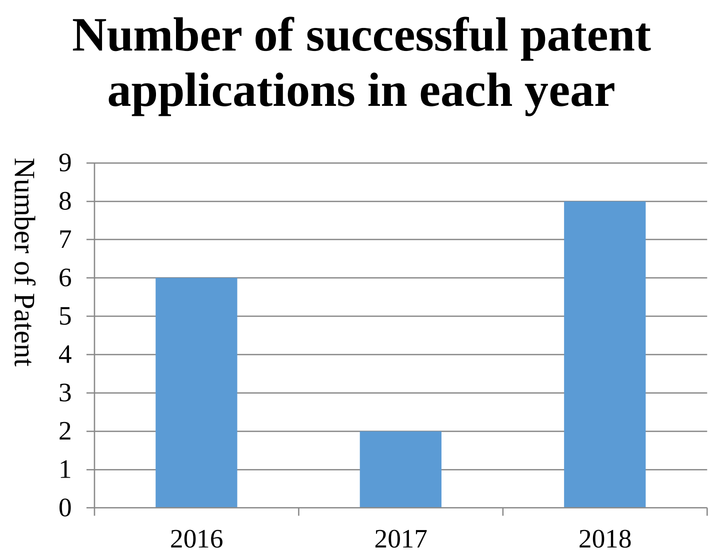
Table: R&D Achievements in 2018

Item	Main contents
Rebar placing technology	Break away from traditional 2D operations and develop rebar placing technology from a 3D point of view. The 3D data results provide engineers with visual information that facilitates review of conflicted interfaces and the modification work
Quickly build a BIM structural model	Develop Revit plug-ins with Dynamo and Revit APIs to speed up the construction of structural models, reduce manpower and time, and improve the real effectiveness of BIM technology in planning reviews.

Research on special metal casing technology	Use the Grasshopper software to plan the special modeling metal wrapper sheet in the form of parameters, so as to integrate the design end with the construction end.
SD550 method research	Research the member behavior of concrete when the main bar of the research column uses SD550 concrete at 350550f/cm2. Commissioned the National Center for Research on Earthquake Engineering to conduct the experiment, of which the tested objects include column members, internal column beam joints, external column beam joints and grip strength test.
New method for continuous wall displacement observation	Using the high-precision and high-efficiency characteristics of the point cloud, and performing 3D scanning on the continuous wall to obtain the information of the overall wall deformation.
Inspection via aerial photography technology	Exploit the high-altitude advantage to overlook the current situation of the site before construction, and carry out the inspection of safety and health situation, improve the project environment and maintain a good relationship between the construction site and the neighboring area, and supervise the construction process via the image shot in the flight, and establish a construction resume for each stage.
Smart tool that can order thin iron piece	Optimize the order of thin iron pieces with the evolutionary calculation of AI.

Table: Statistical Table of Developed Patent Items from 2016 to 2018 (subject to the date of the announcement)

Year	Patent Title	Country
2016	Metal roof structure	China
		Republic of China
	Composite door panel and soundproof door employing such panel	China
		Republic of China
	Soundproof door	China
		Republic of China
2017	Ceiling structure	China
		Republic of China
2018	Steel and reinforced concrete structure	China
		Republic of China
	Confined structure	China
		Republic of China
	Water guiding system under stone floor	China
		Republic of China
	Water filtration air system	China
		Republic of China



(3) Application in construction-in-progress

Concerning the application of technology research and development results in construction-in-progress, nine projects and a total of seven sites have participated in the application and testing.

Table: R & D project application status

Name of project	Construction-in-progress
Rebar placing technology	Cathay Yue project, Tucheng Youth Public Housing, and future projects
Quickly build a BIM structural model	Bidding of Cathay Yue
Steel bar acceptance and pricing system	Ruiguang public housing projects and future projects
Research on special metal casing technology	Yun Yan
3D scanning technology	Sample house of Taoyuan Chung Lu No.2 and Le Architecture
Smart tool that can order thin iron piece	Infiniti, Yun Yan, Taoyuan Chung Lu No.2 public housing, Ruiguang public housing
FM system development	Taoyuan Chung Lu No.2 and future projects
Inspection via aerial photography technology	Investigation of address of a site for bidding, sample house of Taoyuan Chung Lu No.2
New method for continuous wall displacement observation	Ruiguang public housing

(4) Technology Links Research and Development

Technology development business plan in 2019 will continue to deepen BIM applications and include automation technology development and circular economy issues as key projects.

Table: R&D Planning in 2019

Name of project	Main contents
Concrete pricing system	Reading bills of concrete with electronic equipment, e.g. QR-code and electronic data transfer are potential solutions.
Steel bar acceptance and pricing system	Developed in cooperation with steel manufacturers: (1) The Company developed a rebar placing program that produces a bill of materials that can be read by the equipment of steel manufacturers. (2) Before the steel manufacturer ships, the details of the delivery will be transmitted to the Company through the network, and the QR-code label will be attached to the vehicle. (3) By linking to the bill of materials, the Company uses electronic devices to check the consistency between QR-code verification and shipping details (4) After the acceptance is completed, it enters the pricing procedure.
Development of systems regarding quality assurance, and safety and health	Divided into two parts: mobile device App and web database: The mobile device App has indoor walking positioning capability and mobile MIS capability, and automatically returns the on-site record. The web database system has automatic data distribution and statistical analysis design, and efficiently manages matters respecting quality assurance, safety and health.
3D scanning technology	In addition to the architectural collection in a digital form, this technology will be applied in engineering analysis, where accuracy of buildings and equipment is checked by using precision and real-world comparisons, along with the FM system that enriches customers' real-life presence.
R&D on a smart construction site	Research on using IOT and photography facial recognition technology to carry out personnel management and risk management and control at the construction site.
Pipeline design and planning	Principally, firstly develop the space for pipeline, and then combine BIM information and AI technology to complete the preliminary design of the building electromechanical piping by using an automatic program.

FM system development	A BIM-based facility management system has two interfaces: database and 3D simulation, providing equipment information, maintenance records and maintenance notifications.
Circular economy	Seek building materials of a circular economy that have commercial value at home and abroad, and aim to achieve a balance between environmental benefits and business operations. Initially focus on experimenting interior decoration materials, and then expects to apply to building structures in the future.
Healthy buildings and analysis of green buildings	Collaborate with professors from the Department of Architecture of National Cheng Kung University to help establish the company's expertise in theory and software operations, and to develop green energy analysis during the construction phase.

4. The impact of changes of important domestic and foreign policies and laws on the Company’s finance and business, and the countermeasures:

   No significant impact.

5. The impact of changes in technologies and industries on the Company’s finance and business, and the countermeasures:

   Impact: No significant impact.

   Countermeasures: Not applicable.

6. The impacts of changes of corporate image on the corporate crisis management and the countermeasures:

   Impact: Since the establishment, the Company have adhered to the principle of ethical management as the basis of business management, and established a good corporate image. We have maintained good partnerships with employees, customers and suppliers. Therefore, there is no impact on corporate crisis management due to changes in corporate image.

   Countermeasures: We will continue to implement the value of “Integrity, Optimization, Well-being and Harmony” and operate steadily.

7. Anticipated benefits of mergers and acquisition, possible risks, and countermeasure:

   Impact: None.

8. Anticipated benefits of expansion of plants, possible risks, and countermeasure:
   Impact: The Company's main business is construction contracting service and hence there is no need to expand the plant.

   Countermeasures: Not applicable.

9. Risks and countermeasures for the concentration of purchase and sales

Impact: The Company's main business is construction contracting, and there is no concentration in purchase (purchasing materials and construction subcontracting) and sales (clients of the projects contracted for).

Countermeasures: Not applicable.

10. The impact on the Company, and risks arising from major exchange or transfer of shares by directors, supervisors or major shareholders with over 10% of shareholdings, and the countermeasures:

Impact: None.

Countermeasures: Not applicable.

11. The impact on the Company, and risk due to changes in managerial authority, and the countermeasures:

Impact: None.

Countermeasures: Not applicable.

12. Litigation or non-litigation incidents:

(1) The Company contracted a steel structure construction project to EGANG Co., Ltd. (EGANG) and a molding construction project to Yi-Xin Construction Co., Ltd. (Yi-Xin). As the steel structure collapsed on July 4, 2011, causing damage to the molding construction and materials, Yi-Xin sought compensation from the Company and EGANG for a total of NT$16.12 million. The Taipei District Court ruled that we must pay Yi-Xin a total of NT$11.62 million (including interest accrued at 5% of the annual interest rate from July 6, 2013 to the settlement date and part of courts fees). The verdict is now final and binding. Nonetheless, owing to that the Company obtained insurance claims of NT$6.77 million due to this case, the actual loss caused to the Company by such verdict was NT$ 4.85 million, which has been recognized by the Company as a loss for 2018.

(2) Whereas, Shing Tzung Development Co., Ltd ("Shing Tzung" hereinafter) and its responsible person, Kuo-Feng LU, were building a commercial-residential hybrid complex that has 5 floors below ground and 26 floors above ground located at Land No. 537, Zhangzhou Section, Kaohsiung City when the diaphragm wall construction, due to poor construction, damaged the neighbors' houses on July 20, 2014. Such incident ("Incident" hereinafter) had caused the houses located at 187th lane, Ziqiang 3rd Road, Kaohsiung City to tilt largely, to sink, and to depict cracked walls. Due to the Company's active participation in the repair work, a total of 25 house owners transferred a certain amount of their creditors' rights to the Company, by which the Company had petitioned the court for a provisional

attachment against Shing Tzung and its responsible person, and for a claim of NT$ 25 million plus the statutory delay interest accrued thereon from them. The initial verdict held that Shing Tzung had also paid related expenses for such an incident and thus agreed to that the expense contended to be paid by Shing Tzung should be offset against the credit rights to which the Company might be entitled. Therefore, the plaintiff's case was rejected. The Company has recognized the total amount of NT$25 million that was previously presented under "payment on behalf of another party" as a loss based on the verdict.

In addition, Shing Tzung claimed that it had suffered loss from the Incident, in which case it shall have demanded compensation from the subcontractor responsible for constructing the diaphragm wall. To the contrary, in the face of the insufficient capital stock of the subcontractor, Shing Tzung turned to the Company for compensation for the Incident. The Company had also suffered loss from such Incident. Consequently, the Company filed a claim against Shing Tzung for compensation (including expenses incurred by the Company's participation in the repair work) and demanded that Shing Tzung return the promissory notes of performance guarantee to the Company. The two lawsuits were jointly tried by the Kaohsiung Qiaotou District Court. The court currently entrusted the Kaohsiung Association of Civil Engineering Technician and the Kaohsiung Association of Geotechnical Engineers to conduct a joint appraisal.

(3) Whereas, the construction of the National Kaohsiung Center for the Arts (Weiwuying) (hereinafter referred to as 'the Project') undertaken by the Company was completed on December 16, 2016, and the Ministry of Culture of the Republic of China (hereinafter referred to as "the Ministry") began the initial acceptance inspection on February 20, 2017. During the acceptance process, the Company delivered the completed work in a gradual manner for users' utilization as per the instruction of the Ministry when other interface projects were still undergoing construction using the space. The Ministry even opened some facilities for public use without turning on related equipment to maintain appropriate temperature and humidity, resulting in the Project having unexpected damage and non-conformities. The Ministry required the Company to repair the damaged part, which caused the Project's failure to conform to the acceptance procedures within the time limit. The Ministry even proposed to impose a penalty fine for delay on the Company. The Company believes such application of law wrong and in violation of the principles of fairness and reasonableness. Therefore, it filed a request for mediation to Complaint

Review Board for Government Procurement under the Public Construction Commission of Executive Yuan on October 9, 2018. Such a case is still under mediation.

(4) In 2000, Kun Yi Construction Co., Ltd. (Kun Yi) and the Company entered into "Earthwork and Site Preparation Construction Contract" (Earthwork Contract) and "Slope Protection and Retaining Wall Construction Contract" (Slope Protection Contract). Kun Yi claimed that the Company deducted the test fees and structure analysis fees in violation of the contracts, and requested the recovery of the price differences totaling NT$7.8 million. The Taipei District Court sentenced that we won the case in September 2018, and Kun-Yi did not appeal. Therefore, the verdict on this case is now final and binding.

13. Other material risks and countermeasures:

(1) Information risk management

In order to demonstrate the determination to pay attention to information security, to ensures the correctness of information processing within the enterprise and the reliability of hardware, software, peripheral and operation of the network system, and to reduce the risk of information security and satisfy the normal operation of the information system, since 2014, the Company referred to the CNS17799 Information Security Management System Verification Standard, and formulated its Cyber Security Management Regulations and related management items. Under the risk management framework, the Information Office is responsible for the implementation of information security prevention, crisis notification, crisis management, as well as the maintenance, management, and version control of information security regulations. The Auditing Office is responsible for setting relevant audit plans and operating procedures, handling internal audits, summarizing audit reports and recommendations, and supervising the implementation of corrective and preventive measures. In addition to the establishment of an information room with a modern environmental control system, implement the access control to the information room, set a double-layer firewall and other necessary measures in network management, publicize and audit information security irregularly every year to strengthen the information security literacy of employees.

(2) Climate change risk assessment

The extreme weather caused by climate change has caused the frequency of natural disasters to increase, and the standards of building safety expected by government and users have become stricter. The trend of being environmentally friendly and energy efficient has given rise to the application of innovative technologies to satisfy the energy efficiency of buildings and to improve the safety of buildings. The materials used in the construction project are subject to factors such as prosperity, price and inflation. The increase in the frequency of natural disasters affects construction progress. In view of the contract conditions and the costs set therein for completion of a construction project, the risk to assume is high. The Company actively responds to climate change issues and continues to focus on development of green building technology, assists customers in upgrading their green buildings, incorporates green energy analysis into the design phase of a turnkey project, employs energy-saving and environmentally-friendly building materials in the construction process to help customers implement energy conservation and carbon reduction. Together with the government and partners in the same industry, the Company contributes to the protection of the environment and fulfills its corporate social responsibility.

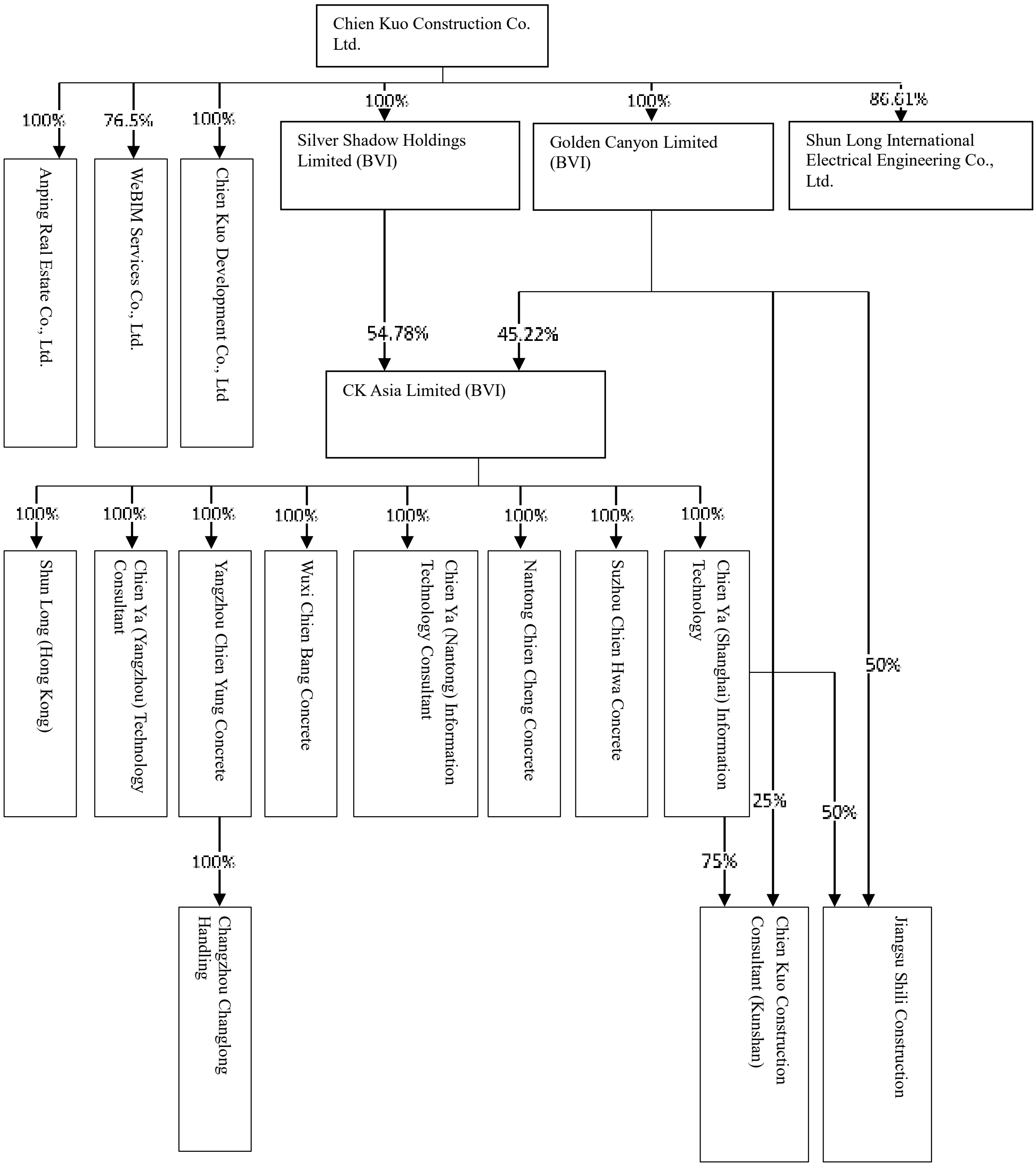
VII. Other Important Issues: None.

Chapter 8 Special Items

I. Information on Associates

(I) Consolidated Business Report of Associates

1. Organization chart of associates:



Nantong Chien Cheng Concrete Co., Ltd. completed alteration of registration on January 7, 2019.

Note 2: As a result of disposal of equity, the shareholding in WeBIM Services changed to 49% as at January 7, 2019.

2. Basic information of each associate

Unit: NT$ Thousand

Company name	Date of incorporation	Region	Paid-in Capital	Main business or production items
Chien Kuo Development Co., Ltd.	1990.04.19	20F, No. 69, Sec. 2, Dunhua S. Rd., Da'an District, Taipei City	NT$ 111,000	Commission construction companies to build residential buildings and commercial buildings for lease and sale
Shun Long International Electrical Engineering Co., Ltd.	2001.10.09	20F, No. 69, Sec. 2, Dunhua S. Rd., Da'an District, Taipei City	NT$ 50,000	Planning, design and installation of air-conditioning, fire protection, power distribution and other projects
WeBIM Services Co., Ltd.	2013.09.13	20 F, No. 69, Sec. 2, Dunhua S. Rd., Da'an District, Taipei City	NT$ 20,000	Engineering consultants, management consultants, wholesale, retail and services of information software, data processing services and software publication
Anping Real Estate Co., Ltd.	2016.07.28	20F, No. 69, Sec. 2, Dunhua S. Rd., Da'an District, Taipei City	NT$ 140,000	Development and lease of residence and buildings, development of new towns and new community development, real estate sales and leases, investment management consultants, arts and cultural services, art consultants
Silver Shadow Holdings Limited	1995.02.24	Vistra Corporate Services Centre,Wickhams Cay II,Road Town,Tortola,VG1110,B.V.I	US$ 32,701	China reinvestment
Golden Canyon Limited	1996.06.21	Vistra Corporate Services Centre,Wickhams Cay II,Road Town,Tortola,VG1110,B.V.I	US$ 15,740	China reinvestment
Chien Kuo Asia Co.,Ltd.	2003.05.29	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.	US$ 31	China reinvestment
Chien Ya (Shanghai) Information Technology Co., Ltd.	1996.03.27	No. 99, Fu Texi 1st Road, Shanghai Free Trade Zone	NT$ 110,592	Computer software technology development and consultation
Nantong Chien Cheng Concrete Co., Ltd.	2003.10.17	South of Kexing Road, West of Tongqi Canal, Nantong Economic and Technological Development Zone,	NT$ 62,208	Production and sales of commercial concrete, concrete products and concrete additives

Company name	Date of incorporation	Region	Paid-in Capital	Main business or production items
		Jiangsu Province		
Suzhou Chien Hua Concrete Co., Ltd.	2002.03.06	Yuzhi Town, Wuzhong District, Suzhou City	NT$ 421,632	Production and sales of commercial concrete and components
Wuxi Chien Bang Concrete Co., Ltd.	2003.04.29	Block E13-1, Shuofang Industrial Park, New District, Wuxi City	NT$ 438,528	Production of commercial concrete, concrete products and concrete additives
Yangzhou Chien Yung Concrete Co., Ltd.	2004.02.26	Qiuzhuang Formation, Wangjia Village, Shiqiao Town, Yangzhou Development Zone	NT$ 61,440	Production and sales of commercial concrete, concrete products and concrete additives
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	2001.08.17	No. 118, Rhine Square, Yushan Town, Kunshan City, Jiangsu Province	NT$ 18,432	Consulting service for enterprises regarding construction engineering technology and management; procurement planning of engineering equipment and material, installation technical consultation
Jiangsu Shili Construction Co., Ltd.	2003.01.03	No. 1, Jianhua Road, Yuzhi Town, Wuzhong District, Suzhou, Jiangsu, China	NT$ 64,512	Contracting of building construction projects on a turnkey basis and related engineering technical consultation
Changzhou Changlong Handling Co., Ltd.	2012.10.15	No. 118, Xu Village, Renge Village Committee, Xuejia Town, Xinbei District, Changzhou City	NT$ 2,238	Handling, loading and unloading services
Shun Long (Hong Kong) Co., Ltd.	2003.03.21	Flat/RM 2004,20F Gloucester Tower, The Landmark, Central HK	HK$ 0.002	International trade
Chien Ya (Nantong) Information Technology Consultant Co., Ltd.	2018.04.28	South of Kexing Road, West of Tongqi Canal, Nantong Economic and Technological Development Zone, Jiangsu Province	NT$ 153,600	Computer software technology development and consultation
Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	2018.04.28	Qiuzhuang Formation, Wangjia Village, Shiqiao Town, Yangzhou Development Zone	NT$ 248,832	Computer software technology development and consultation

Note: The exchange rate of foreign currency for the New Taiwan dollar is as follows:

Description of exchange rate	USD	HKD	RMB
Exchange rate as at December 31, 2018	30.72	3.921	4.476

3. The industries covered by all associates and their division of labor:

(1) The industries covered by all associates include construction, production and sales of commercial concrete, concrete products and concrete additives, engineering consultancy, corporate management consulting, international trading and investment.

(2) The division of labor of each associate is as follows:

Golden Canyon Limited, Silver Shadow Holdings Limited, and Chien Kuo Asia Co., Ltd. are holding companies. The rest associates engage in their respective businesses.

4. Information on the same shareholders of companies that are presumed to have a controlling and subordinate relation: None.

5. Information on directors, supervisors and general managers of associates

Unit: In 1,000 Shares

Company name	Title	Name or representative	Shareholding (Note 1)	
			Shares	Shareholding Ratio (%)
Chien Kuo Development Co., Ltd.	Chairman Director Director Supervisor General Manager	Chi-te CHEN (Chien Kuo Construction) Chang-shiou WU (Chien Kuo Construction) Ssu-chia KUNG (Chien Kuo Construction) Cheng-te CHOU (Chien Kuo Construction) Pai-tso SUN	11,100	100%
Shun Long International Electrical Engineering Co., Ltd.	Chairman Director Director Supervisor General Manager	Chang-shiou WU (Chien Kuo Construction) Pai-tso SUN (Chien Kuo Construction) Ssu-chia KUNG (Chien Kuo Construction) Yi-hsin PANG Chang-shiou WU	6,063	86.61%
WeBIM Services Co., Ltd.	Chairman Director	Chang-shiou WU (Chien Kuo	1.530	76.5% (Note 3)

Company name	Title	Name or representative	Shareholding (Note 1)	
			Shares	Shareholding Ratio (%)
	Director Supervisor General Manager	Construction) Meng-chung LEE (Chien Kuo Construction) Pai-tso SUN (Chien Kuo Construction) Cheng-te CHOU Meng-chung LEE		
Anping Real Estate Co., Ltd.	Chairman Director Director Supervisor General Manager	Chi-te CHEN (Chien Kuo Construction) Chang-shiou WU (Chien Kuo Construction) Ssu-chia KUNG (Chien Kuo Construction) Cheng-te CHOU (Chien Kuo Construction) Pai-tso SUN	14,000	100%
Silver Shadow Holdings Limited	Director Director Director	Chi-te CHEN Chang-shiou WU Pai-tso SUN	32,701	100%
Golden Canyon Limited	Director Director Director	Chi-te CHEN Chang-shiou WU Pai-tso SUN	15,740	100%
Chien Kuo Asia Co., Ltd.	Director Director Director	Chi-te CHEN Chang-shiou WU Pai-tso SUN	3,188	100%
Chien Ya (Shanghai) Information Technology Co., Ltd.	Chairman Director Director Supervisor General Manager	Pai-tso SUN Kuo-feng TING Ssu-chia KUNG Shu-fen YANG Pai-tso SUN	Not applicable.	100%
Nantong Chien Cheng Concrete Co., Ltd.	Chairman Director Director Supervisor General Manager	Kuo-feng TING Chang-shiou WU Wei-chao CHO Ssu-chia KUNG Kuo-feng TING	Not applicable.	100% (Note 2)
Suzhou Chien Hua Concrete Co., Ltd.	Chairman Director Director Supervisor General Manager	Kuo-feng TING Chang-shiou WU Wei-chao CHO Ssu-chia KUNG Kuo-feng TING	Not applicable.	100%
Wuxi Chien Bang Concrete Co., Ltd.	Chairman Director	Kuo-feng TING Chang-shiou WU	Not applicable.	100%

Company name	Title	Name or representative	Shareholding (Note 1)	
			Shares	Shareholding Ratio (%)
	Director Supervisor General Manager	Wei-chao CHO Ssu-chia KUNG Kuo-feng TING		
Yangzhou Chien Yung Concrete Co., Ltd.	Chairman Director Director Supervisor General Manager	Kuo-feng TING Chang-shiou WU Wei-chao CHO Ssu-chia KUNG Kuo-feng TING	Not applicable.	100%
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	Chairman Director Director Supervisor General Manager	Kuo-feng TING Chang-shiou WU Wei-chao CHO Ssu-chia KUNG Kuo-feng TING	Not applicable.	100%
Jiangsu Shili Construction Co., Ltd.	Chairman Director Director Supervisor General Manager	Kuo-feng TING Chang-shiou WU Wei-chao CHO Ssu-chia KUNG Kuo-feng TING	Not applicable.	100%
Changzhou Changlong Handling Co., Ltd.	Chairman Director Director Supervisor	Chun KU Kuo-feng TING Hao-chuan, PENG Chieh-Sheng Lin	Not applicable.	100%
Shun Long (Hong Kong) Co., Ltd.	Director Director	Chi-te CHEN Chang-shiou WU	Not applicable.	100%
Chien Ya (Nantong) Information Technology Consultant Co., Ltd.	Chairman Director Director Supervisor General Manager	Kuo-feng TING Chang-shiou WU Wei -chao CHO Ssu-chia KUNG Kuo-feng TING	Not applicable.	100%
Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	Chairman Director Director Supervisor General Manager	Kuo-feng TING Chang-shiou WU Wei -chao CHO Ssu-chia KUNG Kuo-feng TING	Not applicable.	100%

Note 1: Information related to such an associate is the information on the latest year up to December 31, 2018.

Note 2: Nantong Chien Cheng Concrete Co., Ltd. completed the equity transfer and alteration of registration on January 7, 2019.

Note 3: Shareholding in WeBIM Services changed to 49% as of January 22, 2019.

6. Operating status of each associate

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Profit or loss	Earnings per share (after tax)
Chien Kuo Development Co., Ltd.	111,000	99,783	138	99,645	361	670	-
Shun Long International Electrical Engineering Co., Ltd.	50,000	257,246	202,253	54,993	436,085	3,449	-
WeBIM Services Co., Ltd.	20,000	23,537	4,692	18,845	23,186	6,705	-
Anping Real Estate Co., Ltd.	140,000	142,361	7,985	134,376	2,290	(2,781)	-
Golden Canyon Limited	483,533	2,747,653	0	2,747,653	0	133,818	-
Silver Shadow Holdings Limited	1,004,579	2,176,668	0	2,176,668	0	140,475	-
Chien Kuo Asia Co.,Ltd.	979	3,598,712	14,674	3,584,038	0	252,047	-
Shun Long (Hong Kong) Co., Ltd.	0	272	0	272	0	(39)	Note 1
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	18,432	23,049	224	22,825	0	(113)	Note 1
Jiangsu Shili Construction Co., Ltd.	64,512	74,882	224	74,658	0	(603)	Note 1
Chien Ya (Shanghai) Information Technology Co., Ltd.	110,592	184,043	30,767	153,276	0	1,529	Note 1
Suzhou Chien Hua Concrete Co., Ltd.	421,632	1,298,630	727,417	571,213	940,280	17,176	Note 1
Wuxi Chien Bang Concrete Co., Ltd.	438,528	2,498,210	941,387	1,556,823	1,821,062	227,199	Note 1
Nantong Chien Cheng Concrete Co., Ltd.	62,208	109,073	30,162	78,911	(1,739)	533	Note 1
Yangzhou Chien Yung Concrete Co., Ltd.	61,440	105,477	68,675	36,802	(279)	5,118	Note 1
Changzhou Changlong Handling Co., Ltd.	2,238	897	0	897	0	(53)	Note 1
Chien Ya (Nantong) Information Technology Consultant Co., Ltd.	153,600	165,393	611	164,782	0	2,673	Note 1
Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	248,832	255,835	1,068	254,767	0	4,178	Note 1

Note 1: Since the company type is a limited company, it has no shares.

(II) Combined Financial Statements: (See pages 111 to 173).

(III) Consolidated Business Report of Associates: Not applicable.

II. Private Placement of Marketable Securities in the Most Recent Fiscal Year and the Current Fiscal Year Up to the Publication Date of the Annual Report: None.

III. Holding or Disposal of the Company's Shares by Subsidiaries in the Most Recent Fiscal Year and the Current Fiscal Year Up to the Publication Date of the Annual Report: None.

IV. Other Required Disclosures: None.

V. Occurrence of Matters Having Material Impact on Shareholders' Equity or the Company's Securities Price as Prescribed in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act in the Most Recent Fiscal Year and the Current Fiscal Year up to the Publication Date of the Annual Report: None.

Representation Letter for Combined Financial Statements

The entities that are required to be included in the combined financial statements of the Company for the annual period ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No.10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements has already been covered in the consolidated financial statements. Hence, we do not prepare a separate set of combined financial statements.

Represented by

Company Name: Chien Kuo Construction Co. Ltd.

Responsible person: Chang-shiou Wu

March 28, 2019

Independent Auditors' Report

To Chien Kuo Construction Co. Ltd.

Auditors' Opinions

We have audited the Consolidated Balance Sheet of Chien Kuo Construction Co. Ltd. and its subsidiaries as of December 31, 2018 and 2017, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Significant Accounting Policies) for the annual period ended December 31, 2018 and 2017.

In our opinion, the afore-mentioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of Chien Kuo Construction Co. Ltd. as of December 31, 2018 and 2017, and its consolidated financial performance and consolidated cash flows for the annual periods ended December 31, 2018 and 2017 in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) to the extent endorsed and effected by the Financial Supervisory Commission.

Basis for Audit Opinion

We planned and conducted our audits in accordance with Rules Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards in the Republic of China. Our responsibility under the above mentioned regulations will be further explained in the section titled "Accountant's Responsibility in Auditing the Consolidated Financial Statements". We have stayed independent from Chien Kuo Construction

Co. Ltd. as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the norm. We believe that we have obtained sufficient and appropriate audit evidence to serve as a basis for our opinion.

Key Audit Matters

Key Audit Matters refer to most vital matters in the process of auditing of 2018 Consolidated Financial Statements of Chien Kuo Construction Co. Ltd. and its subsidiaries based on our professional judgment. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters for the consolidated financial statements of Chien Kuo Construction Co. Ltd. and its subsidiaries for 2018 are stated as follows:

Construction Contracts

The operating revenue of Chien Kuo Construction Co. Ltd. is primarily derived from construction revenue, which is recognized in cost-based input method by the management in accordance with IFRS 15 Revenue from Contracts with Customers. Since the percentage of completion is calculated at the ratio of costs input to the total estimated contract costs, the total estimated construction contract costs are a key factor in calculating the percentage of cost input. Since the estimates of total costs are made by the management's judgment on the types, periods, execution, and techniques of construction, and are prone to influence from changes in commodity prices, labor prices and construction items, any significant changes in estimates, once occurred, may lead to a revenue recognized in accordance with the percentage of completion method either consisting of errors, or having significant influence on the misstatement of the financial statements. Consequently, the estimates of total costs of construction contracts are deemed a key audit matter.

Our audit procedures included, among others, understanding the procedures by which the management estimates the total costs of long-term construction contracts; assessing on the management estimates the total costs of long-term construction contracts; examining the accompanying construction documents to assess comprehensively the completeness and reasonableness of the estimates of total costs of long-term construction contracts; and assesing the important changes in the cost of construction contracts after the completion of construction projects.

For information about construction contracts, please refer to Note 24.

Assessment of Impairment of Accounts Receivable

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As stated in Note 5 to the consolidated financial statements, the expected credit loss rate used for impairment assessment of the receivables derived from concrete business involves past historical experience, current market conditions and forward-looking information, and reflects uncertainty that requires professional judgment. Therefore, the estimation of impairment of accounts receivable is identified as a key audit matter.

The procedures by which our CPA performed our audit, among others, are stated as follows:

1. Understanding the assessment procedures by which the management determines the credit lines for customers, including whether customers are assigned appropriate risk levels, credit lines, and credit terms in line with their credit checks.
2. Understanding and assessing the reasonableness of the methods, data, assumptions, and formulas undertaken by the management for provision of impairment, as well as reviewing such calculations.
3. Testing the properness of the classification of Customers and completeness of accounts receivables on the accrual form, which is used as a basis for calculation of allowance for doubtful accounts.
4. Performing subsequent collection test, on a sample basis, on the year-end accounts receivables in order to assess their recoverability.

For impairment of accounts receivables, please refer to Note 12.

Other Matters

Chien Kuo Construction Co. Ltd. has prepared its Parent Only Financial Statements for the years 2018 and 2017, on which we have issued an unqualified audit report for reference.

Responsibility of the management and the governing body for the Consolidated Financial Statements

It is the management’s responsibility to fairly present the Consolidated Financial Statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) to the extent endorsed and issued into effect by the Financial Supervisory Commission, and to sustain internal controls respecting preparation of the Consolidated Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing the Consolidated Financial Statements, the responsibility of management includes assessing the ability of Chien Kuo Construction Co. Ltd. and its subsidiaries to continue as a going concern, disclosing going concern matters, as well as adopting going concern accounting, unless the management intends to liquidate Chien Kuo Construction Co. Ltd. and its subsidiaries or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

The governing bodies of Chien Kuo Construction Co. Ltd. and its subsidiaries (including the Audit Committee or the supervisors) have the responsibility to oversee the process by which the financial statements are prepared.

The Accountants' Responsibility in Auditing the Consolidated Financial Statements

The purpose of our audit is to provide reasonable assurance that the Consolidated Financial Statements as a whole contains no material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. "Reasonable assurance" refers to high level of assurance. Nevertheless, our audit, which was carried out according to GAAS, does not guarantee that a material misstatement(s) will be detected in the Consolidated Financial Statements. Misstatements may result from fraud or errors. The misstated amounts are material if they could, individually or collectively, be reasonably anticipated to influence the economic decisions of users taken on the basis of the consolidated financial statements.

We have exercised professional judgment and maintained professional skepticism while abiding by GAAS in our audit. We have also:

1. Identified and assessed the risks of a material misstatement(s) due to fraud or errors in the Consolidated Financial Statements; designed and carried out appropriate countermeasures against the assessed risks; and obtained sufficient and appropriate audit evidence to provide the basis for audit opinion. As fraud may involve collusion, forgery, deliberate omissions, false statements, or overrides of internal controls, the risk of an undetected material misstatement due to fraud is greater than that due to errors.
2. Acquired necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate under the circumstances. Nevertheless, the purpose of such understanding is not to provide any opinion on the effectiveness of the internal controls of Chien Kuo Construction Co. Ltd. and its subsidiaries.
3. Assessed the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of going concern basis of accounting, and determined whether a material uncertainty exists within events or

conditions that might cast significant doubt on the ability of Chien Kuo Construction Co. Ltd. and its subsidiaries to continue as a going concern. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the Consolidated Financial Statements in our audit report of the relevant disclosures therein, or to amend our audit opinion in the event that any inappropriate disclosure was found. Our conclusion is based on the audit evidence obtained as of the date of the audit report. However, future events or conditions may cause Chien Kuo Construction Co. Ltd. and its subsidiaries to cease to continue as a going concern.

5. Assessed the overall presentation, structure and content of the Consolidated Financial Statements (including the related notes), and determined whether the Consolidated Financial Statements present fairly the related transactions and events.
6. Obtained sufficient and appropriate audit evidence regarding financial information of entities within Chien Kuo Construction Co. Ltd. and its subsidiaries in order to express opinions on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit. we remain solely responsible for our audit opinion on Chien Kuo Construction Co. Ltd. and its subsidiaries.

We are required to communicate with the governing body 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 are also required to provide the governing body with a statement that we have complied with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China 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.

We have identified, from the matters communicated with the governing body, the key audit matters in the audit of the Consolidated Financial Statements of Chien Kuo Construction Co. Ltd. and its subsidiaries for 2018. Such matters have been explicitly stated in our audit report, unless laws or regulations prevent their disclosures, or, in extremely rare cases, we decide not to communicate such matters in our audit report in consideration that the adverse impacts of such communication could be reasonably expected to be greater than the public interest it would promote.

Deloitte Taiwan

CPA: I-Wen Wang

CPA: Yu-Wei Fan

Approval number by the Financial Supervisory Commission
FSC - 0980032818

Approval number by the Securities and Futures Commission
Taiwan-Finance-Securities - 0920123784

March 28, 2019

Chien Kuo Construction Co. Ltd. and Subsidiaries

Consolidated Balance Sheets

for the Years Ended December 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	$ 2,437,312	26	$ 2,518,297	25
1110	Financial assets measured at FVTPL (Note 7)	159,157	2	403,461	4
1120	Financial assets measured at FVTOCI (Note 8)	41,347	-	-	-
1140	Contract asset (Note 24)	1,331,215	14	-	-
1147	Investment in debt instruments for which no active market exists (Note 10)	-	-	275,547	3
1150	Notes receivable (Note 12)	111,011	1	205,622	2
1170	Accounts receivable (Note 12)	2,609,969	28	2,419,748	24
1190	Construction contract receivable (Note 13)	-	-	984,415	10
1200	Other receivables	31,875	-	27,969	-
1310	Inventory	27,102	-	15,023	-
1323	Land awaiting development (Note 14 and Note 33)	463,577	5	463,577	5
1410	Advance payment (Note 15)	632,002	7	675,356	7
1460	Non-current assets held for sale (Note 17)	75,602	1	-	-
1470	Other current assets (Note 33)	191,253	2	383,410	4
11XX	Total current assets	8,111,422	86	8,372,425	84
	Non-current assets				
1510	FVTPL (Note 7)	95,174	1	-	-
1520	FVTOCI (Note 8, Note 9 and Note 33)	346,411	4	-	-
1523	Available-for-sale financial assets (Note 11 and 33)	-	-	431,384	4
1543	Financial assets carried at cost	-	-	71,424	1
1600	Property, plant and equipment (Note 18 and 33)	191,066	2	232,151	2
1760	Investment Property (Note 19 and 33)	216,684	2	171,159	2
1840	Deferred tax assets (Note 26)	79,743	1	68,108	1
1980	Pledged certificate of deposit (Note 33)	205,844	2	379,592	4
1985	Long-term prepaid rent (Note 33)	148,101	2	163,730	2
1990	Other non-current assets	19,018	-	58,649	-
15XX	Total noncurrent assets	1,302,041	14	1,576,197	16
1XXX	Total assets	$ 9,413,463	100	$ 9,948,622	100
Code	Liabilities and Equity				
	Current liabilities				
2100	Short-term debt (Note 20)	$ -	-	$ 220,000	2
2110	Short-term bills payables (Note 20)	-	-	79,948	1
2120	Financial liabilities measured at FVTPL (Note 7)	-	-	23,849	-
2130	Contract liability (Note 24)	57,730	1	-	-
2150	Notes payable	385,388	4	388,034	4
2170	Accounts payable (Note 21)	1,701,653	18	1,829,655	18
2190	Construction contract payable (Note 13)	-	-	211,709	2
2200	Other payables	216,759	2	236,954	2
2230	Current income tax liabilities	13,316	-	51,806	1
2260	Liabilities directly associated with non-current assets held for sale (Note 17)	4,935	-	-	-
2320	Long-term loans due within one year (Note 20)	450,000	5	600,000	6
2399	Other current liabilities	166,519	2	71,734	1
21XX	Total current liabilities	2,996,300	32	3,713,689	37
	Non-current liabilities				
2540	Long-term loans (Note 20)	799,131	8	800,000	8
2570	Deferred tax liabilities (Note 26)	583,786	6	480,046	5
2600	Other non-current liabilities (Note 22)	72,981	1	49,315	1
25XX	Total noncurrent liabilities	1,455,898	15	1,329,361	14
2XXX	Total liabilities	4,452,198	47	5,043,050	51
	Equity attributable to shareholders of the Company (Note 23)				
	Capital				
3110	Capital of common shares	3,343,001	36	3,379,001	34
3200	Capital reserves	201,627	2	200,462	2
	Retained earnings				
3310	Legal reserve	605,987	7	588,869	6
3320	Special reserve	67,179	1	39,088	-
3350	Undistributed earnings	788,857	8	789,811	8
3300	Total retained earnings	1,462,023	16	1,417,768	14
3400	Other equity	(57,178)	(1)	(67,179)	(1)
3500	Treasury shares	-	-	(34,835)	-
31XX	Total equity attributable to shareholders of the Company	4,949,473	53	4,895,217	49
36XX	Non-controlling interest	11,792	-	10,355	-
3XXX	Total equity	4,961,265	53	4,905,572	49
	Total liabilities and equity	$ 9,413,463	100	$ 9,948,622	100

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Wu, Chang-Shiou Manager:Wu, Chang-Shiou Accounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co. Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

for the Years Ended December 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars, Except for Basic Earnings Per Share (in Dollars)

		2018		2017	
Code		Amount	%	Amount	%
4000	Operating revenue (Note 24)	$ 6,824,128	100	$ 5,733,908	100
5000	Operating costs (Note 22 and 25)	6,082,369	89	5,188,280	90
5900	Gross profit	741,759	11	545,628	10
	Operating expenses (Note 22, 25 and 32)				
6100	Selling expense	34,612	1	33,421	1
6200	Administrative expense	346,867	5	295,880	5
6000	Total operating expenses	381,479	6	329,301	6
6900	Operating Income	360,280	5	216,327	4
	Non-operating income and expenses (Note 25)				
7010	Other income	75,602	1	117,795	2
7020	Other gains and losses	(34,394)	(1)	(42,563)	(1)
7050	Finance cost	(26,365)	-	(31,076)	-
7000	Total non-operating income and expenses	14,843	-	44,156	1
7900	Income before tax	375,123	5	260,483	5
7950	Income tax expense (Note 26)	167,415	2	88,310	2
8200	Net income	207,708	3	172,173	3

(Continued on next page)

(Continued from the previous page)

Code		2018 Amount	2018 %	2017 Amount	2017 %
	Other comprehensive income				
	Items that are not reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 22)	$ 1,695	-	($ 2,717)	-
8316	Unzealized gain on valuation on Eguity instrument at FVTOCI	15,664	-	-	-
8349	Income tax related to items that are not subsequently reclassified to profit or loss (Note 26)	(475)	-	462	-
8310		16,884	-	(2,255)	-
	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	6,579	-	(182,761)	(3)
8362	Unrealized valuation gains on available-for-sale financial assets	-	-	39,800	1
8363	The effective portion of gains on financial instruments designated as cash flow hedges	-	-	(7,559)	-
8367	Unrealized valuation gains on debt instrument at FVTOCI	(314)	-	-	-

8399	Income tax related to items that may be reclassified to profit or loss (Note 26)	(6,442)	-	31,069	-
8360		(177)	-	(119,451)	(2)
8300	Other comprehensive income (net) - Total	16,707	-	(121,706)	(2)
8500	Total comprehensive income	$ 224,415	3	$ 50,467	1
	Net income attributable to:				
8610	Shareholders of the Company	$ 205,671	3	$ 171,178	3
8620	Non-controlling interest	2,037	-	995	-
8600		$ 207,708	3	$ 172,173	3
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ 222,378	3	$ 49,472	1
8720	Non-controlling interest	2,037	-	995	-
8700		$ 224,415	3	$ 50,467	1
	Earnings per share (Note 27)				
9750	Basic	$ 0.62		$ 0.51	
9850	Diluted	$ 0.61		$ 0.51	

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Wu, Chang-Shiou Manager: Wu, Chang-Shiou Accounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co. Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

for the Years Ended December 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars

		Equity attributable to shareholders of the Company												
				Retained earnings			Other equity items							
Code		Capital	Capital reserves	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealized valuation gains (losses) of available-for-sale financial assets	Fair value through other comprehensive income	Cash flow hedge	Treasury shares	Total	Non-controlling interest	Total Equity
A1	Balance as of December Jauary 31, 2017	$ 3,379,001	$ 200,557	$ 584,661	$ 48,403	$ 783,675	$ 42,552	$ 2,161	$ -	$ 7,559	($ 34,835)	$ 5,013,734	$ 2,774	$ 5,016,508
	Earnings appropriation and allocation for 2016													
B1	Legal reserve	-	-	4,208	-	(4,208)	-	-	-	-	-	-	-	-
B5	Cash dividend for shareholders of the Company - NT$ 0.50 per share	-	-	-	-	(167,150)	-	-	-	-	-	(167,150)	-	(167,150)
B17	Special reserve reversed due to disposal of subsidiaries	-	-	-	(9,315)	9,315	-	-	-	-	-	-	-	-
D1	Net income for 2017	-	-	-	-	171,178	-	-	-	-	-	171,178	995	172,173
D3	Other comprehensive income (net of tax) for 2017	-	-	-	-	(2,255)	(151,692)	39,800	-	(7,559)	-	(121,706)	-	(121,706)
D5	Total comprehensive income for 2017	-	-	-	-	168,923	(151,692)	39,800	-	(7,559)	-	49,472	995	50,467
T1	Changes in equity in subsidiaries	-	73	-	-	-	-	-		-	-	73	11	84
M7	Changes in ownership interests in subsidiaries	-	(373)	-	-	(744)	-	-	-	-	-	(1,117)	6,575	5,458
N1	Employee stock options issued by subsidiaries	-	205	-	-	-	-	-	-	-	-	205	-	205
Z1	Balance as of December 31, 2017	3,379,001	200,462	588,869	39,088	789,811	(109,140)	41,961	-	-	(34,835)	4,895,217	10,355	4,905,572
A3	Effect of retrospective application and retrospective restatement	-	-	-	-	4,514	-	(41,961)	36,475	-	-	(972)	-	(972)
A5	Balance as restatement after January 1, 2018	3,379,001	200,462	588,869	39,088	794,325	(109,140)	-	36,475	-	(34,835)	4,894,245	10,355	4,904,600
	Appropriation and distribution of retained earnings in 2017													
B1	Legal reserve	-	-	17,118	-	(17,118)	-	-	-	-	-	-	-	-
B3	Appropriated retained earnings	-	-	-	28,091	(28,091)	-	-	-	-	-	-	-	-
B5	Cash dividend for shareholders of the Company - NT$ 0.50 per share	-	-	-	-	(167,150)	-	-	-	-	-	(167,150)	-	(167,150)
D1	Net income for 2018	-	-	-	-	205,671	-	-	-	-	-	205,671	2,037	207,708
D3	Other comprehensive income (net of tax) for 2018	-	-	-	-	1,220	137	-	15,350	-	-	16,707	-	16,707
D5	Total comprehensive income for 2018	-	-	-	-	206,891	137	-	15,350	-	-	222,378	2,037	224,415
L3	Treasury shares retired	(36,000)	1,165	-	-	-	-	-	-	-	34,835	-	-	-
O1	Cash dividend for shareholders of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(600)	(600)
Z1	Balance as of December 31, 2018	$ 3,343,001	$ 201,627	$ 605,987	$ 67,179	$ 788,857	($ 109,003)	$ -	$ 51,825	$ -	$ -	$ 4,949,473	$ 11,792	$ 4,961,265

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Wu, Chang-Shiou Manager: Wu, Chang-Shiou Accounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to December 31, 2018 and 201

Unit: In Thousands of New Taiwan Dollars

Code		2018	2017
	Cash flows from operating activities		
A10000	Income before tax	$ 375,123	$ 260,483
A20010	Income and expense item:		
A21200	Interest income	(51,102)	(79,238)
A20300	Expected credit impairment loss	36,199	-
A20100	Depreciation	26,524	28,506
A20900	Finance costs	26,365	31,076
A29900	Litigation damages	15,959	-
A21300	Dividens revenues	(13,397)	(8,892)
A22500	Gain (loss) from deposit of property, plant and equipment	(6,938)	1,423
A20200	Amortization	3,856	6,490
A29900	Investment Property listed as the other expenses	722	-
A23100	Net loss from disposal of investments	628	989
A24100	Gain (loss) from foreign currency exchange	81	(15,507)
A20300	Gain on reversal of bad debts	-	(27,781)
A29900	Net gain from deposit of subsidiaries	-	(17,915)
A22800	Compensation cost of employee stock options	-	289
A30000	Net changes in operating assets and liabilities		
A31110	Financial instruments held for trading	-	232,225
A31115	Enforcement of Financail instruments measure at FVTPL	659,985	-
A31125	Contract assets	(91,193)	-
A31130	Note receivable	93,194	(129,109)
A31150	Accounts receivable	(517,885)	(414,841)
A31170	Construction contract receivable	-	(259,773)
A31180	Other receivables	(8,531)	(44,251)
A31200	Deposit	(12,822)	1,001
A31200	Land to be built	-	(463,577)
A31230	Prepayments	33,779	(456,346)
A31240	Other current assets	35,322	(13,693)
A31990	Other non-current assets	1,333	(18,364)
A32125	Contract liability	(153,979)	-
A32130	Bills payable	4,118	258,323

(Continue on next page)

Code		2018	2017
A32150	Accounts payable	($ 117,830)	$ 646,926
A32170	Construction contracts payable	-	(96,786)
A32180	Other payable	(13,846)	79,579
A32230	Other current liabilities	(35,158)	44,948
A32990	Other non-current liabilities	5	(346)
A33000	Cash provided by (used in) operating activities	290,512	(454,161)
A33100	Interest received	62,677	77,589
A33300	Interest paid	(26,499)	(30,837)
A33500	Income tax paid	(130,685)	(39,819)
AAAA	Net cash provided by (used in) operating activities	196,005	(447,228)

(Continued from the previous page)

Code		2017	2016
	Cash flows from investing activities		
B02900	Advance received from disposal of subsidiaries	132,043	
B06700	Decrease (Increase) in pledged certificate of deposit and reserve account	128,497	(409,490)-
B00020	Proceeds from disposal of financial assets measured at fair value through other comprehensive income	85,583	-
B05400	Acquisition of investment property	(47,441)	(722)
B00100	Acquisition of financial assets measured at fair value through profit or loss	(18,432)	-
B02700	Acquisition of property, plant and equipment	(17,086)	(32,916)
B03800	Decrease (Increase) in refundable deposits	12,486	(165)
B07600	Cash dividends received	10,817	8,892
B02800	Proceeds from disposal of property, plant, and equipment	8,980	2,602
B04500	Acquisition of intangible assets	(655)	(289)
B06000	Acquisition of investment in debt instruments with no active market	-	(272,545)
B00700	Proceeds from sales of investment in debt instruments for which no active market exists	-	723,758
B02300	Net cash provided by disposal of subsidiaries	-	303,488
B00400	Disposal of available-for-sale financial assets	-	80,143
B01200	Acquisition of financial assets carried at cost	-	(30,430)
B00300	Acquisition of available-for-sale financial assets	-	(6,058)
BBBB	Net cash provided by investing activities	294,792	366,268
	Cash flows from financing activities:		
C01700	Repayment of long-term loans	(600,000)	(150,000)
C01600	Increase in long-term loans	449,189	350,000
C00200	Increase (decrease) in Short-term borrowings	(220,000)	130,000
C04500	Distribution of cash devidends	(167,150)	(167,150)
C00600	Increase (decrease) in short-term bills payable	(79,948)	79,948
C03000	Increase in guarantee deposits received	$ 20,569	$ 9,833
C05800	Cash dividends for shareholders of subsidiaries	(600)	-
C05400	Changes in non-controlling interests	-	5,458
CCCC	Net cash provided by (used in) financing activities	(597,940)	258,089
DDDD	Effect of exchange rate changes on cash and cash equivalents	44,631	(141,115)
EEEE	Increase (Decrease) in cash and cash equivalents	(62,512)	36,014
E00100	Balance of cash and cash equivalents - beginning of the year	2,518,297	2,482,283
E00200	Balance of cash and cash equivalents - end of the year	$ 2,455,785	$ 2,518,297

Reconciliation of cash and cash equivalents by the end of the year

Code		December 31, 2018	December 31, 2017
E00210	Cash and cash equivalents presented on the balance sheets	$ 2,437,312	$ 2,518,297
E00240	Cash and cash equivalents attributable to disposal group held for sale	18,473	-
E00200	Balance of cash and cash equivalents - end of the year	$ 2,455,785	$ 2,518,297

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Wu, Chang-Shiou Manager: Wu, Chang-ShiouAccounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co. Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
January 1 to December 31, 2018 and 2017
(Amount in Thousands of New Taiwan Dollars (NT$), Unless Otherwise Stated)

I. Company History

Chien Kuo Construction Co. Ltd. (hereinafter “the Company”), founded in November 1950, mainly engages in business relating to design, supervision of modification, and construction of various construction projects of different size, as well as trading of construction materials; the Company’s stocks, which had been traded on Taipei Exchange since February 1, 1999, turned to Taiwan Stock Exchange for listings and trading in October 2003.

These consolidated financial statements are presented in the Company’s functional currency, New Taiwan Dollars (NT$).

II. Approval Date and Procedure of Financial Statements

The consolidated financial statements were released on March 28, 2019 after being approved by the Board of Directors.

III. Application of New and Amended Standards and Interpretations

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not incur any significant changes in the accounting policies of the consolidated entities.

1. IFRS 9 “Financial Instruments” and related amendments

IFRS 9 "Financial Instruments” supersedes IAS 39 “Financial Instruments: Recognition and Measurement” and is supplemented by various amendments either to IFRS 7 “Financial Instruments:

Disclosures" or to other standards. The new requirements of IFRS 9 cover classification, measurement and impairment of financial assets and general hedge accounting. Refer to Note 4 for related accounting policies.

Classification, measurement, and impairment of financial assets

The Group assessed the classification of existing financial assets based on the facts and circumstances existing on January 1, 2018, made a retrospective adjustment accordingly, and elected not to restate the comparative period. The measurement category, carrying amount and related reconciliation of each class of financial assets as determined by IAS 39 and IFRS 9 as of January 1, 2018 are detailed below:

The measurement category, carrying amount and related reconciliation of each class of financial assets as determined by IAS 39 and IFRS 9 as of January 1, 2018 are detailed below:

	Measurement Category		Carrying Amount		
Class of Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Description
Cash and Cash Equivalents	Loans and Receivables	Measured at amortized cost	$ 2,518,297	$ 2,518,297	-
Derivatives	Financial liabilities held for trading	Mandatorily measured at fair value through profit or loss	23,849	23,849	-
Investments in stocks	Financial assets held for trading	Investment in equity instruments measured at fair value through other comprehensive income	41,230	41,230	(1)
	Available-for-sale financial assets	Investment in equity instruments measured at fair value through other comprehensive income	274,064	274,064	-
Fund beneficiary certificates	Financial assets held for trading	Mandatorily measured at fair value through profit or loss	362,231	362,231	-
	Available-for-sale financial assets	Mandatorily measured at fair value through profit or loss	14,746	14,746	(2)
Private equity funds	Financial assets carried at cost	Mandatorily measured at fair value through profit or loss	71,424	65,733	(3)
Investments in bonds	Available-for-sale financial assets	Investment in debt instruments measured at fair value through other comprehensive income	142,574	142,574	(4)
Notes receivable, accounts receivable and other receivables	Loans and receivables	Measured at amortized cost	2,653,339	2,658,058	(5)

	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassification	Remeasurement	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained earnings as at January 1, 2018 Effects	Other equities as at January 1, 2018 Effects	Description
Financial assets measured at fair value through profit or loss	$ 403,461			$ 403,461			
Add: Reclassification from available-for-sale financial assets (IAS 39)							
- Mandatory reclassification	-	$ 14,746	$ -	14,746	$ 1,082	($ 1,082)	(2)
Less: Reclassification to financial assets measured at fair value through other comprehensive income- equity instruments (IFRS 9)	-	(41,230)	-	(41,230)	4,960	-	(1)
Remeasurement of financial assets carried at cost (IAS 39)	71,424	-	(5,691)	65,733	(5,691)	-	(3)
	474,885	(26,484)	(5,691)	442,710	351	(1,082)	
Financial assets measured at fair value through other comprehensive income	-			-			
- Debt instruments							
Add: Reclassification of available-for-sale financial assets (IAS 39)		142,574	-	142,574	(556)	556	(4)
- Equity instruments	-						
Add: Reclassification from those measured at fair value through profit or loss (IAS 39)	-	41,230	-	41,230	-	(4,960)	(1)
Add: Reclassification of available-for-sale financial assets (IAS 39)	-	274,064	-	274,064	-	-	-
	-	457,868	-	457,868	(556)	(4,404)	

	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassification	Remeasurement	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained earnings as at January 1, 2018 Effects	Other equities as at January 1, 2018 Effects	Description
Financial assets at amortized cost	-			-			
Add: Reclassification from loans and receivables (IAS 39)	-	2,653,339	4,719	2,658,058	4,719	-	(5)
Total effects of IFRS 9	$ 474,885	$ 3,084,723	($ 972)	$ 3,558,636	$ 4,514	($ 5,486)	

(1) The Group elected to designate investments in stocks that were previously classified as financial assets held for trading under IAS 39 as measured at fair value through other comprehensive income under IFRS 9. As a result of retrospective application, as at January 1, 2018, retained earnings increased by NT$4,960 thousand after adjustment, and unrealized gain or loss on financial assets measured at fair value through other comprehensive income decreased by NT$4,960 thousand.

(2) Fund beneficiary certificates were previously classified as available-for-sale financial assets under IAS 39. Their cash flows are not solely payments of principal and interest on the principal amount outstanding, and neither are they equity instruments. Therefore, they are mandatorily classified under IFRS 9 to be measured at fair value through profit or loss. As a result of retrospective application, other equity - unrealized gain (loss) on available-for-sale financial assets decreased by NT$1,082 thousand after adjustment, and retained earnings increased NT$1,082 thousand after adjustment as of January 1, 2018.

(3) As private equity funds that were previously carried at cost under IAS 39 are remeasured at fair value through profit or loss under IFRS 9. The adjustment would result in an increase of NT$65,733 thousand in financial assets at fair value through profit or loss and a decrease of NT$5,691 thousand in retained earnings as of January 1, 2018, respectively.

(4) Investment in corporate bonds had previously been classified as an available-for-sale financial asset under IAS 39. However, according to the assessment made based on the facts and circumstances existing on January 1, 2018, it was

determined that the objective of its business model was achieved both by collecting contractual cash flows and selling the financial asset. Therefore, it was reclassified as financial asset measured at fair value through other comprehensive income under IFRS 9, with the expected credit loss assessed accordingly. As a result of retrospective application, such adjustment has resulted in retained earnings decreasing by NT$556 thousand, and other equity - unrealized gain (loss) on financial assets at fair value through other comprehensive income increasing by NT$556 thousand as of January 1, 2018.

(5) Notes receivable, accounts receivable and other receivables that were previously classified as loans and receivables under IAS 39 are reclassified as financial assets at amortized cost under IFRS 9, with expected credit losses assessed accordingly. As a result of retrospective application, the adjustment resulted in loss allowance decreasing by NT$4,719 thousand and retained earnings increasing by NT$4,719 thousand.

2. IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes recognition principles for revenue arising from contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and related interpretations. For related accounting policies please refer to Note 4. Construction retainage retained by customers according to contractual terms is to ensure that contractors fulfill all their contractual obligation. Therefore, judged from IFRS 15, such ratainage is deemed as not having any significant financing component, and is recognized as a contract asset before all contractual obligation is fulfilled.

The net result of the recognized amount, the received amount, and the receivable amount is recognized as a contract asset (liability). Prior to application of IFRS 15, the net result of a construction contract's progress proceeds and recognized costs and profits (losses) were recognized as construction contract receivable (payable) under IAS 11.

Where there exists an onerous contract with customers, the Group, as required, recognizes either inventory impairment or provision for onerous contracts. Prior to application of IFRS 15, expected losses of construction contracts were measured as per IAS 11 and adjusted to construction contract receivable (payable).

The Group elects to retrospectively apply IFRS 15 only to contracts that are not yet complete as at January 1, 2018, with related cumulative effects adjusted to the retained earnings on such date.

With regards to all contract modifications dated prior to December 31, 2017, the Group does not restate the treatment of such contracts, but to present it in a manner that best reflects the overall effects of such modifications, so as to identify the performance obligations, determine and allocate the transaction prices. This will not decrease the complication of retrospective application and the cost, and not influence on the applied financial information.

Effects on assets and liabilities for the current period

	Before Adjustment on January 31, 2018Amount	Adjustment due to first-time adoption	After Adjustment on January 1, 2018Amount
Current assets			
Construction contract receivable	$ 984,415	($ 984,415)	$ -
Contract assets	257,121	(257,121)	-
Effects on Assets	-	1,254,922	1,254,922
	$ 1,241,536	$ 13,386	$ 1,254,922
Current liability			
Construction contract payable			
Contract liability	$ 211,709	($ 211,709)	$ -
Allowance for doubtful accounts	-	206,620	206,620
Effects on Liabilities	-	18,475	18,475

The would-have-been information is listed below had the former statement (IAS 11 “Construction Contracts”) been adopted on December 31, 2018:

	December 31, 2018 (IFRS 15)	Effect resulting from IFRS 15	December 31, 2018 (IAS 11)
Current assets			
Construction contract receivable	$ -	$ 869,984	$ 869,984
Accounts receivable	-	455,753	455,753
Contract assets	1,331,215	(1,331,125)	-
Effects on Assets	$ 1,331,215	($ 5,478)	$ 1,325,737
Current liability			
Construction contract payable	$ -	$ 67,468	$ 67,468
Contract liability	57,730	(57,730)	-
Preparation on Liabilities	15,216	(15,216)	-
Effects on Liabilities	$ 72,946	($ 5,478)	$ 67,468

(III) Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs that endorsed by Financial Supervisroy Commiions (FSC) in 2019

"Annual Improvements to IFRSs 2015-2017 Cycle"	January 1, 2019
Amendments to IFRS 9, "Prepayment Features with Negative Compensation"	January 1, 2019(Note 2)
IFRS 16 "Leases"	Balance as of January 1, 2019
Amendment to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 - “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1:The aforementioned new, revised or amended standards or interpretations are effective for annual periods beginning on or after the effective dates, unless stated otherwise.

Note 2:The FSC allows that all enterprises can apply the amendment for annual periods beginning on or before January 1, 2018.

Note 3: The amendment is applicable to any plan amendment, curtailment or settlement that takes place on or after January 1, 2019.

IFRS 16 "Leases"

IFRS 16 governs the accounting treatments for leases and will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease" and related interpretations.

Definition of lease

Upon initial application of IFRS 16, the Group elects to assess whether the contracts executed (or modified) on or after January 1, 2019 qualify as (or include) leases. Contracts that have currently been identified as a lease pursuant to IAS 17 and IFRIC 4 are not reassessed, but to be treated in accordance with the transition requirements of IFRS 16.

The Group is a lessee

When IFRS 16 is applied and the Group is a lessee, the Group will recognize the consolidated balance sheets the right-of-use assets and lease liabilities for all leases, except for leases with low-value underlying assets and short-term leases, which may be accounted for using straight-line basis. The consolidated statements of comprehensive income will state clearly and respectively the depreciation expense of the right-of-use assets separately, as well as the interest expense accrued on the lease liability, which interest is calculated using the effective interest rate method. The repayment for the principal of a lease liability is presented under financing activities, whereas the repayment for the interest is expressed under operating activities on the consolidated statement of cash flows. Prior to application of IFRS 16, an expense was recognized on a straight-line basis for contracts classified as operating leases, while advance lease payments for the purpose of acquiring the land-use rights in the People's Republic of China were recognized as prepaid lease payments. Cash flows from operating leases are presented under operating activities on the consolidated statements of cash flows.

The Group may elect to apply such standard retrospectively to recognize the cumulative effects applied by IFRS 16 on January 1, 2019 to retained earnings, instead of adjustment the comparative information.

The Group plans to adjust the cumulative effects arising from retrospective application of IFRS 16 to the retained earnings as at January 1, 2019, without restating the comparative information.

2. For agreements currently treated as operating leases under IAS 17, the lease liability as at January 1, 2019 is measured at the remaining lease payments over the lease term, discounted at the incremental borrowing rate of the lessee, whereas all right-of-use assets are measured at the amount of lease liabilities on such date. IAS 36 will be applicable to impairment assessment of all right-of-use assets recognized.

The Group plans to adopt the following expedients:

(1) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics in measuring the lease liability.

(2) Leases to be expired prior to December 31, 2019 are accounted for as short-term leases.

(3) Excluding the initial direct costs from the measurement of the right-of-use assets on January 1, 2019.

(4) Using hindsight to determine the lease term when measuring lease liabilities.

The Group is a lessor

The leases to which the Group is a lessor are not adjusted in the transition period, but will be applying IFRS 16 beginning on and after January 1, 2019.

Estimated effects on assets and liabilities on January 1, 2019

	Decemner 31, 2018 Carrying mount	Adjustment due to first-time adoption	After Adjustment on January 1, 2018 Amount
Non-current assets			
Long-term prepaid rent.	$ 148,101	($ 148,101)	$ -
Right-of-use asset	-	254,975	254,975
Effects on assets	$ 148,101	$ 106,874	$ 254,975
Current liability			
Leased liability	$ -	$ 13,462	$ 13,462
Non-current liability			
Leased liability	-	93,412	93,412
Effects on liability	$ -	$ 106,874	$ 106,874

Aside from the aforementioned effects, as at the date on which the consolidated financial statements were approved and issued, the Group had been continuously assessing the effects from the amendments to other standards and interpretations on the financial position and financial performance. Related effects will be disclosed once the assessment is completed.

(III) IFRSs that have been issued by IASB but not yet endorsed and issued into effect by the FSC

New, Revised, Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendment to IFRS 3 "Definition of Business"	January 1, 2020 (Note 2)
Amendment to IFRS10 and IAS 28 - "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Yet to be decided
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Materiality"	January 1, 2021 (Note 3)

Note 1: The aforementioned new, revised or amended standards or interpretations are effective for annual periods beginning on or after the effective dates, unless stated otherwise.

Note 2: Such amendment is applicable to business combinations occurring on and after January 1, 2020, and acquisition of assets occurring after such date.

Note 3: Such amendment is prospectively applicable to annual periods beginning after January 1, 2020.

As at the date on which the consolidated financial statements were approved and issued, the Group had been continuously assessing the effects from the amendments to other standards and interpretations on the financial position and financial performance. Related effects will be disclosed once the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of Compliance

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

(II) Preparation Basis

Except for financial assets measured at fair value, the consolidated financial statements were prepared on a historical cost convention.

Fair value is measured by using the 3-level fair value hierarchy, which comprises Level 1 to Level 3 according to the significance and the degree of observable features of relevant inputs.

1. Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
2. Level 2 inputs: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. through prices) or indirectly (i.e. derived from prices.)
3. Level 3 inputs: Level 3 inputs are unobservable inputs for the asset or liability.

(III) Criteria for Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets that are expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents, excluding those that are restricted for being used to exchange or settle liabilities at beyond 12 months after the balance sheet date.

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities that are expected to be settled within 12 months after the balance sheet date; and
3. Liabilities for which the repayment date cannot be deferred unconditionally beyond 12 months after the balance sheet date.

Assets or liabilities not fall within the aforementioned categories are non-current.

(IV) Basis for Consolidation

The consolidated financial statements comprise the financial statements of the Company and the financial statements of entities controlled by the Company. The statements of comprehensive income have covered the operating gains and losses of the acquired or disposed subsidiaries either until the disposal date or since the acquisition date for the current year. The financial statements of subsidiaries have been adjusted in order to align their accounting policies with those of the Group. In preparing the consolidated financial statements, all transactions, balances, income and expenses between the entities have been eliminated in full. Subsidiaries attribute their total comprehensive income 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.

Changes in ownership interest in subsidiaries that do not result in a loss of control by the Group over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group and its non-controlling interests have been adjusted to reflect the changes in its relative interests in the subsidiary Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Group.

Please refer to Note 16, Appendix Table 8 and 9 for details, shareholding percentage in, and operating items of subsidiaries.

(V) Foreign Currency

In preparing the financial statements, transactions denominated in a currency other than the entity's functional currency (i.e. foreign currency) are translated into the entity's functional currency by using the exchange rate at the date of the transaction before they are recorded by each entity.

Foreign currency monetary items are translated using the closing rate at each balance sheet date. Exchange differences arising on the settlement of monetary items or on translating monetary items are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined, with exchange differences arising therefrom recognized in current profit or loss, except when fair value changes are recognized in other comprehensive income, in which case the exchange differences are recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

In preparing the consolidated financial statements, assets and liabilities of a foreign operation (i.e. a subsidiary, associate, or joint venture, of which the activities are based or conducted in a country or currency other than those of the Company) are translated into New Taiwan Dollars by using the exchange rates at each balance sheet date. Income and expense items are translated using the average exchange rates of the current period, with exchange differences arising therefrom recognized in other comprehensive income and attributed respectively to owners of the Company and to non-controlling interests.

Upon disposal by the Group of its ownership interests in a foreign operation, all cumulative exchange differences that are attributable to owners of the Company and relating to such foreign operation are to be reclassified to profit or loss.

(VI) Property, Plant and Equipment

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

Each significant part of property, plant and equipment is separately depreciated over their useful lives on a straight-line basis. The Group reviews the useful lives, residual value and depreciation methods at least once at each financial year-end and prospectively applies the effects of changes in accounting estimates.

Upon derecognition of property, plant and equipment, the difference between the proceeds from disposal and the carrying amount of such asset is recognized in profit or loss.

(VII) Investment Property

Investment property is property held to earn rentals or for capital appreciation or both.

An investment property is measured initially at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is provided by using the straight-line basis by the Group.

Investment property under construction is recognized at cost less accumulated impairment loss. Costs include professional service fee and borrowing costs that are eligible for capitalization. Depreciation on those assets is recognized when they reach their expected useful conditions.

Upon derecognition of investment property, the difference between the proceeds from disposal and the carrying amount of such asset is recognized in profit or loss.

(VIII) Impairment of Tangible and Intangible Assets

At the end of each balance sheet date, the Group assesses whether there is any indication that a tangible asset or an intangible asset is impaired. If there is an indication that an asset may be impaired, the Group then estimates the recoverable amount of such asset. If it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is defined as the higher of the 'fair value less costs to sell' and the value in use. If the carrying amount of an individual asset or a cash generating unit is less than its recoverable amount, the carrying amount of which is reduced to its recoverable amount, with impairment loss recognized in profit or loss.

If the impairment loss is reversed subsequently, the carrying amount of the asset or cash-generating unit is raised to its recoverable amount, provided, however, that the increased carrying amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversal of impairment loss is recognized in profit or loss.

(IX) Non-current Assets Held for Sale

Non-current assets are classified as held for sale if the carrying amounts are expected to be recovered mainly through sale rather than by way of continuous usage. Non-current assets qualified for such classification must be available for immediate sale in their present condition and its sale must be highly probable. A sale is considered highly probable if management at an appropriate level commits to a plan to sell and such sale is expected to be completed within 12 months after the classification date.

If the sale will result in a loss of control over a subsidiary, all assets and liabilities of such subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after such sale.

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated.

(X) Financial Instruments

Financial assets and financial liabilities are recognized on the consolidated statements of balance sheets when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities not measured at FVTPL are, at their initial recognition, measured at the sum of fair value and transaction costs that could be directly attributed to issuance or acquisition of such financial assets or financial liabilities. Transaction costs that could be directly attributed to issuance or acquisition of financial assets or financial liabilities measured at FVTPL are immediately recognized in profit or loss.

1. Financial assets

2018

Financial assets held by the Group comprise financial assets measured at fair value through profit or loss (FVTPL), financial assets at amortized cost, investments in debt instruments measured at fair value through other comprehensive income (FVTOCI), and investments in equity instruments measured at FVTOCI.

A. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are financial assets mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments that are not designated by the Group to be measured at fair value through other comprehensive income and investments in debt instruments that fail to meet the criteria as to be measured at amortized cost or at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are measured at fair value, of which any remeasurement gains or losses (excluding dividends or interest accrued by such assets) are recognized in profit or loss. For determination of fair value, refer to Note 31.

B. Financial assets measured at amortized cost

When the Group's investment in financial assets meets the following two conditions simultaneously, such assets are classified as financial assets measured at amortized cost.

a. Held under a business model whose purpose of holding such financial assets is to collect the contractual cash flows; and,

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

Subsequent to initial recognition, financial assets measured at amortized cost (including accounts receivables and other receivables that are measured at amortized cost, and cash and cash equivalents) are measured at the amortized cost equal to the gross carrying amount as determined using the effective interest method less any impairment loss; any foreign exchange gain or loss arising therefrom is recognized in profit or loss.

Except for the following two circumstances, interest revenue is calculated at the effective interest rate times the gross carrying amount of financial assets:

a In the case of purchased or originated credit-impaired financial assets, interest revenue is always recognised by applying the credit-adjusted effective interest rate to the amortised cost carrying amount.

b In the case of a financial asset that is not a purchased or originated credit-impaired financial asset but subsequently has become credit-impaired, interest revenue is calculated by applying the effective interest rate to the amortised cost balance.

Cash equivalents comprise time deposits that will mature within 6 months after the acquisition date, that are highly liquid and readily convertible to known amount of cash, and that are subject to an insignificant risk of changes in value. Cash equivalents are used to satisfy the short-term cash commitments.

C. Investment in debt instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments that meet the following two conditions are classified as financial assets at fair value through other comprehensive income:

a. The debt instruments are held within a business model whose objective is to collect the contractual cash flows and to sell the financial assets; and

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

Investments in debt instruments at fair value through other comprehensive income are measured at fair value. Changes in the carrying amount of investments in debt instruments at fair value through other comprehensive income, such as interest revenue calculated using the effective interest method, gain (loss) on foreign exchange and impairment loss or gain on reversal, are recognized in profit or loss. Other changes in the carrying amount of such instruments are recognized in other comprehensive income and will be reclassified to profit or loss when such instruments are disposed of.

D. Investment in equity instruments measured at FVTOCI

However, the Group may choose to designate an equity investment that is not held for trading to be measured at fair value through other comprehensive income upon initial recognition.

Investments in equity instruments at fair value through other comprehensive income are measured at fair value, and any subsequent changes in the fair value are recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss upon the disposal of the equity investments. Instead, they will be transferred to retained earnings.

Dividends of investments in equity instruments at fair value through other comprehensive income are recognized in profit or loss when the Group’s right to receive payments is established, unless such dividends clearly represent the recovery of a part of the investment cost.

2017

A regular way purchase or sale of financial assets is recognised and derecognised using trade date accounting.

(1) Types of measurement

Financial assets held by the Group include financial assets measured at FVTPL, available-for-sale financial assets, and loans and receivables.

A. Financial assets measured at FVTPL

Financial assets measured at FVTPL are financial assets held for sale.

Financial assets measured at FVTPL are measured at fair value; any remeasurement gains (losses) of which are recognized in profit or loss.

B. Available-for-sale financial assets

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

If an available-for-sale financial asset is attributable to an investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, it is subsequently measured at costs less impairment loss and be presented individually as “Financial Assets Carried at Cost”. Such financial asset is subsequently measured at fair value provided that its fair value could then be reliably measured; any difference between the carrying amount and fair value is recognized in other comprehensive income; in case any impairment occurs, it is recognized in profit or loss.

Dividends on an available-for-sale equity investment is recognized when the right of the Group to receive payment is established.

C. Loans and Receivables

Loans and receivables (including accounts receivables, cash and cash equivalents, and Investment in debt instruments for which no active markets exist) are measured at their amortized costs (net of any impairment loss) by using the effective interest method, except for short-term receivables of which the interest recognition does not wield significance.

Cash equivalents comprise time deposits that will mature within 6 months after the acquisition date, that are highly liquid and readily convertible to known amount of cash, and that are subject to an insignificant risk of changes in value. Cash equivalents are used to satisfy the short-term cash commitments.

(2) Impairments of financial assets and contracts assets

2018

The Group assesses the impairment loss of financial assets at amortized cost (including accounts receivable), investments in debt instruments at fair value through other comprehensive income, and contract assets based on their expected credit losses on each balance sheet date.

The Group recognizes lifetime expected credit losses on accounts receivable and contract assets. For all other financial instruments, the Group recognizes lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk of the financial instruments has not increased significantly since initial recognition, the Group measures the loss allowance for the financial instruments at an amount equal to 12-month expected credit losses.

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

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

2017

Except for financial assets measured at FVTPL, the Group assesses at each balance sheet date as to whether there is any objective evidence indicating an impairment on other financial assets. A financial asset is deemed impaired when there is objective evidence indicating a detrimental loss on the asset's estimated future cash flows as a result of one or more events that have occurred after initial recognition.

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

If the impairment loss of a financial asset recognized at amortized cost is reduced subsequently, and such reduction can be objectively related to an event that have occurred after the recognition of such impairment, the impairment loss previously recognized is reversed to profit or loss either directly or through the use of an allowance account, provided, however, that the carrying amount of such asset after reversal does not exceed what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

A significant or prolonged decline in the fair value of an available-for-sale equity investment below its cost is also objective evidence of impairment.

When an available-for-sale financial asset is impaired, the cumulative impairment previously recognized in other comprehensive income is recycled to profit or loss.

Impairment loss of an available-for-sale equity instrument investment that had been recognized in profit or loss shall not be reversed through profit or loss. In case the fair value recovers after the recognition of impairment loss, such recovery amount is recognized in other comprehensive income.

The impairment loss of financial assets carried at cost is the difference between asset's carrying amount and the present value of estimated future cash flows discounted at the asset's prevailing market return rate. Such impairment loss shall not be reversed in subsequent periods.

The impairment loss of all financial assets is deducted directly from the the carrying amount of such financial asset, except for accounts receivables, of which the carrying amount is reduced through the use of an allowance account. When an account receivable is judged to be unrecoverable, such amount is written off from the allowance account. Receivables that had previously been written off but later be recovered are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

(3) Derecognition of financial assets

The Group derecognizes a financial asset only when its contractual rights to cash flows expire, or when such asset and substantially all risks and rewards of ownership of such asset have been transferred to other entities.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at fair value through other comprehensive income in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. On derecognition of an investment in an equity instrument at fair value through other comprehensive income in its entirety, the cumulative gain or loss is transferred directly to retained earnings without being reclassified to profit or loss

2. Equity instruments

Redemption of the Company's equity instruments is recognized in or deducted from equity. Purchase, sale, issuance, or retirement of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liabilities

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

When a financial liability is derecognized, the difference between the carrying amount and the consideration paid (including any non-cash asset transferred or liability assumed) is recognized in profit or loss.

4. Derivatives

The Group enters into foreign exchange forward contracts to manage its exposure to interest rate risks and foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which derivative contracts are entered into and subsequently remeasured to their fair value on the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. However, the timing when derivatives that are designated as effective hedging instruments are recognized in profit or loss is subject to the nature of the hedging relationship. When the fair value of a derivative is positive, the derivative is recognized as a financial asset; when the fair value of a derivative is negative, the derivative is recognized as a financial liability.

(XI) Revenue Recognition

<u>2018</u>

After identifying the performance obligations of contracts with the customers, the Group allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are met.

1. Revenue from the sale of goods

Revenue from the sale of goods comes from sales of concrete. When concrete is delivered to a customer’s specific location, the customer has the right to use the product and bears the risk of obsolescence. Therefore, the sale is recognized as revenue and accounts receivable at the time of delivery.

2. Revenue from construction contracts

For real estate construction contracts, the Group recognizes revenue over the construction period and measures the progress on the basis of costs incurred relative to the total expected costs. A contract asset is recognized during the construction and is reclassified to accounts receivable at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognized to date, the Group recognizes a contract liability for the difference. Certain payments retained by the customer as specified in the contract is intended to ensure that the Group adequately completes all its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance.

When the outcome of a performance obligation cannot be measured reliably, revenue from construction contracts is recognized only to the extent of contract costs incurred for which it will be recoverable.

2017

Revenue is measured at the net of fair value of the consideration received or receivable less the estimated customer sales returns, discounts and other similar allowances.

1. Sales of goods

Sales revenue is recognized when the following conditions are met:

(1) The Group has transferred to the buyer substantial risks and rewards of ownership of the goods;
(2) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(3) Revenue amount can be reliably measured.
(4) It is probable that the economic benefits associated with the transaction will flow to the Group; and
(5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. Construction Contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract is profitable, revenue is recognized in proportion to the work completed using the percentage of completion method over the duration of the contract. Contract costs are recognized as expenses when incurred. The percentage of completion is determined by reference to the ratio of contract costs incurred as at the balance sheet date to the total estimated contract costs. When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as expenses immediately.

When cumulative contract costs incurred to date plus recognized profit less recognized loss exceed the construction progress billings, the difference is recognized as construction contract receivable. When the construction progress billings exceed the cumulative contract costs incurred to date plus recognized profit less recognized loss, the difference is recognized as construction contract payable.

3. Dividend income and interest income

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

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

(XII) Leases

Where the terms and conditions of a lease transfer substantially all of the risks and rewards of ownership of the asset to the lessee, it is deemed a finance lease. All other leases are classified as an operating lease.

1. The Group as lessor

Revenue from an operating lease is recognized as operating income on a straight-line basis over the duration of such lease.

2. The Group as lessee

Payments for an operating lease are recognized as expense on a straight-line basis over the duration of such lease.

(XIII) Employee Benefits

1. Short-term employee benefits

Liabilities in relation to short-term employee benefits are measured at the undiscounted amount that is expected in exchange for services rendered by employees.

2. Post-employment benefits

Pensions under the defined contribution retirement plan are pensions contributable over the period for which employees render their services, and are recognized as expense.

The defined benefit costs (including service cost, net interest, and remeasurement) under the defined benefit pension plan is an actuarial calculation using the projected unit credit method. Service cost (comprising current service cost and past service cost) and the net interest on the net defined benefit liability or asset are recognized as employee benefits expense upon their occurrence. Remeasurement (comprising actuarial gains and losses, and return on plan assets netting interests) is recognized in other comprehensive income and listed under retained earnings, and is not recycled to profit or loss in subsequent periods.

Net defined benefit liabilities (assets) are the shortfall (excess) of the contribution made according to the defined benefit pension plan. A net defined benefit asset shall not exceed the contribution refunded from the plan, or the present value of reductions in future contributions.

3. Termination benefits

The Group recognizes termination benefit liability when it can no longer withdraw the offer of those benefits, or when it recognizes relevant restructuring cost (whichever comes earlier).

(XIV) Income Tax

Income tax expenses are the sum of current income tax and deferred income tax.

1. Current Income tax

The 10% additional tax levied on undistributed earnings that are calculated as required by the Income Tax Act is presented as income tax expense for the year in which such tax is resolved by the Shareholders' Meeting.

Adjustments for Income tax payables for prior years are presented as income tax for the current period.

2. Deferred income tax

Deferred income tax is calculated at the temporary differences between the carrying amount of assets and liabilities and the tax base used to determine the taxable income.

Deferred income tax liabilities are recognized for all taxable temporary differences, whereas deferred income tax assets are recognized when it is probable that taxable profit will be available against which the deductible temporary difference or loss carryforward could be utilized.

The taxable temporary differences in relation to an investment in subsidiaries are recognized as deferred income tax liabilities, except for the case when the reversal timing of such temporary differences is controlled by the Group and it is probable that such temporary differences are not expected to be reversed in the foreseeable future. For deductible temporary differences associated with such investment and equity, when it is probable that sufficient taxable income will be available to realize such temporary difference, a deferred tax asset is recognized, but only to the extent of the amount that is expected to be reversed in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at the end of each balance sheet date. The Group reduces the carrying amount of a deferred tax asset when it is no longer probable that sufficient taxable income will be available to recover all or part of the asset. The carrying amount of items that were not previously recognized as a deferred tax asset is also reviewed at each balance sheet date. The Group raises the carrying amount of such item when it becomes probable that sufficient taxable profit will be available in the future to recover all or part of the asset.

Deferred tax assets and liabilities are measured by using the tax rates applicable to the period when the asset is expected to be realized or the liability is expected to be settled. Such tax rates are derived from the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Measurement of deferred income tax liabilities and assets is a reflection of the tax consequences resulting from the means by which the Group expects to recover or settle the carrying amount of its assets and liabilities at the balance sheet date.

3. Current income tax and deferred income tax

Current income tax and deferred income tax are recognized in profit or loss, except that they are recognized in other comprehensive gains and losses or are directly recognized in the current and deferred income tax related to the equity item separately as other comprehensive gains and losses or directly calculated as equity.

V. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

In the application of the Group's accounting policies, the management is required to make judgments, estimates and assumptions which are based on historical experience and other factors that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(I) Estimated Impairment of Accounts Receivable

2018

The expected credit loss rate used for impairment assessment of the receivables derived from concrete business involves past historical experience, current market conditions and forward-looking information, and possesses uncertainty that requires professional judgment. In the case of future cash flows being less than expected, a significant impairment loss might occur. For critical assumptions adopted, please refer to Note 12.

2017

Revenue and cost of construction contracts are recognized separately based on the percentage of completion of contractual activities, and the percentage of completion is measured at the proportion of the contract costs incurred to date to the estimated total contract costs. Changes in contractual activities, claims and incentives will only be included in contract revenue when they are very likely to generate revenue and the amount of revenue can be reliably measured.

(II) Construction Contracts

Revenue and cost of construction contracts are recognized separately based on the percentage of completion of contractual activities, and the percentage of completion is measured at the proportion of the contract costs incurred to date to the estimated total contract costs. As the estimated total cost and contractual activities are evaluated and judged by the management based on the nature of the different construction projects, the estimated amount of the contract, the duration of construction, the undertaking of construction and the construction methods may affect the calculation of the percentage of completion and the profit or loss of construction.

VI. Cash and Cash Equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 2,560	$ 2,784
Bank checks and demand deposits	760,458	727,440
Cash equivalents (time deposits with original maturity date within 6 months)	1,674,294	1,788,073
	$ 2,437,312	$ 2,518,297

The rate intervals of time deposits on the balance sheet date are as follows:

December 31, 2018	December 31, 2017
0.13%~3.48%	0.13%~4.35%

VII. Financial Instruments Measured at FVTPL

	December 31, 2018	December 31, 2017
Financial assets-current		
Held for trading		
Non-derivative financial assets		
-Domestic and foreign listed stocks	$ -	$ 41,230
-Fund beneficiary certificate	-	362,231
	-	403,461
Enforcement of FVTPL		
Mixed financial assets		
－Structured Deposit	159,157	-
Financial assets-Non-current		
Enforcement of FVTPL		
Non-derivative financial assets		
-Fund beneficiary certification	$ 95,174	$ -
Financial liabilities		
Held for trading		
Derivatives (not designated as a hedge)		
Forward exchange contracts(1)	$	$23,849

(1) On the balance sheet date, outstanding foreign exchange forward contracts not under hedge accounting are as follows:

December 31, 2017

	Currency	Maturity Date	Contract Amount (in NT$1,000)
Forward Exchange Purchased	RMB/USD	January 2018	RMB21,078／USD3,000
Forward Exchange Purchased	RMB/USD	February 2018	RMB49,454／USD7,000

(2) Information on Pledged financial assets measured at FVTPL, please refer to note 33.

VIII Financial assets at fair value through profit or loss - 2018

	December 31, 2018
Current	
Eequity instruments investment at fair value through profit or loss	$ 41,347
Non-cuerrent	
Eequity instruments investment at fair value through profit or loss	$289,351
Debt instruments investment at fair value through profit or loss	57,060
	$346,411

(1)Eequity instrument investment measured at fair value through profit or loss

	December 31, 2018
Current	
Domestic listed stock investment	
Common stock of Chia Hsin Cement Corporation	$ 17,540
Foreign listed stock investment	
Common stock of China Mobile Communications Corporation	23,807
Total	$ 41,347
Non-cuerrent	
Domestic listed stock investment	
Common stock of Chia Hsin Cement Corporation	$ 93,201
Common stock of Taiwan Cement Corporation	196,150
Total	$289,351

The Group invested in domestic and foreign common stock pursuant to its medium-term and long-term strategies for the purpose of making a profit. The management elected to designate these investments to be measured at fair value through other comprehensive income as they believed that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments were previously classified as financial assets at fair value through profit or loss and available-for-sale financial assets under IAS 39. Refer to Notes 3 and 11 for information relating to their reclassification and comparative information in 2017.

Details of financial instruments pledged at fair value through profit or loss are provided in Note 33.

(2) Investment in debt instruments measured at FVTOCI

1. Information on foreign corporate bonds held by the Group is as follows: Such foreign corporate bonds were classified as available-for-sale financial assets under IAS 39. For their reclassification and information for 2017, please refer to Note 3 and Note 11.

Company Name	Fair value	Coupon Rate	Effective Interest Rate	Period
POLY REAL ESTATE GROUP CO. LTD	$ 57,060	5.25%	3.33%／3.63%	5

2. Details of credit risk management and impairment evaluation of investments in debt instruments at fair value through other comprehensive income are provided in Note 9.

IX. Credit Risk Management of Investments in Debt Instruments - 2018

The Group's investments in debt instruments are financial assets at fair value through other comprehensive income.

	December 31, 2018
Gross Carrying Amount	$ 57,222
Allowance for loss	(58)
Amortized cost	57,164
Adjustment in fair value	(104)
	$ 57,060

The policy adopted by the Group is to invest only in debt instruments with a credit rating equal to or above the investment grade and whose credit risk is low in an impairment assessment. The aforesaid credit ratings are provided by independent rating agencies. The Group continued to track external rating information to monitor changes in credit risk of the investments in debt instruments and to review other information such as the bond yield curve and the debtor’s material information to assess whether the credit risk of the debt instrument investments has increased significantly since the original recognition.

The Group measures the 12-month ECL or full lifetime ECL of investment in debt instruments by taking into account the historical default loss rate by class provided by independent rating agencies, and the present financial position of the debtor and the prospect forecast of the industry to which they belong. The Group's current credit risk rating mechanism and the total carrying amount of investments in debt instruments at each credit rating are as follows:

Credit Rating	Definition	Basis of Recognition of Expected Credit Losses	Expected Credit Loss Rate	Gross carrying amount as at December 31, 2018
Normal	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses	0.10%	$ 57,222

V. Investment in Debt Instruments for Which No Active Market Exists - 2017

		December 31, 2017
Time deposits with original maturity date over six months		$ 275,547

The rate intervals of investments in debt instruments with no active market on the balance sheet date are as follows:

		December 31, 2017
		1.95%~4.90%

Available-for-sale Financial Assets2017

		December 31, 2017
Domestic investment		
Listed stocks		$274,064
Foreign investment		
Investments in bonds (I)		142,574
Funds Beneficiary Certificate		14,746
		$431,384

(I) Information on foreign bonds held by the Group as of December 31, 2017 is as follows:

Company Name	Coupon Rate	Effective Interest Rate	Period
POLY REAL ESTATE GROUP CO. LTD	5.25%	3.33%／3.63%	5
CHINA HUARONG ASSET MANAGEMENT CO. LTD	4.00%	3.32%／3.35% 3.36%／3.38%	4
GREENLAND HOLDINGS CORP LTD	4.38%	3.88%／3.89%	5

(II) For pledged available-for-sale financial assets, please refer to Note 33.

XII. Notes Receivables and Accounts Receivables

	December 31, 2018	December 31, 2017
Notes receivable	$ 111,011	$ 205,622
Accounts receivable		
Measured at amortised cost		
Amounts recognised	$ 2,714,164	$ 2,500,861
Less:Allowance losses	(104,195)	(81,113)
	$ 2,609,969	$ 2,419,748

2018

The credit policy of the Group is mainly contract-based, and the notes receivable and accounts receivable are not interest-bearing. To minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual account receivable on the balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes that the Group's credit risk has been significantly reduced.

The Group applies lifetime expected credit losses to allowance for accounts receivable. The lifetime ECL is determined by reference to the past default records and the current financial position of different groups of customers, as well as by taking into consideration the projected GDP and related indicators of such industries.

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

Aging analysis of notes receivable of the Group is stated as follows:

	December 31, 2018
Not overdue	$ 111,011

Aging analysis of accounts receivable of the Group is stated as follows:

	December 31, 2018
Not overdue	$ 2,142,266
Less than 180 days past due	399,995
181~360 days past due	65,358
More than 361 days past due	106,545
Total	$ 2,714,164

Changes in allowance loss of notes receivable is stated as follows:

	December 31, 2018
Beginning balance (IAS 39)	$ 92,894
Adjustments arising from retrospective application of IFRS 9	(4,719)
Beginning balance (IFRS 9)	88,175
Add: Impairment loss provided for the current period	18,456
Less: Reclassification to non-current assets held for sale	(744)
Exchange difference	(1,692)
Total	$ 104,195

2017

The credit policy of the Group is mainly based on the contractual terms. Notes and accounts receivables are not interest-bearing. The estimated unrecoverable amount for the allowance for doubtful accounts is determined by reference to the aging analysis of transactions, past default history, and the current financial position of customers.

With regards to the accounts receivables that were past due on the balance sheet date and for which the Group did not recognize an allowance, since the credit quality of which did not change significantly and management of the Group considered the amounts to be recoverable, the Group did not hold any collateral against or other credit enhancements for those accounts receivables.

Aging analysis of notes receivable of the Group is stated as follows:

		December 31, 2017
Not overdue		$ 204,620
Less than 180 days past due		1,002
Total		$ 205,622

Aging analysis of account receivable of the Group is stated as follows:

	December 31, 2017
Not overdue	$ 2,066,709
Less than 180 days past due	252,217
181~360 days past due	80,832
More than 361 days past due	101,103
Total	$ 2,500,861

Aging analysis of financial assets that are past due but not impaired is as follows:

		December 31, 2017
Less than 180 days past due		$ 4,205
181~360 days past due		25,944
Total	$ 30,149	$ 30,149

The above aging analysis is based on the number of days past due.

Changes in the allowance for notes and accounts receivable are as follows:

		2017
Opening balance at the beginning of the year		$133,394
Provision (reversal) of allowance for doubtful accounts for the current year		(27,781)
Disposal of subsidiaries		(9,575)
Exchange difference		(3,144)
Balance at the end of the year		$ 92,894

Accounts receivables include construction retainage receivables, which are not interest-bearing, and will be recovered at the end of the retention period of each construction contract. As of December 31, 2017, the amounts that had been more than 12 months past due but later collected were NT$ 33,009 thousand. The aforesaid retention period, usually more than one year, is the normal business cycle of the Group.

XIII Construction Contract Receivables (Payables)-2017

		December 31, 2016
Construction costs incurred plus recognized profit less recognized loss to date		$ 984,415
Less: Construction progress billings		(211,709)
		$ 772,706
Presentation of consolidated balance sheets		
Construction contract receivable		$ 984,415
Construction contract payable		(211,709)
		$ 772,706
Construction retainage receivable (Note 12)		$ 257,121
Construction retainage payable (Note 21)		$ 555,448

XIV. Land Held for Construction

The Group acquired the land sitting at the northern part of the industrial zone in Xinzhuang Dist. in July 2017. The purpose of holding such land is to construct commercial buildings for sale. The land is also pledged to the financial institution for loans. Please refer to Notes 20 and 33.

XV. Prepayments

	December 31, 2018	December 31, 2017
Prepayment for purchases	$539,487	$589,736
Prepayments construction contracts	71,428	53,645
Tax overpaid retained	9,263	19,080
Prepaid insurance premium	7,890	10,064
Others	3,934	2,831
	$632,002	$675,356

(XVI) Subsidiaries

(I) Subsidiaries included in the consolidated financial statements

The entities of the consolidated financial statements are as follows:

Investor Company Name	Subsidiary Company Name	Business Activities	Shareholding percentage December 31 2018	Shareholding percentage December 31 2017	Details
The Company	Jin Gu Limited (Jin Gu)	Reinvestment	100%	100%	
	Yin Ying Holding Limited (Yin Ying)	Reinvestment	100%	100%	
	Shun Long International Electrical Engineering Co., Ltd. (Shun Long)	Mechanical, electrical and plumbing engineering, undertaking and equipment/wholesale and retail	86.61%	86.61%	
	Chien Kuo Development Co., Ltd. (Chien Kuo Development)	Building construction commission; public housing lease	100%	100%	
	WeBIM Services Co., Ltd. (WeBIM Services)	Construction technology	76.5%	76.5%	Please refer to Note 17
	Anping Real Estate Co., Ltd. (hereinafter referred to as Anping Real Estate)	Housing and building development and lease	100%	100%	
Subsidiaries of Jin Gu and Yin Ying	Chien Kuo Construction Consultant (Kunshan) Co., Ltd. (Chien Kuo Construction Consultant)	Engineering technology; procurement planning; installation consultation	100%	100%	
	Jiangsu Shili Construction Co., Ltd. (Jiangsu Shili)	Engineering technology; procurement planning; installation consultation	100%	100%	
	Chien Kuo Asia Co., Ltd. (Chien Kuo Asia)	Reinvestment	100%	100%	
	Jianya (Shanghai) Information Technology Co., Ltd. (Shanghai Information)	Computer software technology development and consultation	100%	100%	
	Yangzhou Chien Yung Concrete Co., Ltd. (Yangzhou Chien Yung)	Production and sale of concrete and concrete products	100%	100%	
	Shun Long (Hong Kong) Limited (Hong Kong Shun Long)	International trade	100%	100%	
	Suzhou Chien Hua Concrete Co., Ltd. (Suzhou Chien Hua)	Production and sale of concrete and concrete products	100%	100%	
	Wuxi Chien Bang Concrete Co., Ltd. (Wuxi Chien Bang)	Production and sale of concrete and concrete products	100%	100%	
	Nantong Chien Cheng Concrete Co., Ltd. (Nantong Chien Cheng)	Production and sale of concrete and concrete products	100%	100%	Please refer to Note17
	Kunshan Jindi Concrete Co., Ltd. (Kunshan Jindi)	Production and sale of concrete and concrete products	100%	100%	
	Changzhou Changlong Handling Co., Ltd. (Changzhou Changlong)	Cargo handling	100%	100%	
	Jianya（Nantong）Information Technology Co., Ltd.（Jianya Nantong）	Computer software technology development and consultation	100%	-	(1)
	Jianya（Yangzhou）Information Technology	Computer software technology	100%	-	(2)

	Co., Ltd.（Jianya Yangzhou）	development and consultation	

The subsidaries of the consolidated financial statements are as follows:

(1)Divided from Nantong Chein Cheng and newly established

(2)Divided from Yangzhou Chein Yung and newly established

(II). Subsidiaries Not Consolidated Into the Consolidated Financial Statements: None.

XVII. Non-current Assets Held for Sale and Held-for-sale Disposal Group

(1) The Group’s Board of Directors resolved on August 9, 2018 to dispose of the entire equity of Nantong Chien Cheng Concrete Co., Ltd. (hereinafter referred to as Chien Cheng) to Zhongying Building Materials Co., Ltd. (hereinafter referred to as Zhongying) and Nantong Shenye Building Materials Co., Ltd. (hereinafter referred to as Shenye) in Nantong Development Zone, each of the three parties executed the equity transfer agreement on September 6, 2018. As at December 31, 2018, the proceeds of NT$132,043 thousand (RMB29,500 thousand) had been fully collected in advance. The main contractual terms and conditions are stated as follows:

1. The asset transfer date is set on October 25, 2018. The equity transfer date is the date when the registered shareholders of Chien Cheng have been replaced with Zhongying and Shenye on the Company Registration Portal. Such a change in company registration was completed as at January 7, 2019.
2. Total proceeds of such an equity transfer are approximately NT$132,043 thousand (RMB29,500 thousand), which comprises land-use rights, plant, machinery and equipment, and other Chien Cheng’s realizable assets.
3. Chien Cheng’s accounts receivables and debts incurred prior to the equity transfer date are to be collected and paid by the Group.
4. Profit or loss existing prior to the equity transfer date is assumed by the Group.

5. In case any force majeure occurs after the asset transfer date that has caused the equity transfer agreement to fail to be executed in full after one year from such date, either party is entitled to discharge or terminate this agreement. Zhongying and Shenye shall, within 15 days after the termination of this contract, return all the property, plant and equipment for the Group's check and acceptance, and then the Group shall refund the collected proceeds without deducting any interest therefrom.

Assets and liabilities classified in the held-for-sale disposal group are as follows:

	December 31, 2018
Cash	$ 2,269
Accounts Receivables	9,286
Other receivables	284
Inventory	252
Prepayments	126
Other current assets	265
Property, plant and equipment	27,241
Other non-current assets	12,341
Total non-current assets held for sale	$ 52,064
Other payables	$ 365
Liabilities directly associated with non-current assets held for sale	$ 365
Equity directly relating to non-current assets held for sale	($ 18,731)

Due to Jiancheng replacing its registered shareholders on the Company Registration Portal with Zhongying and Shenye on January 7, 2019, there occurred a disposal gain of around NT$20 million on such date.

(2) The Group's management resolved in December 2018 to dispose of a portion of equity of WeBIM Services Co., Ltd. (WeBIM) at NT$10 per share. Therefore, all assets and liabilities previously presented under WeBIM were transferred to the disposal group held for sale.

Assets and liabilities classified in the held-for-sale are as follows:

	December 31, 2018
Cash	$ 16,204
Account receivables	6,146
Property, plant and equipment	328
Deferred income tax assets	283
Other non-current assets	577
Total non-current assets held for sale	$ 23,538
Other payables	$ 4,439
Other current liabilities	103
Deferred income tax liabilities	28
Total liabilities directly associated with non-current assets held for sale	$ 4,570

Since the proceeds expected to be received from the aforementioned transaction are anticipated to exceed the carrying amount of related net assets, recognition of a significant impairment loss is not required when classifying such units as disposal group held for sale.

XVIII. Property, Plant and Equipment

	Own Land	Buildings	Machinery	Transportation equipment	Office equipment	Leasehold Improvements	Other Equipment	Total
Cost								
Balance as of January 1, 2017	$ 15,742	$ 217,118	$ 329,758	$ 125,706	$ 23,874	$ 334	$ 98,319	$ 810,851
Addition	-	1,393	5,762	3,765	694	17,346	3,956	32,916
Disposal	-	(62,390)	(72,486)	(7,714)	(2,333)	-	-	(144,923)
Derecognition	-	-	-	-	(171)	-	-	(171)
Net exchange differences	-	(5,594)	(8,037)	(2,561)	(538)	-	(1,962)	(18,692)
Balance as of December 31, 2017	$ 15,742	$ 150,527	$ 254,997	$ 119,196	$ 21,526	$ 17,680	$ 100,313	$ 679,981
Accumulated depreciation								
Balance as of January 1, 2017	$ -	$ 89,385	$ 261,392	$ 113,182	$ 18,648	$ 99	$ 40,725	$ 523,431
Disposal	-	(24,380)	(58,792)	(5,646)	(1,847)	-	-	(90,665)
Depreciation	-	6,473	8,937	3,768	1,750	1,528	4,857	27,313
Derecognition	-	-	-	-	(171)	-	-	(171)
Net exchange differences	-	(2,214)	(6,374)	(2,290)	(443)	-	(757)	(12,078)
Balance as of December 31, 2017	$ -	$ 69,264	$ 205,163	$ 109,014	$ 17,937	$ 1,627	$ 44,825	$ 447,830
Net worth as of December 31, 2017	$ 15,742	$ 81,263	$ 49,834	$ 10,182	$ 3,589	$ 16,053	$ 55,488	$ 232,151
Cost								
Balance as of January 1, 2017	$ 15,742	$ 150,527	$ 254,997	$ 119,196	$ 21,526	$ 17,680	$ 100,313	$ 679,981
Addition	-	2,280	7,957	1,594	1,331	262	3,662	17,086
Disposal	-	(261)	(18,506)	(44,468)	(2,661)	-	(2,417)	(68,313)
Reclassification to Non-current Assets Held for Sale	-	(31,142)	(68,688)	-	(1,479)	-	(7,537)	(108,846)
Derecognition	-	-	-	-	(808)	-	(85)	(893)
Net exchange differences	-	(2,600)	(4,193)	(1,266)	(237)	-	(1,675)	(9,971)
Balance as of December 31, 2018	$ 15,742	$ 118,804	$ 171,567	$ 75,056	$ 17,672	$ 17,942	$ 92,261	$ 509,044
Accumulated depreciation								
Balance as of January 1, 2018	$ -	$ 69,264	$ 205,163	$ 109,014	$ 17,937	$ 1,627	$ 44,825	$ 447,830
Depreciation	-	6,391	6,782	2,673	1,270	3,017	5,197	25,330
Disposal	-	(175)	(18,053)	(43,708)	(2,471)	-	(1,864)	(66,271)
Reclassification to Non-current Assets Held for Sale	-	(16,140)	(63,168)	-	(998)	-	(971)	(81,277)
Derecognition	-	-	-	-	(808)	-	(85)	(893)
Reclassification	-	-	-	-	-	-	-	-
Net exchange differences	-	(1,289)	(3,322)	(1,124)	(195)	-	(811)	(6,741)
Balance as of December 31, 2018	$ -	$ 58,051	$ 127,402	$ 66,855	$ 14,735	$ 4,644	$ 46,291	$ 317,978
Net worth as of December 31, 2018	$ 15,742	$ 60,753	$ 44,165	$ 8,201	$ 2,937	$ 13,298	$ 45,970	$ 191,066

The straight-line method is used to allocate the depreciable amount of an asset over its useful life, which is shown as follows:

Buildings	
Main building for plants	61 years
Rooftop construction	22 years
Yard construction	22 years
Others	22 years
Leasehold Improvements	2~6 years
Machinery	4~12 years
Transportation equipment	4~12 years
Office equipment	4~7 year(s)
Other Equipment	5~22 years

For the amount of property, plant and equipment designated by the Group as collateral against its secured borrowings and credit lines for its bank acceptance bills, please refer to Note 33 for details.

XIX. Investment Property

	202018	2017
Cost		
Balance - beginning of year	$211,634	$210,912
Addition	47,441	722
Listed as the other cost	(722)	-
Balance - end of year	$258,353	$211,634
Accumulated depreciation		
Balance - beginning of year	$ 40,475	$ 39,282
Depreciation	1,194	1,193
Balance - end of year	$ 41,669	$ 40,475
Net value - end of year	$216,684	$171,159

Depreciation expenses of investment property are provided using the straight-line method over 3~50 years of useful lives.

Increase in investment property for 2018 is mainly a result of purchasing real estates (including lands, buildings and parking lots) in Nei-hu for gaining lease or held for sale of NT$ 47,161.

The fair value of the Group’s investment property as of December 31, 2018 and 2017 were NT$ 182,136 thousand. The fair value is derived by reference to the closing prices of properties sold in the latest period.

The amount of investment property pledged as collateral is provided in Note 33.

XX. Borrowings

(I) Short-term borrowing

	December 31, 2018	December 31, 2017
Unsecured loans		
Credit loans	$220,000	$220,000
Annual interest rate	0.96%~1.13%	0.96%~1.13%

(II) Short-term Bills Payables

The outstanding short-term bills payables as of the balance sheet date are as follows:

December 31, 2017

Guarantee/Accepting Institution	Amount	Discount Amount	Carrying Amount	Interest Rate Range	Collateral
Commercial paper payable					
Mega Bills	$ 80,000	($ 52)	$ 79,948	0.998%	None

(III) Long-term loans

	December 31, 2018	December 31, 2017
Secured loans (Note 33)		
Syndicated loans (1)	$ 450,000	$ 1,050,000
Bank loans (2)	350,000	350,000
	800,000	1,400,000
Less: listed as Current portion with a year	(450,000)	(600,000)
Total	350,000	$ 800,000
Non-sucured loan		
Long-term commercial paper payable(3)	450,000	-
Less: discount on long-term commercial paper payable	(869)	-
Total	449,131	-
Long-term loans	$ 799,131	$ 800,000
Annual interest rate	1.60%~2.38%	1.60%~2.38%

1. To repay the existing liabilities and increase the medium-term revolving funds, the Company entered into the syndicated loan contract with Bank of Taiwan and other banks in September 2014. The total amount of the syndicated loans was less than NT$2.4 billion, with a term of 5 years from the date of the first drawdown. The syndicated loans were secured by the land and buildings in

Hsinchu and the shares of Taiwan Cement Corporation held by the Company. The provisions of the first supplementary contract signed on 7 February, 2017 stipulates the following:

(1) The syndicated loans shall be secured by the land and buildings in Hsinchu and the certificate of deposits amounting to US$6,000 thousand instead;

(2) The current ratio and the debt ratio stated in the annual and semiannual consolidated financial statements of the Company shall not be less than 120% and 150%, respectively;

(3) The interest coverage ratio (depreciation, amortization ,and interest expenses) shall be 200% or more; and

(4) The tangible net worth shall be NT$3.5 billion or more.

For the above long-term loans, interest is paid monthly. Starting from December 30, 2017, NT$150,000 thousand should be repaid every quarter, and the final maturity date should be September 2019.

2. To obtain land held for construction, the Company entered into the medium and long-term loan contract with the bank in June 2017. The maturity date should be July 12, 2022. Interest should be paid monthly, and the principal should be repaid in full upon maturity. The land is pledged as collateral.

3. The long-term commercial promissory notes issued by the Company are issued cyclically according to the contract. Since the original contract period is more than 12 months and the Company intends to continue the long-term refinancing, it is classified as long-term commercial promissory note.

The long-term commercial promissory notes that have not matured on the balance sheet date are as follows:

December 31, 2018

Guarantee/Accepting Institution	Nominal Amount	Discounted Amount	Carrying Amount	Interest interval	Collateral
The Shanghai Commercial & Savings Bank, Ltd.	$ 300,000	($ 572)	$ 299,428	1.648%	None
EnTie Commercial Bank	150,000	(297)	149,703	1.678%	None
	$ 450,000	($ 869)	$ 449,131		

XX. Accounts Payables

Accounts payables include construction retainage payable for construction contracts. Construction retainage payable is not interest-bearing, and will be paid at the end of the retention period of each construction contract. The aforesaid retention period, usually more than one year, is the normal business cycle of the Group.

XXII. Post-employment Benefit Plan

(I) Defined Contribution Plan

The pension system based on the Labor Pension Act, which is applicable to the Group's domestic entities, is a defined contribution plan managed by government. Entities are required to make monthly contribution equal to 6% of each employee's monthly salary to the employees' individual pension accounts at the Bureau of Labor Insurance.

Employees of the Group's subsidiaries located in China are members of the post-employment benefit plan that is managed by the Chinese government. The subsidiaries are required to make contributions equal to a certain percentage of their payroll costs to fund the post-employment benefit plan. The obligation of the Group to the state-run post-employment benefit plan is limited to making certain amount of contribution.

(II) Defined Benefit Plans

The pension plan of the Group under the Labor Standards Law is a defined benefit pension plan managed by the government. Payment of pension is calculated based on the seniority and the average wages of the last 6 months prior to retirement of an employee. The Group contributes monthly an amount equal to 5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, under the name of the independent retirement fund committee. Before the end of year, if the balance at the retirement fund is not sufficient to cover all employees retiring next year, a lump-sum deposit should be made before March-end of the following year to cover the shortfall. The retirement fund is managed by the Bureau of Labor Funds, Ministry of Labor. The

Group does not have rights to influence its investment management strategy.

The amounts recognized on the consolidated balance sheet for the benefit plan are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 41,152	$ 43,937
Fair value of planned assets	(34,143)	(35,239)
Net defined benefit liabilities (listed as other non-current liabilities)	$ 7,009	$ 8,698

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of planned assets	Net defined benefit liabilities
December 31, 2017	$40,394	($34,406)	$5,988
Service costs			
Current service cost	424	-	424
Interest expense (income)	501	(439)	62
Recognized in profit and loss	925	(439)	486
Remeasurement			
Return on planned assets (excluding amounts included in net interest)	-	99	99
Actuarial losses- changes in financial assumptions	1,159	-	1,159
Actuarial losses - Experience adjustments	1,459	-	1,459
Recognized in other comprehensive income	2,618	99	2,717
Contribution from employer	-	(493)	(493)
December 31, 2017	$ 43,937	($ 35,239)	$ 8,698
Service costs			
Current service cost	478	-	478
Interest expense (income)	436	(358)	78
Recognized in profit and loss	914	(358)	556

Remeasurement			
Return on planned assets (excluding amounts included in net interest)	-	(1,049)	(1,049)
Actuarial gains- changes in financial assumptions			
Actuarial losses - Experience adjustments	(646)	-	(646)
Recognized in other comprehensive income	(646)	(1,049)	(1,695)
Contribution from employer	-	(550)	(550)
Benefits paid	(3,053)	3,053	-
December 31, 2018	$ 41,152	($ 34,143)	$ 7,009

Amounts recognized in profit or loss for the defined benefit plan is summarized by function, and stated as follows:

Summary by function	2018	2017
Operating costs	$ 139	$ 114
Operating Expenses	417	372
	$ 556	$ 486

Due to the pension plan under the Labor Standards Law, the Group is exposed to the following risks:

1. Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management by Bureau of Labor Funds, Ministry of Labor. However, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks.
2. Interest rate risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation. However, the return on the debt investments of the plan assets will also increase. Those two will partially offset each other.
3. Payroll risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants As such, an increase in the salary of the plan participants will raise the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. Material assumptions on the measurement date are stated as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.00%	1.00%
Expected growth rate of salaries	2.00%	2.00%

If a reasonable change in one of the principal assumptions for actuarial valuation occurred and all other assumptions were held constant, the increase (decrease) in the present value of defined benefit obligation would be as follows:

	December 31, 2018	December 31, 2017
Discount rate		
Increase by 0.25%	($ 1,004)	($ 1,159)
Decrease by 0.25%	$ 1,038	$ 1,201
Expected growth rate of salaries		
Increase by 0.25%	$ 1,025	$ 1,186
Decrease by 0.25%	($ 997)	($ 1,151)

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

	December 31, 2018	December 31, 2017
Expected contribution amounts within 1 year	$ 660	$ 712
Average maturity period of defined benefit obligations	9 years	10years

XXII. Equity

(I) Capital

	December 31, 2018	December 31, 2017
Authorized shares (in 1,000 shares)	500,000	500,000
Authorized capital	$ 5,000,000	$ 5,000,000
Number of issued and paid shares (in 1,000 shares)	334,300	337,900
Issued capital	$ 3,343,001	$ 3,379,001

A holder of issued common stocks with par value of NT$10/share is entitled to voting and receiving dividends.

(II) Capital surplus

	December 31, 2018	December 31, 2017
Used to offset deficits, appropriated as cash dividends or transferred to capital stock (1).		
Share premium	$ 197,435	$ 199,561
Treasury stock transaction	3,914	623
Used to offset deficits		
Adjustment in capital surplus of subsidiaries accounted for using equity method	73	-
Not be used for any purposes		
Employee stock options	205	205
	$ 201,627	$ 200,462

(1) This type of capital surplus may be used to offset deficits, if any, or to issue cash dividends, or replenish the capital stock on the condition that the increase in capital stock is restricted to a certain ratio of paid-in capital every year.

(III) Retained Earnings and Dividend Policy

According to the earnings appropriation policy set forth in the amended Articles of Incorporation, the annual net income, if any, should be used to pay off all the taxes and duties, as well as to compensate prior deficits. The remaining amount, if any, should be appropriated in the following order of presentation:

1. Provide legal reserve pursuant to laws and regulations.
2. Provide (or reversed) special reserves pursuant to laws and regulations or as operating necessities.
3. The remaining balance, along with undistributed earnings of prior years, shall be proposed by the Board of Directors for earnings distribution, which shall then be resolved by the Shareholders' Meeting.

For policy regarding compensation to employees and remuneration to supervisors and directors as set forth in the amended Articles of Incorporation, please refer to Note 25 (6).

The Company's dividend policy takes into account the environment and growth of the industry, long-term financial plans and optimization of shareholders' equity. Cash dividends to be appropriated should not be less than 10% of the total dividends to be appropriated for the year.

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

The Company shall also set aside a legal reserve until it equals the Company's paid-in capital. Such legal reserve may be used to offset the deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The proposals to appropriate earnings for the years 2017 and 2016 are as follows:

	Earnings appropriation proposal		Dividends per Share (NT$)	
	2017	2016	2017	2016
Legal reserve	$ 17,118	$ 4,208		
Special reserve	28,091	-		
Cash Dividend	167,150	167,150	$ 0.50	$ 0.50

Earnings distribution and earnings per share for 2018, which were resolved by the Board of Directors of the Company on March 28, 2019, are stated as follows:

	Earnings appropriation proposal	Dividends per Share (NT$)
Legal reserve	$ 20,567	
Special reserve	(10,002)	
Cash Dividend	167,150	$ 0.50

The earnings distribution proposal for 2017 still awaits the resolution by the Shareholders' Meeting that will be held in June 21, 2019.

(IV) Treasury Stocks

The 3,600 thousand shares of treasury stocks purchased by the Company was repurchased for the purpose of transfer to employees. However, Due to that such shares had not been transferred in 3 years, the Company's Board of Directors resolved on August 9, 2018 to cancel the registration of such shares. The recorded capital reduction date was set on October 6, 2018. Such a change in share capital registration was completed on October 29, 2018.

Treasury stock held by the Company shall not be pledged or assigned rights, such as appropriation of dividends and voting rights, in accordance with the Securities and Exchange Act.

XXIV. Revenue

(1)Revenue from Customer Contracts

	2018	2017
Construction revenue	$ 4,042,141	$ 3,822,189
Sales revenue	2,759,323	1,898,463
Others	22,664	13,256
	$ 6,824,128	$ 5,733,908

1. Construction revenue

The real estate construction contracts of the construction department specify the adjustment of price index fluctuations, performance bonus and penalties for delay, and the Group estimates the transaction price by reference to the past contracts of similar conditions and scale.

2. Revenue from the sale of goods

Such revenue is derived from selling concrete to builders at the contractual price.

(2)Balance of the Contracts

	December 31, 2018	
	Engineering Segment	Concrete Segment
Accounts receivables (Note12)	$ 284,011	$ 2,325,958

Contracts assets		
Property construction	$ 875,462	$ -
Construction Retainage Receivable	455,753	-
	$ 1,331,215	$ -
Contracts liability		
Property construction	$ 57,730	$ -

XXIV. Net Income for the Current Year

Net income for the current year comprises the following items:

(I) Other income

	2018	2017
Interest income	$ 51,102	$ 79,238
Dividend income	13,397	8,892
Others	11,103	29,665
	$ 75,602	$117,795

(II) Other Gains and Losses

	2018	2017
Expected credit losses(Note 34)	($ 16,291)	$ -
Litigation damage(Note 34)	(15,959)	-
Net exchange loss	(11,455)	(42,287)
Net gains arising from disposal of subsidiaries		17,915
Valuation Gain (loss) of financial assets measured at FVTPL	11,214	(6,179)
Net gain (loss) from disposal of property, plant and equipment	6,938	(1,423)
Net loss from disposal of investments	(628)	(989)
Others	(8,213)	(9,600)
	($ 34,394)	($ 42,563)

(III) Finance Costs

	2018	2017
Interest expense		
Bank loans	$ 26,365	$ 31,076

(IV) Depreciation and Amortization

	2018	2017
Property, plant and equipment	$ 25,330	$ 27,313
Investment property	1,194	1,193
Intangible assets	3,856	6,490
Total	$ 30,380	$ 34,996
Depreciation expenses summarized by functions		
Operating costs	$ 17,976	$ 21,285
Operating Expenses	7,393	6,066
Other gains and losses	1,155	1,155
	$ 26,524	$ 28,506
Depreciation expenses summarized by functions		
Operating costs	$ 1,021	$ 1,070
Operating Expenses	2,835	5,420
	$ 3,856	$ 6,490

(V) Employee Benefit Expense

	2018	2017
Short-term employee benefits	$510,855	$448,958
Post-employment benefits (Note 21)		
Defined contribution plan	26,677	27,124
Defined benefit plans	556	486
Termination benefits	1,119	98
	$539,207	$476,666
Summary by function		
Operating costs	$282,525	$232,251
Operating Expenses	256,682	244,415
	$539,207	$476,666

(VI). Renumerations for Employees and Directors and Supervisors

The Company appropriates 0.1% - 3% of its pre-tax income (before compensations to employees and remunerations to directors are deducted from) as employee compensations, and less than 3% of such pre-tax income as remuneration to directors. Compensation to employees and remuneration to directors for 2018 and 2017 had been resolved by the Board of Directors as at March 28, 2019 and March 29, 2018, respectively, which are stated as follows:

	2017		2016	
	Cash	Percentage (%)	Cash	Percentage (%)
Employee compensation	$ 9,200	3%	$ 6,417	3%
Directors and Supervisors' Remuneration	9,200	3%	6,417	3%
	$ 18,400		$ 12,834	

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

Information about employee compensation and remuneration to directors approved by the Board of Directors for 2019 is available at the Taiwan Stock Exchange Market Observation Post System website.

XXV. Income Tax

(I) Major components of income tax expenses recognized in profit or loss are as follows:

	2018	2017
Current income tax		
Accrued in the current year	$ 84,100	$ 74,057
Adjustments for prior years	(1,618)	(9,051)
	82,482	65,006
Deferred income tax		
Accrued in the current year	$ 57,256	$ 14,790
Changes of the tax rate	27,356	-
Adjustments for prior years	321	8,514
	84,933	23,304
Income tax expenses recognized in profit or loss	$167,415	$ 88,310

Reconciliation between the accounting income and the income tax expense is stated as follows:

	2018	2017
Income before tax	$375,123	$260,483
Income tax calculated by applying the statutory rate to net income before tax	$ 75,025	$ 44,282
Effects on the deferred income tax of subsidiaries' earnings	54,860	25,893
Changes of the tax rate	27,356	
Effects arising from variation of tax rates applicable to various consolidated entities	17,046	15,632
Capital Gains Tax on depositing the subsidiarie	-	9,327
Exemptions	(1,202)	(2,898)
Adjustments of income tax expenses of prior years	(2,299)	(2,381)
Others	(1,297)	(537)
Income tax expenses recognized in profit or loss	(2,074)	(1,008)

The tax rate of 2017 for entities of the Group that apply the Income Tax Act of the Republic of China is 17%.

The amended Income Tax Act of the Republic of China was amended in February 2018, which raised the profit-seeking enterprise income tax from 17% and 20% (to be implemented from 2018 on). In addition, the tax rate applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. The tax rate applicable to subsidiaries in China is 25%.

Since there is still an uncertainty regarding earnings appropriation for 2019 which awaits the resolution by the Shareholders' Meeting, the potential tax consequence of the additional 10% tax levied on the undistributed earnings of 2018 cannot be reliably determined.

(II) Income Tax Recognized in Other Comprehensive Income

	2018	2017
<u>Deferred income tax</u>		
<u>Occurred in the period</u>		
- Exchange differences of foreign operations financial reports	($ 6,442)	$ 31,069
- Remeasurement of defined benefit plans	(475)	462
Income Tax Recognized in Other Comprehensive Income	($ 6,917)	$ 31,531

(III) Deferred Income Tax Assets and Liabilities

Changes in deferred tax assets and liabilities are summarized as follows:

<u>2018</u>

	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Changes in tax rates	Reclassified to assets available for sale	Balance - end of year
<u>Deferred income tax assets</u>						
Warranty cost	$ 2,929	$ 60	$ -	$ 517	$ -	$ 3,506
Construction proceeds temporarily estimated	2,376	(881)	-	419	-	1,914
Unrealized construction loss	3,141	(652)	-	554	-	3,043
Defined benefit pension plan	1,479	1	(475)	397	-	1,402
Impairment loss	4,084	(100)	-	721	-	4,705
Unrealized exchange losses	8,467	(9,962)	-	1,495	-	-
Expected credit losses	-	1,145	-	-	-	1,145
Loss carryforwards	45,632	10,627	-	8,052	(283)	64,028
	$ 68,108	$ 238	($ 475)	$ 12,155	($ 283)	$ 79,743
<u>Deferred income tax liabilities</u>						
Gains or losses from investment accounted for using equity method	$ 441,026	$ 54,860	$ -	$ 37,752	$ -	$ 533,638
Exchange differences on translation of foreign operations	29,050	-	6,442	-	-	35,492
Reserve for Land Revaluation Increment Tax	9,192	-	-	1,622	-	10,814
Others	-	2,955	-	-	(28)	2,927
Deferred income tax liabilities	778	-	-	137	-	915
	$ 480,046	$ 57,815	$ 6,442	$ 39,511	($ 28)	$ 583,786

2017

Deferred income tax assets	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Balance - end of year
Warranty cost	$ 1,703	$ 1,226	$ -	$ 2,929
Construction proceeds temporarily estimated	1,278	1,098	-	2,376
Unrealized construction loss	4,076	(935)	-	3,141
Defined benefit pension plan	1,018	(1)	462	1,479
ıpairment loss	4,168	(84)	-	4,084
Unrealized exchange losses	42	8,425	-	8,467
Loss carryforwards	52,772	(7,140)	-	45,632
	$ 65,057	$ 2,589	$ 462	$ 68,108

Deferred income tax liabilities	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Balance - end of year
Gains or losses from investment accounted for using equity method	$ 415,133	$ 25,893	$ -	$ 441,026
Exchange differences on translation of foreign operations	60,119	-	(31,069)	29,050
Reserve for Land Revaluation Increment Tax	9,192	-	-	9,192
Others	778	-	-	778
	$ 485,222	$ 25,893	($ 31,069)	$ 480,046

(IV) Information on Unused Loss Carryforwards

Loss carryforwards of the Company and the subsidiaries as at December 31, 2018 are as follows:

The Company

Balance of unused loss carryforwards	Final deductible year
$ 83,870	113
177,139	114
$ 59,130	117
$320,139	

Chein Kuo Development

Balance of unused loss carryforwards	Final deductible year
$ 493	110
18,009	111
5,387	115
$ 23,889	

Anping Real Estate

Balance of unused loss carryforwards	Final deductible year
$ 80	115
2,743	116
2,780	117
$ 5,603	

WeBIM

Balance of unused loss carryforwards	Final deductible year
$ 1,414	115

(VI) Income Tax Approval

The profit-seeking enterprise income tax returns filed by the Company and entities operating within the territory of R.O.C. are approved by the taxation authority. The approval years are stated as follows:

Company Name	Latest approval year
The Company	2017
Chien Kuo Development Co., Ltd.	2016
Shun Long International Electrical Engineering Co., Ltd.	2016
WeBIM Services Co., Ltd.	2016
Anping Real Estate Co., Ltd.	2017

XXVII. Earnings per Share

Unit: NT$ per Share

	2018	2017
Basic earnings per share	$ 0.62	$ 0.51
Diluted earnings per share	$ 0.61	$ 0.51

Earnings used for calculation of EPS and weighted average number of shares are stated as follows:

Net income

	2018	2017
Net income attributable to shareholders of the Company	$ 205,671	$171,178

Number of Shares Unit: In 1,000 Shares

	2018	2017
Weighted average number of common stocks used for the calculation of basic earnings per share	334,300	334,300
Effect of dilutive potential common stocks:		
Employee compensation	1,084	584
Weighted average number of common stocks used for the calculation of diluted earnings per share	335,384	334,884

Since the Group is allowed to settle employees' remuneration by cash or stock, whenever applicable, the Group assumes that the entire amount of employees' remuneration will be settled by stock. As the effect of the resulting potential common stocks is dilutive, these stocks are included in the weighted average number of common stocks outstanding used for the calculation of diluted earnings per share. This dilutive effect of potential common stocks is included in the calculation of diluted earnings per share when the following year's shareholders' meeting resolves the number of shares to be appropriated to employees.

XXVIII. Agreetment of operating lease

The Company is the leasee.

The operating leases are mainly leases of superficies, offices, staff quarters and parking spaces, of which the lease periods range from 1 year to 70 years.

Future minimum lease payments of non-cancellable operating leases are as below:

	December 31, 2018	December 31, 2017
Less than one year	$ 16,173	$ 12,987
One to five years	49,404	30,072
More than five years	79,121	82,750
	$144,698	$125,809

XXIX. Disposal of Subsidiaries

The Group entered into equity transfer agreements to dispose of Guangxi Hefa Mining Co., Ltd. and Kunshan Jianshan Concrete Co., Ltd. on July 20, 2015 and March 15, 2017, respectively. The disposal was completed on September 22, 2017 and August 23, 2017, respectively, resulting in the Group losing control over such subsidiaries. The disposal proceeds of Guangxi Hefa and Kunshan Jianshan were NT$ 182,155 thousand (RMB 40,312) and NT$ 424,294 thousand (RMB 95,000), respectively.

(I) Analysis of Assets and Liabilities Over Which Control Is Lost

	Guangxi Hefa	Kunshan Jianshan
Current assets		
Cash and Cash Equivalents	$ 25,289	$ 121,613
Notes receivable	-	99,757
Accounts receivable	38,342	176,823
Other receivables	9,920	3,471
Inventory	$ 6,165	$ 6,052
Prepayments	6,237	3,544
Other current assets	1,657	37
Non-current assets		
Property, plant and equipment	97,859	50,233
Other non-current assets	13,213	11,617
Current liabilities		
Accounts payable	-	(25,459)
Other payables	(18,793)	(65,854)
Current tax liabilities	(8)	(750)
Other current liabilities	-	(8,369)
Net assets being disposed of	$ 179,881	$ 372,715

(II) Gains (Losses) from Disposal of Subsidiaries

	Guangxi Hefa	Kunshan Jianshan
Consideration received	$ 182,155	$ 424,294
Net assets being disposed of	(179,881)	(372,715)
Due to the loss of control over subsidiaries, the net assets and related hedging instruments of such subsidiaries are reclassified from equity to cumulative exchange difference under profit or loss.	7,148	(17,524)
Gains and losses of cash flow hedges	(10,725)	(14,837)
Disposal (losses) gains	($ 1,303)	$ 19,218

(III) Net Cash Inflow Provided by Disposal of Subsidiaries

	Guangxi Hefa	Kunshan Jianshan
Consideration received in the form of cash and cash equivalents	$ 182,155	$ 424,294
Less: Advance receipts - beginning of year	(156,059)	-
Less: Balance of cash and cash equivalents from disposal	(25,289)	(121,613)
	$ 807	$ 302,681

XXVIII. Capital Risk Management

The objective of the Group's capital management is to ensure that the Group can continue as a going concern, that an optimal capital structure is maintained to lower the cost of capital, and that returns are provided to shareholders. To maintain or adjust the capital structure, the Company may adjust dividends paid to shareholders, refund capital to shareholders or issue new shares to lower its debts.

XXIX. Financial Instruments

(I) Fair value of financial instruments that are not measured at fair value

Please refer to the information stated in the consolidated balance sheets. The management of the Group believes that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values, so their carrying amounts recognized in the consolidated balance sheets are used as a reasonable basis for estimating their fair values.

(II) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Foreign Funds	$ 11,736	$ -	$ -	$ 11,736
Private Funds	-	-	83,438	83,438
Structured Deposit	-	159,157	-	159,157
Total	$ 11,736	$ 159,157	$ 83,438	$ 254,331
Financial assets at FVTOCI				
Equity instruments				
Domestic listed stocks	$ 330,698	$ -	$ -	$ 330,698
Debt instruments				
Investments in foreign bonds	-	57,060	-	57,060
Total	$ 330,698	$ 57,060	$ -	$ 387,758

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic and foreign listed stocks	$ 41,230	$ -	$ -	$ 41,230
Foreign Funds	362,231	-	-	362,231
Total	$ 403,461	$ -	$ -	$ 403,461
Available-for-sale financial assets				
Domestic listed stocks	$ 274,064	$ -	$ -	$ 274,064
Investments in foreign bonds	-	142,574	-	142,574
Foreign funds	14,746	-	-	14,746
Total	$ 288,810	$ 142,574	$ -	$ 431,384
Financial liabilities at FVTPL				
Forward exchange contracts	$ -	$ 23,849	$ -	$ 23,849

There was no fair value measurement that was transferred between Level 1 and Level 2 in 2018 and 2017.

2. Valuation techniques and inputs applied to Level 2 fair value measurement

Types of Financial instruments	Valuation Techniques and Inputs
Investments in foreign bonds	The fair values of foreign bonds are based on quoted prices or final prices of participants in stock exchange markets.
Forward exchange contracts	Discounted cash flow methods: Future cash flows are estimated based on observable forward exchange and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Structured deposits	The fair values of structured deposits are measured at the rates of return derived from the structure of deposit principals and derivatives.

3. Valuation techniques and inputs applied to Level 3 fair value measurement

Fair value of private placement is measured by using the asset-based approach.

The asset-based approach is used to assess the fair value by reference to the net asset value provided by the fund companies. The unobservable inputs employed by the Group as at December 31, 2018 were liquidity and minority interest, each reduced by 10%. When other inputs are held constant, if liquidity or minority interest reduces by 1%, the fair value will decrease by NT$927 thousand.

(III) Types of Financial Instruments

	December 31, 2018	December 31, 2017
Financial assets		
Financial asset at FVTPL	$ -	$ 403,461
Derivatives for hedging purpose	254,331	-
Loans and receivables (Note 1)	-	6,183,820
Available-for-sale financial assets (Note 2)	-	502,208
Financial asset masured at amortised cost (Note 3)	5,190,167	-
Financial asset at FVTOCI		
Equity instruments	330,698	-
Debt instruments	57,060	-
Financial liabilities		
Financial liabilities at FVTPL	-	23,849
Measured at amortized cost (Note 4)	3,552,931	4,154,591

Note 1:Balance is the balance of the loans and receivables measured at amortized cost, including cash and cash equivalents, debt instrument investments for which no active market exists, notes receivables, accounts receivables, and pledged certificate of deposits and reserve accounts.

Note 2:The balance includes available-for-sale financial assets and financial assets carried at cost.

Note 3: The balance includes cash and cash equivalents, notes receivables, accounts receivables, other receicvables and financial assets at amortized cost.

Note 4: The balance includes financial liabilities at amortized cost, which comprise short-term notes and bills payable, notes payable, accounts payable, other payables and short-term loans and long-term loans.

(IV) Financial Risk Management Objectives and Policies

The daily operations of the Group are subject to a number of financial risks, including market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The overall risk management policy of the Group focuses on the uncertainties in the financial market to reduce the potentially adverse effects on the financial position and performance of the Group.

The risk management is carried out by the finance department of the Group based on the policies approved by the Board of Directors. Through cooperation with the Group's operating units, the finance department is responsible for identifying, evaluating and hedging financial risks. With respect to the overall risk management, the Board of Directors has established principles and policies in writing concerning the specified scope and matters, such as exchange risk, credit risk, utilization of derivatives and non-derivatives and investment of remaining liquidity.

1. Market risk

(1) Foreign exchange rate risk

For the carrying amount of foreign currency monetary assets and foreign currency monetary liabilities that were significant on the balance sheet date, please refer to Note 33.

Sensitivity Analysis

The Group is mainly exposed to USD and RMB fluctuations.

The following table details the Group's sensitivity to a 1% increase or decrease in New Taiwan Dollars against the relevant foreign currency. The rate of 1% is the sensitivity rate used when reporting foreign currency risk internally to the key management, and represents the management’s assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts the translation at the end of the year to a 1% change in the exchange rate. The number below indicates an increase/decrease in income before tax where the functional currency weakens 1% against NTD.

	Effect on Profit or Loss	
	2018	2017
RMB	$ 404	$ 91
USD	62	5,979

(2) Interest rate risk

The interest rate risk of the Group mainly comes from cash and cash equivalents. Cash and cash equivalents held at floating rates expose the Group to the cash flow interest rate risk. Part of such risk is offset by loans made at floating rates. Cash and cash equivalents held at fixed rates and loans made expose the Group to the fair value interest rate risk. The policy of the Group is to adjust the ratio of fixed interest rates and floating interest rates based on the overall trend of interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates on the balance sheet date are as follows.

	December 31, 2018	December 31, 2017
With fair value interest rate risk		
- Financial assets	$ 1,674,294	$ 2,063,620
- Financial liabilities:	899,131	1,349,948
With cash flow interest rate risk		
- Financial assets	760,458	727,440
- Financial liabilities:	350,000	350,000

Sensitivity Analysis

The sensitivity analysis below is based on the Group's exposure to interest rates for both derivative and non-derivative instruments on the balance sheet date. For liabilities at floating rates, the analysis assumes them to be in circulation on the balance sheet date (that is, to be in circulation throughout the reporting period). The rate of 1%

is the sensitivity rate used when reporting foreign currency risk internally to the key management, and represents the management's assessment of the reasonably possible changes in foreign exchange rates.

If interest rate increases/decreases by 100 basis points, held other variables constant, the Group's income before tax will increase/decrease by NT$ 4,105 thousand and NT$3,774 thousand , respectively for 2018 and 2017.

(3) Other price risk

Investments in beneficiary certificates and domestic and foreign equity instruments expose the Group to the equity price risk. The Group diversifies its investment portfolios to manage the price risk of investments in equity instruments.

Sensitivity Analysis

The sensitivity analysis below is based on the exposure to the equity price risk on the balance sheet date.

If equity prices rise/fall by 10%, the pre-tax income for the annual period ended December 31, 2018 will increase/decrease by NT$9,517 thousand due to the rise/fall of the fair value of financial assets measured at FVTPL., while the pre-tax other comprehensive income for the annual period ended December 31, 2018 will increase/decrease by NT$33,070 thousand due to the rise/fall of the fair value of financial assets measured at FVTOCI.

If the price of equity increases/decreases by 10%, the income before tax for 2017will, as a result of the gains of losses from equity instruments measured at FVTPL, increase/decrease by NT$ 37,961 thousand, whereas the shareholders' equity will, due to gains or losses from equity instruments classified as available-for-sale, increase/decrease by NT$ 28,881 thousand.

2. Credit risk

Credit risk refers to the risk of financial loss of the Group arising from default by customers or counterparties of financial instruments on the contractual obligations. The Group has established a specific internal credit policy, which requires all entities within the Group to manage and conduct a credit analysis on every new customer before stipulating the terms and conditions of payment and delivery. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.

As the customer base of the Group is vast and unrelated, the concentration of credit risk is low.

3. Liquidity risk

(1) The cash flow forecast is performed by each operating entity of the Group and compiled by the finance department. The finance department monitors the cash forecast to ensure that the Group's funds are adequate to finance its operations.

(2) The following tables detail the Group's non-derivative financial liabilities grouped by the maturity date. Non-derivative financial liabilities are analyzed based on the remaining contractual maturity. The contractual cash flows disclosed below are undiscounted, including principals and interest.

	Less than 1 Year	1~2 Year(s)	2~5 Years
December 31, 2018			
Non-interest bearing liabilities	$ 2,174,679	$ 109,949	$ 19,172
Fixed-rate instruments:	450,000	-	449,131
Floating interest rate instruments	-	-	350,000
	$ 2,624,679	$ 109,949	$ 818,303
December 31, 2017			
Non-interest bearing liabilities	$ 2,392,254	$ 47,820	$ 14,569
Fixed-rate instruments:	899,948	450,000	-
Floating interest rate instruments	-	-	350,000
	$ 3,292,202	$ 497,820	$ 364,569

The amounts of floating interest rate instruments under non-derivative financial assets and liabilities may change if the floating interest rate varies from the interest rate estimated on the balance sheet date.

(3) Line of credit

	December 31, 2018	December 31, 2017
credit line of unsecured bank loan		
－Amount used	$ 450,000	$ 300,000
－Amount unused	1,299,495	787,560
	$ 1,749,495	$ 1,087,560
credit line of secured bank loan		
－Amount used	$ 800,000	$ 1,400,000
－Amount unused	100,000	219,495
	$ 900,000	$ 1,619,495

XXXII. Related Party Transactions

In preparing the consolidated financial statements, all transactions, balances, income and expenses between the entities have been eliminated in full. In addition to those disclosed in other notes, material transactions between the Group and other related parties are as follows.

(I) Names and relationships of related parties

Name of related party	Relations with the Group
Jianhui Investment Co., Ltd. (Jianhui Investment)	The Chairman of the Foundation is the vice chairman of the Company
Chien Kuo Foundation for Arts and Culture(The Foundation)	The Chairman of the Foundation is the vice chairman of the Company
Yang, Tzu-Chiang	Director of the Company
Yang, Pang-Yen	Director of the Company

(II) Other related party transactions

1.Rental expense

The Group rents the office from other related party based on the local standards. The rent is paid on a monthly basis.

Category/Name of Related Party	2018	2017
Jianhui Investment	$ 5,748	$ 5,748

2. Donation expenditure

The Group's Board of Directors resolved on March 29, 2018 to donate to Chien Kuo Foundation for Arts and Culture a supporting fee for its broadcast production. Such donation was recognized for the annual period ended December 31, 2018 as a donation expense in the amount of NT$1,620 thousand.

3.Acquisition of financial assets

In 2016, the Group invested in CSVI VENTURES, L.P. with NT$ 12,900 thousand (US$ 400 thousand). The key decision maker of the fund is the Company's director.

(III) Remuneration to key management

	2018	2017
Short-term employee benefits	$ 47,042	$ 43,546
Post-employment benefits	1,205	1,196
	$ 48,247	$ 44,742

Remuneration to directors and other key management is determined by the compensation committee by reference to personal performance and market trends.

XXXIII Mortgaged Assets and Pledged Assets

The Group's assets listed below were provided as collateral against bank loans, collateral against litigations, deposits for construction performance obligation, and deposits for bills acceptance:

	December 31, 2018	December 31, 2017
Land held for construction	$ 463,577	$463,577 -
Financial assets measured at FVTPL-current	123,289	
Financial assets measured at FVTOCI-non-current	94,555	
Pledged certificate of deposit and reserve accounts - current (recognized in other current assets)	141,220	357,045
Pledged certificate of deposit and reserve accounts - non-current	205,844	379,592
Investment property	32,122	32,695
Property, plant and equipment	18,701	20,816
Long-term prepaid rent	4,735	4,958
Other non-current assets	2,580	-
Available-for-sale financial assets	-	26,700
	$ 1,086,623	$ 1,285,383

XXIV.Significant Contingent Liabilities and Unrecognized Contract Commitments

Except for those disclosed in other notes, significant commitments and contingencies of the Group on the balance sheet date are as follows:

Contingency

1. Whereas, the construction of the National Kaohsiung Center for the Arts (Weiwuying) (hereinafter referred to as "the Project") undertaken by the Company was completed on December 16, 2016, and the Ministry of Culture of the Republic of China (hereinafter referred to as "the Ministry") began the initial acceptance inspection on February 20, 2017. During the acceptance process, the Company delivered the completed work in a gradual manner for users' utilization as per the instruction of the Ministry when other interface projects were still undergoing construction using the space. The Ministry even opened some facilities for public use without turning on related equipment to maintain appropriate temperature and humidity, resulting in the Project having unexpected damage and non-conformities. The Ministry required

the Company to repair the damaged part, which caused the Project's failure to conform to the acceptance procedures within the time limit. The Ministry even proposed to impose a penalty fine for delay on the Company. The Company believes such application of law wrong and in violation of the principles of fairness and reasonableness. Therefore, it filed a request for mediation to the Complaint Review Board for Government Procurement under the Public Construction Commission of the Executive Yuan on October 9, 2018. This case is still under mediation.

2. Whereas, Shing Tzung Development Co., Ltd ("Shing Tzung" hereinafter) and its responsible person, Lu Kuo-Feng, were building a commercial-residential hybrid complex that has 5 floors below ground and 26 floors above ground located at Land No. 537, Zhangzhou Section, Kaohsiung City when the diaphragm wall construction, due to poor construction, damaged the neighbors' houses on July 20, 2014. Such incident ("Incident" hereinafter) had caused the houses located at 187th Lane, Ziqiang 3rd Road, Kaohsiung City to tilt substantially, to sink, and to exhibit cracked walls. Due to the Company's active participation in the repair work, a total of 25 house owners transferred a certain amount of their creditors' rights to the Company, by which the Company had petitioned the court for a provisional attachment against Shing Tzung and its responsible person, and for a claim of NT$25 million plus the statutory delay interest accrued thereon from them. The initial verdict held that Shing Tzung had also paid related expenses for such an incident and thus agreed to that the expense contended to be paid by Shing Tzung should be offset against the credit rights to which the Company might be entitled. Therefore, the plantiff's case was rejected. The Company has recognized the total amount of NT$25 million that was previously presented under "payment on behalf of another party" as a loss based on the verdict.

   In addition, Shing Tzung claimed that it had suffered loss from the Incident, in which case it shall have demanded compensation from the subcontractor responsible for constructing the diaphragm wall. To the contrary, in the face of the insufficient capital stock of the subcontractor, Shing Tzung turned to the Company for compensation for the Incident. The Company had also suffered loss from such Incident. Consequently, the Company filed a claim against Shing Tzung for compensation (including expenses incurred by the Company's participation in the repair work) and demanded that Shing Tzung return the promissory notes of performance guarantee to the Company. The two lawsuits were jointly tried by the Kaohsiung Qiaotou District Court. The court currently entrusted the Kaohsiung Association of Civil Engineering Technician and the Kaohsiung Association of Geotechnical Engineers to conduct a joint appraisal.

3. In 2000, Kun Yi Construction Co., Ltd. (Kun Yi) and the Company entered into "Earthwork and Site Preparation Construction Contract" (Earthwork Contract) and "Slope Protection and Retaining Wall Construction Contract" (Slope Protection Contract). Kun Yi claimed that the Company deducted the test fees and structure analysis fees in violation of the contracts, and requested the recovery of the price differences totaling NT$7.8 million. In September 2018, the Taiwan Taipei District Court ruled that we won the case. Since Kun Yi did not file an appeal after that, the verdict for the case was deemed final and binding.
4. The Company contracted a steel structure construction project to EGANG Co., Ltd. (EGANG) and a molding construction project to Yi-Xin Construction Co., Ltd. (Yi-Xin). As the steel structure collapsed on July 4, 2011, causing damage to the molding construction and materials, Yi-Xin sought compensation from the Company and EGANG for a total of NT$16.12 million. The Taiwan Taipei District Court sentenced the Company to pay to Yi-Xin a compensation equal to NT$11.62 million (including interest accrued at 5% per annum for the period from July 6, 2013 to the settlement date, as well as some court costs and expenses). The verdict of the case is now final and binding. Nonetheless, owing to that the Company obtained insurance claims of NT$6.77 million due to this case, the actual loss caused to the Company by such verdict was NT$ 4.85 million, which has been recognized by the Company as a loss for 2018.

5. As of December 31, 2018, the letters of performance guarantee issued by banks for the Group for undertaking construction amounted to NT$ 1,625,166 thousand.
6. As of December 31, 2018, the guarantee notes in deposit issued by banks for the Group for business purposes amounted to NT$ 679,848 thousand.

XXXV. Significant Subsequent Events:

The resolution by the Company’s Board of Directors to have a capital reduction by 20% and return such share capital payments to shareholders in the amount of NT$668,600 thousand on March 28, 2019 will be carried out after it has been adopted by the Shareholders' Meeting for 2019 and reported to and approved by the competent authority.

XXXVI. Information on Foreign Currency Assets and Liabilities Wielding Significant Influence

Information on Foreign Currency Assets and Liabilities Wielding Significant Influence

Unit: Foreign currency/NT$1,000

December 31, 2018

	Amount in Foreign Currency	Exchange rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 9,020	0.1457(RMB:USD)	$ 40,374
USD	201	30.72(USD: RMB)	6,175
	$ 9,020	0.1457(RMB:USD)	$ 40,374

The unrealized gain or loss on foreign currency exchange of significance is as follows:

	2018		2017	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
Financial assets				
RMB	0.1457 (RMB: USD)	($ 3,648)	0.1530 (RMB: USD)	$ 2,354
USD	30.72 (USD:NTD)	139	0.1442 (RMB: USD)	(49,894)
		($ 3,509)		($ 47.540)

XXXVII. Additional Disclosures

Information on (I) significant transactions and (II) invested companies is as follows:

1. Loans to others: (Appendix Table 1)
2. Endorsements and Guarantees (Appendix Table 2)
3. Marketable Securities Held at the End of the Period (Excluding investment in Subsidiaries, Associates and Joint Ventures) (Appendix Table 3)
4. Aggregate trading value on the same securities (including purchase and sales) reaching NT$300 million or 20 percent of the paid-in capital or more: (Appendix Table 4)
5. Acquisition of Property Amounting to At Least NT$ 300 Million or Exceeding 20% of Paid-in Capital: (None)
6. Disposal of real estate at costs of at least NT$300 million or 20% of the paid-in capital: (None)
7. Purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: (Appendix Table 5)
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: (Appendix Table 6)
9. Derivatives trading. (None)
10. Others: Inter-company Relationships and Significant Inter-company Transactions (Appendix Table 7)
11. Information on invested companies: (Appendix Table 8)

(III) Information on investments in mainland China:

1. Information on invested companies in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss on investments, carrying amount of investment at the end of the period, gain on repatriated investment and ceiling of investments in mainland China: (Appendix Table 9)
2. Any of the following significant transactions with invested companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms and unrealized gain or loss: (None)

(1) Purchase amount and percentage, and the ending balance and percentage of payables.
(2) Sales amount and percentage, and the ending balance and percentage of receivables.
(3) Property transaction amount and the resulting gain or loss.
(4) Ending balance and purposes of endorsement/guarantee or collateral provided.
(5) The maximum balance, ending balance, interest rate and total amount of current interest of financing facilities.
(6) Other transactions having a significant impact on profit or loss or financial position for the period, such as provision or receipt of service.

XXXVIII. Segment Information

Information provided for the chief business decision maker to allocate resources and evaluate the performance of segments focuses on the category of products or service delivered or provided. The Group's reportable segments are as follows:

Construction Segment: Design, supervision and undertaking of construction projects and trading of building materials.

Concrete Segment: Production and sale of concrete and concrete products

(I) Segment revenue and results

The revenue and results of the Group is analyzed as follows (by reportable segments):

	Segment Revenue 2018	Segment income (loss) 2018	Segment Revenue 2017	Segment income (loss) 2017
Construction Segment	$ 4,064,805	$ 156,307	$ 3,835,445	$ 183,378
Concrete Segment	2,759,323	290,963	1,898,463	110,175
Total revenue from continuing operations	$ 6,824,128	447,270	$ 5,733,908	293,553
Other income		75,602		117,795
Other gains and losses		(34,393)		(42,563)
Headquarters management costs and directors' remuneration		(86,991)		(77,226)
Finance costs		(26,365)		(31,076)
Profit before tax of continuing operations		$ 375,123		$ 260,483

Segment profit refers to the profit made by each segment, not including headquarters management costs and directors' remuneration that should be allocated, share of profit or loss in joint ventures accounted for using equity method, other income, other gains and losses, finance costs, and income tax expense. Such measurement is provided for the chief business decision maker to allocate resources and evaluate the performance of segments.

(II) Geographical Information

The Group mainly operates in two areas - Taiwan and China.

The Group’s revenue made by continuing operations from external customers is presented by operation areas as follows; Non-current assets by locations are also disclosed as follows:

	Revenue from external customers		Non-current assets	
	2018	2017	December 31, 2018	December 31, 2017
Taiwan	$ 4,064,805	$ 3,835,445	$ 408,710	$ 757,473
China	2,759,323	1,898,463	372,003	247,808
	$ 6,824,128	$ 5,733,908	$ 780,713	$ 1,005,281

Non-current assets do not include assets classified as financial instruments or deferred tax assets.

(III) Major Customers

Revenue from a single customer that constitutes 10% or more of the Group’s total revenue is disclosed as follows:

	2018	2017
Customer A (Note 1)	$ 709,451	$ 291,487
Customer B (Note 1)	352,922	1,350,499
	$ 1,062,373	$ 1,641,986

Note 1: Comes from construction revenue.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Loans to Others

January 1, 2018 ~ December 31, 2018

Appendix Table 1

Unit: In Thousands of New Taiwan Dollars

No.	Company as creditor	Company as debtor	Financial Statement Account	Whether a Related Party	Highest balance in the current year	Balance - end of year	Actual Amount Used	Interest Rate Interval	Nature of Loans (Note 1)	Amount arising from ordinary course of business	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit of loan to a single entity	Limit of total loans	Note
													Item	Value			
0	Chien Kuo Construction Co. Ltd.	Chien Kuo Development Co., Ltd.	Other receivables	Yes	$ 300,000	$ 300,000	$ -	1.2%	(1)	$ -	Operating capital	$ -	—	$ -	20% of the parent's net worth $ 982,131	40% of the parent's net worth $ 1,964,261	
1	Jianya（Yangzhou）Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	82,865	80,568	80,568	6.0%	(1)	-	Operating capital	-	—	-	20% of the parent's net worth $ 151,775	40% of the parent's net worth $ 151,775	
2	Jianya（Nantong）Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	162,051	161,136	161,136	6.0%	(1)	-	Operating capital	-	—	-	20% of the parent's net worth $ 162,159	40% of the parent's net worth $ 162,159	
3	Jianya（Yangzhou）Information Technology Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Other receivables	Yes	81,025	80,568	80,568	6.0%	(1)	-	Operating capital	-	—	-	20% of the parent's net worth $ 250,667	40% of the parent's net worth $ 250,667	
4	Jianya（Yangzhou）Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	171,053	170,088	170,088	6.0%	(1)	-	Operating capital	-	—	-	20% of the parent's net worth $ 250,667	40% of the parent's net worth $ 250,667	

Note 1: The nature of loans is described as follows:

1. For the purpose of short-term financing.
2. Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as at December 31, 2018 (RMB1＝NT$4.476).

Chien Kuo Construction Co. Ltd. and Subsidiaries

Endorsements and Guarantees

January 1, 2018 ~ December 31, 2018

Appendix Table 2

Unit: In Thousands of New Taiwan Dollars

No.	Endorsement/Guarantee Provider Company Name	Parties Being Guaranteed		Limit of Endorsements and Guarantees for a Single Entity (Note 1, 2, 4)	Maximum Guarantee Amount Balance (Note 1)	Outstanding Guarantee Amount - end of year (Note 1)	Actual Amount Used (Note 1)	Amount of Endorsement and Guarantee Secured with Properties	Ratio of the accumulated amount of endorsement and guarantee to the net worth on the latest financial statements	Limit of guarantee and endorsement (Notes 1, 3 and 4)	Endorsements and Guarantees Made by Parent for Subsidiaries	Endorsements and Guarantees Made by Subsidiaries for parents	Endorsements and Guarantees made for entities in China	Note
		Company Name	Relationship											
0	Chien Kuo Construction Co. Ltd.	Chien Kuo Asia Co., Ltd.	Sub-subsidiary	$ 2,455,327	$ 179,700	$ -	$ -	$ -	3.70%	$ 4,820,162	Y	N	N	Financing endorsement/guarantee
		Suzhou Chien Hua Concrete Co., Ltd.	Sub-subsidiary	2,455,327	177,239	172,326	102,500	-	1.98%	4,820,162	Y	N	Y	Financing endorsement/guarantee
		Wuxi Chien Bang Concrete Co., Ltd.	Sub-subsidiary	2,455,327	177,238	172,326	109,662	-	1.98%	4,820,162	Y	N	Y	Financing endorsement/guarantee
		Shun Long International Electrical Engineering Co., Ltd.	Sub-subsidiary	2,455,327	50,000	50,000	-	-	1.04%	4,820,162	Y	N	N	Financing endorsement/guarantee
1	Jin Gu Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent company	11,374,796	185,760	184,320	184,320	-	-	10,414,117	N	Y	N	Financing endorsement/guarantee

Note 1: Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as at December 31, 2018 (US$1 = NT$30.72).

Note 2: The limit on endorsements/guarantees provided for each guaranteed party is calculated as follows:

1. The limit on endorsements/guarantees made to the same trade should be 200% of net worth of shareholders' equity.
2. The limit on endorsements/guarantees made to other guaranteed parties should be 50% of net worth of shareholders' equity.

Note 3: The maximum endorsement/guarantee amount allowable is calculated as follows:

1. The maximum endorsement/guarantee amount allowable to the same trade should be 400% of net worth of shareholders' equity.
2. The maximum endorsement/guarantee amount allowable to other guaranteed parties should be 100% of net worth of shareholders' equity.

Note 4: The limit on endorsement and limit on endorsement and guarantee made by Jin Gu Co., Ltd. for a single entity are calculated as follows:

1. The limit on endorsements/guarantees made for a single entity should be 400% of net worth of shareholders' equity.
2. The limit on endorsements/guarantees made to other guaranteed parties should be 400% of net worth of shareholders' equity.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Marketable Securities Held by the End of the Period

December 31, 2018

Appendix Table 3

Unit: In Thousands of New Taiwan Dollars

Holder Company	Type and Name of Marketable Securities	Relationship with the security issuer	Financial Statement Account	Ending				Note
				Number of Shares (in Thousands)	Carrying Amount	Shareholding Percentage (%)	Fair value	
Chien Kuo Construction Co. Ltd.	Stock							
	Taiwan Cement Corporation	—	Financial assets at FVTOCI-non-current	5,510	$ 196,150	0.11	$ 196,150	(Note 5)
	Chia Hsin Cement Corporation	—	Financial assets at FVTOCI-non-current	6,853	93,201	0.88	93,201	(Note 1)
	Chia Hsin Cement Corporation	—	Financial assets at FVTOCI-current	1,114	15,157	0.14	15,157	—
Jin Gu Co., Ltd.	Funds							
	YUANTA DIAMOND FUNDS SPC - YUANTA PRIVATE EQUITY FUND SP	—	Financial assets at FVTPL-non-current	10	35,729	-	35,729	—
	PVG GNC VENTURES, L.P.	—	Financial assets at FVTPL-non-current	-	24,215	5.00	24,215	
	CSVI VENTURES, L.P.	Note 3	Financial assets at FVTPL-non-current	-	23,494	5.13	23,494	
	Stock							
	Chia Hsin Cement Corporation	—	Financial assets at FVTPL	175	2,383	0.02	2,383	—
	Bonds							
	POLY REAL ESTATE GROUP CO. LTD	—	Available-for-sale financial assets	1,850	57,060	-	57,060	—
Wuxi Chien Bang Concrete Co., Ltd.	Funds							
	Jinniu China New Dynamic Fund	—	Available-for-sale financial assets	3,086	11,736	-	11,736	—
	Stock							
	Common stock of China Mobile Communications Corporation	—	Financial assets at FVTPL	82	23,807	-	23,807	—
	Structured Deposit							
	OCBC Bank (China) Co., Ltd.	—	Financial assets at FVTPL-current	-	$ 79,739	-	$ 79,739	(Note 4)
	Fubon Bank (China) Co., Ltd	—	Financial assets at FVTPL-current	-	23,636	-	23,636	(Note 4)
Suzhou Jianhua Concrete Co., Ltd.	Structured Deposit							
	Fubon Bank (China) Co., Ltd	—	Financial assets at FVTPL-current	-	19,914	-	19,914	(Note 4)

Jiangsu Shili Construction Co., Ltd.	Structured Deposit Agricultural Bank of China Limited	—	Financial assets at FVTPL-current	-	35,868	-	35,868	—

Note 1: Among them, 2,000 shares are pledged to the bank as collateral for the performance of construction contracts.

Note 2: For investment in subsidiaries, please refer to Appendix Table 8 and 9.

Note 3: The chief decision makers of the fund are the directors of the Company.

Note 4: Collateral to the bank against the credit line of bank's acceptance bills.

Note 5: Among them, 1,892 thousand shares were pledged to the court as collateral against the litigation between the Company and Shing Tzung.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Aggregate trading value on the same securities (including purchase and sales) reaching NT$300 million or 20 percent of the paid-in capital or more

January 1, 2018 ~ December 31, 2018

Appendix Table 4

Unit: In Thousands of New Taiwan Dollars

Purchaser/Seller	Type and name of marketable securities	Financial Statement Account	Counterparty	Relationship	Beginning balance		Buy		Sell				Share of gains or losses of investments	Changes in valuation gains or losses (Note 6)	Ending	
					Shares	Amount	Shares	Amount	Shares	Selling price	Carrying Cost	Gain (Loss) on Disposal			Shares	Amount
Wuxi Chien Bang Concrete Co., Ltd.	China International Fund Management Co., Ltd.	Financial assest at FVTPL	—	—	56,167	$ 255,811	132 (Note 1)	$ -	56,299	$ 257,248	$ 257,248	$ -	$ 604	$ 833	-	$ -
Suzhou Chien Hua Concrete Co., Ltd.	China International Fund Management Co., Ltd.	Financial assest at FVTPL	—	—	23,366	106,420	326 (Note 1)	-	23,692	110,961	110,961	-	1,512	3,029	-	-
Yangzhou Chien Yung Concrete Co., Ltd.	China International Fund Management Co., Ltd.	Financial assest at FVTPL	—	—	-	-	60,902 (Note 2)	275,932	60,902	277,157	277,157	-	4,114	(2,889)	-	-
Nantong Chien Cheng Concrete Co., Ltd.	China International Fund Management Co., Ltd.	Financial assest at FVTPL	—	—	-	-	32,679 (Note 3)	152,079	32,679	152,216	152,216	-	829	(692)	-	-

Note 1: Dividends received.

Note 2: Among which 902 units are dividends received.

Note 3: Among which 179 units are dividends received.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital:

January 1, 2018 ~ December 31, 2018

Purchaser/ Seller	Counter- party	Relationship	Transaction status				Reasons for and status of differences in transaction terms compared to arms-length transaction (Note 1)		Notes or accounts receivable (payable)		Note(Note 2)
			Purchases (sales)	Amount	Ratio to total purchase (sales)	Credit period	Unit Price	Credit period	Balance	Ratio to Notes or accounts receivable (payable)	
Chien Kuo Construction Co. Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiaries	Purchase	$ 326,699	8.99%	As contract	-	-	($ 179,702)	(15.45%)	
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent company	Purchase	(326,699)	(74.92%)	As contract	-	-	145,450	86.33%	

Note 1:Where the transaction terms for related parties are different from those of the arms-length transactions, the difference and the reason for it shall be stated in the columns titled "Unit price" and "Credit Period".

Note 2:If payments are collected (paid) in advance, the reasons, contractual terms, amounts, and difference from arms-length transactions shall be stated in the column titled "Notes".

Note 3:Paid-in capital refers to the paid-in capital of the parent. Where issuer's shares have no par value or where the par value per share is not NT$ 10, any calculations that involve paid-in capital ratio of 20% shall be replaced with the equity ratio of 10% attributable to the owners of the parent company as stated in the balance sheet.

Chien Kuo Construction Co. Ltd. and Subsidiaries

The receivables to related parties of at least NT$100 million or 20% of the paid-in capital:

December 31, 2018

Appendix Table 6

Unit: NT$ Thousand, unless otherwise stated

Receivable party	Counterparty	Relationship	Balance of the receivables to related parties Amount	Turnove	Overdue of the receivables to related parties		Amount recovered after due（Note 1）	Amoun fof allowance for loss
					Amount	Follow-up		
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent Company	Account receivable$145,450	2.04	$ -		$ 50,963	$ -
Jianya（Nantong）Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Invested company directly or indirectly by Chien Kuo Construction Co. Ltd.	Other receivable$161,136	-	-		-	-
Jianya（Yangzhou）Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Invested company directly or indirectly by Chien Kuo Construction Co. Ltd.	Other receivable$170,088	-	-		-	-

Note 1： Amount recovered due as of February 28, 2019.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Inter-company Relationships and Significant Inter-company Transactions

January 1, 2018 ~ December 31, 2018

Appendix Table 7 Unit: In Thousands of New Taiwan Dollars

No.	Company name	Counter-party	Nature of Relationship (Note 1)	Transaction details			
				Account	Amount	Transaction Terms	Ratio to total consolidated revenue or total consolidated assets
0	Chien Kuo Construction Co. Ltd.	WeBIM Services Co., Ltd.	(1)	Miscellaneous income	$ 1,638	Note 2	0.04%
			(1)	Construction costs	2,513	Note 3	0.02%
		Shun Long International Electrical Engineering Co., Ltd.	(1)	Prepayments construction contracts	40,594	Note 4	0.43%
			(1)	Construction costs	326,699	Note 4	4.79%
			(1)	Construction contract receivable	742,623	Note 4	7.89%
			(1)	Accounts payable	179,702	Note 4	1.91%
1	Chien Kuo Development Co., Ltd.	Anping Real Estate Co., Ltd.	(3)	Other receivables	7,200	(Note 5)	0.08%
2	Jianya (Shanghai) Information Technology Co., Ltd. (Shanghai Information)	Suzhou Chien Hua Concrete Co., Ltd	(3)	Other receivables	80,568	Note 6	0.86%
			(3)	Interest income	2,719	Note 4	0.04%
3	Jianya（Nantong）Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd	(3)	Other receivables	161,136	Note 6	1.71%
			(3)	Interest income	3,669	Note 4	0.05%
4	Jianya（Yangzhou）Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd	(3)	Other receivables	170,088	Note 6	1.81%
			(3)	Interest income	4,197	Note 4	0.06%
		Wuxi Chien Bang Concrete Co., Ltd.	(3)	Other receivables	80,568	Note 6	0.86%
			(3)	Interest income	1,807	Note 4	0.03%

Note 1: The nature of relationship is divided into the following three categories:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 2: This is service revenue paid by subsidiaries to Chien Kuo construction in exchange for its management service.

Note 3: Since there is no similar product transaction with other counterparties, no comparative information is available.

Note 4: Conducted in line with ordinary terms.

Note 5: Note 5: Superficies transferred by Chien Kuo Development Co., Ltd. to Anping Real Estate Co., Ltd.

Note 6: Lending funds.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Information on Investees and their locations

January 1, 2018 ~ December 31, 2018

Appendix Table 8

Unit: In Thousands of New Taiwan Dollars

Investor	Name of Investee	Location	Main businesses	Original Investment Amount		Balance-ending			Income (Losses) of the Investee	Investment gain or loss recognized in the current period	Note
				End of Current Period	End of the Prior Year	Shares	Ratio (%)	Carrying Amount			
Chien Kuo Construction Co. Ltd.	Jin Gu Limited	British Virgin Islands	Reinvestment	$ 491,804	$ 656,126	15,740	100	$ 2,747,651	$ 133,818	$ 133,818	Subsidiary
	Yin Ying Holding Limited	British Virgin Islands	Reinvestment	1,065,645	1,065,645	32,701	100	2,176,668	140,475	140,475	Subsidiary
	Chien Kuo Development Co., Ltd.	Taiwan	Building construction commission; public housing lease	144,065	144,065	11,100	100	99,093	670	678	Subsidiary
	Shun Long International Electrical Engineering Co., Ltd.	Taiwan	Mechanical, electrical and plumbing engineering, undertaking and equipment/wholesale and retail	44,361	44,361	6,063	86.61	47,631	3,449	2,987	Subsidiary
	WeBIM Services Co., Ltd.	Taiwan	Construction technology	15,166	15,166	1,530	76.5	14,417	6,705	5,129	Subsidiary
	Anping Real Estate Co., Ltd.	Taiwan	Housing and building development and lease	140,000	140,000	14,000	100	134,376	(2,781)	(2,781)	Subsidiary
Yin Ying Holding Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Reinvestment	910,310	1,177,143	1,746	54.78	1,963,336	252,047	Not applicable.	Sub-subsidiary
Jin Gu Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Reinvestment	810,433	1,047,989	1,441	45.22	1,620,702	252,047	Not applicable.	Sub-subsidiary
Chien Kuo Asia Co., Ltd.	Shun Long (Hong Kong) Limited	Hong Kong	International trade	0.007794	0.007794	—	100	272	(38)	Not applicable.	Sub-subsidiary

Note 1:Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as at December 31, 2018 (US$1＝NT$30.72), except for profit or loss items, which are translated into New Taiwan Dollars by using the average exchange rate over January 1 - December 31, 2018 (US$1＝NT$30.15).

Note 2:For investment in investees in China, please refer to Appendix Table 9.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Investments in Mainland China

January 1, 2017 ~ December 31, 2018

Appendix Table 9

Unit: In thousands of NTD, unless otherwise stated

Investee in Mainland China	Main businesses	Paid-in Capital	Investment method	Accumulated investment amount remitted from Taiwan - beginning of period	Wire-in or wire-out investment amount		Accumulated investment amount remitted from Taiwan - end of period	Profit of loss of Investee	Direct and indirect percentage of ownership	Investment gain or loss recognized in the current period (Note 1)	Carrying amount - end of period (Note 1)	Accumulated Repatriation of Investment Income as of the end of the period.	Note
					Remitted	Received							
Shanghai Chien Kuo Concrete Co., Ltd.	Production and sale of concrete and concrete products	$ 153,969	Investment through a company founded in a third region	$ 125,779	$ -	$ -	$ 125,779	$ -	-	$ -	$ -	$ -	Note 4
Jianya（Yangzhou）Information Technology Co., Ltd.	Computer software technology development and consultation	110,592	Investment through a company founded in a third region	68,326	-	-	68,326	1,529	100%	1,529	153,277	-	
Suzhou Chien Hua Concrete Co., Ltd.	Production and sale of concrete and concrete products	421,632	Investment through a company founded in a third region	182,036	-	-	182,036	17,176	100%	17,176	571,218	-	
Kunshan Jianshan Concrete Co., Ltd.	Production and sale of concrete and concrete products	307,200	Investment through a company founded in a third region	230,025	-	-	230,025	-	-	-	-	-	Note 4
Wuxi Chien Bang Concrete Co., Ltd.	Production and sale of concrete and concrete products	438,528	Investment through a company founded in a third region	214,059	-	-	214,059	227,199	100%	227,199	1,556,839	-	
Changzhou Chien An Concrete Co., Ltd.	Production and sale of concrete and concrete products	76,800	Investment through a company founded in a third region	69,342	-	-	69,342	-	-	-	-	-	Note 4
Nantong Chien Cheng Concrete Co., Ltd.	Production and sale of concrete and concrete products	62,208	Investment through a company founded in a third region	244,471	-	-	244,471	533	100%	533	78,912	-	
Jianya（Nantong）Information Technology Co., Ltd.	Computer software technology development and consultation	153,600	Investment through a company founded in a third region	-	-	-	-	2,673	100%	2,673	164,784	-	Note 5
Yangzhou Chien Yung Concrete Co., Ltd.	Production and sale of concrete and concrete products	61,440	Investment through a company founded in a third region	197,041	-	-	197,041	5,118	100%	5,118	36,802	-	
Jianya（Yangzhou）Information Technology Co., Ltd.	Computer software technology development and consultation	248,832	Investment through a company founded in a third region	-	-	-	-	4,178	100%	4,178	254,770	-	Note 6
Shanghai Chien Chung Concrete Co., Ltd.	Production and sale of concrete and concrete products	76,800	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Kunshan Jindi Concrete Co., Ltd.	Production and sale of concrete and concrete products	43,008	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Zunyi Chien Bang Mining Co., Ltd.	Quarrying	156,660	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Changzhou Changlong Handling Co., Ltd.	Cargo handling	2,238	Investment through an existing company in a third region	-	-	-	-	(53)	100%	(53)	897	-	
Jiangsu Shili Construction Co., Ltd.	Construction consultation	64,512	Investment through a company founded in a third region and others	23,100	-	-	23,100	(603)	100%	(603)	74,659	-	

Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	Construction consultation	18,432	Investment through a company founded in a third region and others	-	-	-	-	(113)	100%	(113)	22,825	-	
Loudi Chien Kuo Mining Co., Ltd. and other six invested companies	Quarrying	1,223,270	Investment through an existing company in a third region and others	36,840	-	-	36,840	-	(Note 5)	-	-	914,492	Note 4

Accumulated investment amount remitted from Taiwan to China as at end of current period	Approved amount through Investment Committee of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs
$1,420,697 (Note 3)	$596,038 (Note 2)	$2,969,684

Note 1: The amount was recognized based on the audited financial statements of investees in the same period.

Note 2: The amount authorized by the Investment Commission, MOEA was NT$1,604,461, of which NT$1,008,423 originated from the surpluses of invested companies in mainland China remitted to the third regions, and was not included in the calculation of the limit on investment.

Note 3: The amount remitted from Taiwan was NT$1,420,697, including the following expenses:

(1) Loss on investment:

Investee in Mainland China	Original Investment Amount	Inward Investment Amount	Loss on Investment
Shanghai Chien Chung Concrete Co., Ltd.	$ 33,553	$ 14,058	$ 19,495
Shanghai Ruihui Trading Co., Ltd.	9,210	916	8,294
Nanjing Jianxing Concrete Co., Ltd.	25,728	25,618	110
Jianxiang Management Consulting (Shanghai) Co., Ltd.	1,779	-	1,779

(2) NT$184,675 originated from the funds of the third regions.

Note 4: Changzhou Chien An Concrete Co., Ltd. was disposed of and the equity transfer was completed as at October 31, 2013. Shanghai Chien Chung Concrete Co., Ltd. and Zunyi Chien Bang Mining Co., Ltd. had been liquidated in 2015 and 2013, respectively. Loudi Chien Kuo Mining Co., Ltd. had been liquidated on August 15, 2016. Shanghai Chien Kuo Concrete Co., Ltd. had been liquidated on December 9, 2016; Jianshan Concrete Co., Ltd. was disposed of and the equity transfer had been completed as at August 23, 2017. Guangxi Hefa Mining Co., Ltd. was disposed of and the equity transfer had been completed as at September 22, 2017. Kunshan Jindi Concrete Co., Ltd. had been liquidated on January 18, 2018.

Note 5: Stock split from Nantong Chien Cheng Concrete Co., Ltd.

Note 6: Stock split from Yangzhou Chien Yung Concrete Co., Ltd.

Independent Auditors' Report

To Chien Kuo Construction Co. Ltd.

Auditors' Opinions

We have audited the Parent Company Only Balance Sheet of Chien Kuo Construction Co. Ltd. of December 31, 2018 and 2017, the Parent Company Only Statements of Comprehensive Income, Parent Company Only Statements of Changes in Equity, Parent Company Only Statements of Cash Flows, and Notes to Parent Company Only Financial Statements (including Summary of Significant Accounting Policies) for the annual period ended December 31, 2018 and 2017.

In our opinion, the afore-mentioned Parent Company Only Financial Statements present fairly, in all material respects, the parent company only financial position of Chien Kuo Construction Co. Ltd. as of December 31, 2018 and 2017, and its parent company only financial performance and parent company only cash flows for the annual periods ended December 31, 2018 and 2017 in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Audit Opinion

We planned and conducted our audits in accordance with Rules Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards in the Republic of China. Our responsibility under the above mentioned regulations will be further explained in the section titled "Accountant's Responsibility in Auditing the Parent Company Only Financial Statements". We have stayed independent from Chien Kuo Construction Co. Ltd. as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the norm. We believe that we have obtained sufficient and appropriate audit evidence to serve as a basis for our opinion.

Key Audit Matters

Key Audit Matters refer to most vital matters in the process of auditing of 2018 Parent Company Only Financial Statements of Chien Kuo Construction Co. Ltd. based on our professional judgment. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters for the parent company only financial statements of Chien Kuo Construction Co. Ltd. for 2018 are stated as follows:

<u>Construction Contracts</u>

The operating revenue of Chien Kuo Construction Co. Ltd. is primarily derived from construction revenue, which is recognized in cost-based input method by the management in accordance with IFRS 15 Revenue from Contracts with Customers. Since the percentage of completion is calculated at the ratio of costs input to the total estimated contract costs, the total estimated construction contract costs are a key factor in calculating the percentage of cost input. Since the estimates of total costs are made by the management's judgment on the types, periods, execution, and techniques of construction, and are prone to influence from changes in commodity prices, labor prices and construction items, any significant changes in estimates, once occurred, may lead to a revenue recognized in accordance with the percentage of completion method either consisting of errors, or having significant influence on the misstatement of the financial statements. Consequently, the estimates of total costs of construction contracts are deemed a key audit matter.

Our audit procedures included, among others, understanding the procedures by which the management estimates the total costs of long-term construction contracts; assessing on the management estimates the total costs of long-term construction contracts; examining the accompanying construction documents to assess comprehensively the completeness and reasonableness of the estimates of total costs of long-term construction contracts; and assesing the important changes in the cost of construction contracts after the completion of construction projects.

For information about construction contracts, please refer to Note 18.

Responsibility of the management and the governing body for the Parent Company Only Financial Statements

It is the management's responsibility to fairly present the Parent Company Only Financial Statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to sustain internal controls respecting preparation of the Parent Company Only Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing the Parent Company Only Financial Statements, the responsibility of management includes assessing the ability of Chien Kuo Construction Co. Ltd. to continue as a going concern, disclosing going concern matters, as well as adopting going concern accounting, unless the management intends to liquidate Chien Kuo Construction Co. Ltd. or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

The governing bodies of Chien Kuo Construction Co. Ltd. (including the Audit Committee) have the responsibility to oversee the process by which the financial statements are prepared.

The Accountants' Responsibility in Auditing the Parent Company Only Financial Statements

The purpose of our audit is to provide reasonable assurance that the Parent Company Only Financial Statements as a whole contains no material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. "Reasonable assurance" refers to high level of assurance. Nevertheless, our audit, which was carried out according to GAAS, does not guarantee that a material misstatement(s) will be detected in the Parent Company Only Financial Statements. Misstatements may result from fraud or errors. The misstated amounts are material if they could, individually or collectively, be reasonably anticipated to influence the economic decisions of users taken on the basis of the consolidated financial statements.

We have exercised professional judgment and maintained professional skepticism while abiding by GAAS in our audit. We have also:

1. Identified and assessed the risks of a material misstatement(s) due to fraud or errors in the Parent Company Only Financial Statements; designed and carried out appropriate countermeasures against the assessed risks; and obtained sufficient and appropriate audit evidence to provide the basis for audit opinion. As fraud may involve collusion, forgery, deliberate omissions, false statements, or overrides of internal controls, the risk of an undetected material misstatement due to fraud is greater than that due to errors.
2. Acquired necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate under the circumstances. Nevertheless, the purpose of such understanding is not to provide any opinion on the effectiveness of the internal controls of Chien Kuo Construction Co. Ltd.
3. Assessed the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of going concern basis of accounting, and determined whether a material uncertainty exists within events or

conditions that might cast significant doubt on the ability of Chien Kuo Construction Co. Ltd. to continue as a going concern. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the Parent Company Only Financial Statements in our audit report of the relevant disclosures therein, or to amend our audit opinion in the event that any inappropriate disclosure was found. Our conclusion is based on the audit evidence obtained as of the date of the audit report. However, future events or conditions may cause Chien Kuo Construction Co. Ltd. to cease to continue as a going concern.

5. Assessed the overall presentation, structure and content of the Parent Company Only Financial Statements (including the related notes), and determined whether the Parent Company Only Financial Statements present fairly the related transactions and events.
6. Obtained sufficient and appropriate audit evidence regarding financial information of entities within Chien Kuo Construction Co. Ltd. in order to express opinions on the Parent Company Only Financial Statements. We are responsible for the direction, supervision and performance of the audit. we remain solely responsible for our audit opinion on Chien Kuo Construction Co. Ltd.

We are required to communicate with the governing body 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 are also required to provide the governing body with a statement that we have complied with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China 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.

We have identified, from the matters communicated with the governing body, the key audit matters in the audit of the Parent Company Only Financial Statements of Chien Kuo Construction Co. Ltd for 2018. Such matters have been explicitly stated in our audit report, unless laws or regulations prevent their disclosures, or, in extremely rare cases, we decide not to communicate such matters in our audit report in consideration that the adverse impacts of such communication could be reasonably expected to be greater than the public interest it would promote.

Deloitte Taiwan

CPA: I-Wen Wang

CPA: Yu-Wei Fan

Approval number by the Financial Supervisory Commission
FSC - 0980032818

Approval number by the Securities and Futures Commission
Taiwan-Finance-Securities - 0920123784

March 28, 2019

Chien Kuo Construction Co. Ltd.

Parent Company Only Balance Sheets

for the Years Ended December 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	$ 201,630	2	$ 594,482	7
1110	Financial assets measured at FVTPL	-	-	14,878	-
1120	Financial assets measured at FVTOCI (Note 7)	15,157	-	-	-
1140	Contract asset (Note 18)	1,304,299	16	-	-
1150	Notes receivable (Note 9)	26,838	-	72,183	1
1170	Accounts receivable (Note 9 and Note 18)	260,971	3	501,507	6
1190	Construction contract receivable (Note 10)	-	-	969,685	11
1200	Other receivables	8,162	-	5,077	-
1323	Land awaiting development (Note 11 and Note 26)	463,577	6	463,577	5
1410	Advance payment (Note 15)	122,644	2	111,123	1
1460	Net of non-current assets held for sale (Note 12)	14,417	-	-	-
1470	Other current assets (Note 26)	5,946	-	32,402	1
11XX	Total current assets	2,423,641	29	2,764,914	32
	Non-current assets				
1517	FVTOCI (Note 8, Note 7 and Note 26)	289,351	4	-	-
1523	Available-for-sale financial assets (Note 8 and 26)	-	-	274,064	3
1550	Investments accounted for using equity method (Note 12)	5,205,419	63	5,091,347	58
1600	Property, plant and equipment (Note 26)	33,526	1	37,132	-
1760	Investment property (Note 13 and Note 26)	191,445	2	145,439	2
1840	Deferred tax assets (Note 20)	78,372	1	66,848	1
1980	Pledged certificate of deposit (Note 26)	7,700	-	358,760	4
1990	Other non-current assets (Note 26)	9,320	-	36,948	-
15XX	Total noncurrent assets	5,815,133	71	6,010,538	68
1XXX	Total assets	$ 8,238,774	100	$ 8,775,452	100
Code	Liabilities and Equity				
	Current liabilities				
2100	Short-term debt (Note 14)	$ -	-	$ 220,000	3
2110	Short-term bills payables (Note 14)	-	-	79,948	1
2130	Contract liability (Note 18)	57,730	1	-	-
2150	Notes payable	-	-	100	-
2170	Accounts payable (Note 15 and Note 25)	1,163,348	14	1,284,030	15
2190	Construction contract payable (Note 10)	-	-	211,709	2
2200	Other payables	118,689	1	108,105	1
2230	Current income tax liabilities	-	-	9,340	-
2320	Long-term loans due within one year (Note 14 and Note 26)	450,000	5	600,000	7
2399	Other current liabilities	47,505	1	37,704	-
21XX	Total current liabilities	1,837,272	22	2,550,936	29
	Non-current liabilities				
2540	Long-term loans (Note 14 and Note 26)	799,131	10	800,000	9
2570	Deferred tax liabilities (Note 20)	583,786	7	480,046	5
2600	Other non-current liabilities (Note 16)	69,112	1	49,253	1
25XX	Total noncurrent liabilities	1,452,029	18	1,329,299	15
2XXX	Total liabilities	3,289,301	40	3,880,235	44
	Equity (Note 17)				
	Capital				
3110	Capital of common shares	3,343,001	41	3,379,001	39
3200	Capital reserves	201,627	2	200,462	2
	Retained earnings				
3310	Legal reserve	605,987	7	588,869	7
3320	Special reserve	67,179	1	39,088	-
3350	Undistributed earnings	788,857	10	789,811	9
3300	Total retained earnings	1,462,023	18	1,417,768	16
3400	Other equity	(57,178)	(1)	(67,179)	(1)
3500	Treasury shares	-	-	(34,835)	-
3XXX	Total equity	4,949,473	60	4,895,217	56
	Total liabilities and equity	$ 8,238,774	100	$ 8,775,452	100

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Wu, Chang-Shiou Manager:Wu, Chang-Shiou Accounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co. Ltd.

Parent Company Only Statements of Comprehensive Income

for the Years Ended December 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars, Except for Basic Earnings Per Share (in Dollars)

		2018		2017	
Code		Amount	%	Amount	%
4000	Operating revenue (Note 18)	$ 3,932,756	100	$ 3,778,110	100
5000	Operating costs (Note 19 and 25)	3,632,074	93	3,482,002	92
5900	Gross profit	300,682	7	296,108	8
	Operating expenses				
6200	Management expenses (Note 19 and 25)	240,531	6	205,244	6
6900	Operating Income	60,151	1	90,864	2
	Non-operating income and expenses (Note 25)				
7010	Other income(Note 19 and 25)	18,156	1	23,472	1
7020	Other gains and losses(Note 19)	(41,841)	(1)	(46,390)	(1)
7050	Finance cost(Note 19)	(26,360)	(1)	(31,071)	(1)
7060	Total non-operating income and expenses(Note 12)	280,306	7	164,211	4
7000	Income or loss from subsidiaries for using equity method	230,261	6	110,222	3
7900	Income before tax	290,412	7	201,086	5
7950	Income tax expense (Note 20)	84,741	2	29,908	1
8200	Net income	205,671	5	171,178	4

(Continued on next page)

(Continued from the previous page)

Code		2018 Amount	2018 %	2017 Amount	2017 %
	Other comprehensive income				
	Items that are not reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 16)	$ 1,695	-	($ 2,717)	-
8316	Unzealized gain on valuation on Eguity instrument at FVTOCI	19,787	1	-	-
8330	Income or loss from subsidiaries for using equity method	(4,123)			
8349	Income tax related to items that are not subsequently reclassified to profit or loss (Note 20)	(475)	-	462	-
8310		16,884	1	(2,255)	-
	Items that may be reclassified subsequently to profit or loss:			38,441	
8362	Unrealized valuation gains on available-for-sale financial assets	-	-	39,800	1
8380	Other income or loss from subsidiaries for using equity method	(6,265)	-	188,961	(5)
8399	Income tax related to items that may be reclassified to profit or loss (Note 20)	(6,442)	-	31,069	1
8360		(177)	-	(119,451)	(3)
8300	Annual other comprehensive income (net) - Total	16,707	1	(121,706)	(3)
8500	Total comprehensive income	$ 222,378	6	$ 49,472	1
	Earnings per share (Note 21)				
9750	Basic	$ 0.62		$ 0.51	
9850	Diluted	$ 0.61		$ 0.51	

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Wu, Chang-Shiou Manager: Wu, Chang-Shiou Accounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co. Ltd.

Parent Company Only Statements of Changes in Equity

for the Years Ended December 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars

Code		Capital	Capital reserves	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Undistributed earnings	Other equity items: Exchange differences on translation of foreign financial statements	Other equity items: Unrealized valuation gains (losses) of available-for-sale financial assets	Other equity items: Financial assets at FVTOCI	Cash flow hedge	Treasury shares	Total Equity
A1	Balance as of December Jauary 31, 2017	$ 3,379,001	$ 200,557	$ 584,661	$ 48,403	$ 783,675	$ 42,552	$ 2,161	$ -	$ 7,559	($ 34,835)	$ 5,013,734
	Earnings appropriation and allocation for 2016											
B1	Legal reserve	-	-	4,208	-	(4,208)	-	-	-	-	-	-
B5	Cash dividend for shareholders - NT$ 0.50 per share	-	-	-	-	(167,150)	-	-	-	-	-	(167,150)
B17	Special reserve reversed due to disposal of subsidiaries	-	-	-	(9,315)	9,315	-	-	-	-	-	-
D1	Net income for 2017	-	-	-	-	171,178	-	-	-	-	-	171,178
D3	Other comprehensive income (net of tax) for 2017	-	-	-	-	(2,255)	(151,692)	39,800	-	(7,559)	-	(121,706)
D5	Total comprehensive income for 2017	-	-	-	-	168,923	(151,692)	39,800	-	(7,559)	-	49,472
T1	Changes in equity in subsidiaries	-	73	-	-	-	-	-		-	-	73
M7	Changes in ownership interests in subsidiaries	-	(373)	-	-	(744)	-	-	-	-	-	(1,117)
N1	Employee stock options issued by subsidiaries	-	205	-	-	-	-	-	-	-	-	205
Z1	Balance as of December 31, 2017	3,379,001	200,462	588,869	39,088	789,811	(109,140)	41,961	-	-	(34,835)	4,895,217
A3	Effect of retrospective application and retrospective restatement	-	-	-	-	4,514	-	(41,961)	36,475	-	-	(972)
A5	Balance as restatement after January 1, 2018	3,379,001	200,462	588,869	39,088	794,325	(109,140)	-	36,475	-	(34,835)	4,894,245
	Appropriation and distribution of retained earnings in 2017											
B1	Legal reserve	-	-	17,118	-	(17,118)	-	-	-	-	-	-
B3	Listed appropriated retained earnings	-	-	-	28,091	(28,091)	-	-	-	-	-	-
B5	Cash dividend for shareholders - NT$ 0.50 per share	-	-	-	-	(167,150)	-	-	-	-	-	(167,150)
D1	Net income for 2018	-	-	-	-	205,671	-	-	-	-	-	205,671
D3	Other comprehensive income (net of tax) for 2018	-	-	-	-	1,220	137	-	15,350	-	-	16,707
D5	Total comprehensive income for 2018	-	-	-	-	206,891	137	-	15,350	-	-	222,378
L3	Treasury shares retired	(36,000)	1,165	-	-	-	-	-	-	-	34,835	-
Z1	Balance as of December 31, 2018	$ 3,343,001	$ 201,627	$ 605,987	$ 67,179	$ 788,857	($ 109,003)	$ -	$ 51,825	$ -	$ -	$ 4,949,473

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Wu, Chang-Shiou Manager: Wu, Chang-Shiou Accounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co. Ltd.
Parent Company Only Statements of Cash Flows
January 1 to December 31, 2018 and 201
Unit: In Thousands of New Taiwan Dollars

Code		2018	2017
	Cash flows from operating activities		
A10000	Income before tax	$ 290,412	$ 201,086
A20010	Income and expense item:		
A22400	Income or loss from subsidiaries for using equity method	(280,306)	(164,211)
A20300	Expected credit impairment loss	26,891	-
A20900	Finance costs	26,360	31,071
A29900	Litigation damages	15,959	-
A21300	Dividens revenues	(11,497)	(8,856)
A24100	Net loss (gain) of exchange foreign currency from depositng property, plant and	(7,836)	14,750
A20100	Amortization	5,513	3,841
A20200	Interest income	2,765	5,440
A21200	Net gain from deposit of subsidiaries	(2,758)	(7,784)
A22500	Gain (loss) from deposit of property, plant and equipment	(29)	-
A21900	Compensation cost of employee stock options	-	205
A30000	Net changes in operating assets and liabilities		
A31110	Financial instruments held for trading	-	(5,149)
A31125	Contract assets	(79,007)	-
A31130	Note receivable	45,345	28,834
A31150	Accounts receivable	(25,671)	(8,729)
A31170	Construction contract receivable	-	(189,581)
A31180	Other receivables	240	305
A31200	Land to be built	-	(463,577)
A31230	Prepayments	(11,985)	(37,257)
A31240	Other current assets	(852)	2,072
A32125	Contract liability	(153,979)	-
A32130	Bills payable	(100)	(150)
A32150	Accounts payable	(120,682)	270,378
A32170	Construction contracts payable	-	(131,368)
A32180	Other payable	10,660	20,151
A32230	Other current liabilities	9,801	12,984
A32990	Other non-current liabilities	5	(8)
A33000	Cash provided by (used in) operating activities	(260,751)	(425,553)
A33100	Interest received	6,878	3,761
A33300	Interest paid	(26,494)	(30,832)
A33500	Income tax paid	(16,227)	(12,661)
AAAA	Net cash provided by (used in) operating activities	(296,594)	(465,285)

(Continue on next page)

(Continued from the previous page)

Code		2017	2016
	Cash flows from investing activities		
B06700	Decrease (Increase) in pledged certificate of deposit and reserve account	$ 378,368	($ 197,368)
B02400	Share amount returned from capital reduction of subsidiaries	153,329	-
B05400	Acquisition of investment property	(47,161)	-
B07600	Cash dividends received	12,796	653,471
B02700	Acquisition of property, plant and equipment	(1,049)	(20,931)
B02800	Proceeds from disposal of property, plant, and equipment	326	-
B03800	Decrease (Increase) in refundable deposits	507	(165)
B04500	Acquisition of intangible assets	-	(151)
B09900	Cash provided by subsidiaries	-	(24,544)
B00300	Acquisition of available-for-sale financial assets	-	(6,058)
BBBB	Net cash provided by investing activities	497,116	404,254
	Cash flows from financing activities:		
C01700	Repayment of long-term loans	(600,000)	(150,000)
C01600	Increase in long-term loans	449,189	350,000
C00100	Increase (decrease) in Short-term borrowings	(220,000)	130,000
C04500	Distribution of cash devidends	(167,150)	(167,150)
C00500	Increase (decrease) in short-term bills payable	(79,948)	79,948
C03000	Increase in guarantee deposits received	16,699	9,833
CCCC	Net cash provided by (used in) financing activities	(601,210)	252,631
DDDD	Effect of exchange rate changes on cash and cash equivalents	7,836	(14,750)
EEEE	Increase (Decrease) in cash and cash equivalents	(392,852)	176,850
E00100	Balance of cash and cash equivalents - beginning of the year	594,482	417,632
E00200	Balance of cash and cash equivalents - end of the year	$ 201,630	$ 594,482

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Wu, Chang-Shiou Manager: Wu, Chang-ShiouAccounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co. Ltd
Notes to the Parent Company Only Financial Statements
January 1 to December 31, 2018 and 2017
(Amount in Thousands of New Taiwan Dollars (NT$), Unless Otherwise Stated)

I. Company History

Chien Kuo Construction Co. Ltd. (hereinafter “the Company”), founded in November 1950, mainly engages in business relating to design, supervision of modification, and construction of various construction projects of different size, as well as trading of construction materials; the Company’s stocks, which had been traded on Taipei Exchange since February 1, 1999, turned to Taiwan Stock Exchange for listings and trading in October 2003.

These parent company only financial statements are presented in the Company’s functional currency, New Taiwan Dollars (NT$).

II. Approval Date and Procedure of Financial Statements

The parent company only financial statements were released on March 28, 2019 after being approved by the Board of Directors.

III. Application of New and Amended Standards and Interpretations

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not incur any significant changes in the accounting policies of the Company entities.

1. IFRS 9 “Financial Instruments” and related amendments

IFRS 9 "Financial Instruments” supersedes IAS 39 “Financial Instruments: Recognition and Measurement” and is supplemented by various amendments either to IFRS 7 “Financial Instruments:

Disclosures" or to other standards. The new requirements of IFRS 9 cover classification, measurement and impairment of financial assets and general hedge accounting. Refer to Note 4 for related accounting policies.

Classification, measurement, and impairment of financial assets

The Company assessed the classification of existing financial assets based on the facts and circumstances existing on January 1, 2018, made a retrospective adjustment accordingly, and elected not to restate the comparative period. The measurement category, carrying amount and related reconciliation of each class of financial assets as determined by IAS 39 and IFRS 9 as of January 1, 2018 are detailed below:

The measurement category, carrying amount and related reconciliation of each class of financial assets as determined by IAS 39 and IFRS 9 as of January 1, 2018 are detailed below:

	Measurement Category		Carrying Amount		
Class of Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Description
Cash and Cash Equivalents	Loans and Receivables	Measured at amortized cost	$ 201,630	$ 201,630	-
Investments in stocks	Financial assets held for trading	Investment in equity instruments measured at fair value through other comprehensive income	14,878	14,878	(1)
	Available-for-sale financial assets	Investment in equity instruments measured at fair value through other comprehensive income	274,064	274,064	-

	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassification	Remeasurement	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained earnings as at January 1, 2018 Effects	Other equities as at January 1, 2018 Effects	Description
Financial assets at fair value through profit or loss	$ 14,878			$ 14,878			
Less: Reclassification to financial assets measured at fair value through other comprehensive income- equity instruments (IFRS 9)	-	($ 14,878)	$ -	(14,878)	$ 1,264	$ -	(1)
	14,878	(14,878)	-	-	1,264	-	
Financial assets measured at fair value through other comprehensive income - Equity instruments	-			-			
Add: Reclassification from those measured at fair value through profit or loss (IAS 39)	-	14,878	-	14,878	-	(1,264)	(1)
Add: Reclassification of available-for-sale financial assets (IAS 39)	-	274,064	-	274,064	-	-	-
	-	288,942	-	288,942	-	(1,264)	
Total effects of IFRS 9	$ 14,878	$ 274,064	$ -	$ 288,942	$ 1,264	($ 1,264)	

	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassification	Remeasurement	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained earnings as at January 1, 2018 Effects	Other equities as at January 1, 2018 Effects	Description
Investment accounted for using equity method	$ 5,091,347	$ -	($ 972)	$ 5,090,375	$ 3,250	($ 4,222)	(2)

(1) The Company elected to designate investments in stocks that were previously classified as financial assets held for trading under IAS 39 as measured at fair value through other comprehensive income under IFRS 9. As a result of retrospective application, as at January 1, 2018, retained earnings increased by NT$1,264 thousand after adjustment, and unrealized gain or loss on financial assets measured at fair value through other comprehensive income decreased by NT$1,264 thousand.

(2) As a result of retrospective application, Investments Accounted for Using Equity Method decreased by NT$972 thousand after adjustment, and other equity - unrealized gain (loss) on financial assets at fair value through other comprehensive income increasing by NT$78,889 thousand, and retained earnings increased NT$3,250 thousand after adjustment as of January 1, 2018.

3. IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes recognition principles for revenue arising from contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and related interpretations. For related accounting policies please refer to Note 4.

Construction retainage retained by customers according to contractual terms is to ensure that contractors fulfill all their contractual obligation. Therefore, judged from IFRS 15, such ratainage is deemed as not having any significant financing component, and is recognized as a contract asset before all contractual obligation is fulfilled.

The net result of the recognized amount, the received amount, and the receivable amount is recognized as a contract asset (liability). Prior to application of IFRS 15, the net result of a construction contract’s progress proceeds and recognized costs and profits (losses) were recognized as construction contract receivable (payable) under IAS 11.

Where there exists an onerous contract with customers, the Company, as required, recognizes either inventory impairment or provision for onerous contracts. Prior to application of IFRS 15, expected losses of construction contracts were measured as per IAS 11 and adjusted to construction contract receivable (payable).

The Company elects to retrospectively apply IFRS 15 only to contracts that are not yet complete as at January 1, 2018, with related cumulative effects adjusted to the retained earnings on such date.

With regards to all contract modifications dated prior to December 31, 2017, the Group does not restate the treatment of such contracts, but to present it in a manner that best reflects the overall effects of such modifications, so as to identify the performance obligations, determine and allocate the transaction prices. This will not decrease the complication of retrospective application and the cost, and not influence on the applied financial information.

All assets and liabilities under IFRS 15 for the first time at 1 January, 2018 adjusted as follow:

	Before Adjustment on January 31, 2018Amount	Adjustment due to first-time adoption	After Adjustment on January 1, 2018Amount
Current assets			
Construction contract receivable	$ 969,685	($ 969,685)	$ -
Contract assets	257,121	(257,121)	-
Effects on Assets	-	1,240,192	240,192
	$ 1,226,806	$ 13,386	$ 1,240,192
Current liability			
Construction contract payable	$ 211,709	($ 211,709)	$ -
Contract liability	-	206,620	206,620
Allowance for doubtful accounts	-	18,475	18,475
Effects on Liabilities	$ 211,709	$ 13,386	$ 225,095

The would-have-been information is listed below had the former statement (IAS 11 "Construction Contracts") been adopted on December 31, 2018:

	December 31, 2018 (IFRS 15)	Effect resulting from IFRS 15	December 31, 2018 (IAS 11)
Current assets			
Construction contract receivable	$ -	$ 843,068	$ 843,068
Accounts receivable	-	455,753	455,753
Contract assets	1,304,299	(1,304,299)	-
Effects on Assets	$ 1,304,299	($ 5,478)	$ 1,298,821
Current liability			
Construction contract payable	$ -	$ 60,613	$ 60,613
Contract liability	57,730	(57,730)	-
Preparation on Liabilities	8,361	(8,361)	-
Effects on Liabilities	$ 66,091	($ 5,478)	$ 60,613

(III) Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs that endorsed by Financial Supervisroy Commiions (FSC) in 2019

"Annual Improvements to IFRSs 2015-2017 Cycle"	January 1, 2019
Amendments to IFRS 9, "Prepayment Features with Negative Compensation"	January 1, 2019(Note 2)
IFRS 16 "Leases"	Balance as of January 1, 2019
Amendment to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 - “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1:The aforementioned new, revised or amended standards or interpretations are effective for annual periods beginning on or after the effective dates, unless stated otherwise.

Note 2:The FSC allows that the Company can apply the amendment for annual periods beginning on or before January 1, 2018.

Note 3:The amendment is applicable to any plan amendment, curtailment or settlement that takes place on or after January 1, 2019.

IFRS 16 "Leases"

IFRS 16 governs the accounting treatments for leases and will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease" and related interpretations.

Definition of lease

Upon initial application of IFRS 16, the Company elects to assess whether the contracts executed (or modified) on or after January 1, 2019 qualify as (or include) leases. Contracts that have currently been identified as a lease pursuant to IAS 17 and IFRIC 4 are not reassessed, but to be treated in accordance with the transition requirements of IFRS 16.

The Company is a lessee

When IFRS 16 is applied and the Company is a lessee, the Group will recognize the consolidated balance sheets the right-of-use assets and lease liabilities for all leases, except for leases with low-value underlying assets and short-term leases, which may be accounted for using straight-line basis. The parent company only statements of comprehensive income will state clearly and respectively the depreciation expense of the right-of-use assets separately, as well as the interest expense accrued on the lease liability, which interest is calculated using the effective interest rate method. The repayment for the principal of a lease liability is presented under financing activities, whereas the repayment for the interest is expressed under operating activities on the parent company only statement of cash flows. Prior to application of IFRS 16, an expense was recognized on a straight-line basis for contracts classified as operating leases. Cash flows from operating leases are presented under operating activities on the parent company only statements of cash flows.

The Company may elect to apply such standard retrospectively to recognize the cumulative effects applied by IFRS 16 on January 1, 2019 to retained earnings, instead of adjustment the comparative information.

The Company plans to adjust the cumulative effects arising from retrospective application of IFRS 16 to the retained earnings as at January 1, 2019, without restating the comparative information.

2. For agreements currently treated as operating leases under IAS 17, the lease liability as at January 1, 2019 is measured at the remaining lease payments over the lease term, discounted at the incremental borrowing rate of the lessee, whereas all right-of-use assets are measured at the amount of lease liabilities on such date. IAS 36 will be applicable to impairment assessment of all right-of-use assets recognized.

The Company plans to adopt the following expedients:

(1) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics in measuring the lease liability.

(2) Leases to be expired prior to December 31, 2019 are accounted for as short-term leases.

(3) Excluding the initial direct costs from the measurement of the right-of-use assets on January 1, 2019.

(4) Using hindsight to determine the lease term when measuring lease liabilities.

The Company is a lessor

The leases to which the Group is a lessor are not adjusted in the transition period, but will be applying IFRS 16 beginning on and after January 1, 2019.

Estimated effects on assets and liabilities on January 1, 2019

	December 31, 2018 Carrying mount	Adjustment due to first-time adoption	After Adjustment on January 1, 2018 Amount
Non-current assets			
Right-of-use asset	$ -	$ 41,454	$ 41,454
Effects on assets	$ -	$ 41,454	$ 41,454
Current liability			
Leased liability	$ -	$ 10,228	$ 10,228
Non-current liability			
Leased liability	$ -	$ 31,226	$ 31,226
Effects on liability	$ -	$ 41,454	$ 41,454

Aside from the aforementioned effects, as at the date on which the parent company only financial statements were approved and issued, the Company had been continuously assessing the effects from the amendments to other standards and interpretations on the financial position and financial performance. Related effects will be disclosed once the assessment is completed.

(III) IFRSs that have been issued by IASB but not yet endorsed and issued into effect by the FSC

New, Revised, Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendment to IFRS 3 "Definition of Business"	January 1, 2020 (Note 2)
Amendment to IFRS10 and IAS 28 - “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Yet to be decided
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Materiality"	January 1, 2021 (Note 3)

Note 1: The aforementioned new, revised or amended standards or interpretations are effective for annual periods beginning on or after the effective dates, unless stated otherwise.

Note 2: Such amendment is applicable to business combinations occurring on and after January 1, 2020, and acquisition of assets occurring after such date.

Note 3: Such amendment is prospectively applicable to annual periods beginning after January 1, 2020.

As at the date on which the parent company only financial statements were approved and issued, the Company had been continuously assessing the effects from the amendments to other standards and interpretations on the financial position and financial performance. Related effects will be disclosed once the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of Compliance

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

(II) Preparation Basis

Except for financial assets measured at fair value and for the defined benefit obligation deducte net on the defined benefit liability of fianacial asset measured at fair value, the parent company only financial statements were prepared on a historical cost convention.

Fair value is measured by using the 3-level fair value hierarchy, which comprises Level 1 to Level 3 according to the significance and the degree of observable features of relevant inputs.

4. Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
5. Level 2 inputs: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. through prices) or indirectly (i.e. derived from prices.)

6. Level 3 inputs: Level 3 inputs are unobservable inputs for the asset or liability.

The company adopted equity method on the invested subsidiaries, related bodies or joint ventures while preparing the parant company only financial statement. To mak sure the profit and loss, other comprehensive gains and losses and interests of the year of the parent company only financial statement equivalent to the profit and loss, other comprehensive gains and losses and interests of the year of the consolidated financial statement, the accounting differences were adjusted by ‘Investments Accounted for Using Equity Method’, ‘Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method’, ‘Other Comprehensive Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method’ and associated items.

(III) Criteria for Classification of Current and Non-current Assets and Liabilities

Current assets include:

4. Assets held primarily for trading purposes;
5. Assets that are expected to be realized within 12 months after the balance sheet date; and
6. Cash and cash equivalents, excluding those that are restricted for being used to exchange or settle liabilities at beyond 12 months after the balance sheet date.

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities that are expected to be settled within 12 months after the balance sheet date; and
3. Liabilities for which the repayment date cannot be deferred unconditionally beyond 12 months after the balance sheet date.

Assets or liabilities not fall within the aforementioned categories are non-current.

(IV) Foreign Currency

In preparing the parent company only financial statements, transactions denominated in a currency other than the entity's functional currency (i.e. foreign currency) are translated into the entity's functional currency by using the exchange rate at the date of the transaction before they are recorded by each entity.

Foreign currency monetary items are translated using the closing rate at each balance sheet date. Exchange differences arising on the settlement of monetary items or on translating monetary items are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined, with exchange differences arising therefrom recognized in current profit or loss, except when fair value changes are recognized in other comprehensive income, in which case the exchange differences are recognized in other comprehensive income.Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

In preparing the parent company only financial statements, assets and liabilities of a foreign operation (i.e. a subsidiary of which the activities are based or conducted in a country or currency other than those of the Company) are translated into New Taiwan Dollars by using the exchange rates at each balance sheet date. Income and expense items are translated using the average exchange rates of the current period, with exchange differences arising therefrom recognized in other comprehensive.

Upon disposal of its ownership interests in a foreign operation and cause losing control of its foreign operation, all cumulative exchange differences that are attributable to owners of the Company and relating to such foreign operation are to be reclassified to profit or loss.

(V) Investment on Subsidiaries

The Company adopted equity method for investment on subsidiaries.

The Subsidiaries means the Company have de facto control if it.

The investment is recognized by the costs, and the gain or loss of carrying amount is identified as the revenue distribution, income or loss, other comprehensive income or loss from subsidiaries for using equity method. In additional, the Company is obligated to the changes on the other equity from subsidiaries in proportion with percentage of holding shares.

It proceeds as equity transaction if the Company does not loss the control as the changes on the other equity of subsidiaries. It recognized as equity directly when carrying amount of investment and payment or receive has the difference at fair value.

(VI) Property, Plant and Equipment

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

Each significant part of property, plant and equipment is separately depreciated over their useful lives on a straight-line basis. The Company reviews the useful lives, residual value and depreciation methods at least once at each financial year-end.

Upon derecognition of property, plant and equipment, the difference between the proceeds from disposal and the carrying amount of such asset is recognized in profit or loss.

(VII) Investment Property

Investment property is property held to earn rentals or for capital appreciation or both.

An investment property is measured initially at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is provided by using the straight-line basis by the Company.

Upon derecognition of investment property, the difference between the proceeds from disposal and the carrying amount of such asset is recognized in profit or loss.

(VIII) Impairment of Tangible and Intangible Assets

At the end of each balance sheet date, the Company assesses whether there is any indication that a tangible asset or an intangible asset is impaired. If there is an indication that an asset may be impaired, the Company then estimates the recoverable amount of such asset. If it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is defined as the higher of the ‘fair value less costs to sell’ and the value in use. If the carrying amount of an individual asset or a cash generating unit is less than its recoverable amount, the carrying amount of which is reduced to its recoverable amount, with impairment loss recognized in profit or loss.

The client contracts applied by IFRS15, inventory, property, plant and equipment and intangible assets are recognized as impairment base on inventory regulation. The amount deducted directly and recognized as the impairment of loss while the carrying amount of the assets under the contract cost exceeds the remaining price of relevant goods or services. The carrying amount of the assets under the contract cost is added to the cash-generated unit for impairment assessment of the cash-generated unit.

If the impairment loss is reversed subsequently, the carrying amount of the asset or cash-generating unit is raised to its recoverable amount, provided, however, that the increased carrying amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversal of impairment loss is recognized in profit or loss.

(IX) Financial Instruments

Financial assets and financial liabilities are recognized on the parent company only statements of balance sheets when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities not measured at FVTPL are, at their initial recognition, measured at the sum of fair value and transaction costs that could be directly attributed to issuance or acquisition of such financial assets or financial liabilities. Transaction costs that could be directly attributed to issuance or acquisition of financial assets or financial liabilities measured at FVTPL are immediately recognized in profit or loss.

1. Financial assets

2018

Financial assets held by the Company comprise financial assets measured at at fair value through other comprehensive income (FVTOCI).

Investment in equity instruments measured at FVTOCI

The Company may choose to designate an equity investment that is not held for trading to be measured at fair value through other comprehensive income upon initial recognition.

Investments in equity instruments at fair value through other comprehensive income are measured at fair value, and any subsequent changes in the fair value are recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss upon the disposal of the equity investments. Instead, they will be transferred to retained earnings.

Dividends of investments in equity instruments at fair value through other comprehensive income are recognized in profit or loss when the Company's right to receive payments is established, unless such dividends clearly represent the recovery of a part of the investment cost.

2017

A regular way purchase or sale of financial assets is recognised and derecognised using trade date accounting.

(1) Types of measurement

Financial assets held by the Group include financial assets measured at FVTPL, available-for-sale financial assets, and loans and receivables.

A. Financial assets measured at FVTPL

Financial assets measured at FVTPL are financial assets held for sale.

Financial assets measured at FVTPL are measured at fair value; any remeasurement gains (losses) of which are recognized in profit or loss.

B. Available-for-sale financial assets

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

If an available-for-sale financial asset is attributable to an investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, it is subsequently measured at costs less impairment loss and be presented individually as “Financial Assets Carried at Cost”. Such financial asset is subsequently measured at fair value provided that its fair value could then be reliably measured; any difference between the carrying amount and fair value is recognized in other comprehensive income; in case any impairment occurs, it is recognized in profit or loss.

Dividends on an available-for-sale equity investment is recognized when the right of the Company to receive payment is established.

C. Loans and Receivables

Loans and receivables (including accounts receivables, cash and cash equivalents, and Investment in debt instruments for which no active markets exist) are measured at their amortized costs (net of any impairment loss) by using the effective interest method, except for short-term receivables of which the interest recognition does not wield significance.

Cash equivalents comprise time deposits that will mature within 3 months after the acquisition date, that are highly liquid and readily convertible to known amount of cash, and that are subject to an insignificant risk of changes in value. Cash equivalents are used to satisfy the short-term cash commitments.

(2) Impairments of financial assets and contracts assets

<u>2018</u>

The Company assesses the impairment loss of financial assets at amortized cost (including accounts receivable), and contract assets based on their expected credit losses on each balance sheet date.

The Group recognizes lifetime expected credit losses on accounts receivable and contract assets. For all other financial instruments, the Group recognizes lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk of the financial instruments has not increased significantly since initial recognition, the Group measures the loss allowance for the financial instruments at an amount equal to 12-month expected credit losses.

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

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

2017

Except for financial assets measured at FVTPL, the Comapny assesses at each balance sheet date as to whether there is any objective evidence indicating an impairment on other financial assets. A financial asset is deemed impaired when there is objective evidence indicating a detrimental loss on the asset’s estimated future cash flows as a result of one or more events that have occurred after initial recognition.

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

If the impairment loss of a financial asset recognized at amortized cost is reduced subsequently, and such reduction can be objectively related to an event that have occurred after the recognition of such impairment, the impairment loss previously recognized is reversed to profit or loss either directly or through the use of an allowance account, provided, however, that the carrying amount of such asset after reversal does not exceed what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

A significant or prolonged decline in the fair value of an available-for-sale equity investment below its cost is also objective evidence of impairment.

When an available-for-sale financial asset is impaired, the cumulative impairment previously recognized in other comprehensive income is recycled to profit or loss.

Impairment loss of an available-for-sale equity instrument investment that had been recognized in profit or loss shall not be reversed through profit or loss. In case the fair value recovers after the recognition of impairment loss, such recovery amount is recognized in other comprehensive income.

The impairment loss of financial assets carried at cost is the difference between asset’s carrying amount and the present value of estimated future cash flows discounted at the asset’s prevailing market return rate. Such impairment loss shall not be reversed in subsequent periods.

The impairment loss of all financial assets is deducted directly from the the carrying amount of such financial asset, except for accounts receivables, of which the carrying amount is reduced through the use of an allowance account. When an account receivable is judged to be unrecoverable, such amount is written off from the allowance account. Receivables that had previously been written off but later be recovered are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

(3) Derecognition of financial assets

The Company derecognizes a financial asset only when its contractual rights to cash flows expire, or when such asset and substantially all risks and rewards of ownership of such asset have been transferred to other entities.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at fair value through other comprehensive income in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. On derecognition of an investment in an equity instrument at fair value through other comprehensive income in its entirety, the cumulative gain or loss is transferred directly to retained earnings without being reclassified to profit or loss

2. Equity instruments

Redemption of the Company’s equity instruments is recognized in or deducted from equity. Purchase, sale, issuance, or retirement of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liabilities

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

When a financial liability is derecognized, the difference between the carrying amount and the consideration paid (including any non-cash asset transferred or liability assumed) is recognized in profit or loss.

(X) Revenue Recognition

2018

After identifying the performance obligations of contracts with the customers, the Company allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are met.

Revenue from construction contracts

For real estate construction contracts, the Company recognizes revenue over the construction period and measures the progress on the basis of costs incurred relative to the total expected costs. A contract asset is recognized during the construction and is reclassified to accounts receivable at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognized to date, the Company recognizes a contract liability for the difference. Certain payments retained by the customer as specified in the contract is intended to ensure that the Company adequately completes all its contractual obligations. Such retention receivables are recognized as contract assets until the Company satisfies its performance.

When the outcome of a performance obligation cannot be measured reliably, revenue from construction contracts is recognized only to the extent of contract costs incurred for which it will be recoverable.

2017

Revenue is measured at the net of fair value of the consideration received or receivable less the estimated customer sales returns, discounts and other similar allowances.

1. Sales of goods

Sales revenue is recognized when the following conditions are met:

(6) The Company has transferred to the buyer substantial risks and rewards of ownership of the goods;

(7) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(8) Revenue amount can be reliably measured.

(9) It is probable that the economic benefits associated with the transaction will flow to the Company; and

(10) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. Construction Contracts

When the outcome of a construction contract can be estimated reliably, revenue is recognized in proportion to the work completed using the percentage of completion method over the duration of the contract. Contract costs are recognized as expenses when incurred. The percentage of completion is determined by reference to the ratio of contract costs incurred as at the balance sheet date to the total estimated contract costs. When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as expenses immediately.

When cumulative contract costs incurred to date plus recognized profit less recognized loss exceed the construction progress billings, the difference is recognized as construction contract receivable. When the construction progress billings exceed the cumulative contract costs incurred to date plus recognized profit less recognized loss, the difference is recognized as construction contract payable.

3. Dividend income and interest income

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

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

(XI) Leases

Where the terms and conditions of a lease transfer substantially all of the risks and rewards of ownership of the asset to the lessee, it is deemed a finance lease. All other leases are classified as an operating lease.

1. The Company as lessor

Revenue from an operating lease is recognized as operating income on a straight-line basis over the duration of such lease.

2. The Company as lessee

Payments for an operating lease are recognized as expense on a straight-line basis over the duration of such lease.

(XIII) Employee Benefits

1. Short-term employee benefits

Liabilities in relation to short-term employee benefits are measured at the undiscounted amount that is expected in exchange for services rendered by employees.

2. Post-employment benefits

Pensions under the defined contribution retirement plan are pensions contributable over the period for which employees render their services, and are recognized as current expense.

The defined benefit costs (including service cost, net interest, and remeasurement) under the defined benefit pension plan is an actuarial calculation using the projected unit credit method. Service cost (comprising current service cost and past service cost) and the net interest on the net defined benefit liability or asset are recognized as employee benefits expense upon their occurrence. Remeasurement (comprising actuarial gains and losses, and return on plan assets netting interests) is recognized in other comprehensive income and listed under retained earnings, and is not recycled to profit or loss in subsequent periods.

Net defined benefit liabilities (assets) are the shortfall (excess) of the contribution made according to the defined benefit pension plan. A net defined benefit asset shall not exceed the contribution refunded from the plan, or the present value of reductions in future contributions.

3. Termination benefits

The Company recognizes termination benefit liability when it can no longer withdraw the offer of those benefits, or when it recognizes relevant restructuring cost (whichever comes earlier).

(XIV) Income Tax

Income tax expenses are the sum of current income tax and deferred income tax.

1. Current Income tax

The additional tax levied on undistributed earnings that are calculated as required by the Income Tax Act is presented for the year in which such tax is resolved and recognized by the Shareholders' Meeting.

Adjustments for Income tax payables for prior years are presented as income tax for the current period.

2. Deferred income tax

Deferred income tax is calculated at the temporary differences between the carrying amount of assets and liabilities and the tax base used to determine the taxable income.

Deferred income tax liabilities are recognized for all taxable temporary differences, whereas deferred income tax assets are recognized when it is probable that taxable profit will be available against which the deductible temporary difference or loss carryforward could be utilized.

The taxable temporary differences in relation to an investment in subsidiaries are recognized as deferred income tax liabilities, except for the case when the reversal timing of such temporary differences is controlled by the Company and it is probable that such temporary differences are not expected to be reversed in the foreseeable future. For deductible temporary differences associated with such investment and equity, when it is probable that sufficient taxable income will be available to realize such temporary difference, a deferred tax asset is recognized, but only to the extent of the amount that is expected to be reversed in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at the end of each balance sheet date. The Group reduces the carrying amount of a deferred tax asset when it is no longer probable that sufficient taxable income will be available to recover all or part of the asset. The carrying amount of items that were not previously recognized as a deferred tax asset is also reviewed at each balance sheet date. The Group raises the carrying amount of such item when it becomes probable that sufficient taxable profit will be available in the future to recover all or part of the asset.

Deferred tax assets and liabilities are measured by using the tax rates applicable to the period when the asset is expected to be realized or the liability is expected to be settled. Such tax rates are derived from the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Measurement of deferred income tax liabilities and assets is a reflection of the tax consequences resulting from the means by which the Company expects to recover or settle the carrying amount of its assets and liabilities at the balance sheet date.

3. Current income tax and deferred income tax

Current income tax and deferred income tax are recognized in profit or loss, except that they are recognized in other comprehensive gains and losses or are directly recognized in the current and deferred income tax related to the equity item as other comprehensive gains and losses or directly calculated as equity.

V. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

In the application of the Company's accounting policies, the management is required to make judgments, estimates and assumptions which are based on historical experience and other factors that are not readily apparent from other sources. Actual results may differ from these estimates.

The management will reviewe the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

<u>Construction Contracts</u>

Revenue and cost of construction contracts are recognized separately based on the percentage of completion of contractual activities, and the percentage of completion is measured at the proportion of the contract costs incurred to date to the estimated total contract costs. As the estimated total cost and contractual activities are evaluated and judged by the management based on the nature of the different construction projects, the estimated amount of the contract, the duration of construction, the undertaking of construction and the construction methods may affect the calculation of the percentage of completion and the profit or loss of construction.

VI. Cash and Cash Equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 1,874	$ 2,126
Bank checks and demand deposits	199,756	199,524
Cash equivalents (time deposits with original maturity date within 6 months)		392,832
	$ 201,630	$ 594,482

The rate intervals of time deposits on the balance sheet date are as follows:

	December 31, 2018	December 31, 2017
		1.74%~1.85%

VII. Financial assets at fair value through profit or loss - 2018

	December 31, 2018
Current	
Equity instruments investment at fair value through profit or loss	
Investment on domestic stock	
Chia Hsin Cement Group common stock	$ 15,157
Non-current	
Equity instruments investment at fair value through profit or loss	
Investment on domestic stock	
Chia Hsin Cement Group common stock	$ 93,201
Taiwan Cement Group common stock	196,150
Total	$289,351

The Company invested in domestic common stock pursuant to its medium-term and long-term strategies for the purpose of making a profit. The management elected to designate these investments to be measured at fair value through other comprehensive income as they believed that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments were previously classified as financial assets at fair value through profit or loss and available-for-sale financial assets under IAS 39. Refer to Notes 8 for information relating to their reclassification and comparative information in 2017.

Details of financial instruments pledged at fair value through profit or loss are provided in Note 26.

VIII. Available-for-sale financial assets -2017

	December 31, 2017
Domestic stock	$ 274,064

Information on available-for-sale financial assets pledge, please refer to Note 26.

IX. Note Receivables and Account Receivables

	December 31, 2018	December 31, 2017
Note receivables	$ 26,838	$ 72,183
Account receivable		
Measured at amortised cost		
Total carrying amount	$ 270,057	$ 501,507
Less：Allowance losses	(9,086)	-
	$ 260,971	$ 501,507

2018

The credit policy of the Company is mainly contract-based, and the notes receivable and accounts receivable are not interest-bearing. To minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual account receivable on the balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes that the Company's credit risk has been significantly reduced.

The Company writes off accounts receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivables. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Aging analysis of notes receivable of the Company is stated as follows:

	December 31, 2018
Not overdue	$ 26,838

Aging analysis of accounts receivable of the Company is stated as follows:

	December 31, 2018
Not overdue	$ 250,005
Less than 180 days past due	-
181~360 days past due	-
More than 361 days past due	20,052
Total	$ 270,057

Changes in allowance loss of notes receivable is stated as follows:

	December 31, 2018
Beginning balance (IAS 39)	$ -
Add: Impairment loss provided for the current period	9,086
Total	$ 9,086

2017

The credit policy of the Company is mainly based on the contractual terms. Notes and accounts receivables are not interest-bearing. The estimated unrecoverable amount for the allowance for doubtful accounts is determined by reference to the aging analysis of transactions, past default history, and the current financial position of customers.

With regards to the accounts receivables that were past due on the balance sheet date and for which the Company did not recognize an allowance, since the credit quality of which did not change significantly and management of the Company considered the amounts to be recoverable, the Company did not hold any collateral against or other credit enhancements for those accounts receivables.

Aging analysis of notes receivable of the Company is stated as follows:

	December 31, 2017
Not overdue	$ 72,183

Aging analysis of account receivable of the Company is stated as follows:

	December 31, 2017
Not overdue	$ 471,358
Less than 180 days past due	4,205
181~360 days past due	25,944
Total	$ 501,507

Aging analysis of financial assets that are past due but not impaired is as follows:

	December 31, 2017
Less than 180 days past due	$ 4,205
181~360 days past due	25,944
Total	$ 30,149

The above aging analysis is based on the number of days past due.

Accounts receivables include construction retainage receivables, which are not interest-bearing, and will be recovered at the end of the retention period of each construction contract. As of December 31, 2017, the amounts that had been more than 12 months past due but later collected were NT$ 33,009 thousand. The aforesaid retention period, usually more than one year, is the normal business cycle of the Company.

X. Construction Contract Receivables (Payables)-2017

	December 31, 2017
Construction costs incurred plus recognized profit less recognized loss to date	$ 14,321,616
Less: Construction progress billings	(13,563,640)
	$ 757,976
Presentation of parent company only balance sheets	
Construction contract receivable	$ 969,685
Construction contract payable	(211,709)
	$ 757,976
Construction retainage receivable (Note 9)	$ 257,121
Construction retainage payable (Note 15)	$ 556,862

XI. Land Held for Construction

The Company acquired the land sitting at the northern part of the industrial zone in Xinzhuang Dist. in July 2017. The purpose of holding such land is to construct commercial buildings for sale. The land is also pledged to the financial institution for loans. Please refer to Notes 14 and 26.

XII. Investments Accounted for Using Equity Method

	December 31, 2018	December 31, 2017
Investment Subsidiary		
Jin Gu Limited (Jin Gu)	$2,747,651	$2,754,833
Yin Ying Holding Limited (Yin Ying)	2,176,668	2,043,131
Chien Kuo Development Co., Ltd. (Chien Kuo Development)	99,093	98,415
Shun Long International Electrical Engineering Co., Ltd. (Shun Long)	47,631	48,523
WeBIM Services Co., Ltd. (WeBIM Services)	14,417	9,288
Anping Real Estate Co., Ltd. (hereinafter referred to as Anping Real Estate)	134,376	137,157
	5,219,836	5,091,347
Less：Transfer to non-current assets held for sale	(14,417)	-
	$5,205,419	$5,091,347

The percentage of ownership and voting rights of the above-mentioned investee companies on the balance sheet date are as follows:

	December 31, 2018	December 31, 2017
Jin Gu Limited (Jin Gu)	100%	100%
Yin Ying Holding Limited (Yin Ying)	100%	100%
Chien Kuo Development Co., Ltd. (Chien Kuo Development)	100%	100%
Shun Long International Electrical Engineering Co., Ltd. (Shun Long)	86.61%	86.61%
WeBIM Services Co., Ltd. (WeBIM Services)	76.5%	76.5%
Anping Real Estate Co., Ltd. (hereinafter referred to as Anping Real Estate)	100%	100%

The Company's management resolved in December 2018 to dispose of a portion of equity of WeBIM Services Co., Ltd. Therefore, all account previously presented under WeBIM were transferred to the non- assets at investments accounted for using equity method.

The recognition of investment income or loss from investment accounted for using equity method in 2017 and 2018 is based on financial statements by certified public accountants of subsidiaries.

XIII. Investment Property

	202018	2017
Cost		
Balance - beginning of year	$185,876	$185,876
Addition	47,161	-
Balance - end of year	$233,037	$185,876
Accumulated depreciation		
Balance - beginning of year	$ 40,437	$ 39,282
Depreciation	1,155	1,155
Balance - end of year	$ 41,592	$ 40,437
Net value - end of year	$191,445	$145,439
Fair value	$209,254	$153,982

Deprec

Depreciation expenses of investment property are provided using the straight-line method over 3~50 years of useful lives.

Increase in investment property for 2018 is a result of purchasing real estates (including lands, buildings and parking lots) in Nei-hu for gaining lease or held for sale of NT$ 47,161.

The fair value of the Company's investment property is derived by reference to the closing prices of properties sold in the latest period.

The amount of investment property pledged as collateral is provided in Note 26.

XIV. Borrowings

(I) Short-term borrowing

	December 31, 2018	December 31, 2017
Unsecured loans		
Credit loans	$ -	$220,000
Annual interest rate		0.96%~1.13%

(II) Short-term Bills Payables

The outstanding short-term bills payables as of the balance sheet date are as follows:

December 31, 2017

Guarantee/Accepting Institution	Amount	Discount Amount	Carrying Amount	Interest Rate Range	Collateral
Commercial paper payable					
Mega Bills	$ 80,000	($ 52)	$ 79,948	0.998%	None

(III) Long-term loans

	December 31, 2018	December 31, 2017
Secured loans (Note 26)		
Syndicated loans (1)	$ 450,000	$ 1,050,000
Bank loans (2)	350,000	350,000
	800,000	1,400,000
Less: listed as Current portion with a year	(450,000)	(600,000)
Total	350,000	$ 800,000
Non-sucured loan		
Long-term commercial paper payable(3)	450,000	-
Less: discount on long-term commercial paper payable	(869)	-
Total	449,131	-
Long-term loans	$ 799,131	$ 800,000
Annual interest rate	1.60%~2.38%	1.60%~2.38%

1. To repay the existing liabilities and increase the medium-term revolving funds, the Company entered into the syndicated loan contract with Bank of Taiwan and other banks in September 2014. The total amount of the syndicated loans was less than NT$2.4 billion, with a term of 5 years from the date of the first drawdown. The syndicated loans were secured by the land and buildings in

Hsinchu and the shares of Taiwan Cement Corporation held by the Company. The provisions of the first supplementary contract signed on 7 February, 2017 stipulates the following:

(5) The syndicated loans shall be secured by the land and buildings in Hsinchu and the certificate of deposits amounting to US$6,000 thousand instead;

(6) The current ratio and the debt ratio stated in the annual and semiannual consolidated financial statements of the Company shall not be less than 120% and 150%, respectively;

(7) The interest coverage ratio (depreciation, amortization ,and interest expenses) shall be 200% or more; and

(8) The tangible net worth shall be NT$3.5 billion or more.

For the above long-term loans, interest is paid monthly. Starting from December 30, 2017, NT$150,000 thousand should be repaid every quarter, and the final maturity date should be September 2019.

2. To obtain land held for construction, the Company entered into the medium and long-term loan contract with the bank in June 2017. The maturity date should be July 12, 2022. Interest should be paid monthly, and the principal should be repaid in full upon maturity. The land is pledged as collateral.

3. The long-term commercial promissory notes issued by the Company are issued cyclically according to the contract. Since the original contract period is more than 12 months and the Company intends to continue the long-term refinancing, it is classified as long-term commercial promissory note.

The long-term commercial promissory notes that have not matured on the balance sheet date are as follows:

December 31, 2018

Guarantee/Accepting Institution	Nominal Amount	Discounted Amount	Carrying Amount	Interest interval	Collateral
The Shanghai Commercial & Savings Bank, Ltd.	$ 300,000	($ 572)	$ 299,428	1.648%	None
EnTie Commercial Bank	150,000	(297)	149,703	1.678%	None
	$ 450,000	($ 869)	$ 449,131		

XV. Accounts Payables

Accounts payables include construction retainage payable for construction contracts. Construction retainage payable is not interest-bearing, and will be paid at the end of the retention period of each construction contract. The aforesaid retention period, usually more than one year, is the normal business cycle of the Company.

XVI. Post-employment Benefit Plan

(I) Defined Contribution Plan

The pension system based on the Labor Pension Act, which is applicable to the Company’s domestic entities, is a defined contribution plan managed by government. Entities are required to make monthly contribution equal to 6% of each employee's monthly salary to the employees' individual pension accounts at the Bureau of Labor Insurance.

(II) Defined Benefit Plans

The pension plan of the Company under the Labor Standards Law is a defined benefit pension plan managed by the government. Payment of pension is calculated based on the seniority and the average wages of the last 6 months prior to retirement of an employee. The Company contributes monthly an amount equal to 5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, under the name of the independent retirement fund committee. Before the end of year, if the balance at the retirement fund is not sufficient to cover all employees retiring next year, a lump-sum deposit should be made before March-end of the following year to cover the shortfall. The retirement fund is managed by the Bureau of Labor Funds, Ministry of Labor. The Company does not have rights to influence its investment management strategy.

The amounts recognized on the parant company only balance sheet for the benefit plan are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 41,152	$ 43,937
Fair value of planned assets	(34,143)	(35,239)
Net defined benefit liabilities (listed as other non-current liabilities)	$ 7,009	$ 8,698

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of planned assets	Net defined benefit liabilities
December 31, 2017	$40,394	($34,406)	$5,988
Service costs			
Current service cost	424	-	424
Interest expense (income)	501	(439)	62
Recognized in profit and loss	925	(439)	486
Remeasurement			
Return on planned assets (excluding amounts included in net interest)	-	99	99
Actuarial losses- changes in financial assumptions	1,159	-	1,159
Actuarial losses - Experience adjustments	1,459	-	1,459
Recognized in other comprehensive income	2,618	99	2,717
Contribution from employer	-	(493)	(493)
December 31, 2017	$ 43,937	($ 35,239)	$ 8,698
Service costs			
Current service cost	478	-	478
Interest expense (income)	436	(358)	78
Recognized in profit and loss	914	(358)	556
Remeasurement			
Return on planned assets (excluding amounts included in net interest)	-	(1,049)	(1,049)
Actuarial gains- changes in financial assumptions			
Actuarial losses - Experience adjustments	(646)	-	(646)
Recognized in other comprehensive income	(646)	(1,049)	(1,695)
Contribution from employer	-	(550)	(550)
Benefits paid	(3,053)	3,053	-
December 31, 2018	$ 41,152	($ 34,143)	$ 7,009

Amounts recognized in profit or loss for the defined benefit plan is summarized by function and stated as follows:

	2018	2017
Summary by function		
Operating costs	$ 139	$ 114
Operating expenses	417	372
	$ 556	$ 486

Due to the pension plan under the Labor Standards Law, the Company is exposed to the following risks:

4. Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management by Bureau of Labor Funds, Ministry of Labor. However, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks.
5. Interest rate risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation. However, the return on the debt investments of the plan assets will also increase. Those two will partially offset each other.
6. Payroll risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants As such, an increase in the salary of the plan participants will raise the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. Material assumptions on the measurement date are stated as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.00%	1.00%
Expected growth rate of salaries	2.00%	2.00%

If a reasonable change in one of the principal assumptions for actuarial valuation occurred and all other assumptions were held constant, the increase (decrease) in the present value of defined benefit obligation would be as follows:

	December 31, 2018	December 31, 2017
Discount rate		
Increase by 0.25%	($ 1,004)	($ 1,159)
Decrease by 0.25%	$ 1,038	$ 1,201
Expected growth rate of salaries		
Increase by 0.25%	$ 1,025	$ 1,186
Decrease by 0.25%	($ 997)	($ 1,151)

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

	December 31, 2018	December 31, 2017
Expected contribution amounts within 1 year	$ 660	$ 712
Average maturity period of defined benefit obligations	9 years	10years

XXII. Equity

(I) Capital

Common Stock

	December 31, 2018	December 31, 2017
Authorized shares (in 1,000 shares)	500,000	500,000
Authorized capital	$ 5,000,000	$ 5,000,000
Number of issued and paid shares (in 1,000 shares)	334,300	337,900
Issued capital	$ 3,343,001	$ 3,379,001

A holder of issued common stocks with par value of NT$10/share is entitled to voting and receiving dividends.

(II) Capital surplus

	December 31, 2018	December 31, 2017
Used to offset deficits, appropriated as cash dividends or transferred to capital stock (1).		
Share premium	$ 197,435	$ 199,561
Treasury stock transaction	3,914	623
Used to offset deficits		
Adjustment in capital surplus of subsidiaries accounted for using equity method	73	-
Not be used for any purposes		
Employee stock options	205	205
	$ 201,627	$ 200,462

(2) This type of capital surplus may be used to offset deficits, if any, or to issue cash dividends, or replenish the capital stock on the condition that the increase in capital stock is restricted to a certain ratio of paid-in capital every year.

(III) Retained Earnings and Dividend Policy

According to the earnings appropriation policy set forth in the amended Articles of Incorporation, the annual net income, if any, should be used to pay off all the taxes and duties, as well as to compensate prior deficits. The remaining amount, if any, should be appropriated in the following order of presentation:

4. Provide legal reserve pursuant to laws and regulations.
5. Provide (or reversed) special reserves pursuant to laws and regulations or as operating necessities.
6. The remaining balance, along with undistributed earnings of prior years, shall be proposed by the Board of Directors for earnings distribution, which shall then be resolved by the Shareholders' Meeting.

For policy regarding compensation to employees and remuneration to supervisors and directors as set forth in the amended Articles of Incorporation, please refer to Note 19 (6).

The Company’s dividend policy takes into account the environment and growth of the industry, long-term financial plans and optimization of shareholders' equity. Cash dividends to be appropriated should not be less than 10% of the total dividends to be appropriated for the year.

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

The Company shall also set aside a legal reserve until it equals the Company's paid-in capital. Such legal reserve may be used to offset the deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The proposals to appropriate earnings for the years 2017 and 2016 are as follows:

	Earnings appropriation proposal		Dividends per Share (NT$)	
	2017	2016	2017	2016
Legal reserve	$ 17,118	$ 4,208		
Special reserve	28,091	-		
Cash Dividend	167,150	167,150	$ 0.50	$ 0.50

Earnings distribution and earnings per share for 2018, which were resolved by the Board of Directors of the Company on March 28, 2019, are stated as follows:

	Earnings appropriation proposal	Dividends per Share (NT$)
Legal reserve	$ 20,567	
Special reserve	(10,002)	
Cash Dividend	167,150	$ 0.50

The earnings distribution proposal for 2017 still awaits the resolution by the Shareholders' Meeting that will be held in June 21, 2019.

(IV) Treasury Stocks

The 3,600 thousand shares of treasury stocks purchased by the Company was repurchased for the purpose of transfer to employees. However, Due to that such shares had not been transferred in 3 years, the Company's Board of Directors resolved on August 9, 2018 to cancel the registration of such shares. The recorded capital reduction date was set on October 6, 2018. Such a change in share capital registration was completed on October 29, 2018.

Treasury stock held by the Company shall not be pledged or assigned rights, such as appropriation of dividends and voting rights, in accordance with the Securities and Exchange Act.

XVIII. Revenue

(1)Revenue from Customer Contracts

	2018	2017
Construction revenue	$ 3,932,756	$ 3,778,110

The real estate construction contracts of the construction department specify the adjustment of price index fluctuations, performance bonus and penalties for delay, and the Company estimates the transaction price by reference to the past contracts of similar conditions and scale.

(2)Balance of the Contracts

	December 31, 2018
Accounts receivables (Note19)	$ 260,971
Contracts assets	
Property construction	$ 848,546
Construction Retainage Receivable	457,267
Less: Allowance lossing	(1,514)
	$ 1,304,299
Contracts liability	
Property construction	$ 57,730

XIX. Net Income for the Current Year

Net income for the current year comprises the following items:

(I) Other income

	2018	2017
Dividend income	$ 11,497	$ 8,856
Interest income	2,758	7,784
Others	3,901	6,832
	$ 18,156	$ 23,472

(II) Other Gains and Losses

	2018	2017
Expected credit losses(Note 27)	($ 16,291)	$ -
Litigation damage(Note 27)	(15,959)	-
Net exchange loss	(5,612)	(49,812)
Net gains arising from disposal		
Valuation Gain (loss) of financial assets measured at FVTPL	29	
Net gain from disposal of property, plant and equipment		5,149
其　　他	(4,008)	(1,727)
	($ 41,841)	($ 46,390)

(III) Finance Costs

	2018	2017
Interest expense		
Bank loans	$ 26,360	$ 31,071

(IV) Depreciation and Amortization

	2018	2017
Property, plant and equipment	$ 4,358	$ 2,686
Investment property	1,155	1,155
Intangible assets	2,765	5,440
Total	$ 8,278	$ 9,281
Depreciation expenses summarized by functions		
Operating costs	$ 703	$ 714
Operating Expenses	3,655	1,972
Other gains and losses	1,155	1,155
	$ 5,513	$ 3,841
Depreciation expenses summarized by functions		
Operating costs	$ 45	$ 68
Operating Expenses	2,720	5,372
	$ 2,765	$ 5,440

(V) Employee Benefit Expense

	2018	2017
Short-term employee benefits	$341,024	$285,947
Post-employment benefits (Note 16)		
Defined contribution plan	13,271	11,739
Defined benefit plans	556	486
Termination benefits	1,081	98
Total employee benefits	$355,932	$298,270

Summary by function		
Operating costs	$187,954	$156,291
Operating Expenses	167,978	141,979
	$355,932	$298,270

(VI). Remunerations for Employees and Directors and Supervisors

The Company appropriates 0.1% - 3% of its pre-tax income (before compensations to employees and remunerations to directors are deducted from) as employee compensations, and less than 3% of such pre-tax income as remuneration to directors and supervisors. Compensation to employees and remuneration to directors for 2018 and 2017 had been resolved by the Board of Directors as at March 28, 2019 and March 29, 2018, respectively, which are stated as follows:

	2017		2016	
	Cash	Percentage (%)	Cash	Percentage (%)
Employee compensation	$ 9,200	3%	$ 6,417	3%
Directors and Supervisors' Remuneration	9,200	3%	6,417	3%
	$ 18,400		$ 12,834	

If there is a change in the amounts after the annual parent company only financial statements are authorized for issue, the differences should be recorded as a change in the accounting estimate in the following year.

Information about employee compensation and remuneration to directors approved by the Board of Directors for 2019 is available at the Taiwan Stock Exchange Market Observation Post System website.

XX. Income Tax

(I) Major components of income tax expenses recognized in profit or loss are as follows:

	2018	2017
Current income tax		
Accrued in the current year	$ -	$ 13,858
Adjustments for prior years	(558)	(8,514)
	(558)	5,344
Deferred income tax		
Accrued in the current year	57,400	16,050
Changes of the tax rate	27,578	-
Adjustments for prior years	321	8,514
	85,299	24,564
Income tax expenses recognized in profit or loss	$ 84,741	$ 29,908

Reconciliation between the accounting income and the income tax expense is stated as follows:

	2018	2017
Income before tax	$290,412	$201,086
Income tax calculated by applying the statutory rate to net income before tax	$ 58,082	$ 34,185
Changes of the tax rate	27,578	
permanent difference	1,617	(1,910)
Adjustments of income tax expenses of prior years	(237)	-
Exemptions	(2,299)	(2,381)
Others	-	14
Income tax expenses recognized in profit or loss	$ 84,741	$ 29,908

The tax rate of 2017 for entities of the Company that apply the Income Tax Act of the Republic of China is 17%.

The amended Income Tax Act of the Republic of China was amended in February 2018, which raised the profit-seeking enterprise income tax from 17% and 20% (to be implemented from 2018 on). In addition, the tax rate applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

Since there is still an uncertainty regarding earnings appropriation for 2019 which awaits the resolution by the Shareholders' Meeting, the potential tax consequence of the additional 10% tax levied on the undistributed earnings of 2018 cannot be reliably determined.

(II) Income Tax Recognized in Other Comprehensive Income

	2018	2017
Deferred income tax		
- Exchange differences	($ 6,442)	$ 31,069
- Remeasurement of defined benefit plans	(475)	462
Income Tax Recognized in Other Comprehensive Income	($ 6,917)	$ 31,531

(III) Deferred Income Tax Assets and Liabilities

Changes in deferred tax assets and liabilities are summarized as follows:

2018

	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Changes in tax rates	Balance - end of year
Deferred income tax assets					
Warranty cost	$ 2,929	$ 60	$ -	$ 517	$ 3,506
Construction proceeds temporarily estimated	2,376	(881)	-	419	1,914
ırealized construction loss	3,141	(2,023)	-	554	1,672
Defined benefit pension plan	1,479	1	(475)	397	1,402
Impairment loss	4,084	(100)	-	721	4,705
Unrealized exchange losses	8,467	(9,962)	-	1,495	-
Expected credit losses	44,372	11,826	-	7,830	64,028
Loss carryforwards	-	1,145	-	-	1,145
	$66,848	$ 66	($ 475)	$11,933	$78,372
Deferred income tax liabilities					
Gains or losses from investment accounted for using equity method	$441,026	$54,860	$ -	$37,752	$533,638
Exchange differences on translation of foreign operations	29,050	-	6,442	-	35,492

	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Changes in tax rates	Balance - end of year
Reserve for Land Revaluation Increment Tax	9,192	-	-	1,622	10,814
Others	-	2,927	-	-	2,927
Deferred income tax liabilities	778	-	-	137	915
	$480,046	$57,787	$ 6,442	$39,511	$583,786

2017

Deferred income tax assets	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Balance - end of year
Warranty cost	$ 1,703	$ 1,226	$ -	$ 2,929
Construction proceeds temporarily estimated	1,278	1,098	-	2,376
Unrealized construction loss	4,076	(935)	-	3,141
Defined benefit pension plan	1,018	(1)	462	1,479
ıpairment loss	4,168	(84)	-	4,084
Unrealized exchange losses	42	8,425	-	8,467
Loss carryforwards	52,772	(8,400)	-	44,372
	$ 65,057	$ 1,329	$ 462	$ 66,848
Deferred income tax liabilities				
Gains or losses from investment accounted for using equity method	$ 415,133	$ 25,893	$ -	$ 441,026
Exchange differences on translation of foreign operations	60,119	-	(31,069)	29,050
Reserve for Land Revaluation Increment Tax	9,192	-	-	9,192
Others	778	-	-	778
	$ 485,222	$ 25,893	($ 31,069)	$ 480,046

(IV) Information on Unused Loss Carryforwards

Loss carryforwards of the Company as at December 31, 2018 are as follows:

Balance of unused loss carryforwards	Final deductible year
$ 83,870	113
177,139	114
$ 59,130	117
$320,139	

(VI) Income Tax Approval

The profit-seeking enterprise income tax returns filed as at December 31, 2018 by the Company is approved by the taxation authority.

XXI. Earnings per Share

Unit: NT$ per Share

	2018	2017
Basic earnings per share	$ 0.62	$ 0.51
Diluted earnings per share	$ 0.61	$ 0.51

Earnings used for calculation of EPS and weighted average number of shares are stated as follows:

	2018	2017
Net income	$ 205,671	$171,178

Number of Shares Unit: In 1,000 Shares

	2018	2017
Weighted average number of common stocks used for the calculation of basic earnings per share	334,300	334,300
Effect of dilutive potential common stocks:		
Employee compensation	1,084	584
Weighted average number of common stocks used for the calculation of diluted earnings per share	335,384	334,884

Since the Company is allowed to settle employees' remuneration by cash or stock, whenever applicable, the Group assumes that the entire amount of employees' remuneration will be settled by stock. As the effect of the resulting potential common stocks is dilutive, these stocks are included in the weighted average number of common stocks outstanding used for the calculation of diluted earnings per share. This dilutive effect of potential common stocks is included in the calculation of diluted earnings per share when the following year's shareholders' meeting resolves the number of shares to be appropriated to employees.

XXII. Agreement of operating lease

The Company is the leasee.

The operating leases are mainly leases of offices, staff quarters and parking spaces, of which the lease periods range from 1 year to 6 years.

Future minimum lease payments of non-cancellable operating leases are as below:

	December 31, 2018	December 31, 2017
Less than one year	$ 11,395	$ 11,403
One to five years	32,269	27,546
	$ 43,664	$ 38,949

XXII. Capital Risk Management

The objective of the Company’s capital management is to ensure that the Group can continue as a going concern, that an optimal capital structure is maintained to lower the cost of capital, and that returns are provided to shareholders. To maintain or adjust the capital structure, the Company may adjust dividends paid to shareholders, refund capital to shareholders or issue new shares to lower its debts.

XXIV. Financial Instruments

(I) Fair value of financial instruments that are not measured at fair value

Please refer to the information stated in the parent company only balance sheets. The management of the Group believes that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values, so their carrying amounts recognized in the parent company only balance sheets are used as a reasonable basis for estimating their fair values.

(II) Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic listed stocks	$ 304,508	$ -	$ -	$ 304,508

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed stocks	$ 14,878	$ -	$ -	$ 14,878
Available-for-sale financial assets				
Domestic listed stocks	$ 274,064	$ -	$ -	$ 274,064

There was no fair value measurement that was transferred between Level 1 and Level 2 in 2018 and 2017.

(III) Types of Financial Instruments

	December 31, 2018	December 31, 2017
Financial assets		
Financial asset at FVTPL	$ -	$ 14,878
Loans and receivables (Note 1)	-	1,559,317
Available-for-sale financial assets (Note 2)	-	274,064
Financial asset measured at amortized cost (Note 3)	497,601	-
Financial asset at FVTOCI		
Equity instruments	304,508	-
Financial liabilities		
Measured at amortized cost (Note 4)	2,531,168	3,092,183

Note 1:Balance is the balance of the loans and receivables measured at amortized cost, including cash and cash equivalents, notes

receivables, accounts receivables, and pledged certificate of deposits and reserve accounts.

Note 2: The balance includes available-for-sale financial assets.

Note 3: The balance includes cash and cash equivalents, notes receivables, accounts receivables, other receivables and financial assets at amortized cost.

Note 4: The balance includes financial liabilities at amortized cost, which comprise short-term notes and bills payable, notes payable, accounts payable, other payables and short-term loans and long-term loans.

(IV) Financial Risk Management Objectives and Policies

The daily operations of the Company are subject to a number of financial risks, including market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The overall risk management policy of the Company focuses on the uncertainties in the financial market to reduce the potentially adverse effects on the financial position and performance of the Company.

The risk management is carried out by the finance department of the Company based on the policies approved by the Board of Directors. Through cooperation with the Company 's operating units, the finance department is responsible for identifying, evaluating and hedging financial risks. With respect to the overall risk management, the Board of Directors has established principles and policies in writing concerning the specified scope and matters, such as exchange risk, credit risk, utilization of derivatives and non-derivatives and investment of remaining liquidity.

1. Market risk

(1) Foreign exchange rate risk

For the carrying amount of foreign currency monetary assets and foreign currency monetary liabilities that were significant on the balance sheet date, please refer to Note 29.

Sensitivity Analysis

The Company is mainly exposed to USD fluctuations.

The following table details the Company 's sensitivity to a 1% increase or decrease in New Taiwan Dollars against the relevant foreign currency. The rate of 1% is the sensitivity rate used when reporting foreign currency risk internally to the key management, and represents the management’s assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts the translation at the end of the year to a 1% change in the exchange rate. The number below indicates an increase/decrease in income before tax where the functional currency weakens 1% against NTD.

	Effect on Profit or Loss	
	2018	2017
USD	$ -	$ 5,979

(2) Interest rate risk

The interest rate risk of the Company mainly comes from loans. Loans published at floating rates expose the Company to the cash flow interest rate risk. Part of such risk is offset by loans made at floating rates. Loans published at fixed made expose the Company to the fair value interest rate risk. The policy of the Company is to adjust the ratio of fixed interest rates and floating interest rates based on the overall trend of interest rates.

The carrying amounts of the Company 's financial assets and financial liabilities with exposure to interest rates on the balance sheet date are as follows.

	December 31, 2018	December 31, 2017
With fair value interest rate risk		
- Financial assets	$ -	$ 392,832
- Financial liabilities:	899,131	1,349,948
With cash flow interest rate risk		
- Financial assets	199,756	199,524
- Financial liabilities:	350,000	350,000

Sensitivity Analysis

The sensitivity analysis below is based on the Group's exposure to interest rates for both derivative and non-derivative instruments on the balance sheet date.

If interest rate increases/decreases by 100 basis points, held other variables constant, the Company's income before tax will decrease/increase by NT$ 1,502 thousand and NT$1,505 thousand , respectively for 2018 and 2017.

(3) Other price risk

Investments in domestic equity instruments expose the Company to the equity price risk. The Company diversifies its investment portfolios to manage the price risk of investments in equity instruments.

Sensitivity Analysis

The sensitivity analysis below is based on the exposure to the equity price risk on the balance sheet date.

If equity prices rise/fall by 10%, the pre-tax income for the annual period ended December 31, 2018 while the pre-tax other comprehensive income for the annual period ended December 31, 2018 will increase/decrease by NT$30,451 thousand due to the rise/fall of the fair value of financial assets measured at FVTOCI.

If the price of equity increases/decreases by 10%, the income before tax for 2017will, as a result of the gains of losses from equity instruments measured at FVTPL, increase/decrease by NT$ 1,488 thousand, whereas the shareholders' equity will, due to gains or losses from equity instruments classified as available-for-sale, increase/decrease by NT$ 27,406 thousand.

2. Credit risk

Credit risk refers to the risk of financial loss of the Company arising from default by customers or counterparties of financial instruments on the contractual obligations. The Company has established a specific internal credit policy, which requires all entities within the Group to manage and conduct a credit analysis on every new customer before stipulating the terms and conditions of payment and delivery. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.

As the customer base of the Company is vast and unrelated, the concentration of credit risk is low.

3. Liquidity risk

(1) The cash flow forecast is performed by each operating entity of the Group and compiled by the finance department. The finance department monitors the cash forecast to ensure that the Group's funds are adequate to finance its operations.

(2) The following tables detail the Company's non-derivative financial liabilities grouped by the maturity date. Non-derivative financial liabilities are analyzed based on the remaining contractual maturity. The contractual cash flows disclosed below are undiscounted, including principals and interest.

	Less than 1 Year	1~2 Year(s)	2~5 Years
December 31, 2018			
Non-interest bearing liabilities	$ 1,152,916	$ 109,949	$ 19,172
Fixed-rate instruments:	450,000	-	449,131
Floating interest rate instruments	-	-	350,000
	$ 1,602,916	$ 109,949	$ 818,303
December 31, 2017			
Non-interest bearing liabilities	$ 1,329,846	$ 47,820	$ 14,569
Fixed-rate instruments:	899,948	450,000	-
Floating interest rate instruments	-	-	350,000
	$ 2,449,894	$ 497,820	$ 364,569

The Company does not predict the occurred time of cash flow from maturity analysis will be significant earlier, or the actual amount will be significant different

(3) Line of credit

	December 31, 2018	December 31, 2017
credit line of unsecured bank loan		
—Amount used	$ 450,000	$ 300,000
—Amount unused	1,299,495	609,000
	$ 1,749,495	$ 909,000
credit line of secured bank loan		
—Amount used	$ 800,000	$ 1,400,000
—Amount unused	100,000	219,495
	$ 900,000	$ 1,619,495

XXXII. Related Party Transactions

In addition to those disclosed in other notes, material transactions between the Company and other related parties are as follows.

(I) Names and relationships of related parties

Name of related party	Relations with the Company
Shun Long International Electrical Engineering Co., Ltd. (Shun Long)	Subsidiary
WeBIM Services Co., Ltd. (WeBIM Services)	Subsidiary
Jin Gu Limited (Jin Gu)	Subsidiary
Chien Kuo Asia Co., Ltd. (Chien Kuo Asia)	Sub-subsidiary
Suzhou Chien Hua Concrete Co., Ltd. (Suzhou Chien Hua)	Sub-subsidiary
Wuxi Chien Bang Concrete Co., Ltd. (Wuxi Chien Bang)	Sub-subsidiary
Jianhui Investment Co., Ltd. (Jianhui Investment)	The Chairman of the Foundation is the vice chairman of the Company
Chien Kuo Foundation for Arts and Culture(The Foundation)	The Chairman of the Foundation is the vice chairman of the Company

(II) Outsourced Construction

Name of related party	No. of Contract	Amount of Contacts	Recognized as contract cost for current year	Accumulated as recognized contract cost	Account Payable
2018					
Shun Long	101C1503	$ 49,556	$ 11,913	$ 47,850	$ 730
	101C1502	431,047	52,808	399,643	43,753
	101C1504	234,480	73,118	90,586	17,167
	101C1603	75,335	25,364	31,519	11,874
	101C1605	268,458	89,403	101,171	52,512
	101C1702	287,919	11,079	13,083	10,773
	101C1703	551,658	44,863	47,037	35,717
	101C1707	400,493	2,380	2,380	2,380
	101C1701	112,760	9,588	8,688	3,696
	101C1802	472,939	405	405	405
	101C1803	203,000	260	260	260
	101C1604	3,750	1,800	3,300	158
	101C1705	8,304	3,718	3,718	277
		$ 3,099,699	$ 326,699	$ 751,215	$ 179,702
2017					
Shun Long	101C1502	$ 430,916	$ 321,352	$ 346,834	$ 141,855
	101C1503	47,465	27,584	35,937	9,634
	101C1504	234,480	16,722	17,468	6,067
	101C1603	75,463	5,572	6,155	3,589
	101C1604	3,750	1,500	1,500	1,575
	101C1605	281,283	11,768	11,768	11,164
	101C1701	6,750	675	675	709
	101C1702	307,000	2,004	2,004	2,004
	101C1703	530,135	2,175	2,175	2,174
		$ 1,917,242	$ 389,352	$ 424,516	$ 178,771

The amount of outsourced contracts with related parties is equivalent to non-related parties.

(III)Business Transaction

Items	Relations with the Company	2018	2017
Construction Cost	Subsidiary	$ 2,513	$ 5,510
Operation expenses	Subsidiary	$ 660	$ 413

(IV) Related Party Transactions

1.Rental expense

The Company rent the office form Jianhui Investment with local standards and lease payment is made monthly. The expense of lease in 2017 and 2018 are 5,604 thousand respectively.

2. Revenue of technical services

Then Company signed the technical service contract with subsidiaries. The subsidiaries have to pay service fee to the Company monthly under the contract. The amount paid by subsidiaries in 2017 and 2018 are 1,638 thousand and 3,032 thousand respectively and recognized as other revenue.

3. Donation expenditure

The Company's Board of Directors resolved on March 29, 2018 to donate to Chien Kuo Foundation for Arts and Culture a supporting fee for its broadcast production. Such donation was recognized for the annual period ended December 31, 2018 as a donation expense in the amount of NT$1,620 thousand.

3.Acquisition of financial assets

In 2016, the Group invested in CSVI VENTURES, L.P. with NT$ 12,900 thousand (US$ 400 thousand). The key decision maker of the fund is the Company's director.

(V) Endorsement guarantee

The Company as endorser

Name of related party	December 31, 2018	December 31, 2017
Suzhou Chien Hua	$ 172,326	$ 95,645
Wuxi Chien Bang	172,326	95,644
Shun Long	50,000	50,000
Jianya	-	178,560
	$ 394,652	$ 419,849

The Company as endorsee

Name of related party	December 31, 2018	December 31, 2017
Jin Gu	$ 184,320	$ -

(VI) Remuneration to key management

	2018	2017
Short-term employee benefits	$ 40,293	$ 36,284
Post-employment benefits	1,205	1,196
	$ 41,498	$ 37,480

Remuneration to directors and other key management is determined by the Compensation Committee by reference to personal performance and market trends.

XXVI Mortgaged Assets and Pledged Assets

The Company's assets listed below were provided as bank loans, collateral against litigations, deposits for construction performance obligation:

	December 31, 2018	December 31, 2017
Land held for construction	$ 463,577	$ 463,577
Financial assets measured at FVTOCI-non-current	-	27,308
Pledged certificate of deposit and reserve accounts - current (recognized in other current assets)	7,700	358,760
Pledged certificate of deposit and reserve accounts - non-current	-	26,700
Available-for-safe financail assets	-	26,700
Property, plant and equipment	6,312	6,361
Investment property	32,122	32,695
Other non-current assets	32,122	32,695
	$ 606,846	$ 915,401

XXIV. Significant Contingent Liabilities and Unrecognized Contract Commitments

Except for those disclosed in other notes, significant commitments and contingencies of the Company on the balance sheet date are as follows:

Contingency

7. Whereas, the construction of the National Kaohsiung Center for the Arts (Weiwuying) (hereinafter referred to as "the Project") undertaken by the Company was completed on December 16, 2016, and the Ministry of Culture of the Republic of China (hereinafter referred to as "the Ministry") began the initial acceptance inspection on February 20, 2017. During the acceptance process, the Company delivered the completed work in a gradual manner for users' utilization as per the instruction of the Ministry when other interface projects were still undergoing construction using the space. The Ministry even opened some facilities for public use without turning on related equipment to maintain appropriate temperature and humidity, resulting in the Project having unexpected damage and non-conformities. The Ministry required the Company to repair the damaged part, which caused the Project's failure to conform to the acceptance procedures within the time limit. The Ministry even proposed to impose a penalty fine for delay on the Company. The Company believes such application of law wrong and in violation of the principles of fairness and reasonableness. Therefore, it filed a request for mediation to the Complaint Review Board for Government Procurement under the Public Construction Commission of the Executive Yuan on October 9, 2018. This case is still under mediation.
8. Whereas, Shing Tzung Development Co., Ltd ("Shing Tzung" hereinafter) and its responsible person, Lu Kuo-Feng, were building a commercial-residential hybrid complex that has 5 floors below ground and 26 floors above ground located at Land No. 537, Zhangzhou Section, Kaohsiung City when the diaphragm wall construction, due to poor construction, damaged the neighbors' houses on July 20, 2014. Such incident ("Incident" hereinafter) had caused the houses located at 187th Lane, Ziqiang 3rd Road, Kaohsiung City to tilt substantially, to sink, and to exhibit cracked walls. Due to the Company's active participation in the repair work, a total of 25 house owners transferred a certain amount of their creditors' rights to the Company, by which the Company had petitioned the court for a provisional attachment against Shing

Tzung and its responsible person, and for a claim of NT$25 million plus the statutory delay interest accrued thereon from them. The initial verdict held that Shing Tzung had also paid related expenses for such an incident and thus agreed to that the expense contended to be paid by Shing Tzung should be offset against the credit rights to which the Company might be entitled. Therefore, the plantiff's case was rejected. The Company has recognized the total amount of NT$25 million that was previously presented under "payment on behalf of another party" as a loss based on the verdict.

In addition, Shing Tzung claimed that it had suffered loss from the Incident, in which case it shall have demanded compensation from the subcontractor responsible for constructing the diaphragm wall. To the contrary, in the face of the insufficient capital stock of the subcontractor, Shing Tzung turned to the Company for compensation for the Incident. The Company had also suffered loss from such Incident. Consequently, the Company filed a claim against Shing Tzung for compensation (including expenses incurred by the Company's participation in the repair work) and demanded that Shing Tzung return the promissory notes of performance guarantee to the Company. The two lawsuits were jointly tried by the Kaohsiung Qiaotou District Court. The court currently entrusted the Kaohsiung Association of Civil Engineering Technician and the Kaohsiung Association of Geotechnical Engineers to conduct a joint appraisal.

9. In 2000, Kun Yi Construction Co., Ltd. (Kun Yi) and the Company entered into "Earthwork and Site Preparation Construction Contract" (Earthwork Contract) and "Slope Protection and Retaining Wall Construction Contract" (Slope Protection Contract). Kun Yi claimed that the Company deducted the test fees and structure analysis fees in violation of the contracts, and requested the recovery of the price differences totaling NT$7.8 million. In September 2018, the Taiwan Taipei District Court ruled that we won the case. Since Kun Yi did not file an appeal after that, the verdict for the case was deemed final and binding.

10. The Company contracted a steel structure construction project to EGANG Co., Ltd. (EGANG) and a molding construction project to Yi-Xin Construction Co., Ltd. (Yi-Xin). As the steel structure collapsed on July 4, 2011, causing damage to the molding construction and materials, Yi-Xin sought compensation from the Company and EGANG for a total of NT$16.12 million. The Taiwan Taipei District Court sentenced the Company to pay to Yi-Xin a compensation equal to NT$11.62 million (including interest accrued at 5% per annum for the period from July 6, 2013 to the settlement date, as well as some court costs and expenses). The verdict of the case is now final and binding. Nonetheless, owing to that the Company obtained insurance claims of NT$6.77 million due to this case, the actual loss caused to the Company by such verdict was NT$ 4.85 million, which has been recognized by the Company as a loss for 2018.
11. As of December 31, 2018, the letters of performance guarantee issued by banks for the Group for undertaking construction amounted to NT$ 1,625,166 thousand.
12. As of December 31, 2018, the guarantee notes in deposit issued by banks for the Group for business purposes amounted to NT$ 679,848 thousand.

XXVIII. Significant Subsequent Events:

The resolution by the Company’s Board of Directors to have a capital reduction by 20% and return such share capital payments to shareholders in the amount of NT$668,600 thousand on March 28, 2019 will be carried out after it has been adopted by the Shareholders' Meeting for 2019 and reported to and approved by the competent authority.

XXIX. Information on Foreign Currency Assets and Liabilities Wielding Significant Influence

Information expressed below followed by foreign currency summary except from functional currency of the Company, the exchange rate disclosed is the exchange rate of foreign currency into functional currency. Information on foreign currency assets and liabilities wielding significant influence is as follows:

Unit: Foreign currency/NT$1,000

December 31, 2018

	Amount in Foreign Currency	Exchange rate	Carrying Amount
Financial assets			
Non-monetary items			
USD	160,390	30.72(USD: RMB)	4,924,319

December 31, 2017

	Amount in Foreign Currency	Exchange rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 20,092	29.76 (USD: NTD)	$ 597,938
Non-monetary items			
USD	161,222	29.76 (USD: NTD))	$ 4,797,964

The unrealized gain or loss on foreign currency exchange of significance is as follows:

	2018		2017	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
Financial assets				
USD	30.15 (USD:NTD)	$ -	29.76 (USD:NTD)	(49,894)

XXX. Additional Disclosures

Information on (I) significant transactions and (II) invested companies is as follows:

12. Loans to others: (Appendix Table 1)
13. Endorsements and Guarantees (Appendix Table 2)
14. Marketable Securities Held at the End of the Period (Excluding investment in Subsidiaries, Associates and Joint Ventures) (Appendix Table 3)
15. Aggregate trading value on the same securities (including purchase and sales) reaching NT$300 million or 20 percent of the paid-in capital or more: (Appendix Table 4)

16. Acquisition of Property Amounting to At Least NT$ 300 Million or Exceeding 20% of Paid-in Capital.
17. Disposal of real estate at costs of at least NT$300 million or 20% of the paid-in capital: (None)
18. Purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: (Appendix Table 5)
19. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (None)
20. Derivatives trading. (None)
21. Information on invested companies: (Appendix Table 6)

(III) Information on investments in mainland China:

3. Information on invested companies in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss on investments, carrying amount of investment at the end of the period, gain on repatriated investment and ceiling of investments in mainland China: (Appendix Table 7)
4. Any of the following significant transactions with invested companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms and unrealized gain or loss: (None)
   (7) Purchase amount and percentage, and the ending balance and percentage of payables.
   (8) Sales amount and percentage, and the ending balance and percentage of receivables.
   (9) Property transaction amount and the resulting gain or loss.
   (10) Ending balance and purposes of endorsement/guarantee or collateral provided.
   (11) The maximum balance, ending balance, interest rate and total amount of current interest of financing facilities.
   (12) Other transactions having a significant impact on profit or loss or financial position for the period, such as provision or receipt of service.

Chien Kuo Construction Co. Ltd.

Loans to Others

January 1, 2018 ~ December 31, 2018

Appendix Table 1

Unit: In Thousands of New Taiwan Dollars

No.	Company as creditor	Company as debtor	Financial Statement Account	Whether a Related Party	Highest balance in the current year	Balance - end of year	Actual Amount Used	Interest Rate Interval	Nature of Loans (Note 1)	Amount arising from ordinary course of business	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit of loan to a single entity	Limit of total loans	Note
													Item	Value			
0	Chien Kuo Construction Co. Ltd.	Chien Kuo Development Co., Ltd.	Other receivables	Yes	$ 300,000	$ 300,000	$ -	1.2%	(1)	$ -	Operating capital	$ -	—	$ -	20% of the parent's net worth $ 982,131	40% of the parent's net worth $ 1,964,261	
1	Jianya（Yangzhou）Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	82,865	80,568	80,568	6.0%	(1)	-	Operating capital	-	—	-	20% of the parent's net worth $ 151,775	40% of the parent's net worth $ 151,775	
2	Jianya（Nantong）Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	162,051	161,136	161,136	6.0%	(1)	-	Operating capital	-	—	-	20% of the parent's net worth $ 162,159	40% of the parent's net worth $ 162,159	
3	Jianya（Yangzhou）Information Technology Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Other receivables	Yes	81,025	80,568	80,568	6.0%	(1)	-	Operating capital	-	—	-	20% of the parent's net worth $ 250,667	40% of the parent's net worth $ 250,667	
4	Jianya（Yangzhou）Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	171,053	170,088	170,088	6.0%	(1)	-	Operating capital	-	—	-	20% of the parent's net worth $ 250,667	40% of the parent's net worth $ 250,667	

Note 1: The nature of loans is described as follows:

3. For the purpose of short-term financing.

4. Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as at December 31, 2018 (RMB1＝NT$4.476).

Chien Kuo Construction Co. Ltd.

Endorsements and Guarantees

January 1, 2018 ~ December 31, 2018

Appendix Table 2

Unit: In Thousands of New Taiwan Dollars

No.	Endorsement/Guarantee Provider Company Name	Parties Being Guaranteed		Limit of Endorsements and Guarantees for a Single Entity (Note 1, 2, 4)	Maximum Guarantee Amount Balance (Note 1)	Outstanding Guarantee Amount - end of year (Note 1)	Actual Amount Used (Note 1)	Amount of Endorsement and Guarantee Secured with Properties	Ratio of the accumulated amount of endorsement and guarantee to the net worth on the latest financial statements	Limit of guarantee and endorsement (Notes 1, 3 and 4)	Endorsements and Guarantees Made by Parent for Subsidiaries	Endorsements and Guarantees Made by Subsidiaries for parents	Endorsements and Guarantees made for entities in China	Note
		Company Name	Relationship											
0	Chien Kuo Construction Co. Ltd.	Chien Kuo Asia Co., Ltd.	Sub-subsidiary	$ 2,455,327	$ 179,700	$ -	$ -	$ -	3.70%	$ 4,820,162	Y	N	N	Financing endorsement/guarantee
		Suzhou Chien Hua Concrete Co., Ltd.	Sub-subsidiary	2,455,327	177,239	172,326	102,500	-	1.98%	4,820,162	Y	N	Y	Financing endorsement/guarantee
		Wuxi Chien Bang Concrete Co., Ltd.	Sub-subsidiary	2,455,327	177,238	172,326	109,662	-	1.98%	4,820,162	Y	N	Y	Financing endorsement/guarantee
		Shun Long International Electrical Engineering Co., Ltd.	Subsidiary	2,455,327	50,000	50,000	-	-	1.04%	4,820,162	Y	N	N	Financing endorsement/guarantee
1	Jin Gu Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent company	11,374,796	185,760	184,320	184,320	-	-	10,414,117	N	Y	N	Financing endorsement/guarantee

Note 1: Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as at December 31, 2018 (US$1 = NT$30.72).

Note 2: The limit on endorsements/guarantees provided for each guaranteed party is calculated as follows:

1. The limit on endorsements/guarantees made to the same trade should be 200% of net worth of shareholders' equity.
2. The limit on endorsements/guarantees made to other guaranteed parties should be 50% of net worth of shareholders' equity.

Note 3: The maximum endorsement/guarantee amount allowable is calculated as follows:

1. The maximum endorsement/guarantee amount allowable to the same trade should be 400% of net worth of shareholders' equity.
2. The maximum endorsement/guarantee amount allowable to other guaranteed parties should be 100% of net worth of shareholders' equity.

Note 4: The limit on endorsement and limit on endorsement and guarantee made by Jin Gu Co., Ltd. for a single entity are calculated as follows:

1. The limit on endorsements/guarantees made for a single entity should be 400% of net worth of shareholders' equity.
2. The limit on endorsements/guarantees made to other guaranteed parties should be 400% of net worth of shareholders' equity.

Chien Kuo Construction Co. Ltd

Marketable Securities Held by the End of the Period

December 31, 2018

Appendix Table 3

Unit: In Thousands of New Taiwan Dollars

Holder Company	Type and Name of Marketable Securities	Relationship with the security issuer	Financial Statement Account	Ending				Note
				Number of Shares (in Thousands)	Carrying Amount	Shareholding Percentage (%)	Fair value	
Chien Kuo Construction Co. Ltd.	Stock							
	Taiwan Cement Corporation	—	Financial assets at FVTOCI-non-current	5,510	$ 196,150	0.11	$ 196,150	(Note 5)
	Chia Hsin Cement Corporation	—	Financial assets at FVTOCI-non-current	6,853	93,201	0.88	93,201	(Note 1)
	Chia Hsin Cement Corporation	—	Financial assets at FVTOCI-current	1,114	15,157	0.14	15,157	—
Jin Gu Co., Ltd.	Funds							
	YUANTA DIAMOND FUNDS SPC - YUANTA PRIVATE EQUITY FUND SP	—	Financial assets at FVTPL-non-current	10	35,729	-	35,729	—
	PVG GNC VENTURES, L.P.	—	Financial assets at FVTPL-non-current	-	24,215	5.00	24,215	
	CSVI VENTURES, L.P.	Note 3	Financial assets at FVTPL-non-current	-	23,494	5.13	23,494	
	Stock							
	Chia Hsin Cement Corporation	—	Financial assets at FVTPL	175	2,383	0.02	2,383	—
	Bonds							
	POLY REAL ESTATE GROUP CO. LTD	—	Available-for-sale financial assets	1,850	57,060	-	57,060	—
Wuxi Chien Bang Concrete Co., Ltd.	Funds							
	Jinniu China New Dynamic Fund	—	Available-for-sale financial assets	3,086	11,736	-	11,736	—
	Stock							
	Common stock of China Mobile Communications Corporation	—	Financial assets at FVTPL	82	23,807	-	23,807	—
	Structured Deposit							
	OCBC Bank (China) Co., Ltd.	—	Financial assets at FVTPL-current	-	$ 79,739	-	$ 79,739	(Note 4)
	Fubon Bank (China) Co., Ltd	—	Financial assets at FVTPL-current	-	23,636	-	23,636	(Note 4)
Suzhou Jianhua Concrete Co., Ltd.	Structured Deposit							
	Fubon Bank (China) Co., Ltd	—	Financial assets at FVTPL-current	-	19,914	-	19,914	(Note 4)

Jiangsu Shili Construction Co., Ltd.	Structured Deposit Agricultural Bank of China Limited	—	Financial assets at FVTPL-current	-	35,868	-	35,868	—

Note 1: Among them, 2,000 shares are pledged to the bank as collateral for the performance of construction contracts.

Note 2: For investment in subsidiaries, please refer to Appendix Table 6 and 7.

Note 3: The chief decision makers of the fund are the directors of the Company.

Note 4: Collateral to the bank against the credit line of bank's acceptance bills.

Note 5: Among them, 1,892 thousand shares were pledged to the court as collateral against the litigation between the Company and Shing Tzung.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Aggregate trading value on the same securities (including purchase and sales) reaching NT$300 million or 20 percent of the paid-in capital or more

January 1, 2018 ~ December 31, 2018

Appendix Table 4

Unit: In Thousands of New Taiwan Dollars

Purchaser/Seller	Type and name of marketable securities	Financial Statement Account	Counterparty	Relationship	Beginning balance		Buy		Sell				Share of gains or losses of investments	Changes in valuation gains or losses (Note 6)	Ending	
					Shares	Amount	Shares	Amount	Shares	Selling price	Carrying Cost	Gain (Loss) on Disposal			Shares	Amount
Wuxi Chien Bang Concrete Co., Ltd.	China International Fund Management Co., Ltd.	Financial assest at FVTPL	—	—	56,167	$ 255,811	132 (Note 1)	$ -	56,299	$ 257,248	$ 257,248	$ -	$ 604	$ 833	-	$ -
Suzhou Chien Hua Concrete Co., Ltd.	China International Fund Management Co., Ltd.	Financial assest at FVTPL	—	—	23,366	106,420	326 (Note 1)	-	23,692	110,961	110,961	-	1,512	3,029	-	-
Yangzhou Chien Yung Concrete Co., Ltd.	China International Fund Management Co., Ltd.	Financial assest at FVTPL	—	—	-	-	60,902 (Note 2)	275,932	60,902	277,157	277,157	-	4,114	(2,889)	-	-
Nantong Chien Cheng Concrete Co., Ltd.	China International Fund Management Co., Ltd.	Financial assest at FVTPL	—	—	-	-	32,679 (Note 3)	152,079	32,679	152,216	152,216	-	829	(692)	-	-

Note 1: Dividends received.

Note 2: Among which 902 units are dividends received.

Note 3: Among which 179 units are dividends received.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital:

January 1, 2018 ~ December 31, 2018

Appendix Table 5

Unit: In Thousands of New Taiwan Dollars

Purchaser/ Seller	Counter- party	Relationship	Transaction status				Reasons for and status of differences in transaction terms compared to arms-length transaction (Note 1)		Notes or accounts receivable (payable)		Note (Note 2)
			Purchases (sales)	Amount	Ratio to total purchase (sales)	Credit period	Unit Price	Credit period	Balance	Ratio to Notes or accounts receivable (payable)	
Chien Kuo Construction Co. Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiaries	Purchase	$ 326,699	8.99%	As contract	-	-	($ 179,702)	(15.45%)	
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent company	Purchase	(326,699)	(74.92%)	As contract	-	-	145,450	86.33%	

Note 1:Where the transaction terms for related parties are different from those of the arms-length transactions, the difference and the reason for it shall be stated in the columns titled "Unit price" and "Credit Period".

Note 2:If payments are collected (paid) in advance, the reasons, contractual terms, amounts, and difference from arms-length transactions shall be stated in the column titled "Notes".

Note 3:Paid-in capital refers to the paid-in capital of the parent. Where issuer's shares have no par value or where the par value per share is not NT$ 10, any calculations that involve paid-in capital ratio of 20% shall be replaced with the equity ratio of 10% attributable to the owners of the Company as stated in the balance sheet.

Chien Kuo Construction Co. Ltd.

Information on Investees and their Locations

January 1, 2018 ~ December 31, 2018

Appendix Table 6

Unit: In Thousands of New Taiwan Dollars

Investor	Name of Investee	Location	Main businesses	Original Investment Amount		Balance-ending			Income (Losses) of the Investee	Investment gain or loss recognized in the current period	Note
				End of Current Period	End of the Prior Year	Shares	Ratio (%)	Carrying Amount			
Chien Kuo Construction Co. Ltd.	Jin Gu Limited	British Virgin Islands	Reinvestment	$ 491,804	$ 656,126	15,740	100	$ 2,747,651	$ 133,818	$ 133,818	Subsidiary
	Yin Ying Holding Limited	British Virgin Islands	Reinvestment	1,065,645	1,065,645	32,701	100	2,176,668	140,475	140,475	Subsidiary
	Chien Kuo Development Co., Ltd.	Taiwan	Building construction commission; public housing lease	144,065	144,065	11,100	100	99,093	670	678	Subsidiary
	Shun Long International Electrical Engineering Co., Ltd.	Taiwan	Mechanical, electrical and plumbing engineering, undertaking and equipment/wholesale and retail	44,361	44,361	6,063	86.61	47,631	3,449	2,987	Subsidiary
	WeBIM Services Co., Ltd.	Taiwan	Construction technology	15,166	15,166	1,530	76.5	14,417	6,705	5,129	Subsidiary
	Anping Real Estate Co., Ltd.	Taiwan	Housing and building development and lease	140,000	140,000	14,000	100	134,376	(2,781)	(2,781)	Subsidiary
Yin Ying Holding Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Reinvestment	910,310	1,177,143	1,746	54.78	1,963,336	252,047	Not applicable.	Sub-subsidiary
Jin Gu Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Reinvestment	810,433	1,047,989	1,441	45.22	1,620,702	252,047	Not applicable.	Sub-subsidiary
Chien Kuo Asia Co., Ltd.	Shun Long (Hong Kong) Limited	Hong Kong	International trade	0.007794	0.007794	—	100	272	(38)	Not applicable.	Sub-subsidiary

Note 1: Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as at December 31, 2018 (US$1 = NT$30.72), except for profit or loss items, which are translated into New Taiwan Dollars by using the average exchange rate over January 1 - December 31, 2018 (US$1 = NT$30.15).

Note 2: For investment in investees in China, please refer to Appendix Table 9.

Chien Kuo Construction Co. Ltd

Investments in Mainland China

January 1, 2017 ~ December 31, 2018

Appendix Table 9

Unit: In thousands of NTD, unless otherwise stated

Investee in Mainland China	Main businesses	Paid-in Capital	Investment method	Accumulated investment amount remitted from Taiwan - beginning of period	Wire-in or wire-out investment amount		Accumulated investment amount remitted from Taiwan - end of period	Profit of loss of Investee	Direct and indirect percentage of ownership	Investment gain or loss recognized in the current period (Note 1)	Carrying amount - end of period (Note 1)	Accumulated Repatriation of Investment Income as of the end of the period.	Note
					Remitted	Received							
Shanghai Chien Kuo Concrete Co., Ltd.	Production and sale of concrete and concrete products	$ 153,969	Investment through a company founded in a third region	$ 125,779	$ -	$ -	$ 125,779	$ -	-	$ -	$ -	$ -	Note 4
Jianya（Yangzhou）Information Technology Co., Ltd.	Computer software technology development and consultation	110,592	Investment through a company founded in a third region	68,326	-	-	68,326	1,529	100%	1,529	153,277	-	
Suzhou Chien Hua Concrete Co., Ltd.	Production and sale of concrete and concrete products	421,632	Investment through a company founded in a third region	182,036	-	-	182,036	17,176	100%	17,176	571,218	-	
Kunshan Jianshan Concrete Co., Ltd.	Production and sale of concrete and concrete products	307,200	Investment through a company founded in a third region	230,025	-	-	230,025	-	-	-	-	-	Note 4
Wuxi Chien Bang Concrete Co., Ltd.	Production and sale of concrete and concrete products	438,528	Investment through a company founded in a third region	214,059	-	-	214,059	227,199	100%	227,199	1,556,839	-	
Changzhou Chien An Concrete Co., Ltd.	Production and sale of concrete and concrete products	76,800	Investment through a company founded in a third region	69,342	-	-	69,342	-	-	-	-	-	Note 4
Nantong Chien Cheng Concrete Co., Ltd.	Production and sale of concrete and concrete products	62,208	Investment through a company founded in a third region	244,471	-	-	244,471	533	100%	533	78,912	-	
Jianya（Nantong）Information Technology Co., Ltd.	Computer software technology development and consultation	153,600	Investment through a company founded in a third region	-	-	-	-	2,673	100%	2,673	164,784	-	Note 5
Yangzhou Chien Yung Concrete Co., Ltd.	Production and sale of concrete and concrete products	61,440	Investment through a company founded in a third region	197,041	-	-	197,041	5,118	100%	5,118	36,802	-	
Jianya（Yangzhou）Information Technology Co., Ltd.	Computer software technology development and consultation	248,832	Investment through a company founded in a third region	-	-	-	-	4,178	100%	4,178	254,770	-	Note 6
Shanghai Chien Chung Concrete Co., Ltd.	Production and sale of concrete and concrete products	76,800	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Kunshan Jindi Concrete Co., Ltd.	Production and sale of concrete and concrete products	43,008	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Zunyi Chien Bang Mining Co., Ltd.	Quarrying	156,660	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Changzhou Changlong Handling Co., Ltd.	Cargo handling	2,238	Investment through an existing company in a third region	-	-	-	-	(53)	100%	(53)	897	-	
Jiangsu Shili Construction Co., Ltd.	Construction consultation	64,512	Investment through a company founded in a third region and others	23,100	-	-	23,100	(603)	100%	(603)	74,659	-	
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	Construction consultation	18,432	Investment through a company founded in a third region and others	-	-	-	-	(113)	100%	(113)	22,825	-	
Loudi Chien Kuo Mining Co., Ltd. and other six invested companies	Quarrying	1,223,270	Investment through an existing company in a third region and others	36,840	-	-	36,840	-	（Note 5）	-	-	914,492	Note 4

Accumulated investment amount remitted from Taiwan to China as at end of current period	Approved amount through Investment Committee of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs
$1,420,697 (Note 3)	$596,038 (Note 2)	$2,969,684

Note 1: The amount was recognized based on the audited financial statements of investees in the same period.

Note 2: The amount authorized by the Investment Commission, MOEA was NT$1,604,461, of which NT$1,008,423 originated from the surpluses of invested companies in mainland China remitted to the third regions, and was not included in the calculation of the limit on investment.

Note 3: The amount remitted from Taiwan was NT$1,420,697, including the following expenses:

(1) Loss on investment:

Investee in Mainland China	Original Investment Amount	Inward Investment Amount	Loss on Investment
Shanghai Chien Chung Concrete Co., Ltd.	$ 33,553	$ 14,058	$ 19,495
Shanghai Ruihui Trading Co., Ltd.	9,210	916	8,294
Nanjing Jianxing Concrete Co., Ltd.	25,728	25,618	110
Jianxiang Management Consulting (Shanghai) Co., Ltd.	1,779	-	1,779

(2) NT$184,675 originated from the funds of the third regions.

Note 4: Changzhou Chien An Concrete Co., Ltd. was disposed of and the equity transfer was completed as at October 31, 2013. Shanghai Chien Chung Concrete Co., Ltd. and Zunyi Chien Bang Mining Co., Ltd. had been liquidated in 2015 and 2013, respectively. Loudi Chien Kuo Mining Co., Ltd. had been liquidated on August 15, 2016. Shanghai Chien Kuo Concrete Co., Ltd. had been liquidated on December 9, 2016; Jianshan Concrete Co., Ltd. was disposed of and the equity transfer had been completed as at August 23, 2017. Guangxi Hefa Mining Co., Ltd. was disposed of and the equity transfer had been completed as at September 22, 2017. Kunshan Jindi Concrete Co., Ltd. had been liquidated on January 18, 2018.

Note 5: Stock split from Nantong Chien Cheng Concrete Co., Ltd.

Note 6: Stock split from Yangzhou Chien Yung Concrete Co., Ltd.