

Stock Code: 5515



CHIEN KUO CONSTRUCTION CO.,LTD.

Notice to readers

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

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Chapter 1. Letter to Shareholders

Ladies and gentlemen:

In 2019, the operating strategy of Chien Kuo Construction was to proactively expand its construction business, improve the non-residential civil work and electro-mechanics businesses, and recorded continual growth for its overall engineering services. In view of the changing investment environment in Mainland China, the Company will turn to conservative operations and focus on recovering the operating receivables, so as to lower the business risk. Our revenue and profits throughout the year represent a slight decrease as compared to the previous year; however, we recorded a significant increase in cash inflow as compared to the previous year.

Over recent years, the business target for our construction business focused on three business areas—plants and offices, composite commercial facilities, and public construction on a turnkey basis. For the four years ended December 31, 2019, we obtained a total of 6 public construction cases on a turnkey basis. In addition, construction in progress comprised large-scale plants and offices and residential buildings projects launched by listed construction companies, achieving a total contract value of NT\$20 billion. The results and profits of our construction business have both recorded an increase in 2019. The concrete business in Mainland China turned to conservatism. With our stringent control on accounts and the execution of policy to accelerate the collection of receivables, the sales and profits decreased in 2019. Considering the sufficient status of the Group's cash, other than the distribution of cash dividends, the Company also carried out the capital reduction in cash in the amount of NT\$670 million, return the funds to our shareholders, so as to properly safeguard the return on equity of our shareholders.

The consolidated revenue for 2019 was NT\$6.33 billion, down 7% over 2018. The net income attributable to shareholders of the Company was NT\$180 million, down 13% over 2018, mainly due to the decrease in sales of concrete. Earnings per share was NT\$0.57. The following is a summary of the Company's 2019 consolidated business:

(I) Operational Highlight

Unit: NT\$ Thousand

Item	2019	2018	Growth
Operating revenue	6,331,757	6,824,128	-7%
Operating costs	5,781,552	6,082,369	-5%
Gross profit	550,205	741,759	-26%
Operating Expenses	377,048	381,479	-1%
Net operating income (loss)	173,157	360,280	-52%
Non-operating income and expense	121,268	14,843	717%
Income before tax	294,425	375,123	-22%
Net income	179,564	207,708	-14%
Net income attributable to non-controlling interest	(71)	2,037	-103%
Net income attributable to shareholders of the Company	179,635	205,671	-13%

(II) Cash Flows and Profitability Analysis

1. Cash Flows

Unit: NT\$ Thousand

Item	Amount
Net cash provided by operating activities	931,743
Net cash provided by investing activities	451,162
Net cash used in financing activities	(1,080,116)
Effect of exchange rate changes on cash and cash equivalents	(68,409)
Cash increase	234,380
Cash amount - beginning of the year	2,455,785
Cash amount - end of the year	2,690,165

2. Profitability Analysis

Item		2019	2018
Return on assets		2.2%	2.4%
Return on equity		3.9%	4.2%
Ratio of paid-in capital	Operating income	6.5%	10.8%
	Income before tax	11.0%	11.2%
Net profit margin		2.8%	3.0%
Earnings per share (NT\$)		0.57	0.62

As the Taiwanese government has been promoting the policies for curbing property prices, together with the effects of COVID-19 at the beginning of the year, the housing market has not picked up. The China-US trade war and the project measures for the repatriated funds of Taiwanese businesses have spurred the activity once again in the industry. Except for buildings of offices within the product category that is relatively stable, it is promising that the demand for plants for non-residential products will increase. Looking forward to 2020, the construction business will continue to make innovation to improve the value of technology differentiation, expand its business to include plants, composite commercial facilities, and turn-key business by integrating the professional capacities of electro-mechanics and BIM. For the residential building, the Company will aim at delicate projects from excellent real estate developers. In view of the changing investment, political, and economic environment in mainland China, the Concrete Business will focus on recovering the receivables, so as to lower the business risk.

Bound by the core value of "Integrity, Optimization, Well-being, and Harmony," Chien Kuo Construction expects itself to be the "New Generation of Construction Teams That Is Technology-based, Social-cared, and Humanistic-aesthetics-oriented." Even though the Group's consolidated revenue and profits have recorded a slight decrease due to the reduction in the concrete business's results in Mainland China in 2019, the Company will focus on improving the construction business in Taiwan for its operations in the following year. Facing the raging outbreak of COVID-19 worldwide, the Group has conducted internal corresponding measures and preparation, and our finance and business have not been significantly affected. We will continue to revise our strategy and execution subject to the changes in the environment and spare no effort in creating the Company's value and shareholders' interests.

Last but not least, may all shareholders

Peaceful and joyful

Chairperson: Chang-shiou Wu

Chapter 2. Company Profile

I. Date of Incorporation: November 21, 1960

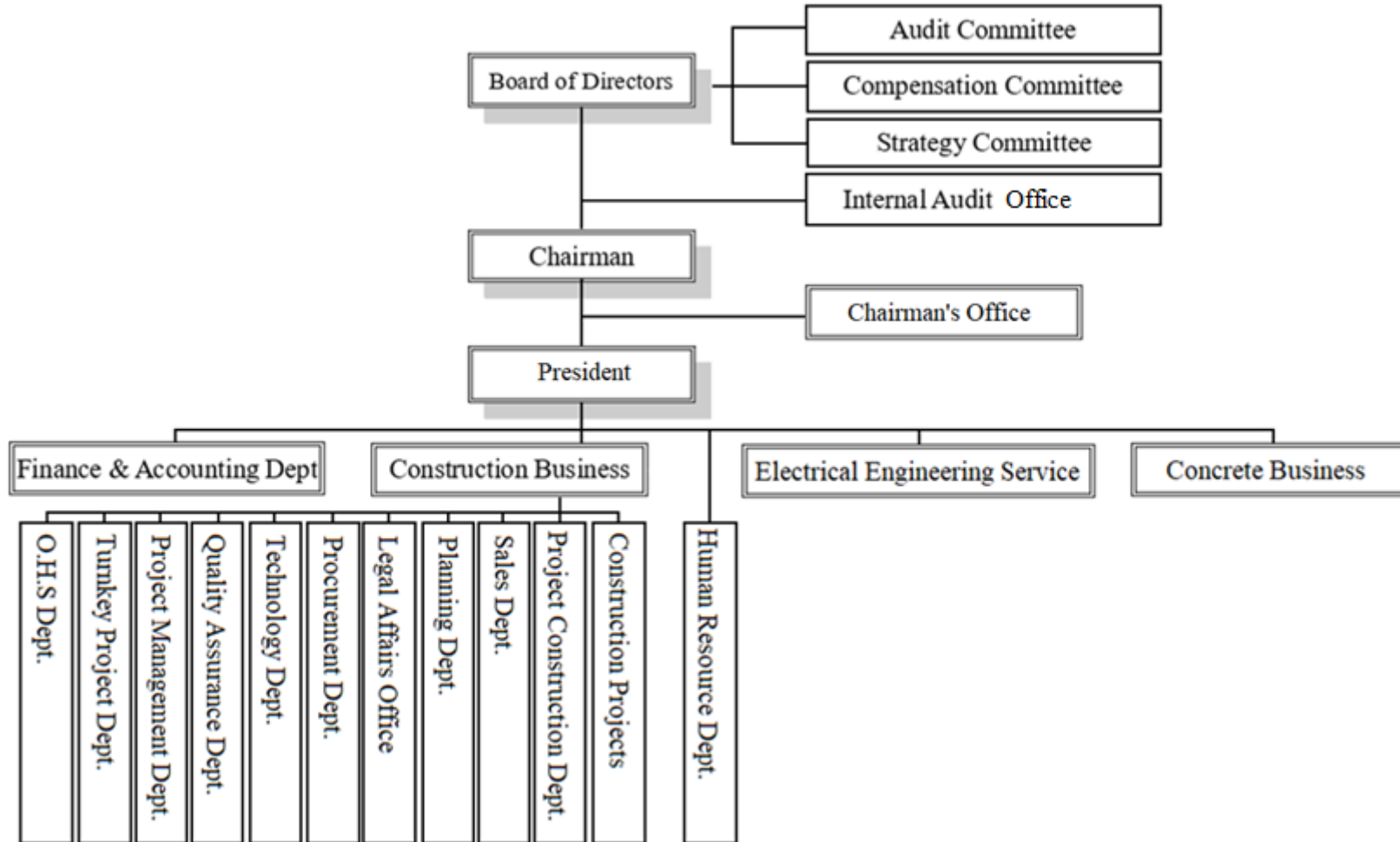
II. Company History

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 tailrace 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 awards.
1971	Mr. CHEN Jung-hui became the chairman.
1973	1. Contracted for the construction of the tailrace 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 premix concrete market in China.
1999	Officially listed as an OTC stock trade on TPEx.
2001	Established Shun Long International Electrical Engineering Co., Ltd. to integrate mechanical and electrical engineering
2003	Listed from TPEx to TWSE.
2005	Received Merit of Excellence in Construction from the Chinese Institute of Engineers
2008	Won the first place prize in the Golden Lion Award in the National Golden 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	Contracted for the interior utility and air conditioning engineering of National Kaohsiung Center for the Arts (Weiwuying)
2013	Established the subsidiary WeBIM Services Co., Ltd.
2015	1. Received the Excellence Award at 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 1. Mr. Chang-shiou WU, the corporate representative of Chien Hui Investment Co., Ltd., appointed as the Chairman. 2. The construction of the "Fubon Hotel" was awarded two awards, namely, the 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. 3. The construction of the "Pinyang Xinzhuang" project won two awards, namely, the 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. 4. The construction of the "Zhonglu No. 2" social housing project was awarded the MOL Golden Safety Award for Public Construction. 5. The construction of the "Fubon Infinite" project was awarded the Excellent Construction Site for 2018 by the Kaohsiung Environmental Protection Bureau. 6. The construction of the "Ruiguang Public House" social housing project won the Excellent Unit Award for Implementation at the Taipei City Labor Safety Award.
2019	<ol style="list-style-type: none"> 1. The construction of the "Zhonglu No. 2" social housing project won two awards, namely, the MOL Golden Safety Award for Public Construction and the Taoyuan City Public Construction Golden Award. 2. The construction of the "Ruiguang Public House" social housing project won two awards, namely, the MOL Golden Safety Award for Public Construction and the Excellent Unit Award for Implementation at the Taipei City Labor Safety Award. 3. The construction of the "Pinyang Xinzhuang" project won two awards, namely, the National Five-Star Award by the Ministry of Labor of the Executive Yuan and the Excellent Unit Award at the New Taipei City Labor Safety Award. 4. The construction of the "Fubon Hotel" was awarded two awards, namely, the 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. 5. The construction of the "Fubon Infinite" project was awarded the Excellent Construction Site for 2019 by the Kaohsiung Environmental Protection Bureau.

Chapter 3. Corporate Governance Report

- I. Organization
 - (I) Organizational Structure



(II) Major Business of the Major Departments

Department Name	Business
Chairperson Office	<ol style="list-style-type: none"> 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 the corporate image.
Construction Business	<ol style="list-style-type: none"> 1. Contract for and construction of residential buildings, factory, technology buildings, office buildings, medical facilities, 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	<ol style="list-style-type: none"> 1. Contract for 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.	<ol style="list-style-type: none"> 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. Proactively promote professional educational training (BIM, P6, standard drawing management), cooperate with the government to improve labors' expertise and major, and participate in the talent promotion programs organized by the Workforce Development Agency, Ministry of Labor. 5. Other personnel administration.
Finance and Accounting Dept.	<ol style="list-style-type: none"> 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. 5. Plan and implement the strategic development of enterprise-wide hardware and software. 6. Plan and implement relevant information security safeguards. 7. Build an ERP system and other services that are needed for future business development.

II. Information on Directors, General Managers, Deputy General Managers, Assistant Managers, and Heads of Departments and Branches

(I) Board of Directors

1. Directors Information

Date of Book Closure: April 25, 2020

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			Remark Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship	
Chairman	Republic of China (R.O.C.)	Chien Hui Investment Co., Ltd. Representative: Chang-shiou WU	Male	2018.06.29	3	2012.06.18	54,195,416 300,000	16.21% 0.09%	46,011,532 240,000	17.20% 0.09%	0 1,600	0.00% 0.00%	0 0	0.00% 0.00%	PhD. 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 and General Manager of Chien Kuo Construction Co. Ltd. Chairman (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 of Wuxi Chien Bang Concrete Co., Ltd. Director of Yangzhou Chien Yung Concrete Co., Ltd. Director of Chien Kuo Construction Consultant (Kunshan) Co., Ltd. Director of Chien Ya (Yangzhou) Technology Consultant Co., Ltd. Director of Chien Ya (Suzhou) Information Technology Consultant Co., Ltd. Director of Chien Ya (Wuxi) Information Technology Consultant Co., Ltd.				Note 1
Vice Chairperson	Republic of China (R.O.C.)	Chi-te CHEN	Male	2018.06.29	3	1988.04.27	20,307,858	6.07%	17,829,162	6.67%	2,101,672	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, Chien Hwei Investment Co., Ltd. Chairman (corporate representative), Rock Publishing International Chairman (corporate representative), Chien Kuo Development Director (corporate representative) of Shun				

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			Remark Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship	
																Long International Electrical Engineering Co., Ltd. Chairman (corporate representative), 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. 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%	1,393,166	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. 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. Chairman of Ding Bang International Co., Ltd.				
Director	Republic of China (R.O.C.)	Jianxiang 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%	578,400 440,216	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, Jianxiang Development Co., Ltd. Director, Jianxiang Investment Co., Ltd. Supervisor, Jianxiang 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%	48	0.00%	0	0.00%	PHD. Business Management, National Chengchi University MBA, University of Illinois at Urbana-Champaign, USA	Chairman (corporate representative), 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				

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			Remark Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship	
																Bank 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. Representative: Pai-tso SUN	Male	2018.06.29	3	2012.06.18 2015.08.18	54,195,416 0	16.21% 0.00%	46,011,532 0	17.20% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	Master of Business Administration, National Chengchi University Executive Deputy General Manager, Hong Pu Real Estate Development Co., Ltd. General Manager, Chien Kuo Asia Co., Ltd.	CFO of Chien Kuo Construction Co. Ltd. General Manager of Chien Kuo Development General Manager of 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 of Chien Ya (Shanghai) Information Technology Co., Ltd. Director of Chien Ya (Wuxi) Information Technology Consultant 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. 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%	1,209,804	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 Junvue 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%	1,440,316	0.54%	358	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	Independent Director, ECOVE Environment Corporation Independent Director, Sunny Friend	-	-	-	

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			Remark Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship	
															University	Environmental Technology Co., Ltd. Independent Director, TANVEX BIO PHARMA, INC. Adjunct Associate Professor, Department of Accounting, National 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.				
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 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. Adjunct Associate Professor, Tamkang University	-	-	-	

Note 1. Chang-shiou WU is currently holding the position as the Chairman and the General Manager, which is mainly due to the Company is now going through a successor program for its operating team, and no candidate for management is available before the program is completed. Also, it is difficult to find a suitable person within the short transition period; therefore, the position of the Chairman and the General Manager are currently held by the same person during the period. The Company will complete the program as soon as possible and elect a suitable person for the position. Furthermore, only two members of the Board of Directors are also the employees of the Company, which represent a ratio of less than the majority of the Board of Directors, and the Board of Directors are still highly effective in supervising the decision execution. Therefore, even though the position of the Chairman and the General Manager are currently held by the same person, the corporate governance of the Company still possesses the balanced function between decision execution and supervisory management.

2. Major institutional shareholders

April 25, 2020

Name of Institutional Shareholders	Major institutional shareholders	
	Shareholders	Shareholding Ratio (%)
Chien Hui Investment Co., Ltd.	Chi-te CHEN	89.26%
	Shen-yu PANG	9.63%
	Chen-ching CHEN	1.11%
Chien Siang 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

March 31, 2020

Name	Criteria	Possess At Least 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	11	12	
Corporate Representative of Chien Hui Investment Co., Ltd.: Chang-shiou WU				✓			✓	✓	✓	✓			✓	✓	✓		0
Chi-te CHEN				✓	✓			✓		✓			✓	✓	✓	✓	0
Pang-yen YANG				✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tzu-chiang YANG	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Corporate Representative of Chien Siang 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 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer as stated in (1) or any of the persons mentioned in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, or a top 5 shareholder, or a director or supervisor representative appointed by the Company in accordance with paragraph 1 or 2, Article 27 of the Company Act (excluding independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).
- (6) Not directors, supervisors or employees of other companies controlled by the same person holding a majority of the company's director seats or voting shares of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not directors (governors), supervisors or employees of other companies or institutions who are the same person or spouse as the chairperson, general manager or person holding an equivalent position of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not any director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (for a particular company or institution holds more than 20%, but not exceed 50%, of the company's issued shares, and the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, shall not be restricted by this provision.)
- (9) Not any professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. However, members of the special committee on remuneration, public acquisition review, or merger and acquisition who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.
- (10) Not a spouse or a relative within the second degree of kinship of other directors.
- (11) Not having any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.
- (12) 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

Date of Book Closure: April 25, 2020

Title	Nationality	Name	Gender	Date Elected (Appointed) Date	Shareholding		Spouse & Minor Children 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			Note
					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	240,000	0.09%	1,600	0.00%	0	0.00%	PhD. 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 and General Manager of Chien Kuo Construction Co. Ltd. Chairman (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 of Wuxi Chien Bang Concrete Co., Ltd. Director of Yangzhou Chien Yung Concrete Co., Ltd. Director of Chien Kuo Construction Consultant (Kunshan) Co., Ltd. Director of Chien Ya (Yangzhou) Technology Consultant Co., Ltd. Director of Chien Ya (Suzhou) Information Technology Consultant Co., Ltd. Director of Chien Ya (Wuxi) Information Technology Consultant Co., Ltd.	-	-	-	Note 1
Chief Financial Officer	Republic of China (R.O.C.)	Pai-tso SUN	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.	CFO of Chien Kuo Construction Co. Ltd. General Manager of Chien Kuo Development General Manager of 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 of Chien Ya (Shanghai) Information Technology Co., Ltd. Director of Chien Ya (Wuxi) Information Technology Consultant Co., Ltd.	-	-	-	
General manager of the concrete business	Republic of China (R.O.C.)	Kuo-feng TING	Male	2015.07.01	123,641	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 Wuxi Chien Bang Concrete Co., Ltd. Chairman and General Manager of Yangzhou Chien Yung Concrete Co., Ltd. Chairman and General Manager of Chien Kuo Construction Consultant (Kunshan) Co., Ltd. Chairman and General Manager of Chien Ya (Yangzhou) Technology Consultant Co., Ltd. Chairman and General Manager of Chien Ya (Suzhou) Information Technology Consultant Co., Ltd.	-	-	-	

Title	Nationality	Name	Gender	Date Elected (Appointed) Date	Shareholding		Spouse & Minor Children 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			Note
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationships	
Consultant	Republic of China (R.O.C.)	Yi-hsin PANG	Male	2013.07.22	9,735	0.00%	5,543	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 Dean Witter Reynolds Inc. USA Vice General Manager		-	-	-	
Consultant	Republic of China (R.O.C.)	Shi-ning DONG (Note 2)	Male	2020.01.02	100,000	0.04%	0	0.00%	0	0.00%	Master of Science in Civil Engineering, Bradley University, USA General Manager of Ruentex Engineering & Construction Co. Ltd. Director of Ruentex Resource Integration Co. Ltd. Director of Ruentex Materials Co., Ltd. Director of Ruentex Engineering & Construction (Shanghai) Co., Ltd.	General Manager of Shun Long International Electrical Engineering Co., Ltd.	-	-	-	
Special Assistant	Republic of China (R.O.C.)	Jin-hui ZHOU (Note 3)	Male	2020.03.16	0	0.00%	0	0.00%	0	0.00%	Master of Law, Soochow University Bachelor, Department of Electrical Engineering, National Taiwan University Chief of Business Section of Fu Tse Construction Co., Ltd. Executive Secretary of ROC Construction Industry Foundation for RnD	Vice General Manager of Shun Long International Electrical Engineering Co., Ltd.	-	-	-	
Vice General Manager	Republic of China (R.O.C.)	Hsi-chun LIU (Note 4)	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.	-	-	-	-	
Vice General Manager	Republic of China (R.O.C.)	Kuan-chun CHANG	Male	2016.04.16	76,024	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%	5,880	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 (Appointed) Date	Shareholding		Spouse & Minor Children 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			Note
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationships	
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	Male	2018.05.09	7,140	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	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 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 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	48,523	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 of Chien Ya (Wuxi) Information Technology Consultant 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. Manager of the Accounting Department of NCIC	Supervisor of Wuxi Chien Bang Concrete Co., Ltd. Supervisor of Yangzhou Chien Yung Concrete Co., Ltd. Supervisor of Chien Ya (Yangzhou) Technology Consultant Co., Ltd. Supervisor of Chien Kuo Construction Consultant (Kunshan) Co., Ltd. Director of Chien Ya (Shanghai) Information Technology Co., Ltd. Supervisor of Chien Ya (Suzhou) Information Technology Consultant Co., Ltd. Chairman and General Manager of Chien Ya (Wuxi) Information Technology Consultant Co., Ltd.	-	-	-	

Title	Nationality	Name	Gender	Date Elected (Appointed) Date	Shareholding		Spouse & Minor Children 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			Note
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationships	
												Supervisor (corporate representative) of Wan Chang Venture Capital Co., Ltd.				
Assistant General Manager	Republic of China (R.O.C.)	Shu-fen YANG	Female	2013.11.13	10,000	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. Chang-shiou WU is currently holding the position as the Chairman and the General Manager, which is mainly due to the Company is now going through a successor program for its operating team, and no candidate for management is available before the program is completed. Also, it is difficult to find a suitable person within the short transition period; therefore, the position of the Chairman and the General Manager are currently held by the same person during the period. The Company will complete the program as soon as possible and elect a suitable person for the position. Furthermore, only two members of the Board of Directors are also the employees of the Company, which represent a ratio of less than the majority of the Board of Directors, and the Board of Directors are still highly effective in supervising the decision execution. Therefore, even though the position of the Chairman and the General Manager are currently held by the same person, the corporate governance of the Company still possesses the balanced function between decision execution and supervisory management.

Note 2. Shi-ning DONG was newly elected on January 2, 2020.

Note 3. Jing-hui ZHOU was newly elected on March 16, 2020.

Note 4. Hsi-chun LIU resigned on January 6, 2020.

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

(I) 1. Remuneration Paid to General Directors and Independent Directors

Unit: NT\$ Thousand

Title	Name	Remuneration to Directors								(A+B+C+D) as a % of Net Income (Note 10)		Relevant Remuneration Received by a Director Who is Also an Employee of the Company								(A+B+C+D+E+F+G) as a % of Net Income (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or the Parent Company (Note 11)
		Base Compensation (A) (Note 2)		Pension (B)		Director's Remuneration (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonus and Special Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)						
		From the Company	From companies in the consolidated financial statements (Note 7)	From the Company	From companies in the consolidated financial statements (Note 7)	From the Company	From companies in the consolidated financial statements (Note 7)	From the Company	From companies in the consolidated financial statements (Note 7)	From the Company	From companies in the consolidated financial statements	From the Company	From companies in the consolidated financial statements (Note 7)	From the Company	From companies in the consolidated financial statements (Note 7)	From the Company		From companies in the consolidated financial statements (Note 7)		From the Company	From companies in the consolidated financial statements	
																Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
Chairman	Chien Hwei Investment Co., Ltd. Representative: Chang-shiou WU	2,280	2,280	0	0	6,495	6,495	150	150	4.97%	4.97%	12,196	17,478	0	0	8	0	8	0	11.76%	14.70%	None
Vice Chairperson	Chi-te CHEN																					
Director	Pang-yen YANG																					
Juristic-person Director	Representative of Chien Hsiang Investment Co., Ltd.: Jui-hsing TSAI																					
Director	Tzu-chiang YANG																					
Juristic-person Director	Chien Hwei Investment Co., Ltd. Representative: Pai-tso SUN																					
Director	Chung CHENG																					
Director	Chu-hsin LEE																					
Director	Yu-jui CHANG																					
Director	Chi-hsin CHEN																					
Independent Director	Chin-pao TSAI	2,880	2,880	0	0	0	0	150	150	1.69%	1.69%	0	0	0	0	0	0	0	0	1.69%	1.69%	
Independent Director	Chen-yu FENG																					
Independent Director	Li-hsing I																					

1. Please state the policies, systems, standards, and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to their responsibilities, risks, and time of investment:
The Regulations Governing Allocation and Payment of Remuneration to Directors was the basis for evaluation.

2. Except as disclosed in the above chart, remuneration to directors received due to the service provided to all companies listed in the financial statement in the most recent year: None

* The Company shall set out relevant information for Directors (general Directors who are not Independent Directors) and Independent Directors separately.

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\$ 1,000,000	Chen-yu FENG Li-hsing I Chien Hwei Investment Co., Ltd. Represented by Chang-shiou WU, Pai-Tso SUN Chien Siang Investment Co., Ltd. Represented by Jui-hsing TSAI	Chen-yu FENG Li-hsing I Chien Hwei Investment Co., Ltd. Represented by Chang-shiou WU, Pai-Tso SUN Chien Siang Investment Co., Ltd. Represented by Jui-hsing TSAI	Chen-yu FENG Li-hsing I Chien Siang Investment Co., Ltd. Represented by Jui-hsing TSAI	Chen-yu FENG Li-hsing I Chien Siang Investment Co., Ltd. Represented by Jui-hsing TSAI
NT\$1,000,000 ~ NT\$1,999,999	Chi-te CHEN Pang-yen YANG Tzu-chiang YANG Chung CHENG Chu-hsin LEE Yu-jui CHANG Chi-hsin CHEN Chin-pao TSAI	Chi-te CHEN Pang-yen YANG Tzu-chiang YANG Chung CHENG Chu-hsin LEE Yu-jui CHANG Chi-hsin CHEN Chin-pao TSAI	Chi-te CHEN Pang-yen YANG Tzu-chiang YANG Chung CHENG Chu-hsin LEE Yu-jui CHANG Chi-hsin CHEN Chin-pao TSAI	Chi-te CHEN Pang-yen YANG Tzu-chiang YANG Chung CHENG Chu-hsin LEE Yu-jui CHANG Chi-hsin CHEN Chin-pao TSAI
NT\$2,000,000 ~ NT\$3,499,999	-	-	-	-
NT\$3,500,000 ~ 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	13	13	13	13

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), with their titles (Director or Independent Director) being listed separately, and the various payments shall be disclosed in aggregate.

Note 2. Refereed to the remuneration paid to directors in 2019 (including their salaries, duty allowance, severance payments, bonuses, and performance rewards).

Note 3. The remuneration paid to directors in 2019 was NT\$7,799 thousand as resolved by the Company's Board Meeting on March 27, 2020; 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 2019 (including transport, special expenses, various allowances, accommodation, vehicles, 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. Excluding the one company car and one driver provided by the Company. The car leasing expenses for the year totaled NT\$1,051 thousand.

- Note 5. Referred to the remuneration paid to directors in 2019 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). 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. Excluding the one company car provided by the Company. The car leasing expenses for the year totaled NT\$195 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) for 2019, disclose the amount of remuneration distributed to employees after being approved by the Board for the past year. For amounts that are unable to estimate, propose the distribution amount for the year based on the actual distribution made last year, and fill out the Table 1-3.
- 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 2019 was NT\$179,635 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 or the parent company shall be disclosed in this column.
b. Where a director has received compensation from an investee other than the Company’s subsidiaries or the parent company, such remuneration shall be consolidated into column I of the Table of Remuneration Range, which column shall then be changed to the title of “Parent Company and 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 or the parent company.
- * 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.

(I) 2. Remuneration Paid to General Directors and Independent Directors

Unit: NT\$ Thousand

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonus and special fee (C) (Note 3)		Profit Sharing- Employee Bonus (D) (Note 4)				Proportion of NIAT after summing up items A, B, C, and D (%) (Note 8)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or the Parent Company (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)	
								Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
General Manager	Chang-shiou WU	19,757	23,222	0	0	10,505	14,504	40	0	40	0	16.87%	21.02%	None
Chief Financial Officer	Pai-tso SUN													
General manager of the concrete business	Kuo-feng TING													
Consultant	Yi-hsin PANG													
Consultant (Note 10)	Shi-ning DONG													
Vice General Manager (Note 11)	Hsi-chun LIU													
Vice General Manager	Kuan-chun CHANG													
Vice General Manager	Wen-yun TIEN													
Vice General Manager	Kuo-feng LIN													
Vice General Manager	Mao-sheng KAN													
Vice General Manager	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\$ 1,000,000	Shi-ning DONG	Shi-ning DONG
NT\$1,000,000 ~ NT\$1,999,999	Kuo-feng LIN	Kuo-feng LIN
NT\$2,000,000 ~ NT\$3,499,999	Mao-sheng KAN Jun-kuang YANG Pai-tso SUN Yi-hsin PANG Hsi-chun LIU Kuan-chun CHANG Wen-yun TIEN Kuo-feng TING	Mao-sheng KAN Jun-kuang YANG Yi-hsin PANG Hsi-chun LIU Kuan-chun CHANG Wen-yun TIEN
NT\$3,500,000 ~ NT\$4,999,999	-	Pai-tso SUN 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\$50,000,000 ~ NT\$99,999,999	-	-
NT\$100,000,000 or above	-	-
Total	11	11

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

Note 2. Note 2: Referred to the salary, duty allowances and severance payments paid to the general manager or vice general manager in 2019.

Note 3. 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 for 2019. Excluding the one company car provided by the Company. The car leasing expenses for the year totaled NT\$195 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. Note 4: The compensation paid to employees in 2019 was NT\$7,799 thousand as resolved by the Company's Board Meeting on March 27, 2020; such amount for distribution was estimated in accordance with the Company's Regulations Governing Employee Compensation, as well as personal performance.

Note 5. 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. 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. 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. Note 8: "Net income" refers to the net income for 2019 amounted to NT\$179,635 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 of the Company's general manager and vice general managers received from investees other than the Company's subsidiaries or the parent company 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 or the parent company, such compensation shall be consolidated into column E of the Table of Remuneration Range, which column shall then be changed to the title of "Parent Company and 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. Shi-ning DONG was newly elected on January 2, 2020.

Note 11. Hsi-chun LIU resigned on January 6, 2020.

* 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.

(I) 3. Remuneration Paid to General Directors and Independent Directors

Unit: NT\$ Thousand

	Title (Note 1)	Name (Note 1)	Amount in Stock	Amount in Cash	Total	Total amount as percentage of net income (%)
Manager:	General Manager	Chang-shiou WU	0	56	56	0.03%
	Chief Financial Officer	Pai-tso SUN				
	General manager of the concrete business	Kuo-feng TING				
	Consultant	Yi-hsin PANG				
	Consultant (Note 3)	Shi-ning DONG				
	Special Assistant (Note 4)	Jin-hui ZHOU				
	Vice General Manager (Note 5)	Hsi-chun LIU				
	Vice General Manager	Wen-yun TIEN				
	Vice General Manager	Kuan-chun CHANG				
	Vice General Manager	Kuo-feng LIN				
	Vice General Manager	Mao-sheng KAN				
	Vice General Manager	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 2019 was NT\$7,799 thousand as resolved by the Company's Board Meeting on March 27, 2020; 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 net income for the for 2019 amounted to NT\$179,635 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. Shi-ning DONG was newly elected on January 2, 2020.

Note 4. Jing-hui ZHOU was newly elected on March 16, 2020.

Note 5. Hsi-chun LIU resigned on January 6, 2020.

(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	2018	2019
	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	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	13.33%	16.39%
Supervisor	0.12%	0%
General Manager and Vice General Managers	17.06%	21.02%

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 2019, 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	Attendance by proxy	Attendance (Presence) Rate (%) (Note 2)	Note
Chairman	Representative of Chien Hui Investment Co., Ltd.: Chang-shiou WU	6	0	100%	
Vice Chairperson	Chi-te CHEN	5	1	83%	
Director	Pang-yen YANG	5	1	83%	
Director	Representative of Chien Siang Investment Co., Ltd.: Jui-hsing TSAI	5	1	83%	
Director	Tzu-chiang YANG	5	1	83%	
Director	Chien Hwei Investment Co., Ltd Representative: Pai-tso SUN	5	1	83%	
Director	Chung CHENG	3	3	50%	
Director	Chu-hsin LEE	6	0	100%	
Director	Chi-hsin CHEN	4	2	67%	
Director	Yu-jui CHANG	5	1	83%	
Independent Director	Chin-pao TSAI	6	0	100%	
Independent Director	Chen-yu FENG	5	1	83%	Director Chin-Pao TSAI was delegated as a proxy to attend the 8th Board Meeting of the 21st session of Board of Directors.
Independent Director	Li-hsing I	6	0	100%	

Other Required Disclosure:

- I. Among the six board meetings held in 2019, 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. The Company has established its Audit Committee; for details, please refer to the operations of the Audit Committee under Article 14-5 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 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:
- (I) For the proposal to set a benchmark for the performance targets for the Company's professional managers for 2019 at the 5th Board Meeting of the 21st session Board of Directors, Chairman Chang-shiou WU abstained from the discussion due to the conflict of interests. Such a proposal was presided over by Vice Chairman Chi-te CHEN by proxy and was approved by the rest of the directors presenting or presenting by proxy as it had been proposed.
 - (II) For the proposal to release the restriction on part-time positions and non-competition clause at the 7th Board Meeting of the 21st session Board of Directors, Chairman Chang-shiou WU and Director Pai-tso SUN abstained from the discussion due to the conflict of interests. Such a proposal was presided over by Vice Chairman Chi-te CHEN by proxy and was approved by the rest of the directors presenting or presenting by proxy as it had been proposed.
 - (III) For the proposal to donate NT\$1.8 million to the Chien Kuo Foundation For Arts And Culture at the 7th Board Meeting of the 21st session Board of Directors, Director Chi-te CHEN abstained from the discussion due to the conflict of interests. Such a proposal was approved by the rest of the directors presenting or presenting by proxy as it had been proposed.
 - (IV) For the proposal regarding the basis for the source of the year-end performance incentives in 2019 at the 8th Board Meeting of the 21st session Board of Directors, Chairman Chang-shiou WU and Director Pai-tso SUN abstained from the discussion due to the conflict of interests. Such a proposal was presided over by Vice Chairman Chi-te CHEN by proxy and was approved by the rest of the directors presenting or presenting by proxy as it had been proposed.
 - (V) For the proposal to increase the appropriation limit from net income before tax as incentives at the 8th Board Meeting of the 21st session Board of Directors, Chairman Chang-shiou WU and Director Pai-tso SUN abstained from the discussion due to the conflict of interests. Such a proposal was presided over by Vice Chairman Chi-te CHEN by proxy and was approved by the rest of the directors presenting or presenting by proxy as it had been proposed.
- 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 suggestions, communicating with the management team well and thus maximizing shareholders interests. There were 6 Board Meetings held in 2019, where information transparency was evident in that all critical resolutions were posted onto the MOPS according to law.

Note 1. 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 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) Evaluation of the performance for the Board of Directors

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Content
Once a year	The evaluation regarding the performance of Board of Directors for the previous year shall be conducted in the 1st quarter of each year. For example, the performance evaluation for January 1, 2019 to December 31, 2019 shall be conducted in the 1st quarter of 2020.	Board of Directors, Individual Directors, Remuneration Committee, Audit Committee, Strategic Committee	Internal self-assessment of the Board of Directors, self-assessment of Directors, and self-assessment of functional committee	The performance evaluation on the Board of Directors: Include the degree of participation in the operation of the Company, the quality of the decision-making of the Board of Directors, the composition and structure of the Board of Directors, the selection and continuous education of Directors, and internal control. The performance evaluation on individual Directors: Include the knowledge about the Company's objectives and tasks, the understanding of Director's liabilities, the degree of participation in the Company's operations, the internal relationship management and communication, the specialty and continuous education of Directors, and internal control. The performance evaluation on the Strategic, Audit, and Remuneration committees: The degree of participation in the Company's operation, the cognition of the responsibilities of the functional committee, the quality of decision-making of the functional committee, the composition and selection of members of the functional committee, internal control.

(III) 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 Audit Committee of the Company held a total of 6 meeting in 2019.
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. A total of 6 meetings (A) were held by the Audit Committee in the most recent year. The attendance of independent directors is as follows:

Title	Name	Times of Attendance in Person (B)	Attendance by proxy	Rate of Attendance in Person (%) (B/A) (Note)	Note
Independent Director	Chin-pao TSAI	6	-	100%	
Independent Director	Chen-yu FENG	5	1	83%	
Independent Director	Li-hsing I	6	-	100%	

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
March 28, 2019	4th meeting of 1st-term	The proposal to adopt the Company's 2018 Annual Business Report, Financial Statements and Consolidated Financial Statements.	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 presenting or presenting by proxy.
		The proposal to assess the independence of, and to appoint, CPAs certifying the Company's financial statements.		
		The proposal to endorse/guarantee the new bank financing facility borrowed by invested subsidiaries		
		The proposal for the earnings distribution of the Company for 2018.		
May 9, 2019	5th Time, 1st Session	The proposal for the spin-off of Wuxi Chien Bang Concrete Co., Ltd. invested by the overseas investee of the Company, Chien Kuo Asia Co., Ltd..	Audit Committee: Unanimously approved by all committee members	Board of Directors: Approved by all directors presenting or presenting by

Date	Session	Meeting Content	Resolution	Company's Handling of the Opinions of the Audit Committee
		The proposal for the spin-off of Suzhou Chien Hua Concrete Co., Ltd. invested by the overseas investee of the Company, Chien Kuo Asia Co., Ltd..	present as it had been proposed. Submitted to the Board of Directors for resolution.	proxy.
		The proposal to loan funds to Chien Kuo Development Co., Ltd., a subsidiary.		
June 11, 2019	1st Extraordinary Meeting, 1st Session	The proposal to sell the equity of the China investee, Suzhou Chien Hua Concrete Co., Ltd..	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 presenting or presenting by proxy.
		The proposal to liquidate the equity of the China investee of the Company, Chien Ya (Nantong) Information Technology Consultant Co., Ltd..		
August 8, 2019	6th Time, 1st Session	The proposal for providing endorsement and guarantee regarding the additional bank facility credits of Wuxi Chien Bang Concrete Co., Ltd., an invested subsidiary.	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 presenting or presenting by proxy.
		The proposal to provide the endorsement or guarantee for the invested subsidiary, Shun Long International Electrical Engineering Co., Ltd., for the credit of bank facility.		
November 14, 2019	7th Time, 1st Session	The proposal to offer an annual audit plan for 2019 for Chien Kuo Construction Co. Ltd.	Audit Committee: Unanimously approved by all committee members presenting and presenting by proxy as it had been proposed. Submitted to the Board of Directors for resolution.	Board of Directors: Approved by all directors presenting or presenting by proxy.
		The proposal to provide the endorsement or guarantee for the invested subsidiary, Shun Long International Electrical Engineering Co., Ltd., for the credit of bank facility.		
December 25, 2019	8th Time, 1st Session	The proposal for capital reduction in cash and liquidation for the invested subsidiary of the Company, Anping Real Estate Co., Ltd..	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 presenting or presenting by proxy.
		To comply with the needs of internal adjustment of the CPAs, Deloitte Touche Tohmatsu, the Company will replace CPAs.		

(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).

The following table sets out the summary of subject matters for communication with the internal audit officers

Date	Subject Matter	Status
2019.01 ~2019.11	Audit report for January to November in 2019.	The internal auditors would regularly communicate with the Audit Committee regarding the results of the audit report and respond to relevant inquiries, and the same shall be regularly report to the Board of Directors.
2019.03.28 Audit Committee	The execution for the audit plan, deficiencies and anomaly report on internal control for January to February 2019. Discussion and communication on the regulations for the internal approval authority for the Board of Directors, the internal control system, the internal control self-evaluation declaration.	The communication with the Independent Directors of the Company for the audit execution and effectiveness remains healthy. No opinion from the meeting.
2019.05.09 Audit Committee	The execution for the audit plan, deficiencies and anomaly report on internal control for March to April 2019.	The communication with the Independent Directors of the Company for the audit execution and effectiveness remains healthy. A resolution is made to increase the cap for punishment regarding business contracting contracts and increase the approval authority.
2019.08.08 Audit Committee	The execution for the audit plan, deficiencies and anomaly report on internal control for May to July 2019.	The communication with the Independent Directors of the Company for the audit execution and effectiveness remains healthy. The meeting recommended to initiating the follow-up for the unfinished proposal at the meetings, as partial follow-up matters have been postponed for a long time. It shall be reported to the Chairman for requesting active improvements.
2019.11.14 Audit Committee	The execution for the audit plan for August to October 2019. The proposal for 2020 internal audit plan.	The communication with the Independent Directors of the Company for the audit operations remains healthy. After inquiring matters of staffing and operational risks, the Independent Directors agreed to pass the annual audit plan and submitted to the Board of Directors for approval. New

Date	Subject Matter	Status
		targets and dates for follow-up were set at the meeting for the unfinished overdue matters for follow-up, according to the current condition; however, such matters shall no longer be postponed.
2019.12.25 Audit Committee	The execution for the supervisory and audit plan of subsidiaries for September 2019.	The communication with the Independent Directors of the Company for the audit operations remains healthy, and the General Manager may be invited to participate in the meeting according to the requirements.

The following table sets out the summary of subject matters for communication with the CPAs

Date	Subject Matter	Status
2019.03.28 Audit Committee	Explanations of the audit results for 2018 financial report, including the key audit matters and applicable IFRSs.	The communication between the Independent Directors and the CPAs of the Company remained healthy, and the Independent Directors had no objection with the explanations made by the CPAs.
2019.11.14 Audit Committee	The review status for the 3rd quarter consolidated financial report and statements, the communication and explanation on annual key audit matters, and report on new orders from the competent authority. Meet with new CPAs.	The communication between the Independent Directors and the CPAs of the Company remained healthy, and the Independent Directors had no objection with the explanations made by the CPAs.

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: Not

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

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Evaluation Item	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefor																																																															
	Yes	No	Summary Description																																																																
implemented?			<p>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:</p> <p>1. Basic conditions and values: Gender, age, nationality and culture.</p> <p>2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.</p> <p>■ 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:</p> <p>1. Operation management ability.</p> <p>2. Financial analysis ability.</p> <p>3. Crisis management ability</p> <p>4. Leadership and decision-making ability</p> <p>5. Legal knowledge</p> <p>6. Ability to manage construction and civil engineering.</p> <p>■ Implementation status of the policy on diversification of Board members</p> <p>1. Each of the Company's 13 directors in 2019 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 are forward-looking, objective and comprehensive.</p> <p>2. There are two directors who are also a simultaneous employer of the Company, accounting for 15%; the three independent directors account for 23%, with one being a financial and accounting professional, another being a law professional, and the other being an engineering professional. The rest of directors have rich experience in business management, with professional skills such as financial analysis, crisis management, leadership and decision-making.</p> <p>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.</p> <p>4. Diversification status among the Board members is as follows:</p>																																																																
(II) In addition to the Remuneration Committee and the Audit Committee established according to law, has the company voluntarily established other functional committees?	V			No Deviation.																																																															
(III) Has the Company established standards to measure the	V		<table><tr><th>Core Diversification Item/Name of Director</th><th>Business Management</th><th>Financial Analysis</th><th>Crisis Management</th><th>Leadership and Decision Making</th><th>Law</th><th>Engineering Management</th><th>Construction and Civil Engineering</th><th>Others</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><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><td></td></tr><tr><td>Pang-yen YANG</td><td>V</td><td>V</td><td></td><td>V</td><td></td><td></td><td></td><td>Venture Capital</td></tr><tr><td>Tzu-chiang YANG</td><td>V</td><td>V</td><td></td><td>V</td><td></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><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><td></td></tr></table>	Core Diversification Item/Name of Director	Business Management	Financial Analysis	Crisis Management	Leadership and Decision Making	Law	Engineering Management	Construction and Civil Engineering	Others	Chang-shiou WU	V		V	V		V			Chi-te CHEN	V	V		V					Pang-yen YANG	V	V		V				Venture Capital	Tzu-chiang YANG	V	V		V				Venture Capital	Pai-tso SUN	V	V		V		V			Chung CHENG	V	V		V					No Deviation.
Core Diversification Item/Name of Director	Business Management	Financial Analysis	Crisis Management	Leadership and Decision Making	Law	Engineering Management	Construction and Civil Engineering	Others																																																											
Chang-shiou WU	V		V	V		V																																																													
Chi-te CHEN	V	V		V																																																															
Pang-yen YANG	V	V		V				Venture Capital																																																											
Tzu-chiang YANG	V	V		V				Venture Capital																																																											
Pai-tso SUN	V	V		V		V																																																													
Chung CHENG	V	V		V																																																															

Evaluation Item	Operation Status (Note)								Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefor																																																								
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performance of the Board, and does the Company implement such annually? Are the results submitted to the Board of Directors and used as references for the Director Remuneration and the nomination for reappointment?			<table><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>						Chu-hsin LEE	V	V		V				Chi-hsin CHEN	V							Yu-jui CHANG	V							Jui-hsing TSAI	V					V		Chin-pao TSAI	V	V	V					Chen-yu FENG					V			Li-hsing I	V			V		V		
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(IV) Does the company regularly evaluate the independence of CPAs?	V		<p>(II) The Company has established the Strategic Committee to focus on the decision-making for the operating direction of the Company; the Strategic Committee held a total of 6 meetings in 2019.</p> <p>(III) The Company has conducted the performance evaluation on the Board of Directors for the previous year in January 2020. 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.</p> <p>■ The measurement of the performance evaluation of the Board (including functional committees) includes five major dimensions:</p> <p>1. The extent to which they participate in the operation of the company.</p> <p>2. Improvement in the quality of Board decision-making.</p> <p>3. The composition and structure of the Board and various functional committees.</p> <p>4. Selection and continuing education of directors.</p> <p>5. Internal control.</p> <p>■ The measurement items of the performance evaluation of the Board made by Board members themselves comprise six major dimensions:</p> <p>1. Mastery of company goals and tasks.</p> <p>2. Cognition of directors' duties.</p> <p>3. The extent to which they participate in the operation of the company.</p> <p>4. Internal relationship management and communication.</p> <p>5. Selection and continuing education of directors.</p> <p>6. Internal control.</p> <p>■ Evaluation Outcome:</p> <p>1. Outcome of the self-conducted evaluation of overall Board performance (including functional committees).</p> <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> <p>2. The outcome of the self-conducted evaluation by Board members are all beyond the standard.</p>						Evaluation Dimension	Evaluation Outcome	The extent to which they participate in the operation of the company.	Beyond the standard	Improvement in the quality of Board decision-making.	Beyond the standard	The composition and structure of the Board and various functional committees.	Beyond the standard	Selection and continuing education of directors.	Beyond the standard	Internal control.	Beyond the standard	No Deviation.																																												
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		<div>3. The outcome of the above evaluation was reported to the Company's 10th Board Meeting of the 21st session on March 27, 2020.</div> <div>4. When selecting or nominating an independent director, the Company shall base its selection on the outcome of the evaluation of the performance of such an independent director.</div> <div>(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 5th Board Meeting of the 21st session on March 28, 2019. 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 Public Accountant of the Republic of China.</div> <table><thead><tr><th>Item</th><th>Result</th></tr></thead><tbody><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><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</td></tr><tr><td>2. No significant financial interest with the principal.</td><td><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</td></tr><tr><td>3. Avoid any inappropriate relationship with the principal.</td><td><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</td></tr><tr><td>4. 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Evaluation Item	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefor
	Yes	No	Summary Description	
IV. If the company is a publicly-listed company, does the company has sufficient qualified corporate governance personnel in place and assign a chief corporate governance officer, to handle matters relating to corporate governance (including but not limited to providing directors and supervisors with materials necessary to perform their duties, assist directors and supervisors in legal compliance, handling matters in connection with the Board Meeting and the Shareholders' Meeting in accordance with laws and regulations, and prepare meeting minutes for the Board Meetings and the Shareholders' Meeting)?	V		At the 4th Board Meeting of the 21st session on December 20, 2018, the Company established 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: 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 2019: 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.	No Deviation.
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?	V		(I) The Investor Zone on the Company's website can be accessed at: www.ckgroup.com.tw	No Deviation.
(II) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection	V		(II) The Company has set up an English website to enhance information 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.	No Deviation.

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefor
	Yes	No	Summary Description	
<p>and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(III) Does the company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.</p>		V	(III) Currently, the Company has not published and reported its annual financial report within two months after the end of a fiscal year, or published and reported its financial reports for the first, second and third quarters before the specified deadline; however, the Company published its operating status for each month in advance according to the self-closing status.	Subject to factors of the closing procedures of the Group, the vacation at the beginning of the year, the audit procedures of CPAs, and the schedule of the Board of Directors, the Company is unable to publish its financial report in advance.
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		<p>(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.</p> <p>(II) The situation of directors and supervisors for further training is declared on MOPS according to the prescribed time schedule.</p> <p>(III) The Company purchases liability insurance for directors every year and declares it on MOPS as required.</p> <p>(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 working ability, the successor is in line with the Company's principle of conduct 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 trainings and foster their own judgment on decision-making.</p> <p>(V) Linkage between directors performance evaluation and remuneration: 1. Compensation paid to directors are 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 remuneration for the Company's Directors shall subject to Article 23 of the Articles of Incorporation. The procedures for determining the remunerations shall be based on the results of the performance evaluation on the Company's Board of Directors and the Regulations Governing Allocation and Payment of Remuneration to Directors. Except for referring to the overall operating performance of the Company, the future operating risks</p>	No Deviation.

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Therefor
	Yes	No	Summary Description	
			and development trend in the future, the evaluation of the reasonable compensation shall also consider the personal performance achievement and the contribution to the Company's performance. 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.	
<p>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.</p> <p>In 2019, the Company has completed the following matters:</p> <ol style="list-style-type: none"> 1. Passed the information security policy to minimize the information security risks and allow the information system to function normally. 2. Completed the due diligence for human rights. 3. Passed the environmental policies to promote environmental protection as its corporate responsibility and included the same into its corporate governance. In the future, the Company will include the effects of climate change on the business operations of the Company into the scope for its operational risk evaluation. 				

Note: Provide a brief description in the summary description column, regardless 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 specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chen-yu FENG	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	-
Independent Director	Chin-pao TSAI	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	-
Independent Director	Li-hsing I	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Others	Kua-teng SU	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	-

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.

- (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 a managerial officer as stated in (1) or any of the persons mentioned in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, or a top 5 shareholder, or a director or supervisor representative appointed by the Company in accordance with paragraph 1 or 2, Article 27 of the Company Act (excluding independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).
- (6) Not directors, supervisors or employees of other companies controlled by the same person holding a majority of the company's director seats or voting shares of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not directors (governors), supervisors or employees of other companies or institutions who are the same person or spouse as the chairperson, general manager or person holding an equivalent position of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not any director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (for a particular company or institution holds more than 20%, but not exceed 50%, of the company's issued shares, and the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, shall not be restricted by this provision.)
- (9) Not any professional individual who, or an owner, partner, director, supervisor, or officer of a sole

proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. However, members of the special committee on remuneration, public acquisition review, or merger and acquisition who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.

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

2. Operations of the Remuneration Committee

(1) The number of members of the Remuneration Committee was 4 persons.

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

Title	Name	Number of Actual Attendance (B) Number of times	Attendance by Proxy Number of times	Rate of actual attendance (%) (Note)	Note
Convener	Chen-yu FENG	3	0	100%	
Member	Chin-pao TSAI	3	0	100%	
Member	Li-hsing I	3	0	100%	
Member	Kua-teng SU	3	0	100%	

Other Required Disclosure:

I. 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.

II. 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.

III. Subject matters and resolutions of the Remuneration Committee of 2019 are as follows:

Date of Convention	Subject Matter	Resolution	Company's Handling of the opinions of members of the Audit Committee
March 28, 2019 4th meeting of the third-term Board of Directors	I. The proposal to fix the performance target for the chairperson who is a concurrent general manager and the amount of compensation to employees and remuneration to directors and supervisors for 2019 II. The proposal for the amendment to the earnings standard before tax III. Proposal respecting the amount of compensation to employees and remuneration to directors and supervisors for 2018	Approved by all members and reported to the Board.	Approved by all directors present and implemented according to the meeting results.
May 9, 2019 5th Time, 3rd Session	I. Report items; no discussion item.	Approved by all members and reported to the Board.	
November 14,	I. The proposal to determine the basis for the	Approved by all	

2019 6th Meeting, 3rd Session	source of the year-end performance incentives in 2019 II. The proposal to increase the appropriation limit from net income before tax as incentives for segment managers in 2019.	members and reported to the Board.	
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- 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 and Deviations from the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEX Listed Companies” and the Reasons Thereof

Evaluation Item	Implementation Status (Note 1)			Corresponds to the and the reasons
	Yes	No	Summary Description (Note 2)	
I. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company’s operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 3)	V		The Company conducts the risk evaluation of environmental, social, and corporate governance aspects related to its operations based on the materiality principles. The Company individually evaluates the effects of the construction industry environment, information security, and climate change, and established relevant risk management policies to carry out cross-segment risk communication and adopt corresponding strategies in line with the cost-effect. The Company assigns a dedicated unit to execute the corresponding strategy, perform the drills for material potential risks and report the execution to the Board of Directors. For details of risk management, please refer to #page30-32# of the 2018 CSR Report.	No significant deviation
II. 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?	V		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 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 the 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.	No significant deviation
III. Environmental Issues (I) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(I) 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	No significant deviation No significant deviation

Evaluation Item	Implementation Status (Note 1)			Corresponds to the and the reasons
	Yes	No	Summary Description (Note 2)	
(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		Corporate Social Responsibility Best Practice Principles and Environmental Policy, and continues to effectively implement the Company's policy on developing a sustainable environment.	No significant deviation
(III) Does the company assess the potential risks and opportunities brought by climate changes, both for now and in the future, and take measures to cope with?	V		(II) 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. (III) 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 development countermeasures. Please refer to #page 32# of 2018 CSR Report.	
(IV) Does the company conduct statistics on the greenhouse gas emissions, water consumption, and total weight of waste for the past two years, and correspondingly formulate policies for energy conservation, carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?	V		(IV) 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. In 2019, CO2e was 149.39 tons, which comprised 7.14 tons of scope 1 CO2e and 142.25 tons of scope 2 CO2e. The water consumption of the corporate headquarters for 2018 was estimated to be approximately 1,352 tons, and the water consumption was 1,306 tons in 2019. The Company began to calculate the amount of waste produced from 2018; the construction waste was 8,903.45 tons and the domestic waste was 1,072.54 tons. In 2019, the construction waste was 16,220.84 tons and the domestic waste was 3,879.42 tons; legal suppliers are	No significant deviation

Evaluation Item	Implementation Status (Note 1)			Corresponds to the and the reasons
	Yes	No	Summary Description (Note 2)	
			engaged for the recycling according to the type of wastes.	
IV. Social Aspects				
(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(I) The Company formulates its code of practice based on requirements to protect labor rights, working rights, and human rights under the labor laws and regulations and international covenants of human rights as the standards for the Company to manage and the employees to observe.	No significant deviation
(II) Does the company establish and offer proper employee benefits (including compensation, leave, and other benefits) and reflect the business performance or results in employee compensation appropriately?	V		(II) The Company has a comprehensive level of positions and salary system; it provides salaries more favorable than the standard within the industry for its employees, and provides year-end bonus and performance incentives according to the personal performance and operating performance of the Company; furthermore, it provides festive bonuses for the three significant Chinese festivals for employees. In addition, the Company conducts the employee performance interview twice a year, and adjustments will be made to the salaries according to employees' performance.	No significant deviation
(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?	V		(III) The Company sets its primary target as creating a carefree working environment. Except for passing the certification to ensure the compliance with the basic requirements under the domestic environmental regulations and international safety regulations, the Company regularly conducts safety and hygiene education or promotion, so as to ensure that all employees may fulfill the safety and hygiene work.	No significant deviation
(IV) Does the company establish an effective career and competence development and training plans?	V		(IV) The Company allows employees to plan their learning path to improve their professional skills, which also include facing the requirements and challenges for career development, and the cultivation for learning diverse functions and managing capacity related to teamwork, communication, leadership, and finance. Therefore, the Company trains the professional capacities of its	No significant deviation
(V) Does the company provide employees with an effective training program respecting career competence development?	V			
(VI) Does the company formulate a vendor management policy requesting suppliers to comply with laws				

Evaluation Item	Implementation Status (Note 1)			Corresponds to the and the reasons
	Yes	No	Summary Description (Note 2)	
and regulations related to environmental protection, occupational safety and health, or labor rights, and supervised their compliance?			<p>employees from their on-boarding, together with core function training and management training. An occupational performance test would be conducted every quarter to understand the current staff function and the results of the development training and transfer of learning.</p> <p>(V) The Company provides professional customer services and strictly observes relevant laws and regulations and standards. To realize its professional services, the Company established a customer service line and disclosed the contact method on its website. Dedicated personnel would provide customer services to provide instant consultancy or dispute handling proposed by the corporate customers or end-consumers. They will explore the reason for the appeal content, provide instant corresponding disposals, and develop improvement strategies.</p> <p>(VI) The Company has established a stringent supplier selection assessment and evaluation operations, which require suppliers to provide documents of drawings, regulations, environmental, labor, safety and hygiene requirements for assessment. After the review, the dedicated unit would perform the contracting operations according to our procurement and contracting procedures. The requirements on the environment, occupational safety, and human rights of the Company will be clearly stated in the contract, and such requirements will be listed as one of the fulfillment conditions. Furthermore, during the construction period, the Company would regularly conduct auditing to determine whether the supplier has executed according to the contract. For any violation, the Company would request the supplier to make rectification immediately. Subsequently, the continued cooperation with the supplier will be subject to the execution and</p>	

Evaluation Item	Implementation Status (Note 1)			Corresponds to the and the reasons
	Yes	No	Summary Description (Note 2)	
			improvement of the supplier.	
V. Does the company refer to internationally recognized report preparation standards or guidance to prepare reports disclosing non-financial information of the Company, including CSR Report? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?	V		The Company publishes its governance information on the Market Observation Post System according to the law and sets a section exclusive for social participation and stakeholders on the Company's website. The Company started preparing its CSR Report since 2019, publicly disclosed information related to the corporate social responsibility of the Company, and continued to improve the quality of disclosures made in the report, with an aim to obtain the third-party assurance or certification in the future.	No significant deviation
VI. 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: 1. Execute the internal corporate communication program to improve the interaction frequency and their recognition with the organization. 2. Execute the public welfare renovation project to help vulnerable groups in improving their residence. 3. Execute corporate volunteers matching operations and encourage employees to apply for the corporate volunteer leave to participate in volunteering services for not-for-profit organizations. 4. Organize the content of the CSR educational training programs to assist employees in realizing relevant CSR projects. 5. Prepare the CSR Report and regularly disclose the CSR performance. 6. Execute the energy preservation plan in offices and regularly communicate and promote environmental-friendly conduct. 7. Assist the Corporate Governance Team in executing its corporate governance improvement plans.				
VII. 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 2019: (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 professional engineering colleagues to assist in planning, and prompted coordinating suppliers to participate in raising the resources needed for such a social welfare community. Raised daily necessities for the social welfare units in need, e.g., solicited clothing donation for Cihfang Care Center and festive food, such as moon cakes, 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. In the 2019, 136 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 1,038 hours; Between 2010 and				

Evaluation Item	Implementation Status (Note 1)			Corresponds to the and the reasons
	Yes	No	Summary Description (Note 2)	
2019, the Company has had a record of 2,144 people participating in charitable events and 8,630 hours of participation in volunteer service.				
(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 2019, the Company donated NT\$500,000 to the 30th “Indigence 30” campaign launched by the Genesis Social Welfare Foundation and appropriated a budget amounted to NT\$80,000 for an educational tour of the Chung Yi Social Welfare Foundation.				

Note 1. If “Yes” is checked in the operating status column, please explain the important policies, strategies, measures and implementation situations; if “No” is checked in the operating status column, please explain the reasons, as well as give relevant policies, strategies and measures to counter the situation.

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 for the operations.

Note 3. The principle of materiality refers to environmental, social and corporate governance issues that have significant impacts on the company's investors and other stakeholders.

(VI) Fulfillment of Ethical Corporate Management and Deviations from the Corporate Social Responsibility Best- Practice Principles for TWSE/TPEX Listed Companies and the Reasons Thereof

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Thereof
	Yes	No	Summary Description	
I. Establishment of ethical corporate management policies and programs	V		(I) In December 2018, the Company made the 3rd amendments to its “Ethical Corporate Management Best Practice Principles,” by which the directors, 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.	No Deviation.
(I) Does the company establish the ethical corporate management policies approved by the Board of Directors and specify in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and thorough implementation of such policies?	V		(II) The Company has set precautionary measures against unethical operating risks and promulgated such measures in management meetings, which measures include the prohibition of bribing and bribery-taking, the prohibition of providing illegal political contributions, the prohibition of making improper charitable donations or sponsorships, the prohibition of employees providing or accepting unreasonable gifts, hospitality or other illegitimate benefits.	No Deviation.
(II) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	V		(III) The Company regularly conducts necessary educational publicity for directors, functional committee members, managers and employees, and specifies various business regulations and e-mailboxes for filing a grievance, in order to prevent the occurrence of dishonesty. The various regulations are announced on the Company’s website.	No Deviation.
(III) 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? And does the company regularly review and amend the above policies?				
II. Implementation of Ethical Management				
(I) Does the company assess the ethics records of whom	V		(I) The Company collects the bank records of the person with whom it is	No Deviation.

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Thereof
	Yes	No	Summary Description	
<p>it has a business relationship with and include business conduct and ethics-related clauses in the business contracts?</p> <p>(II) Does the company set up a unit that is dedicated to or tasked with promoting the company's ethical standards and reports regularly (at least once a year) to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p> <p>(III) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?</p> <p>(IV) Does the company establish effective accounting systems and internal control systems to implement ethical corporate management and has its internal audit unit, based on the results of the assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?</p> <p>(V) Does the company provide internal and external ethical conduct training programs on a regular basis?</p>	V		<p>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-party involves in any unethical conduct, the Company may terminate or cancel the contract therebetween at any time.</p> <p>(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 on a regular basis.</p> <p>(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 conduct such as pursuing one's own interest.</p> <p>(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.</p> <p>(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.</p>	<p>No Deviation.</p> <p>No Deviation.</p> <p>No Deviation.</p> <p>No Deviation.</p>
III. Implementation of the Whistle-blowing Mechanism				

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Thereof
	Yes	No	Summary Description	
(I) Does the company establish specific whistle-blowing and reward systems, set up conveniently accessible whistleblowing channels, and designate responsible individuals to deal with the one being whistle-blown?	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 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.	No significant deviation
(II) Does the company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	V			No significant deviation
(III) Does the company adopt proper measures to prevent a whistle-blower from retaliation for his/her whistle-blowing?	V			
IV. Enhancing Information Disclosure Does the company establish specific whistle-blowing and reward systems, set up conveniently accessible whistleblowing channels, and designate responsible individuals to deal with the one being whistle-blown?	V		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):				
I. Ethical Corporate Management Action Plan:				
1. 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.				
2. 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.				
3. Amended the Employees Work Rules to promote the implementation of the Ethical Corporate Management Best Practice Principles.				
4. Unobstructed employee communication channels, e.g., setting up the employee communication box and a dedicated specialist, and handling face-to-face communication meetings with employees.				

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons Thereof
	Yes	No	Summary Description	
<p>II. Ethical Corporate Management Implementation:</p> <p>1. In August 2019, the Company organized the "Integrity Seminar," which provides a total of six hours of courses with themes covering "realizing our core value on the job," there were a total of 116 participants.</p> <p>2. In January, June, September, and November 2019, the Company organized seven sessions of training courses for new employees; each session has two hours of courses related to our corporate culture, ethical management, and internal control communication; a total of 85 employees completed the training.</p> <p>3. In April and July 2019, the Company organized two sessions of Chairman meetings, with a total of 24 participants, including new employees and senior employees, to meet the Chairman in person to discuss the Company's organizational culture and internal issues.</p>				

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

(VII) Internal Control System Implementation Status

1. Statement of Internal Control System

Chien Kuo Construction Co. Ltd.

Statement of Internal Control System

Date: March 27, 2020

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 2019:

- 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 internal managerial 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, 2019, 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 27, 2020, with all the 13 directors presenting or presenting by proxy having no dissenting opinions and affirming the content of this Statement.

Chien Kuo Construction Co. Ltd.

Chairperson: 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.

(VIII) 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.

(IX) 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
2019	2019.06.21	<ol style="list-style-type: none"> 1. Passed the Company's proposal of the 2018 Business Report and Financial Statements. 2. Passed the Company's 2018 earnings distribution proposal. 3. Passed the Company's capital reduction in cash and share capital refunding. 4. Passed the proposal to amend partial clauses of the Company's Articles of Incorporation. 5. Passed the proposal to amend the Company's "Procedure for Acquisition and Disposal of Assets." 6. Passed the proposal to amend the Company's "Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees." 	<ol style="list-style-type: none"> 1. The 2018 earnings distribution proposal has been fully executed. 2. Set July 20, 2019 as the ex-dividend date; completed the distribution of cash dividends on August 15, 2019. 3. Status of capital reduction in cash: Completed the issuance of new shares on December 3, 2019.

2. Important resolutions of the Board of Directors for 2019 and the year up to April 27, 2020

Date	Session	Proposal
March 28, 2019	The 5th meeting of Board of the 21st session	<ol style="list-style-type: none"> 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. III. Passed the earnings distribution plan of the Company in 2018. 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. Passed 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.

Date	Session	Proposal
		<p>XV. Passed the proposal of the Company endorsing/guaranteeing the new bank financing facility borrowed by invested subsidiaries</p> <p>XVI. Passed the proposal to set a benchmark for the performance targets for the Company's professional managers for 2019.</p> <p>XVII. Passed the proposal to set a benchmark for the performance bonus for the Company's professional managers.</p>
May 9, 2019	The 6th meeting of Board of the 21st session	<p>I. Passed the proposal to revise the Company's Articles of Incorporation</p> <p>II. Passed the spin-off of Wuxi Chien Bang Concrete Co., Ltd. invested by the overseas investee of the Company, Chien Kuo Asia Co., Ltd..</p> <p>III. Passed the spin-off of Suzhou Chien Hua Concrete Co., Ltd. invested by the overseas investee of the Company, Chien Kuo Asia Co., Ltd..</p> <p>IV. Passed the amendments to the Company's capital reduction in cash and share capital refunding.</p> <p>V. Approved to loan funds to Chien Kuo Development Co., Ltd., a subsidiary.</p> <p>VI. Passed the application of construction project guarantee credit made to KGI Bank for the business requirements of the Company.</p>
June 11, 2019	The 1st interim meeting of Board of the 21st session	<p>I. Passed the proposal to sell the equity of the China investee, Nantong Chien Cheng Concrete Co., Ltd..</p> <p>II. Approved the proposal for the Board of Directors to authorize the Chairman in derivative transactions for currency hedging requirements of invested companies.</p> <p>III. Passed liquidation for the equity of the China investee of the Company, Chien Ya (Nantong) Information Technology Consultant Co., Ltd..</p>
August 8, 2019	The 7th meeting of Board of the 21st session	<p>I. Approved the release of the restriction on part-time positions and non-competition clauses for managers of the Company.</p> <p>II. Passed the proposal to donate NT\$1.80 million to Chien Kuo Foundation For Arts And Culture.</p> <p>III. Passed the provision of endorsement and guarantee regarding the additional bank facility credits of Wuxi Chien Bang Concrete Co., Ltd., an invested subsidiary.</p> <p>IV. Passed the provision of endorsement or guarantee for the invested subsidiary, Shun Long International Electrical Engineering Co., Ltd., for the bank facility credit.</p>
November 14, 2019	The 8th meeting of Board of the 21st session	<p>I. Proposal to offer an annual audit plan for 2020 for Chien Kuo Construction Co. Ltd.</p> <p>II. Approved the basis for the source of the year-end performance incentives in 2019</p> <p>III. Approved to increase the appropriation limit from net income before tax as incentives for segment managers in 2019.</p> <p>IV. Passed the provision of endorsement or guarantee for the invested subsidiary, Shun Long International Electrical Engineering Co., Ltd., for the bank facility credit.</p>
December 25, 2019	The 9th meeting of Board of the 21st session	<p>I. Passed the capital reduction in cash and liquidation for the invested subsidiary of the Company, Anping Real Estate Co., Ltd..</p> <p>II. Approved to comply with the needs of internal adjustment of the CPAs, Deloitte Touche Tohmatsu, the Company will replace CPAs.</p> <p>III. Approved the release of restriction on non-competition for the accounting managers of the Company to concurrently hold position as the accounting managers of other companies.</p> <p>IV. Passed the proposal to revise the Company's "Corporate Governance Best Practice Principles."</p> <p>V. Passed the proposal to revise the Company's "Ethical Corporate Management Best Practice Principles."</p> <p>VI. Passed the proposal to revise the Company's "Regulations Governing Evaluation of Board Performance."</p>

Date	Session	Proposal
March 27, 2020	The 10th meeting of Board of the 21st session	I. Passed the proposal respecting the amount of compensation to employees and remuneration to directors and supervisors for 2019.
		II. Passed the proposal to adopt the Company's 2019 Annual Business Report, Financial Statements and Consolidated Financial Statements.
		III. Passed the Company's 2019 earnings distribution proposal.
		IV. Approved the implementation of treasury shares to repurchase the Company's shares.
		V. Approved matters relating to the date, place and subject matters of the 2020 Shareholders' Meeting.
		VI. Approved matters relating to the rights of shareholders with more than 1% shareholding to propose a proposal.
		VII. Approved to obtain the right-of-use assets of properties from the related party Jianhui Investment Co., Ltd..
		VIII. Approved the Company's "Statement of Internal Control System" for 2019.
		IX. Passed the proposal to amend a portion of the Company's "Regulations Governing Procedure for Board of Directors Meetings."
		X. Passed the proposal to amend a portion of the Company's "Audit Committee Charter."
		XI. Passed the proposal to assess the independence of, and to appoint, CPAs certifying the financial report.

(X) 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.

(XI) 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: None

V. CPA Fees

Unit: NT\$ Thousand

Name of Accounting Firm	Name of the accountants	Audit Fees	Non-Audit Fees					CPA Audit period	Note
			System design	Business registration	Human resource	Others (Note 2)	Subtotal		
Deloitte & Touche Taiwan	I-wen WANG Yu-wei FAN	2,625	-	-	50	446	496	2019.01.01-2019.09.30	1. Others include advance payment, typing and printing expenses of NT\$123 thousand, transfer pricing report of NT\$210 thousand, and capital reduction case of NT\$113 thousand. 2. In compliance with the needs of internal adjustment of the CPAs.
	I-wen WANG Lin Wên-Ch'in							2019.10.01-2019.12.31	

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.

- (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 10 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:

Date of Replacement	December 25, 2019		
Cause and details of the replacement	The CPA was replaced from the 4th quarter of 2019 due to the internal adjustment of the CPAs.		
Explanation on whether it is the commissioner who terminates or the CPA who rejects the commissioning	Party	CPA	Commissioner
	Condition		
	Active termination of the commission	Not applicable.	Not applicable.
	Rejection of (continuing) commission	Not applicable.	Not applicable.
Opinion and reasons for audit report issued during the two past fiscal years containing an observation other than unqualified ones	None.		
Any disagreement with the issuer	Yes		Generally Accepted Accounting Principles (GAAP) or activities
			Disclosure of financial reports
			Scope or procedure of audits
			Others
	None	✓	
	Description: Not applicable.		
Other items to be disclosed (items that shall be disclosed as prescribed by Article 10 Paragraph 5 Item 1 Point 4)	None.		

(II) The successor CPA:

Name of the accounting firm	Deloitte & Touche Taiwan
Name of CPA	CPAs I-wen WANG and Wen-qing LIN
Date of commissioning	December 25, 2019
Opinion inquiry on the accounting methods or principles for certain transactions and financial reporting and results possible arise before appointment	None.
Written opinion for matters with disagreements from the successor CPA to former 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, and Managers, and Major Shareholders Holding More Than Ten Percent (10%) of the Company's Shares in 2019 and up to the Issuance Date of the Annual Report:

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

Title	Name	2019		The closure of registrar is on April 25, 2020	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Chien Hwei Investment Co., Ltd.	(8,283,884)	(7,244,000)	0	0
Corporate representative of the Chairman of the Board	Chien Hwei Investment Co., Ltd. Representative: Chang-shiou WU	(60,000)	0	0	0
Vice Chairperson	Chi-te CHEN	(4,061,572)	(1,446,000)	1,582,876	0
Director	Pang-yen YANG	(348,292)	0	0	0
Director	Jianxiang Investment Co., Ltd.	(144,600)	240,000	0	(90,000)
Corporate representative of the director	Jianxiang Investment Co., Ltd. Representative: Jui-hsing TSAI	(110,055)	(110,000)	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
Director	Chung CHENG	0	0	0	0
Director	Chu-hsin LEE	0	0	0	0
Director	Chi-hsin CHEN	(360,080)	0	0	0
Director	Yu-jui CHANG	(302,451)	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	(60,000)	0	0	0
Chief Financial Officer	Pai-tso SUN	0	0	0	0
Consultant	Yi-hsin PANG	(2,434)	0	0	0
Vice General Manager	Mao-sheng KAN	(1,785)	0	0	0
Consultant	Shi-ning DONG	0	0	0	0
Special Assistant	Jin-hui ZHOU	0	0	0	0
Vice General Manager	Kuan-chun CHANG	(19,007)	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	(12,131)	0	0	0
Finance Manager	Ssu-chia KUNG	0	0	0	0
Accounting Manager	Shu-fen YANG	0	0	10,000	0
Major Shareholder	Chien Hwei Investment Co., Ltd.	(8,283,884)	(7,244,000)	0	0

Note: In December 2019, the Company had conducted the capital reduction in cash and canceled 66,860,026 issued shares, with a capital reduction ratio of 20%.

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

(III) Pledge of equity made by directors, 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. Chairperson: Chi-te CHEN	46,011,532	17.20%	0	0.00%	0	0.00%	Stone Publishing, Deqing Investment	Chairman is the same person.	-
Chi-te CHEN	17,829,162	6.67%	2,101,672	0.79%	0	0.00%	Daughter Chenching CHEN	Relatives within second degree of kinship	-
							Taiwan Cement Corporation	Director of the Company	
Chen-ching CHEN	13,585,515	5.08%	0	0.00%	0	0.00%	Chi-te CHEN	Relatives within second degree of kinship	-
							Deqing Investment	Supervisor of the Company	
Rock Publishing Intl. Chairperson: Chi-te CHEN	8,824,783	3.30%	0	0.00%	0	0.00%	Chien Hui Investment, Deqing Investment	Chairman is the same person.	-
Taiwan Cement Corporation Chairperson: An-ping CHANG	7,522,235	2.81%	0	0.00%	0	0.00%	Chi-te CHEN	Chi-te Chen is the representative of the corporate director of the company.	-
Deqing Investment Co., Ltd. Chairperson: Chi-te CHEN	5,760,000	2.15%	0	0.00%	0	0.00%	Chien Hui Investment, Rock Publishing Intl.	Chairman is the same person.	-
							Chen-ching CHEN	Supervisor of the Company	
HSBC Hosted Neon Free Weijie Master Fund Limited Partnership	5,294,400	1.98%	0	0.00%	0	0.00%	None	None	-
Taiwan Huiquan Beer Co., Ltd. Chairperson: Ya-chi MAI	5,105,400	1.91%	0	0.00%	0	0.00%	None	None	-
Treasury share account for Chien Kuo Construction Co., Ltd.	4,035,000	1.51%	0	0.00%	0	0.00%	None	None	-
Wu-hsien HSIEH	3,346,400	1.25%	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 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 25, the book closure date.

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

December 31, 2019

Unit: share;%

Reinvestment (Note 1)	Investment of the Company		Investments of Directors and managers and directly or indirectly controlled businesses		Portfolio investment	
	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)
Silver Shadow Holdings Limited	25,037,515	100%	0	0%	25,037,515	100%
Golden Canyon Limited	8,713,801	100%	0	0%	8,713,801	100%
Chien Kuo Development Co., Ltd.	11,100,000	100%	0	0%	11,100,000	100%
Shun Long International Electrical Engineering Co., Ltd. (Note 2)	6,063,000	86.61%	597,000	8.53%	6,660,000	95.14%
WeBIM Services Co., Ltd.	980,000	49%	0	0%	980,000	49%
Anping Real Estate Co., Ltd.	14,000,000	100%	0	0%	14,000,000	100%

Note 1. Investments accounted for using the equity method

Note 2. The shareholding change in Shun Long International Electrical Engineering Co., Ltd. was 100% as of March 31, 2020.

Chapter 4. Funding Status

I. Capital and Shares (I) Capitalization

Unit: New Taiwan Dollars (NT\$)

Month/ Year	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
1972.10	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
1973.08	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 the amount of NT\$46,500,000 Capitalization of capital reserves in the amount of NT\$13,500,000	None	Order Ref. No. (84) Taiwan-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	None	Order Ref. No. (86) Taiwan-Finance-Securities -

Month/ Year	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
						Capitalization of capital reserves in the amount of NT\$37,000,000 Cash increase by cash in the amount of NT\$47,100,000		(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 the amount of NT\$133,000,000	None	Order Ref. No. Taiwan-Finance-Securities - (1) - 0920134781 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-Securi- ties - (1) - 0930132035
2004.08	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-Securi- ties - (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-Securi- ties - (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	None	Order Ref. No.

Month/ Year	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\$223,000,000		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 NT\$58,556,430	None	Order Ref. No. Financial-Supervisory-Securities-Corporate-0990034545
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

Month/ Year	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
2019.09	10	500,000,000	5,000,000,000	267,440,105	2,674,401,050	Cash increase by cash in the amount of NT\$668,600,260	None	Order Ref. No. Financial-Supervisory-Securi ties-Corporate-1080329485

Unit: Shares

Type of shares	Authorized Share Capital			Note
	Issued Shares	Un-issued Shares	Total	
Listed Common Shares	267,440,105	232,559,895	500,000,000	-

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

(II) Composition of Shareholders

Date of Book Closure: April 25, 2020

Composition of Shareholders Quantity	Government Agency	Financial institution	Other Juridical Persons	Individuals	Foreign Institutions and Foreigners	Total
Number of Shareholders	0	0	144	15,456	46	15,646
Shares Held	0	0	90,313,967	163,814,781	13,311,357	267,440,105
Shareholding Ratio (%)	0.00%	0.00%	33.77%	61.25%	4.98%	100.00%

(III) Shareholding Dispersion

Date of Book Closure: April 25, 2020

Shareholding Intervals	Number of Shareholders	Shares Held	Shareholding Percentage
1 ~ 999	8,492	1,872,308	0.70%
1,000 ~ 5,000	3,970	10,106,078	3.78%
5,001 ~ 10,000	1,329	10,009,529	3.74%
10,001 ~ 15,000	463	5,742,386	2.15%
15,001 ~ 20,000	416	7,200,996	2.69%
20,001 ~ 30,000	305	7,533,575	2.82%
30,001 ~ 40,000	156	5,525,303	2.07%
40,001 ~ 50,000	87	3,945,808	1.48%
50,001 ~ 100,000	221	15,805,489	5.91%
100,001 ~ 200,000	99	14,058,697	5.26%
200,001 ~ 400,000	46	12,587,855	4.71%
400,001 ~ 600,000	18	8,970,950	3.35%
600,001 ~ 800,000	7	4,880,307	1.82%
800,001 ~ 1,000,000	4	3,630,167	1.36%
1,000,001 and over	33	155,570,657	58.16%
Total	15,646	267,440,105	100.00%

Note: The Company does not issue any preferred shares.

(IV) List of Major Shareholders

Date of Book Closure: April 25, 2020

Shareholder's name	Shareholding	Shares Held	Shareholding Percentage
Chien Hwei Investment Co., Ltd.		46,011,532	17.20%
Chi-te CHEN		17,829,162	6.67%
Chen-ching CHEN		13,585,515	5.08%
Rock Publishing Intl.		8,824,783	3.30%
Taiwan Cement Corporation		7,522,235	2.81%
Deqing Investment Co., Ltd.		5,760,000	2.15%
HSBC Hosted Neon Free Weijie Master Fund		5,294,400	1.98%
Taiwan Huiquan Beer Co., Ltd.		5,105,400	1.91%
Treasury share account for Chien Kuo Construction Co., Ltd.		4,035,000	1.51%
Wu-hsien HSIEH		3,346,400	1.25%

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

Year Item			2018	2019	Current year up to March 31, 2020 (Note 6)
Market Price per Share	Maximum		12.3	11.25	10.9
	Minimum		9.15	9.44	7.02
	Average		11.11	10.16	9.57
Net Worth per Share	Before Distribution		14.81	16.26	-
	After Distribution		14.31	(Note 5)	-
Earnings per Share	Weighted Average Shares		334,300,131	267,440,105	-
	Earnings per Share (Note 1)		0.62	0.57	-
Earnings Per Share (EPS) (DPS)	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)		17.92	17.82	-
	Price / Earnings Ratio (Note 3)		22.22	(Note 5)	-
	Cash Dividend Yield Rate (Note 4)		4.5%	(Note 5)	-

* If shares are distributed in connection with a 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 2019 Earnings Distribution Proposal, which was determined as the following table at the Board Meeting held on March 27, 2020, will be conducted in accordance with relevant regulations after it has been approved by the Shareholders' Meeting to be held on June 23, 2020.

Chien Kuo Construction Co. Ltd.
2019 Earnings Distribution Table

Unit: NT\$

Item	Amount	
Undistributed earnings - beginning		611,142,353
Profit after tax for the year	179,635,274	
Reverse from Special Capital Reserve arising from first adoption of TIFRS	7,176,070	
Remeasurement of defined benefit plans recognized under retained earnings	2,292,678	
Amount of net profit after tax for the period plus items other than net profit after tax for the period included in the undistributed earnings of the year		189,104,022
Provision of legal reserve (10%)		(18,910,402)
Reversal of special reserves mandatorily provided		18,089,542
Distributable earnings for the period		799,425,515
Distribution items		
Cash dividends to shareholders at NT\$0.5 per share		(133,720,052)
Undistributed earnings - ending		665,705,463

(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 net income before tax (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' remuneration. However, in the case that the Company still has cumulative losses, a portion of the net 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 subsidiaries who meet certain criteria and control, which are stipulated by the Board of Directors being authorized to do so.

2. The accounting treatment for the 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 and directors 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) for 2019 as follows: (a) 3% as compensation to employees in the amount of NT\$7,799 thousand; (b) 3% as remuneration to directors in the amount of NT\$7,799 thousand. The distributed amounts are identical to the estimated amounts for 2019.
 - (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\$9,200 thousand as employee compensation and NT\$9,200 thousand as remuneration to directors and supervisors for 2018.
- (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:

Calculated up to the book closure date: April 25, 2020

Number of Repurchase	8th (Batch)
Purpose of Repurchase	To maintain the Company's creditability and shareholders' interest
Type of shares repurchased	Ordinary shares
Upper limit of the total repurchase amount	NT\$1,461,891,000
Expected period of repurchase	March 30, 2020 to May 29, 2020
Expected number of shares to be repurchase	10,000,000 shares
Price range of shares to be repurchased	NT\$7.00 to NT\$10.00
Type and amount of shares Rrepurchased	4,035,000 ordinary shares
Amount of Shares Repurchased	NT\$33,169,688
Percentage of repurchased amount to the expected amount to be repurchased (%)	40.35%

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 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 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) Construction 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, Cathay Yueh project and Cathay Hwawei "Have A Rich Year" residential project.

B. Factory and Office Buildings

Taiwan factory market, impacted by international political forces, the repatriated period for Taiwanese companies to come back to Taiwan is expected to be during 2019 to 2021, which will give rise to demands for factory construction. Recently, the Company secured the Phase IV construction for TSMC's Fab 18 in Southern Taiwan Science Park. 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, and the auxiliary buildings of highspeed railway stations, to the current phase of construction of 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, the construction of the complex mall-office buildings and other projects continued to be launched domestically. 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 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. In detail work, the Company continued to deepen the usage of BIM to review, design, and output construction drawings, integrates various types of professional construction, 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 relevant cases for the reconstruction of the military dependents' villages in the early days, 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 in recent years, 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 in Taoyuan, the Company's design and integration capacity 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, and secured the Fuxing Public Housing in Taipei City and the Yangmei No.1 and Pingzhen No.1 Public Housing in Taoyuan City during 2019. 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 competitiveness in the turnkey business market.

(2) Concrete Business

The Company manufactures and sells commercial concrete in mainland China, and participates in concrete supply and pumping for construction of roads, bridges and high-rise residential projects.

2. Business Proportion:

Category \ Product	Business Proportion in 2018	Business Proportion in 2019
Construction Service	59.57%	75.38%
Concrete Business	40.43%	24.62%
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 long-term partnerships. Public works will focus on the turnkey projects, which will be involved in integration at the earlier planning stage.

(2) Concrete Business

The Company 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) 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. Expect for the layout in the residential market, the construction business of the Company will also diversify and expand into the commercial real estate field.

(II) Industry Overview

1. Industry Status

(1) Construction Service

A. Housing prices have bounced back after multiple years. Due to the China-US trade war, many Taiwanese businessmen have come back, giving rise to the housing market showing signs of bottoming out. In the next three to five years, the housing market will still remain at the so-called "big U-shaped bottom correction phase."

B. 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.

C. Public construction market
Looking at the development of Taiwan's overall political and economic environment, the government in 2020 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. 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 2020.

(2) Concrete Business

The primary suppliers for the mixing station and building materials are strictly regulated for the standard loading, resulting in a steep surge in logistics costs. Furthermore, the execution forces for local policies vary, resulting in the low centralization of the sector in the developed coastal areas.

The unspoken rule of providing advances within the sector also gave rise to the increase in account receivable, rendering adverse effects on long-term layout.

2. Industry characteristics

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

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 significant growth, 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 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 digital integral technology tool for civil engineering, construction, and electromechanical systems, BIM relies on personnel with professional knowledge in construction and information to solve various problems encountered in the whole life cycle.

- (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 meet customer needs. In addition, the Company will strengthen cost control and establish early warning and risk assessment mechanism, to step into another trend in the construction 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 model.

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. Therefore, public construction has become the battleground for large-scale construction companies. 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. The government hopes to integrate all the teams through a single contact window, and to activate government's assets throughout the life of the building.

C. Adjust the construction business model in line with environmental changes

Land, the material for the construction industry, has become rare. Therefore, the scale of business, human capital allocation and capital utilization need to be adjusted in line with the changes in the environment, for the purpose of steady development. This year, we will develop the regional land with future potential, track redevelopment zones with major construction themes, proper position plans, and develop and construct the development projects and special projects that have clear land ownership.

D. Strategic cooperation between the upstream and downstream

Construction management greatly values interface integration. In order to facilitate the progress of construction, most construction companies have long-term partnerships with their professional coordinating suppliers. In preparing a tender, it works with the professional coordinating suppliers for research and discussion; 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, allowing the construction to commence as scheduled for with the set quality.

E. 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.

F. 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).

(2) Concrete Business

Currently, the innovation and transformation of concrete and cement products industry are developing toward the green production direction with low-carbon and high-efficiency.

5. Competition situation

(1) Construction Service

The number of domestic construction companies registered was about 18,000, about 90% of them belonged to small and medium-sized enterprises, lacking a stable financial structure and sufficient engineering staff. The Company was established in 1931. So far, with its abundant technicians and professional team, 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 Wuxi, where the competition remains intense. With its cost control capacity and stable financial structure, the Company maintained its uninterrupted production, supply materials in due course, and provide stable product quality to customers under the environment with scare raw materials.

(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 integrating 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

The Company selects conventional raw materials, under the permission of the current national standard and carries out the proportion optimization verification, to improve the working performance of concrete at the same quality to reduce the costs for single formula proportion.

(IV) Short and Long Term Business Development Plans

1. Construction Service

(1) Short-term plan

A. Improve accuracy and actively secure customers who are real estate developers

a. Improve business accuracy and strengthen brand image

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

c. Strengthen customer service mechanisms

d. Exploit profession integration capabilities

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

f. Strengthen capabilities regarding project management and labor

occupational safety and health

- 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 scope 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
 - b. Increase market exposure and strengthen brand image
 - c. In-depth and exquisite customization service
 - d. Provide total solution service of BIM technology integration
 - e. Establish and strengthen internal management mechanisms

(2) Long-term plans

- A. Continue to develop differentiated technologies 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 a 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. Focus on the niche field: Deepen the development in Wuxi; suspend the operations in Yangzhou and actively seek disposal opportunities.
- B. Minimize account receivable: Implement credit limit control for customers and optimize the nature of account receivables. The business contracted turns to projects with a short construction period to minimize the overall recovery time and improve the safety and using the efficiency of funds.
- C. For the secure and clean production, the Company established the dual prevention mechanism for security and monitoring, to enhance the improvements of its environmental-friendly equipment. Also, it established the engineering construction for airtight silo/wharf crane.
- D. Improve stability of high-quality cement, enhance the slump control upon delivery, and establish a quality control model for its benchmark laboratory.

(2) Long-term plans

Chien Bang Factory strives for maintaining its position within the top five rankings for inspection by the quality supervisory department and establishes the standards and testing regulations for materials used in municipal and railway projects, so as to enter the list for public constructions and establish the quality benchmark within the industry.

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 locate 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
2015	22,293	35	0.15%
2016	21,517	38	0.17%
2017	21,465	38	0.17%
2018	23,301	40	0.17%
2019	24,806	47	0.18%

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

Concerning the “Project to Expand Investment in Public Works and Revitalize the Economy” proposed by the government, 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 market advantage for large-scale construction companies, which have been operating steadily, is increasing. On the private construction side, large consortium and the life insurance industry will account for a considerable portion. As the builders are restricted by government policy and a sluggish housing market, the profits of developers are significantly squeezed. Also, small-to-medium construction companies had entered the competition for construction outsourcing, leading to more intense competition. In the short run, the trend will be competition in terms of consideration and technologies.

B. Demand side

- 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, and that builders de-stocking their inventory, the supply will be higher than demand in the real-estate market in the short run.
- 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, cultural and creative industries, social housing, urban landscape reconstruction, and airport activation projects.
- 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 the 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 type (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 be 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. However, the Company has a steady financial structure that frees us from the effects of the sluggish economy.

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 competitiveness 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, the uncertainty of the fluctuations in the prices of raw materials and building materials and the shortage of professional contractor and human resources, 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 companies within the industry will most probably compete with low rate.
- 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 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.

2019			
Plant	Shipping quantity (10,000 M3)	Shipping quantity by region (10,000 M3)	Market share
Suzhou plant	18.2	1,500	1.2%
Wuxi plant	51.5	1,638	3.1%
Subtotal	69.7	3,138	2.2%

3. Future supply and demand situation and growth
 - (1) The real estate policies will remain the same as the past years to facilitate the stable and healthy development of the property market. The building construction business will focus on civil engineering, affordable housing, and the renovation of old communities.
 - (2) The performance of infrastructure policies are promulgated with the precondition of the local special bond for reconciliation in a manner reverse to the cycle policy. According to the meeting of the Political Bureau of the Central Committee of the CPC in December 2019, new infrastructure and village building will be the objectives. On March 4, 2020, the Standing Committee of the Political Bureau of the Central Committee of the CPC made a request on its meeting to accelerate the promotion of the confirmed infrastructure project construction.
 - (3) It is estimated that the demand for mixed commercial projects will remain steady or steady but slightly weakened throughout the year. It is estimated the production for mixed commercial projects throughout the year shall be 2,350,000,000 to 2,500,000,000 m², representing a decrease of 50,000,000 to 200,000,000 m² (less popularity in the real estate market and the effect of the outbreak), and the year-on-year growth slowed down to 13.18%.
4. Competition 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 airtight silo/wharf crane, reformation of dust collector, and the reformation of crane belt comply with the environmental 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, wastewater 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 the vicious competition.
 - (2) Unfavorable factors
 - A. Relationship management in public construction takes a long time and is

not easy.

B. Buyer's market where customers are price-oriented.

(3) Countermeasures

A. Strengthen the management of raw material procurement: The direct cost of material accounted for over 70% of concrete's turnover, which is a material aspect for cost control: Schedule evaluation for cement lock order. For rock lock order/procurement, evaluate whether there is any change in the procurement model/channel for the mines newly opened in 2020.

B. Account receivable management: Implement source control and optimize the quality for account receivable to control the construction period, payment terms, together with the control by way of total credit evaluation for customers.

a. Business side: Review conditions in the contract before taking the order, control the construction period and payment terms to optimize the quality of receivable from the beginning.

b. Finance side: Except for sending warnings on a monthly basis, for overdue receivable with long age, the Company also complies with the customer claims for the overall risk control and preventive report.

c. Legal side: Strictly adhere to the standard contract terms and intervene in the business side for control in advance regarding any account anomaly cases, to realize the procedures for overdue payment of customers and update the information on untrustworthy customers.

C. Safety management:

a. Continue to organize regular safety training for front-line employees and organize various safety drills (fire, channel, and environment) according to the requirements.

b. Maintain the rectification and reform system for an external third-party safety and hygiene company to perform the audit every two months and regularly update the information regarding the requirements of safety and hygiene under the policies.

(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

Item	2018				2019			
	Item	Amount	Ratio to net annual sales [%]	Relationships with the issuer	Item	Amount	Ratio to net annual sales [%]	Relationships with the issuer
1	A customer	492,281	7.21%	None	A customer	935,262	14.77%	None
2	B customer	208,914	3.06%	None	B customer	706,025	11.15%	None
3	C customer	709,451	10.4%	None	C customer	546,859	8.64%	None
4	Others	5,413,482	79.33%	None	Others	4,143,611	65.44%	None
	Net sales	6,824,128	100.00%		Net sales	6,331,757	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

Product \ Main	Year	2018			2019		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Construction services (including electromechanical service)		-	-	3,724,588	-	-	4,431,879
Concrete Business		-	-	2,357,781	-	-	1,349,673
Total		-	-	6,082,369	-	-	5,781,552

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

Product \ Main	Year	2018				2019			
		Taiwan		China		Taiwan		China	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Construction services (including electromechanical service)		-	4,064,805	-	-	-	4,773,012	-	-
Concrete Business		-	-	-	2,759,323	-	-	-	1,558,745
Total		-	4,064,805	-	2,759,323	-	4,773,012	-	1,558,745

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		2018	2019	Financial information from the beginning of the current year to March 31, 2020
Number of employees	Direct labor	305	242	284
	Indirect labor	183	192	177
	Total	488	434	461
Average age		40.1	41.86	42.22
Average service years		5.6	6.04	5.57
Academic distribution ratio	Doctor	0.8%	0.96%	0.95%
	Master	16.0%	18.94%	19.29%
	College	59.4%	65.23%	65.24%
	Senior high school	9.5%	11.03%	10.71%
	Lower than Senior high school	14.3%	3.84%	3.81%

Note: The annual data shall be updated as of the publication date of this annual report.

IV. Environmental expenditure

(I) Construction Service

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

Date	Official Letter No.	Violation of provisions	Violation of regulations contents	Amount
January 16, 2019	Order Ref. No. Noise-22-108-010061	Subparagraph 4, Article 8, the Noise Control Act	December 2, 2018: A construction using power machinery was carried out in the type 3 noise control zone in the city between 6:00 p.m. and 8:00 a.m. on weekend and interfered the tranquility	3,000
February 20, 2019	Order Ref. No. New-Taipei-Environment-Inspection-30-108-020006	Article 18, Water Pollution Control Act	January 30, 2018: No runoff wastewater reduction plan was submitted for approval before the construction	68,000
March 12, 2019	Order Ref. No. Noise-22-108-030036	Violated subparagraph 4, paragraph 1, Article 9 and Article 6, the Noise Control Act	January 28, 2019: The noise control for the construction site exceeded the standard value Measured value: 74.4 dB Standard value: 72.0 dB	18,000
March 12, 2019	Order Ref. No. Noise-22-108-030035	Subparagraph 4, Article 8, the Noise Control Act	January 27, 2019: A construction using power machinery was carried out in the type 3 noise control zone in the city between 12:00 p.m. and 2:00 p.m. and interfered the tranquility	3,000
April 9, 2019	Order Ref. No. Punishment-X0990928	Subparagraph 2, Article 27, Waste Disposal Act	April 9, 2019: Environmental protection fines of NT\$1,200 for the construction site	1,200
May 13, 2019	Order Ref. No. Noise-22-108-050048	Subparagraph 4, Article 8, the Noise Control Act	April 4, 2019: A construction using power machinery was carried out in the type 3 noise control zone in the city between 6:00 p.m. and 8:00 a.m. on weekend and interfered the tranquility	3,000
June 20, 2019	Order Ref. No. Waste-40-108-060037	Violated subparagraph 2, Article 27, the Waste Disposal Act	June 12, 2019: No proper cleaning was provided for the construction, resulting in the waste or surplus earth and gravel polluting the neighboring roads or sidewalks	1,200
September 18, 2019	Order Ref. No. New-Taipei-Environment-Inspection-41-108-090223	Violated subparagraph 2, Article 27, the Waste Disposal Act	July 24, 2019: Vehicles carrying soil and sand from the construction site polluted the roads	1,200
September 26, 2019	Order Ref. No. New-Taipei-Environment-Inspection-30-108-090016	Violated Article 18, the Water Pollution Control Act	July 16, 2019: The grit chamber shall be maintained and cleaned four times a month during the diaphragm wall construction and period of excavation, and the maintaining time and method shall be recorded	10,000
September 27, 2019	Order Ref. No. Waste-40-108-090090	Violated subparagraph 2, paragraph 1, Article 31, the Waste Disposal Act	September 4, 2019: Failed to make a declaration to the competent authority of the county/city regarding matters related to waste generated from normal business via internet transmission according to the requirements of the competent authority	6,000
October 4, 2019	Order Ref. No. Noise-22-108-100006	Violated subparagraph 4, paragraph 1, Article 9 and Article 6, the Noise Control Act	September 3, 2019: The noise control for the construction site exceeded the standard value Measured value: 74.2 dB Standard value: 72.0 dB	18,000
October 23,	Order Ref. No.	Violated	October 3, 2019: No proper cleaning was	3,600

Date	Official Letter No.	Violation of provisions	Violation of regulations contents	Amount
2019	Waste-40-108-100060	subparagraph 2, Article 27, the Waste Disposal Act	provided for the construction, resulting in the waste or surplus earth and gravel polluting the neighboring roads or sidewalks	
December 27, 2019	Order Ref. No. Kaohsiung-City-Environmental-Protection-Bureau-Waste-Disposal-41-108-122323	Violated subparagraph 2, Article 27, the Waste Disposal Act	Mud from the construction was not duly cleaned and resulted in the pollution of ditches	2,400
January 21, 2020	Order Ref. No. Waste-41-109-011989	Violated subparagraph 2, Article 27, the Waste Disposal Act	January 2, 2020: Violated the waste disposal requirements	1,200
February 4, 2020	Order Ref. No. Noise-22-109-020004	Subparagraph 4, Article 8, the Noise Control Act	December 25: A construction using power machinery was carried out in the type 3 noise control zone in the city between 10:00 p.m. and 8:00 a.m. and interfered the tranquility	3,000
Total				142,800

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 relationships 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	2019	As of March 12, 2020
Pollution status	None	None
Parties to be compensated or competent authority inflicting the penalty	None	None
Parties to be compensated or status of penalty	None	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 2019 training are as follows:

Total hours	Expense
9,918 hours of internal training 839 hours of external training	NT\$1,520,419

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 coordinating 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 2019 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 relationship 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	Commencement Date or construction period	Main contents	Restrictions clauses
Medium-long-term loans	Land Bank of Taiwan, Xinzhuang Branch	July 13, 2017 to July 12, 2022	As land acquisition funds	According to the credit contract
Construction contract	Department of Urban Development, Taipei City Government	May 2017 to October 2020	New social housing construction	None
Construction contract	Fubon Life Insurance	September 2017 to	New commercial office building construction	None
Construction contract	Urban & Rural Development Department, New Taipei City Government	March 2018 to June 2021	New social housing construction	None
Construction contract	Kuo Yang Industrial Co., Ltd.	May 2019 to November 2020	New general plant construction	None
Construction contract	Cathay Real Estate Development Co., Ltd.	January 2020 to November 2023	New congregate housing construction	None
Construction contract	Taiwan Semiconductor Manufacturing Co., Ltd.	January 2020 to March 2021	New technology plant construction	None

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				
		2015	2016	2017	2018	2019
Current assets		8,037,781	7,411,530	8,372,425	8,111,422	7,647,907
Property, plant and equipment		348,559	287,420	232,151	191,066	126,042
Intangible assets		0	0	0	0	0
Other assets		997,100	1,237,139	1,344,046	1,110,975	769,480
Total assets		9,383,440	8,936,089	9,948,622	9,413,463	8,543,429
Current liabilities	Before Distribution	2,107,942	2,347,248	3,713,689	2,996,300	2,606,006
	After Distribution	2,276,892	2,514,398	3,880,839	3,163,450	(Note 3)
Non-current liabilities		1,902,430	1,572,333	1,329,361	1,455,898	1,581,671
Total liabilities	Before Distribution	4,010,372	3,919,581	5,043,050	4,452,198	4,187,677
	After Distribution	4,179,322	4,086,731	5,210,200	4,619,348	(Note 3)
Equity attributable to shareholders of the parent		5,369,834	5,013,734	4,895,217	4,949,473	4,348,740
Share capital		3,389,001	3,379,001	3,379,001	3,343,001	2,674,401
Capital surplus		200,524	200,557	200,462	201,627	201,627
Retained earnings	Before Distribution	1,540,322	1,416,739	1,417,768	1,462,023	1,476,801
	After Distribution	1,371,372	1,249,589	1,250,618	1,294,873	(Note 3)
Other equity		284,789	52,272	(67,179)	(57,178)	(4,089)
Treasury stock		(44,802)	(34,835)	(34,835)	0	0
Non-controlling interest		3,234	2,774	10,355	11,792	7,012
Total equity	Before Distribution	5,373,068	5,016,508	4,905,572	4,961,265	4,355,752
	After Distribution	5,204,118	4,849,358	4,738,422	4,794,115	(Note 3)

Note 1. The 2019 consolidated financial statements were audited and certified by CPAs.

Note 2. As of the printing date of the annual report, there is no financial statements for the 1st quarter of 2020 that have been reviewed by a CPA.

Note 3. The proposal for earnings distribution for 2019 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				
	2015	2016	2017	2018	2019
Operating revenue	5,023,379	5,168,161	5,733,908	6,824,128	6,331,757
Gross profit	218,381	423,930	545,628	741,759	550,205
Income (loss) from operations	(154,781)	35,375	216,327	360,280	173,157
Non-operating income and expenses	(57,895)	33,517	44,156	14,843	121,268
Income before tax	(212,676)	68,892	260,483	375,123	294,425
Net income for continuing operations	(174,231)	41,617	172,173	207,708	179,564
Loss of discontinuing operations	0	0	0	0	0
Net income (loss)	(174,231)	41,617	172,173	207,708	179,564
Other comprehensive income (loss) in this period (net after income tax)	(238,817)	(229,227)	(121,706)	16,707	55,382
Total comprehensive income for the period	(413,048)	(187,610)	50,467	224,415	234,946
Net income (loss) attributable to shareholders of the parent	(174,043)	42,077	171,178	205,671	179,635
Net income (loss) attributable to non-controlling interest	(188)	(460)	995	2,037	(71)
Total comprehensive income attributable to shareholders of the parent	(412,860)	(187,150)	49,472	222,378	235,017
Total comprehensive income attributable to non-controlling interests	(188)	(460)	995	2,037	(71)
Earnings per Share	(0.51)	0.13	0.51	0.62	0.57

Note 1. The 2019 consolidated financial statements were audited and certified by CPAs.

Note 2. As of the printing date of the annual report, there is no financial statements for the 1st quarter of 2020 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				
		2015	2016	2017	2018	2019
Current assets		2,292,254	2,545,094	2,764,914	2,423,641	2,885,300
Fixed assets		19,364	18,887	37,132	33,526	33,053
Intangible assets		0	0	0	0	0
Other assets		6,629,377	5,747,757	5,973,406	5,781,607	4,994,786
Total assets		8,940,995	8,311,738	8,775,452	8,238,774	7,913,139
Current liabilities	Before Distribution	1,668,869	1,726,071	2,550,936	1,837,272	1,999,590
	After Distribution	1,837,819	1,893,221	2,718,086	2,004,422	(Note 2)
Non-current liabilities		1,902,292	1,571,933	1,329,299	1,452,029	1,564,809
Total Liabilities	Before Distribution	3,571,161	3,298,004	3,880,235	3,289,301	3,564,399
	After Distribution	3,740,111	3,465,154	4,047,385	3,456,451	(Note 2)
Equity attributable to shareholders of the parent		5,369,834	5,013,734	4,895,217	4,949,473	4,348,740
Share capital		3,389,001	3,379,001	3,379,001	3,343,001	2,674,401
Capital surplus		200,524	200,557	200,462	201,627	201,627
Retained earnings	Before Distribution	1,540,322	1,416,739	1,417,768	1,462,023	1,476,801
	After Distribution	1,371,292	1,249,589	1,250,618	1,294,873	(Note 2)
Other equity		284,789	52,272	(67,179)	(57,178)	(4,089)
Treasury stock		(44,802)	(34,835)	(34,835)	0	0
Non-controlling interest		0	0	0	0	0
Total Equity	Before Distribution	5,369,834	5,013,734	4,895,217	4,949,473	4,348,740
	After Distribution	5,200,804	4,846,584	4,728,067	4,782,323	(Note 2)

Note 1. As of the printing date of the annual report, there is no financial statements for the 1st quarter of 2020 that have been reviewed by a CPA.

Note 2. The proposal for earnings distribution for 2019 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				
	2015	2016	2017	2018	2019
Operating revenue	3,515,176	3,827,308	3,778,110	3,932,756	4,756,126
Gross profit	54,509	312,966	296,108	300,682	315,254
Income (loss) from operations	(130,386)	122,861	90,864	60,151	72,349
Non-operating income and expenses	(90,145)	(76,287)	110,222	230,261	172,614
Income (loss) before tax	(220,531)	46,574	201,086	290,412	244,963
Net income (loss) of continuing operations	(174,043)	42,077	171,178	205,671	179,635
Loss of discontinuing operation	0	0	0	0	0
Net income (loss)	(174,043)	42,077	171,178	205,671	179,635
Other comprehensive income (loss) in this period (net after income tax)	(238,817)	(229,227)	(121,706)	16,707	132,955
Total comprehensive income for the period	(412,860)	(187,150)	49,472	222,378	235,017
Earnings per Share	(0.51)	0.13	0.51	0.62	0.57

Note 1. As of the printing date of the annual report, there is no financial statements for the 1st quarter of 2020 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
2015	Deloitte & Touche Taiwan Accounting Firm	I-wen WANG Yu-wei FAN	Consolidated: Unqualified opinion Standalone: Unqualified opinion	-
2016	Deloitte & Touche Taiwan Accounting Firm	I-wen WANG Yu-wei FAN	Consolidated: Unqualified opinion Standalone: Unqualified opinion	-
2017	Deloitte & Touche Taiwan Accounting Firm	I-wen WANG Yu-wei FAN	Consolidated: Unqualified opinion Standalone: Unqualified opinion	-
2018	Deloitte & Touche Taiwan Accounting Firm	I-wen WANG Yu-wei FAN	Consolidated: Unqualified opinion Standalone: Unqualified opinion	-
2019	Deloitte & Touche Taiwan Accounting Firm	I-wen WANG Lin Wên-Ch'in	Consolidated: Unqualified opinion Standalone: Unqualified opinion	-

II. Financial Analysis of the Last Five Years

(I) Financial Analysis - International Financial Reporting Standards

Financial Analysis - Consolidated

Year Analyzed item (Note 2)		Financial analysis for the last five years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt ratio	42.74	43.86	50.69	47.30	49.02
	Ratio of long-term capital to property, plants and equipment	2,087.31	2,292.41	2,685.72	3,358.61	4,710.67
Solvency (%)	Current ratio	381.31	315.75	225.45	270.71	293.47
	Quick ratio	397.24	347.29	195.18	228.75	274.26
	Interest coverage ratio	(5.89)	3.27	9.38	15.23	17.96
Management ability	Average receivables turnover ratio (times)	1.31	1.79	2.30	2.55	2.51
	Average collection days	279	204	159	143	145
	Inventory turnover rate (times)	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
	Average payables turnover ratio (times)	3.45	3.62	2.92	2.83	2.93
	Average inventory turnover days	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
	Property, plant, and equipment (PP&E) turnover ratio (times)	9.67	16.19	22.07	32.25	39.93
	Total asset turnover ratio (times)	0.50	0.56	0.61	0.70	0.71
Profitability	Return on assets (%)	(1.48)	0.73	2.10	2.36	2.15
	Return on equity (%)	(3.01)	0.8	3.47	4.21	3.85
	Ratio of income before tax to paid-in capital (%)	(6.28)	2.04	7.71	11.22	11.01
	Net income to sales (%)	(3.47)	0.81	3.00	3.04	2.84
	Earnings per Share (Note 1)	(0.51)	0.13	0.51	0.62	0.57
Cash flow	Cash flow ratio (%)	22.68	30.95	(12.04)	6.54	35.75
	Cash flow adequacy ratio (%)	(1.46)	120.01	12.24	8.33	112.04
	Cash flow reinvestment ratio (%)	3.97	8.47	(10.22)	0.46	12.73
Leverage	Operating leverage	(32.45)	146.1	26.51	18.94	36.57
	Financial leverage	0.83	7.07	1.17	1.08	1.11

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. Property, plant and equipment decreased from 2019, resulting in the increase in relevant ratios and turnover rate

2. The capital reduction in cash during 2019 resulted in the increase in cash flow ratio and operating leverage

Note 1. As of the printing date of the annual report, there is no financial statements for the 1st quarter of 2020 that have been reviewed by a CPA.

Note 2. The financial ratio calculation formula is as follows:

1. Financial structure

(1) Debt 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) = $\text{Net sales} / \text{Average accounts receivable in various periods (including accounts receivables and notes receivables resulting from business operations)}$.
 - (2) Average collection days = $365 / \text{Receivables turnover ratio}$.
 - (3) Inventory turnover ratio = $\text{Cost to sales} / \text{Average inventory value}$
 - (4) Payables turnover ratio (including accounts payables and notes payables resulting from business operations) = $\text{Costs to sales} / \text{Average accounts payables in various periods (including accounts payables and notes payables resulting from business operations)}$.
 - (5) Average inventory turnover days = $365 / \text{Inventory turnover ratio}$.
 - (6) Property, plant, and equipment (PP&E) turnover ratio = $\text{Net sales} / \text{Average value of PP\&E}$
 - (7) Total asset turnover ratio = $\text{Net sales} / \text{average total assets}$.
4. Profitability
- (1) Return on assets (ROA) = $[\text{Post-tax profit or loss} + \text{Interest expenses} \times (1 - \text{interest rates})] / \text{Average total asset value}$.
 - (2) Return on Equity (ROE) = $\text{Post-tax profit or loss} / \text{Average total equity value}$.
 - (3) Net income to sales ratio = $\text{Post-tax profit and loss} / \text{Net sales}$.
 - (4) Earnings per share = $(\text{Income or loss attributable to owners of parent company} - \text{Dividends on preferred shares}) / \text{Weighted average number of issued shares}$.
5. Cash flow
- (1) Cash flow ratio = $\text{net operating cash flow} / \text{current liabilities}$.
 - (2) Net cash flow adequacy ratio = $\text{Net operating cash flow in the most recent five years} / (\text{Capital expenditures} + \text{Inventory increase} + \text{Cash dividend}) \text{ in the most recent five years}$.
 - (3) Cash re-investment ratio = $(\text{Net operating cash flow} - \text{cash dividend}) / (\text{gross property, plant and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$.
6. Leverage:
- (1) (A) Operating leverage = $(\text{Net operating income} - \text{Changes in operating costs and expenses}) / \text{Operating income}$.
 - (2) Financial leverage = $\text{Operating income} / (\text{Operating income} - \text{Interest expenses})$.

Financial Analysis - Standalone

Year Analyzed item (Note 2)		Financial analysis for the last five years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt to asset ratio	39.94	39.68	44.22	39.92	45.04
	Ratio of long-term capital to property, plants and equipment	37,554.88	34,868.78	16,763.21	19,094.14	17,891.11
Solvency (%)	Current ratio	137.35	147.45	108.39	131.92	144.29
	Quick ratio	144.27	176.95	92.24	102.11	131.33
	Interest coverage ratio	(6.54)	2.53	7.47	12.02	16.86
Management ability	Average receivables turnover ratio (times)	4.97	5.22	6.47	9.13	10.82
	Average collection days	73	70	56	40	34
	Inventory turnover rate (times)	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
	Average payables turnover ratio (times)	3.80	3.38	3.03	2.97	3.27
	Average inventory turnover days	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
	Property, plant, and equipment (PP&E) turnover ratio (times)	172.09	200.12	134.89	111.32	142.87
	Total asset turnover ratio (times)	0.39	0.44	0.44	0.46	0.59
Profitability	Return on assets (%)	(1.64)	0.78	2.31	2.67	2.38
	Return on equity (%)	(3.01)	0.81	3.46	4.18	3.86
	Ratio of income before tax to paid-in capital (%)	(6.51)	1.38	5.95	8.69	9.16
	Net income to sales (%)	(4.95)	1.10	4.53	5.23	3.78
	Earnings per Share (Note 1)	(0.51)	0.13	0.51	0.62	0.57
Cash flow	Cash flow ratio (%)	(20.22)	41.04	(18.24)	(16.14)	17.49
	Cash flow adequacy ratio (%)	(47.37)	5.47	(29.45)	(55.19)	(3.75)
	Cash flow reinvestment ratio (%)	(7.38)	8.55	(10.97)	(7.34)	3.11
Leverage	Operating leverage	(26.96)	31.15	41.58	65.38	65.74
	Financial leverage	0.82	1.33	1.52	1.78	1.27

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. The individual revenue of the Company has increased and the cash flow from operating activities remained healthier than 2018; therefore, relevant ratios and various ratios of cash flows are better than the previous year.
2. The individual revenue has increased while the profit after tax has not grown; therefore, the net profit margin decreased.

Note 1. As of the printing date of the annual report, there is no financial statements for the 1st quarter of 2020 that have been reviewed by a CPA.

Note 2. 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. Profitability
- (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.
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).
6. Leverage:
- (1) (A) Operating leverage = (Net operating income - Changes in operating costs and expenses)/Operating income.
 - (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 2019 Consolidated Financial Statements and the 2019 Standalone Financial Statements prepared and submitted by the Board of Directors have been audited by CPA I-wen WANG and CPA Weng-qing LIN 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, does not 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 2020 Annual Shareholders' Meeting of the Company

Chien Kuo Construction Co. Ltd.

Convener of the Audit Committee: Chin-pao TSAI

March 27, 2020

IV. The most recent annual financial report

Please refer to #pages126~203# 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 #pages204~279# 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	2019	2018	Difference		Analysis and description of changes
			Amount	%	
Current assets	7,647,907	8,111,422	(463,515)	(5.71)	-
Plant, property and equipment	185,170	191,066	(5,896)	(3.09)	-
Other assets	710,352	1,110,975	(400,623)	(36.06)	1
Total assets	8,543,429	9,413,463	(870,034)	(9.24)	-
Current liabilities	2,606,006	2,996,300	(390,294)	(13.03)	-
Non-current liabilities	1,581,671	1,455,898	125,773	8.64	-
Total Liabilities	4,187,677	4,452,198	(264,521)	(5.94)	-
Capital Stock	2,674,401	3,343,001	(668,600)	(20.00)	2
Capital Surplus	201,627	201,627	0	0.58	-
Retained earnings	1,476,801	1,462,023	14,778	1.01	-
Shareholders' Equity	4,355,752	4,961,265	(605,513)	(12.20)	-

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

1. Reduced long-term prepayment (superficies assets) and pledged term deposit
2. Cash capital reduction

II. Financial Performance

Unit: NT\$ Thousand

Item \ Year	2019	2018	Difference		Analysis and description of changes
			Amount	%	
Net operating revenue	6,331,757	6,824,128	(492,371)	(7.22)	-
Operating costs	5,781,552	6,082,369	(300,817)	(4.95)	-
Gross profit	550,205	741,759	(191,554)	(25.82)	1
Operating Expenses	377,048	381,479	(4,431)	(1.16)	-
Operating income	173,157	360,280	(187,123)	(51.94)	1
Non-operating income and expenses	121,268	14,843	106,425	717.00	2
Pre-tax income of continuing operations	294,425	375,123	(80,698)	(21.51)	1
Income tax expense	114,861	167,415	(52,554)	(31.39)	1
Net income	179,564	207,708	(28,144)	(13.55)	

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

1. The revenue of concrete in 2019 decreased, which then incurred changes in gross profit/operating income/pre-tax income/income tax/net income.
2. The increase in non-operating income and expenses was mainly due to the gains

from disposals of the concrete plant.

- (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, 2018)	Net cash inflow resulting from operating activities throughout 2019	Net cash outflows from investing and financing activities throughout 2019	Effect of exchange rate changes on cash and cash equivalents	Cash balance (December 31, 2019)	Remedial measures for expected cash inadequacy	
					Investment plan	Financial plan
2,455,785	931,743	(628,954)	(68,409)	2,690,165	-	-

1. Operating activities: The cash inflow of NT\$931,743 thousand was mainly due to the cash inflow generated by the current profit, the active collection of receivable, and the disposal of financial assets.
2. Investing activities: The cash inflow of NT\$451,162 thousand was mainly due to the cash inflow generated by the decrease in the pledged certificate of deposit, the Company's advance receipts from disposal of subsidiaries, and cash inflow generated from the disposal of surface right-of-use assets.
3. Financing activities: The cash outflow in the amount of NT\$(1,080,116) thousand was mainly due to the capital reduction in cash, the repayment of bank loans, and the 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, 2019)	Net cash inflow resulting from operating activities throughout 2020	Net cash outflows from investing and financing activities throughout 2020	Cash balance (December 31, 2020)	Remedial measures for expected cash inadequacy	
				Investment plan	Financial plan
2,690,165	756,550	(1,065,772)	2,380,943	-	-

1. Analysis of changes in cash flows in 2020:
 - (1) Operating activities: Cash inflow of NT\$756,550 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 the repatriated funds used in substantial investment and financial investments in Taiwan, and the distribution of cash dividends during the year.
2. Remedial measures and liquidity analysis for expected cash inadequacy: There was no cash inadequacy in 2020.

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

Planned item	Actual or expected source of funds	Actual or expected completion date	Total funds required	Actual or scheduled use of funds				
				2016	2017	2018	2019	2020
Land development	Equity funds	2021	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 and commercial office 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

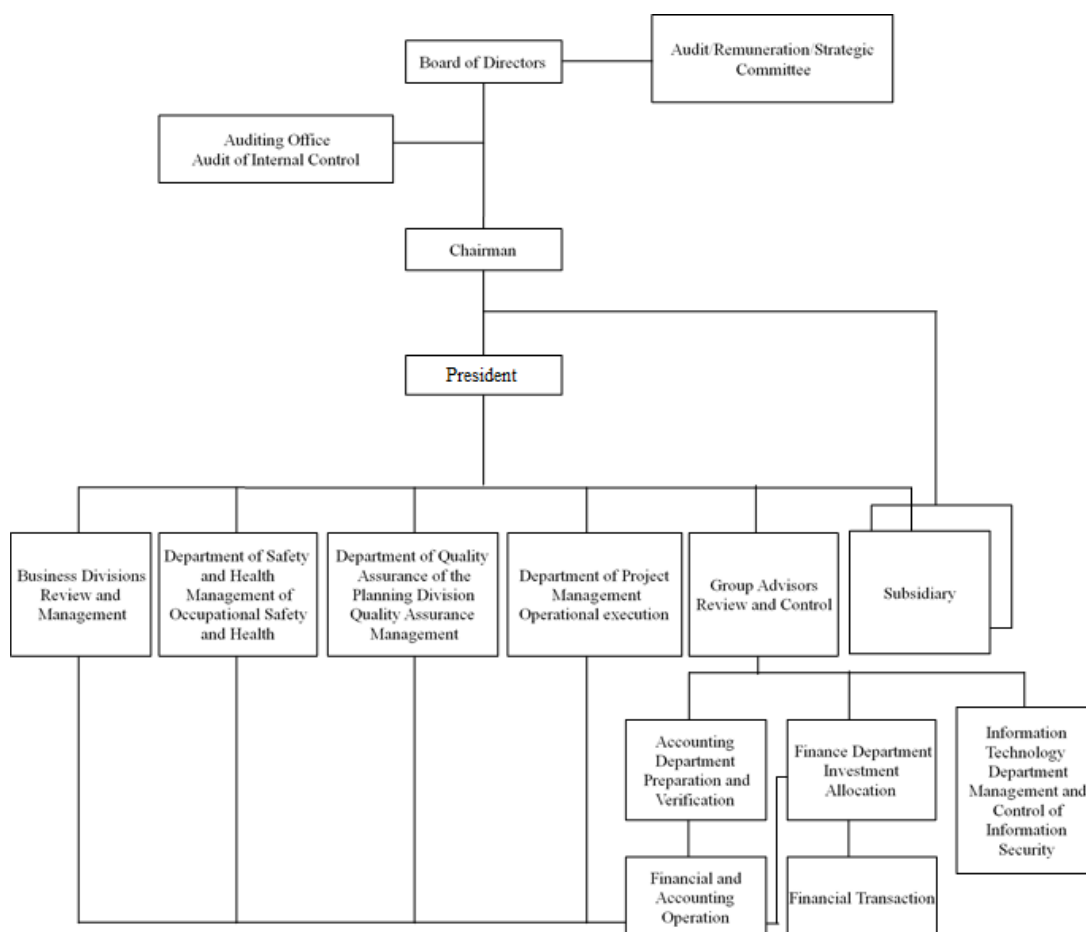
Unit: NT\$ Thousand

Corporation Name	Recognition of investment gains and losses in 2019	Investment policy	Main reason for such profit or loss	Improvement plan	Investment plan for the coming year
Golden Canyon Limited	86,453	In recent years, the Company's investment strategy has continued to target upstream and downstream related industries, in the hope of increasing 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	71,401				

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 its internal regulations according to the function of departments, relevant internal operating procedures, and the control system and. Department heads and senior management would regularly hold meetings to review the validity of the management system for all departments and offices, so as to ensure the compliance and implementation of internal control.

(2) 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.

(3) The division of responsibilities

The Board of Directors shall formulate 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 and abnormal situations to be improved in departmental, inter-departmental, and operational management meetings. For abnormal situations and unregulated high-risk operations are identified, the supervisors shall manage its improvement plan, its progress, and follow-up on 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 under the Construction Business shall conduct the on-site inspection for commenced construction on occupational safety and health issues and shall improve and track such issues. The Quality Assurance Department shall conduct regular inspection unscheduled patrol for the on-site construction quality and shall be responsible for its rectification and improvements. The Project Management Office shall regularly compile and analyze the implementation of relevant project schedules and cost control for inspection, and shall rectify, improve, and follow up any construction process behind schedule 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 perform routine management and provide professional advice on financial transactions and investment analysis to the supervisors responsible.

According to the annual audit plan and the unscheduled 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, subsidiary supervision, project audit, and annual

self-evaluation on internal control as scheduled.

(II) Implementation of risk policies and assessment criteria:

1. Risk policy:

To establish a risk management system, realize the risk management function, and ensure the capital sufficiency and solvency, 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 of sustainable operations can be achieved. The risk management policy and relevant regulations are the basis for the risk management of all businesses of the Company, which clearly states the duties and operating system for risk management. Relevant authorized personnel shall be responsible for execution affairs, such as monitoring, measurement, evaluation, and report, of daily risks according to the requirements under the policy and standards, and implement the risk control in business contracting, operating receipts, project management, occupational health and safety, quality warranty, operations, investment, and credit loans, and relevant operations.

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 updated value-at-risk after the audit, 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. 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 annual audit plan and instruction set therein, and honestly specifies the non-conformities and operation risks on the audit report. It requires the supervisors responsible for providing 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.

Factors	Financial Statement Account	2018		2019	
		Amount	%	Amount	%
Interest Rate	Interest income	51,102	0.75%	50,117	0.79%
Interest Rate	Interest expenditure	26,365	0.39%	17,359	0.27%
Changes in exchange rate	Exchange gains and losses	(11,455)	(0.17%)	(25,070)	(0.40%)
Revenue	Operating revenue	6,824,128	100.00%	6,331,757	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.

Countermeasures: The allocation of funds for each subsidiary has been lowered to minimize the impact of exchange rate changes.

(2) Impact: The significant fluctuation in the price of raw materials and building materials 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, so as to carry out the pre-purchase for primary building materials once confirmed our successful bid to fix the risk of price fluctuation, 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 or 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, the development of professional information software and tools, and the development of new

construction techniques. R&D budget is prepared on a yearly basis, 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 of smart construction.

Table: Annual Budget of the Department of Technology for Years

Year	2018	2019	2020
R&D expense	4.2 million	6.5 million	11.3 million
R&D manpower	7 People	7 People	8 People

(2) R&D Achievements

BIM technology deepening and new construction method development are the two main themes for Chien Kuo's technology R&D at the current stage, with an aim at the final objective of smart management and smart construction. The summary of the technology R&D Achievements in 2019 is as below:

Table: R&D Achievements in 2019

Item	Explanation	Category
Facility management (FM) software	A facility management software developed by using the BIM model as the core according to the facility management demand. The model used is the model of the entire completed building; users may start from the database to obtain the basic information of the equipment, document for the equipment, model information, repair and maintenance records, and may also start from the model to obtain the corresponding text information.	BIM deepening
Smart building management (SBM) system	SBM system is the further development of the FM software, which intends to integrate topics related to smart building, including but not limited to monitoring systems, environmental monitoring, and energy management, with FM on the same platform. Currently, we have gained initial achievements in connecting monitoring systems.	BIM deepening
Molding 3.0 Project	The project intends to develop the molding planning process and automation software to replace the traditional on-site planning relying on molding technicians to minimize the consumption of molding and issues of interface restriction, and provide the verification basis. It generates the initial 3D molding planing with the designed BIM model and verifies according to building drawing to further modify the differences, and generates the final molding construction drawing. We have already recorded initial achievements for the initial 3D molding planning program, and will continue the development in 2020.	BIM deepening
Electromechanical pipeline drafting automation	Electromechanical molding possesses more difficulties than civil engineering molding; therefore, how to improve the efficiency for electromechanical molding shall be a topic worthy of attention. Take fire sprinkler systems as an example, the plug-in tool we developed may provide the automated drafting for common sprinkler piping combination. The program makes use of the AI technologies to allocate the sprinklers; that is, the computer would plan for the quantity and initial location of sprinklers for each room with reference to the past cases.	BIM deepening Intellectual

Item	Explanation	Category
SD550 method research	Research the member behavior of concrete when the main bar of the research column uses SD550 concrete at 350550f/cm ² . 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. The new construction method is beneficial in reducing costs and improving constructability, which may also be used as an item for marketing and promotion to attract consumers to purchase the housing. The Company has made an application to the Construction and Planning Agency regarding the new construction method, and it is expected the approval would be granted in the first half of 2020.	New construction method
QR Code steel bar acceptance and pricing system	The loading details of steel bar is transmitted through the Internet to the Company's server before the delivery vehicle leaving the steel material factory. Engineers may make use of their mobile devices to scan the QR Code label entered along with the steel bars for the comparison in back-end computers to instantly verify the consistency between the on-site feeding and the loading details. The Company estimates to develop an application to automatically compare the material order and the loading details.	New construction method
Systems for quality assurance, and safety and health	Integrate works of quality audit, safety and health audit, and self-inspection on the same platform page to process the response for deficiencies and fill in relevant reports and forms online through centralized management of information. The system is equipped with an App with the BIM model as its core to be used as a tool to collect information at the construction site. BIM's navigation technologies and the deficiency mapping design would automatically record the location of the deficiency. The platform page is now under the testing stage, and the App development is expected to be completed in the second half of 2020.	Professional information system

Table: Patents Passed during 2016 to 2019

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
2017	Ceiling structure	Republic of China
		China
2018	Steel and reinforced concrete structure	Republic of China
		China
	Confined Structure	Republic of China
		China
	Water guiding system under stone floor	Republic of China
		China
2019	Water filtration air system	Republic of China
		China
2019	Molding support system	Republic of China
		China

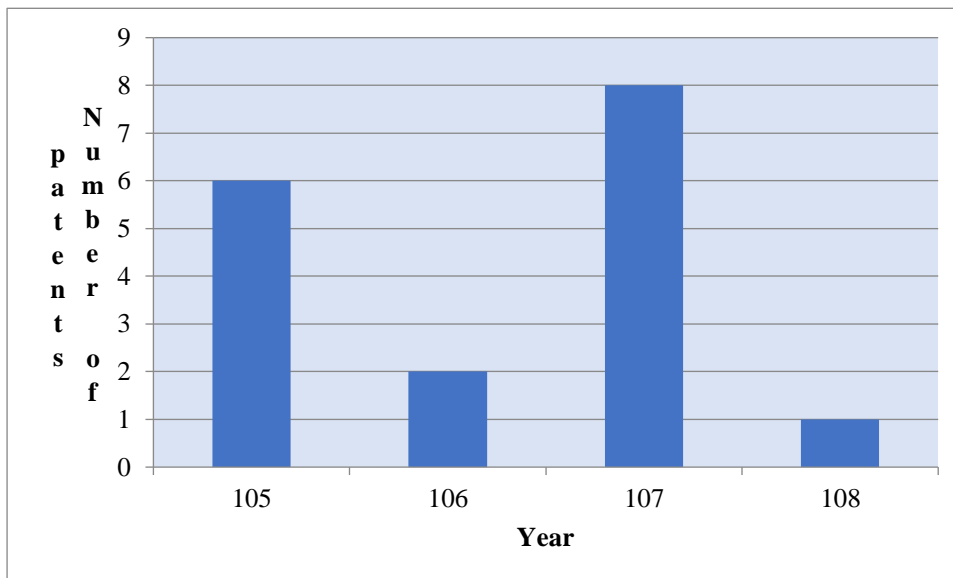


Figure: Statistics of Patent Number

(3) Application in construction-in-progress

Technology research and development results are applied in constructions in progress and tenders for new projects. For example, the FM software is used in the Chung-lu No. 2 Public Housing as a feedback, which helped the project win the Outstanding Award from the Golden Quality Award; the back-end webpage database of the systems for quality assurance, and safety and health has officially launched to carry out the centralized electronic management for information of quality assurance audit, safety and health audit, and construction site self-inspection; the QR Code steel bar acceptance and pricing system had been tested at Tucheng Youth Housing and Cathay Sanchong.

(4) Technology Links Research and Development

Regarding BIM deepening technologies, the first objective is the information collection software of the systems for quality assurance, and safety and health on the mobile device end that is based on BIM. The Company will develop BIM navigation technology and deficiency mapping technology, the location information would be marked automatically upon taking a photo of the deficiency, so as to mitigate the lab work burden for engineers. The second objective is to develop the FM system into an SBM system with an integrated smart monitoring function; through the 3D edge of BIM, it may provide visual and intuitive effects based on the concept of user interface design, so as to minimize the professional gap for software operating. The third objective is the Molding 3.0 Project, which carries out the molding engineering plan in a 3D manner and directly generates the molding construction drawing from the mold through the program technologies, and produces the complete molding construction plan in combination with the technologies used for determining the seven factors in the end. The fourth objective is the molding information platform that centralized and standardized the molding journal and other documents related to molding through the web database to improve the current issues of decentralized information and software shifting. The fifth objective is drafting automation for the electromechanical pipeline, in which we develop the Revit plug-in to improve the efficiency of electromechanical molding and minimize the possibility of inconsistency between the drafting and the molding.

For automation technologies, the first objective is to develop outdoor drone fleet; the dedicated personnel would organize the patrol schedule for each construction site through the cloud platform, and the staff at the construction sites shall only be responsible for releasing and collecting the drones, so as to lower the barrier for operating personnel. The second objective is the smart construction site monitoring system, which adopts facial recognition at the entrance to manage the human flow, automatically collects all environmental information of the construction site through the IoT equipment, and compiles the information on the web that is available for inquiries at any time. The third objective is LINE BOT technology, which established the information exchange strategy using LINE, allowing material information to be obtained through mobile devices at any time.

For green energy analysis, in view of the costly green energy analysis software, the Company intends to use the Rhino series plug-ins to develop its green energy analysis tools; items to be developed include sunshine analysis, radiation analysis, energy analysis, and airflow analysis.

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 in corporate image on the company's crisis management and the countermeasures:
Impact: Since the establishment, the Company has 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. Expected benefits and potential risks of any plant expansion and response measures
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) 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. On 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. Currently, the appraisal is completed, the associations had submitted the appraisal report to the court. At present, it is pending for the notice from the court for the processing of proceedings.

- (2) 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 (hereinafter referred to as "the Commission") on October 9, 2018. The mediation recommendation proposed by the Commission is to pay the overdue penalty of NT\$8,286,572. The Company had agreed to accept within the prescribed time; however, the Ministry refused to accept; therefore, the Commission had issued the Notice of Failed Mediation, and subsequently, the case will be submitted for arbitration.

- (3) On March 15, 2013, the Company and Kingland Property Corporation Ltd. (formerly known as DSG Technology Inc., hereinafter referred to as "Kingland") signed a construction contract, under which two parties covenanted to contract the Group for the construction project named "Fu-yi River Residential Construction Project" on Land No. 440, Zhuangjing Section, Xindian District, New Taipei City. The Company had completed the various stages of work as defined by the contract and, together with Kingland, completed the acceptance of the residential units and inspection of communal facilities. Due to a large portion of the residential units being unsold and thus the condominium management committee failed to be established, Kingland, by putting up various excuses, refused to make progress with any follow-up inspections or acceptance, nor the remaining contract payments and additional payments due to the Group. As a consequence, on October 22, 2019, The Company then submitted a request for arbitration, demanding Kingland pay the payables due and the loss suffered by the Group of NT\$57,370 thousand to the Company. Currently, arbitration is on-going.

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 Company's operations, 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 in charge of "Planning and Implementing" and 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 in charge of "Supervising" and is responsible for setting relevant audit plans and operating procedures, handling internal audits, summarizing audit reports and recommendations, and follow-up on 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 Disaster recovery exercise for material systems and unscheduled information security communication and audit are carried out each 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 the 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.

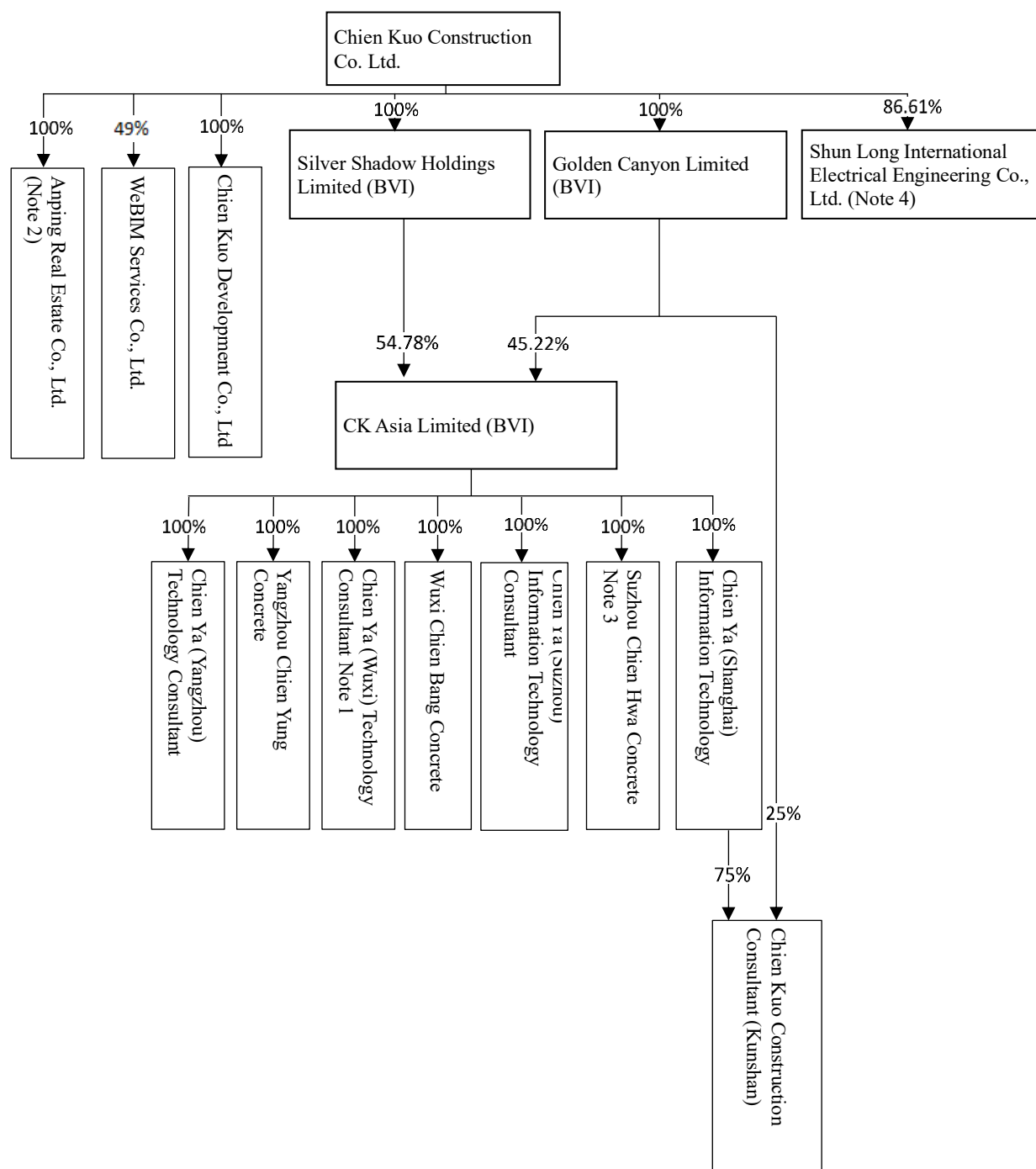
VII. Other Important Issues: None.

Chapter 8. Special items

I. Information on associates

(I) Consolidated Business Report of Associates

1. Organizational Chart of Associates



Note 1. Chien Ya (Wuxi) Technology Consultant Co., Ltd. completed the alteration of registration on January 8, 2020.

Note 2. Anping Real Estate Co., Ltd. completed the alteration of registration on February 4, 2020.

Note 3. Suzhou Chien Hwa Concrete Co., Ltd. completed the transfer of equity and the alteration of registration on February 11, 2020.

Note 4. The shareholding in Shun Long International Electrical Engineering Co., Ltd. on March 31, 2020 is 100%.

2. Basic information of each associate

Unit: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	20F, 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. (Note 1)	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\$25,037	China reinvestment
Golden Canyon Limited	1996.06.21	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, B.V.I	US\$8,714	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\$107,928	Computer software technology development and consultation
Suzhou Chien Hwa Concrete Co., Ltd. (Note 2)	2002.03.06	Yuzhi Town, Wuzhong District, Suzhou City	NT\$119,920	Production and sales of commercial concrete and components
Wuxi Chien Bang Concrete Co., Ltd. (Note 3)	2003.04.29	Block E13-1, Shuofang Industrial Park, New District, Wuxi City	NT\$149,900	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\$59,960	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
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	2001.08.17	No. 118, Rhine Square, Yushan Town, Kunshan City, Jiangsu Province	NT\$17,988	Consulting service for enterprises regarding construction engineering technology and management; procurement planning of engineering equipment and material, installation technical 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
Chien Ya (Suzhou) Information Technology Consulting Co., Ltd.	2019.10.08	Qiuzhuang Formation, Wangjia Village, Shiqiao Town, Yangzhou Development Zone	NT\$291,556	Computer software technology development and consultation
Chien Ya (Wuxi) Information Technology Consulting Co., Ltd. (Note 4)	2020.01.08	Block E13-1, Shuofang Industrial Park, New District, Wuxi City	NT\$278,065	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, 2019	29.98	3.849	4.2975

- Note 1. Note 1: Anping Real Estate Co., Ltd. completed the capital alteration of registration on February 4, 2020.
- Note 2. Note 2: Suzhou Chien Hwa Concrete Co., Ltd. completed the alteration of registration on February 11, 2020.
- Note 3. Note 3: Wuxi Chien Bang Concrete Co., Ltd. completed the capital alteration of registration on January 8, 2020.
- Note 4. Note 4: Chien Ya (Wuxi) Information Technology Consulting Co., Ltd. completed the establishment registration on January 8, 2020.

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 General Manager	Chi-te CHEN (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) Chi-te CHEN (Chien Kuo Construction) Pai-tso SUN (Chien Kuo Construction) Kua-teng SU Shi-ning DONG	6,063	86.61% (Note 2)
WeBIM Services Co., Ltd.	Chairman Director Director Supervisor General Manager	Meng-chung LEE Yu-chi SU Jun-kuang YANG (Chien Kuo Construction) Shu-fen YANG Meng-chung LEE	980	49%
Anping Real Estate Co., Ltd. (Note 3)	Chairman General Manager	Chi-te CHEN (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	25,038	100%
Golden Canyon Limited	Director Director Director	Chi-te CHEN Chang-shiou WU Pai-tso SUN	8,714	100%
Chien Kuo Asia Co., Ltd.	Director Director Director	Chi-te CHEN Chang-shiou WU Pai-tso SUN	3,076	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%
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% (Note 4)
Wuxi Chien Bang 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%

Company name	Title	Name or representative	Shareholding (Note 1)	
			Shares	Shareholding Ratio (%)
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%
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%
Chien Ya (Suzhou) Information Technology Consulting 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 (Wuxi) Information Technology Consultant Co., Ltd.	Chairman Director Director Supervisor General Manager	Ssu-chia KUNG Chang-shiou WU Pai-tso SUN Cheng-te CHOU Ssu-chia KUNG	Not applicable.	100% (Note 5)

Note 1. Information related to such an associate is the information on the latest year up to December 31, 2019.

Note 2. The shareholding in Shun Long International Electrical Engineering Co., Ltd. on March 31, 2020 is 100%.

Note 3. Anping Real Estate Co., Ltd. completed the alteration of registration on February 4, 2020.

Note 4. Suzhou Chien Cheng Concrete Co., Ltd. completed the equity transfer and alteration of registration on February 11, 2019.

Note 5. Chien Ya (Wuxi) Information Technology Consulting Co., Ltd. completed the business registration on January 8, 2020.

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	100,265	129	100,136	361	490	-
Shun Long International Electrical Engineering Co., Ltd.	50,000	388,194	335,735	52,459	685,552	(434)	-
WeBIM Services Co., Ltd.	20,000	26,197	5,094	21,103	27,656	2,258	-
Anping Real Estate Co., Ltd.	140,000	132,496	65	132,431	1,145	(1,945)	-
Golden Canyon Limited	261,240	2,356,664	0	2,356,664	0	86,453	-
Silver Shadow Holdings Limited	750,625	1,718,013	0	1,718,013	0	71,401	-
Chien Kuo Asia Co., Ltd.	922	3,149,747	46,016	3,103,731	0	126,060	-
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	17,988	22,156	215	21,941	0	27	Note 1
Chien Ya (Shanghai) Information Technology Co., Ltd.	107,928	305,612	156,559	149,053	0	1,971	Note 1
Suzhou Chien Hua Concrete Co., Ltd.	119,920	309,417	186,951	122,466	388,502	34,543	Note 1
Wuxi Chien Bang Concrete Co., Ltd.	149,900	2,405,220	811,793	1,593,427	1,170,256	105,115	Note 1
Yangzhou Chien Yung Concrete Co., Ltd.	59,960	57,115	23,747	33,368	(10)	(2,051)	Note 1
Chien Ya (Suzhou) Information Technology Consulting Co., Ltd.	291,556	253,301	0	253,331	0	(42,428)	Note 1
Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	242,838	254,194	863	253,331	0	9,097	Note 1

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

(II) Combined Financial Statements: (See #page126 to 203#).

(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.

Statement to the Consolidated Financial Statements

In the year 2019 (from January 1 to December 31, 2019), pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the Company's entities that shall be included in preparing the Consolidated Financial Statements for Affiliates and the Parent-Subsidiary Consolidated Financial Statements for International Financial Reporting Standards (IFRS) 10 are the same. Moreover, the disclosure information required for the Consolidated Financial Statements for Affiliates has been fully disclosed in the aforementioned Parent-Subsidiary Consolidated Financial Statements; hence, a separate Consolidated Financial Statements for Affiliates will not be prepared.

Hereby declare by

Company Name: Chien Kuo Construction Co. Ltd.

Responsible person: Chang-shiou Wu

March 27, 2020

Independent Auditors' Report

The Board of Directors and Shareholders Chien Kuo Construction Co., Ltd.

Audit Opinions

We have audited the Consolidated Balance Sheets of Chien Kuo Construction Co. Ltd. and its subsidiaries as of December 31, 2019 and 2018, 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 from January 1 to December 31, 2019 and 2018.

In our opinion, the aforementioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of Chien Kuo Construction Co. Ltd. as of December 31, 2019 and 2018, and its consolidated financial performance and consolidated cash flows for the annual periods ended December 31, 2019 and 2018 in conformity with the "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 conducted our audits of the financial statements as of and for the year ended December 31, 2019 in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants," Order No. 1090360805 issued by the Financial Supervisory Commission on February 25, 2020 and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statement as of and for the year ended December 31, 2018 in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants," and the auditing standards generally accepted in the Republic of China. Our responsibility under the above mentioned regulations will be further explained in the section titled "The Accountants' 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 are those matters that, in our professional judgment, were of most significance in our audit of 2019 consolidated financial statements of Chien Kuo Construction Co. Ltd. and its subsidiaries. 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 2019 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 the total costs of the construction contract 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 assessing the important changes in the cost of construction contracts after the completion of construction projects.

For information about construction contracts, please refer to Note 22.

Assessment of Impairment of Accounts Receivable

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 possesses 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 10.

Other Matters

Chien Kuo Construction Co. Ltd. has also compiled Individual Financial Statements for 2019 and 2018, and they have also received audit opinion of no reservations from our CPA for your 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 the "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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. "Reasonable assurance" 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 utilized our professional judgment and maintained professional skepticism when exercising auditing work according to GAAS. 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 communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide governing bodies with a declaration 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 possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with those charged with governance, we determine the key audit matters of the 2019 consolidated financial statements of Chien Kuo Construction Co. Ltd. and its subsidiaries. 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 Approval
number by the Financial Supervisory
Commission FSC - 0980032818

CPA: Wen-Ching Lin Approval number by the
Securities and Futures Commission
Taiwan-Finance-Securities - 0920123784

March 27, 2020

Chien Kuo Construction Co., Ltd. and Subsidiaries
Consolidated Balance Sheets for the Year Ended
December 31, 2019 and 2018

Unit: NT\$ Thousand

Code	Assets	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	\$ 2,602,762	31	\$ 2,437,312	26
1110	Financial Assets at Fair Value through Profit or Loss (Note 7 and 29)	120,073	1	159,157	2
1120	Financial assets at fair value through other comprehensive income (Note 8)	49,567	1	41,347	-
1135	Financial assets for hedging	1,011	-	-	-
1140	Contract assets (Note 22)	1,298,880	15	1,331,215	14
1150	Notes receivable (Note 10)	204,179	2	111,011	1
1170	Accounts receivable (Note 10 and 22)	2,126,231	25	2,609,969	28
1200	Other receivables	28,669	-	31,875	-
1310	Inventories	29,402	-	27,102	-
1323	Land held for construction (Note 13 and Note 30)	463,577	6	463,577	5
1410	Prepayments (Note 12)	419,594	5	632,002	7
1460	Non-current assets classified as held for sale (Note 14)	140,725	2	75,602	1
1470	Other current assets (Note 13)	163,237	2	191,253	2
11XX	Total current assets	<u>7,647,907</u>	<u>90</u>	<u>8,111,422</u>	<u>86</u>
	Non-current assets				
1510	Financial assets at fair value through profit or loss (Note 7)	75,969	1	95,174	1
1520	Financial assets at fair value through other comprehensive income (Notes 8, 9, and 30)	410,826	5	346,411	4
1550	Investments accounted for using equity method (Note 13)	9,652	-	-	-
1600	Property, plant, and equipment (Notes 15 and 30)	126,042	1	191,066	2
1755	Right-of-use asset (Note 16 and 30)	59,128	1	-	-
1760	Investment property (Notes 17 and 30)	175,427	2	216,684	2
1840	Deferred tax assets (Note 24)	17,021	-	79,743	1
1980	Pledged certificate of deposit (Note 31)	5,996	-	205,844	2
1985	Long-term prepaid rents (Notes 30)	-	-	148,101	2
1990	Other non-current assets	15,461	-	19,018	-
15XX	Total non-current assets	<u>895,522</u>	<u>10</u>	<u>1,302,041</u>	<u>14</u>
1XXX	Total assets	<u>\$ 8,543,429</u>	<u>100</u>	<u>\$ 9,413,463</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2100	Bank loans (Note 18)	\$ 53,750	1	\$ -	-
2130	Contract liabilities (Note 22)	261,026	3	72,742	1
2150	Notes payable	143,189	2	385,388	4
2170	Accounts payable (Note 19)	1,712,414	20	1,701,653	18
2200	Other payables	235,798	3	216,759	2
2230	Current tax liabilities	6,379	-	13,316	-
2260	Liabilities related to non-current assets classified as held for sale (Note 14)	1,454	-	4,935	-
2320	Long-term Bank loans, current portion (Note 18)	-	-	450,000	5
2399	Other current liabilities (Notes 16)	191,996	2	151,507	2
21XX	Total current liabilities	<u>2,606,006</u>	<u>31</u>	<u>2,996,300</u>	<u>32</u>
	Non-current liabilities				
2540	Long-term Bank loans (Note 18)	948,991	11	799,131	8
2570	Deferred tax liabilities (Note 24)	518,591	6	583,786	6
2600	Other non-current liabilities (Note 16 and 20)	114,089	1	72,981	1
25XX	Total non-current liabilities	<u>1,581,671</u>	<u>18</u>	<u>1,455,898</u>	<u>15</u>
2XXX	Total liabilities	<u>4,187,677</u>	<u>49</u>	<u>4,452,198</u>	<u>47</u>
	Equity attributable to shareholders of the parent (Note 21)				
	Capital stock				
3110	Capital from common stock	<u>2,674,401</u>	<u>31</u>	<u>3,343,001</u>	<u>36</u>
3200	Capital surplus	<u>201,627</u>	<u>2</u>	<u>201,627</u>	<u>2</u>
	Retained earnings				
3310	Appropriated as legal capital reserve	626,554	7	605,987	7
3320	Appropriated as special capital reserve	50,001	1	67,179	1
3350	Unappropriated earnings	800,246	10	788,857	8
3300	Total retained earnings	<u>1,476,801</u>	<u>18</u>	<u>1,462,023</u>	<u>16</u>
3400	Others	(4,089)	-	(57,178)	(1)
31XX	Total equity attributable to shareholders of the parent	<u>4,348,740</u>	<u>51</u>	<u>4,949,473</u>	<u>53</u>
36XX	Non-controlling interest	<u>7,012</u>	<u>-</u>	<u>11,792</u>	<u>-</u>
3XXX	Total equity	<u>4,355,752</u>	<u>51</u>	<u>4,961,265</u>	<u>53</u>
	Total liabilities and equity	<u>\$ 8,543,429</u>	<u>100</u>	<u>\$ 9,413,463</u>	<u>100</u>

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

Chairperson: Chang-shiou Wu

Manager: Chang-shiou Wu

Accounting Manager: Shu-fen Yang

Chien Kuo Construction Co. Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2019 and 2018

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

Code	2019		2018	
	Amount	%	Amount	%
4000 Operating Revenue (Note 22)	\$ 6,331,757	100	\$ 6,824,128	100
5000 Operating cost (Notes 23 and 29)	5,781,552	91	6,082,369	89
5900 Gross profit	550,205	9	741,759	11
Operating expenses (Notes 23 and 29)				
6100 Marketing expenses	33,870	1	34,612	1
6200 General and administrative expenses	343,178	5	346,867	5
6000 Total operating expenses	377,048	6	381,479	6
6900 Net operating income	173,157	3	360,280	5
Non-operating income and expenses (Note 23)				
7010 Other income	90,086	1	75,602	1
7020 Other gains and losses	47,435	1	(34,394)	(1)
7050 Finance costs	(17,359)	-	(26,365)	-
7060 Shares of profits of associates accounted for using the equity method	1,106	-	-	-
7000 Total non-operating income and expenses	121,268	2	14,843	-
7900 Income before income tax	294,425	5	375,123	5
7950 Income tax expense (Note 24)	114,861	2	167,415	2
8200 Net income in the current year	179,564	3	207,708	3
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
8311 Remeasurement of defined benefit plans (Note 20)	2,866	-	1,695	-

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Code		2019		2018	
		Amount	%	Amount	%
8316	Unrealized gain on investments in equity instruments at fair value through other comprehensive income	\$ 130,662	2	\$ 15,664	.
8349	Income tax related to items that will not be reclassified	(573)	-	(475)	:
8310		<u>132,954</u>	<u>2</u>	<u>16,884</u>	:
	Items that may be reclassified to profit or loss:				
8361	Exchange differences arising on translation of financial statements of foreign operations	(98,325)	(2	6,579	.
8367	Unrealized loss on investments in debt instruments at fair value through other comprehensive income	45	-	(314)	.
8368	Gain or loss on hedging instrument	1,042	-	.	.
8399	Income tax related to items that will be reclassified (Notes 24)	<u>19,664</u>	<u>-</u>	<u>(6,442)</u>	:
8360		<u>(77,573)</u>	<u>(2</u>	<u>(177)</u>	:
8300	Other comprehensive income or loss (after tax)	<u>55,382</u>	<u>-</u>	<u>16,707</u>	:
8500	Total comprehensive income	<u>\$ 234,946</u>	<u>3</u>	<u>\$ 224,415</u>	<u>3</u>
	Net profit (loss) attributable to:				
8610	Shareholders of the parent	\$ 179,634	3	\$ 205,671	3
8620	Non-controlling interest	(71)	-	<u>2,037</u>	:
8600		<u>\$ 179,564</u>	<u>3</u>	<u>\$ 207,708</u>	<u>3</u>
	Total comprehensive income attributable to:				
8710	Shareholders of the parent	\$ 235,017	3	\$ 222,378	3
8720	Non-controlling interest	(71)	-	<u>2,037</u>	:
8700		<u>\$ 234,946</u>	<u>3</u>	<u>\$ 224,415</u>	<u>3</u>
	Earnings Per Share (Note 25)				
9750	Basic earnings per share	<u>\$ 0.57</u>		<u>\$ 0.62</u>	
9850	Diluted earnings per share	<u>\$ 0.57</u>		<u>\$ 0.61</u>	

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

Chairperson: Chang-shiou Wu

Manager: Chang-shiou Wu

Accounting Manager: Shu-fen Yang

Chien Kuo Construction Co. Ltd.
Subsidiaries Consolidated Statements of Changes in Equity
From January 1 to December 31, 2019 and 2018

Unit: NT\$ Thousand

		Equity Attributable to Shareholders of the Parent											
							Others						
		Retained earnings					Exchange differences arising from translation of financial statements of foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Financial assets at fair value through other comprehensive income	Profit or loss of hedging instrument	Treasury stock	Total	Non-controlling interest
Code		Capital stock	Capital surplus	Appropriated as legal capital reserve	Appropriated as special capital reserve	Unappropriated earnings	Translations Exchange differences	Financial assets Unrealized gain or loss	Unrealized gain or loss				
A1	Adjusted balance as of 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
	Appropriation and distribution of retained earnings for 2017												
B1	Provision of legal reserve	-	-	17,118	-	(17,118)	-	-	-	-	-	-	-
B3	Special capital reserve	-	-	-	28,091	(28,091)	-	-	-	-	-	-	-
B5	Cash dividends appropriated to shareholders - NT\$0.50 per share	-	-	-	-	(167,150)	-	-	-	-	(167,150)	-	(167,150)
O1	Cash dividends for shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(600)
D1	Net profit for 2018	-	-	-	-	205,671	-	-	-	-	-	205,671	2,037
D3	Other comprehensive income (loss) (net of tax) for 2018	-	-	-	-	1,220	137	-	15,350	-	-	16,707	-
D5	Total comprehensive income (loss) in 2018	-	-	-	-	206,891	137	-	15,350	-	-	222,378	2,037
L3	Retirement of treasury shares	(36,000)	1,165	-	-	-	-	-	-	-	34,835	-	-
Z1	Balance, December 31, 2018	3,343,001	201,627	605,987	67,179	788,857	(109,003)	-	51,825	-	-	4,949,473	11,792
	Appropriation and distribution of retained earnings for 2018												
B1	Provision of legal reserve	-	-	20,567	-	(20,567)	-	-	-	-	-	-	-
B3	Special capital reserve	-	-	-	(10,002)	10,002	-	-	-	-	-	-	-
B5	Cash dividends appropriated to shareholders - NT\$0.50 per share	-	-	-	-	(167,150)	-	-	-	-	(167,150)	-	(167,150)
B17	Reversal of special capital reserve due to disposal of subsidiaries and branches	-	-	-	(7,176)	7,176	-	-	-	-	-	-	-
E1	Capital reduction	(668,600)	-	-	-	-	-	-	-	-	-	(668,600)	-
O1	Cash dividends for shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(281)
D1	Net profit for 2019	-	-	-	-	179,635	-	-	-	-	-	179,635	(71)
D3	Other comprehensive income (net of tax) for 2019	-	-	-	-	2,293	(78,659)	-	130,706	1,042	-	55,382	-
D5	Total comprehensive income in 2019	-	-	-	-	181,928	(78,659)	-	130,706	1,042	-	235,017	(71)
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,428)
Z1	Balance, December 31, 2019	\$ 2,674,401	\$ 201,627	\$ 626,554	\$ 50,001	\$ 800,246	(\$ 187,662)	\$ -	\$ 182,531	\$ 1,042	\$ -	4,348,740	\$ 7,012

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

Chairperson: Chang-shiou Wu

Manager: Chang-shiou Wu

Accounting Manager: Shu-fen Yang

Chien Kuo Construction Co. Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
From January 1 to December 31, 2019 and 2018

Unit: NT\$ Thousand

Code		2019	2018
	Cash flows from operating activities		
A10000	Income before income tax for the year	\$ 294,425	\$ 375,123
A20010	Gains and Losses:		
A24100	Loss on foreign currency exchange	83,542	81
A21200	Interest income	(50,117)	(51,102)
A29900	Net gain from disposal of subsidiaries	(34,466)	-
A20100	Depreciation expense	36,630	26,524
A21300	Dividend income	(27,213)	(13,397)
A20900	Finance costs	17,359	26,365
A20300	Expected credit loss	2,927	36,199
A22500	Gains on disposal of property, plant and equipment	(3,975)	(6,938)
A20200	Amortization expenses	1,741	3,856
A22700	Loss on disposal of investment property	1,146	-
A22300	Shares of profits of associates accounted for using the equity method	(1,106)	-
A29900	Other expenses transferred from investment property	280	722
A29900	Gains on lease modification	(198)	-
A23100	Net loss (gain) from disposal of investments	(39)	628
A29900	Litigation compensations	-	15,959
A30000	Changes in operating assets and liabilities, net		
A31115	Financial assets at fair value through profit or loss	151,968	659,985
A31125	Contract assets	32,335	(91,193)
A31130	Notes receivable	(92,151)	93,194
A31150	Accounts receivable	421,800	(517,885)
A31180	Other receivables	6,695	(8,531)
A31200	Inventories	(3,525)	(12,822)
A31230	Prepayments	197,552	33,779
A31240	Other current assets	(19,099)	35,322
A31990	Other non-current assets	-	1,333
A32125	Contract liabilities	188,284	(153,979)
A32130	Notes payable	(247,257)	4,118
A32150	Accounts payable	(2,369)	(117,830)

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Code		2019	2018
A32180	Other payables	\$ 18,453	(\$ 13,846)
A32230	Other current liabilities	(3,553)	(35,158)
A32990	Other non-current liabilities	(7,220)	5
A33000	Cash inflow generated from operations	962,849	290,512
A33100	Interest received	46,708	62,677
A33300	Interest paid	(15,968)	(26,499)
A33500	Income taxes paid	(61,846)	(130,685)
AAAA	Net cash flows from operating activities	<u>931,743</u>	<u>196,005</u>
Cash flows from investing activities			
B00020	Disposal of financial assets at fair value through other comprehensive income	57,184	85,583
B00100	Acquisition of financial assets at fair value through profit or loss	(147,546)	(18,432)
B00200	Disposal of financial assets at fair value through profit or loss	52,476	-
B02300	Net cash outflow from disposal of subsidiaries	(12,922)	-
B02700	Acquisition of property, plant and equipment	(18,406)	(17,086)
B02800	Proceeds from disposal of property, plant and equipment	5,963	8,980
B03800	Decrease in refundable deposits	9,974	12,486
B04500	Acquisition of intangible assets	(1,904)	(655)
B05350	Proceeds from disposal of right-of-use assets	130,660	-
B05400	Acquisition of investment properties	(1,076)	(47,441)
B05500	Proceeds from Disposal of Investment Properties	39,621	-
B06700	Increase in pledged certificate of deposit and reserve account	200,145	128,497
B07600	Cash dividends received	20,960	10,817
B09900	Advance received due to disposal of subsidiaries	<u>116,033</u>	<u>132,043</u>
BBBB	Net cash generated from investing activities	<u>451,162</u>	<u>294,792</u>
Cash flows from financing activities			
C00200	Increase (decrease) in Short-term borrowings	51,964	(220,000)
C00500	Decrease in short-term bills payable	-	(79,948)
C01600	Increase in long-term loans	149,860	449,189
C01700	Repayment of long-term loans	(450,000)	(600,000)
C03000	Increase in guarantee deposits received	18,954	20,569
C04200	Repayment of lease principal	(14,863)	-
C04500	Cash dividends paid	(167,150)	(167,150)

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Code		2019	2018
C04700	Cash capital reduction	(\$ 668,600)	\$ -
C05800	Cash dividends for shareholders of subsidiaries	(281)	(600)
CCCC	Net cash from financing activities	(1,080,116)	(597,940)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(68,409)	44,631
EEEE	Increase (decrease) in cash and cash equivalents	234,380	(62,512)
E00100	Balance of cash and cash equivalents - beginning of the year	2,455,785	2,518,297
E00200	Balance of cash and cash equivalents - end of the year	\$ 2,690,165	\$ 2,455,785

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

Code		December 31, 2019	December 31, 2018
E00210	Cash and cash equivalents recognized on the balance sheet	\$ 2,602,762	\$ 2,437,312
E00240	Cash and cash equivalents included in the held-for-sale disposal group	87,403	18,473
E00200	Balance of cash and cash equivalents - end of the year	\$ 2,690,165	\$ 2,455,785

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

Chairperson: Chang-shiou Wu

Manager: Chang-shiou Wu

Accounting Manager: Shu-fen Yang

Chien Kuo Construction Co. Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

From January 1 to December 31, 2019 and 2018

(Amount in Thousands of New Taiwan Dollars (NT\$), Unless Otherwise Stated)

I. Company Overview

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.

The Consolidated Financial Report shall be expressed in NTD, the Company's functional currency.

II. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

The consolidated financial statements were approved by the Board of Directors on March 27, 2020.

III. Application of New, Amended and Revised Standards and Interpretations

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

Except for the following, the initial application of the amendments to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the accounting policies of the Group:

IFRS 16 "Leases"

IFRS 16, which governs the identification of a lease agreement and lessee-accounting and lessor-accounting, will supersede IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and other relevant interpretations. Please refer to Note 4 for information relating to the relevant accounting policies.

Definition of "Leases"

The Group shall elect to determine whether contracts signed (or changed) after January 1, 2019 are (or include) leases in accordance with IFRS 16. The lease contracts identified in accordance with IAS 17 and IFRIC 4 shall not be reassessed and shall be processed in accordance with transitional regulations in IFRS 16.

The Group is the lessee.

The Group shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for small-amount and short-term leases which shall be recognized on a straight-line basis. Other leases shall recognize usage right assets and lease liabilities on the consolidated balance sheets. The consolidated statements of comprehensive income states clearly and respectively the depreciation expense of the right-of-use assets, as well as the interest expense calculated using the effective interest method that has accrued on the lease liability. On the consolidated statements of cash flows, payments for the principal amount of lease liabilities are presented as financing activities, while payments for interests accrued thereon are presented as operating activities. 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 Company is expected to adjust the cumulative impact of the retroactive application of IFRS 16 to the retained earnings on January 1, 2019, without recompiling the comparative information.

For agreements currently treated as operating leases under IAS 17, the lease liability as of 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 right-of-use assets as of January 1, 2019.
4. Using hindsight to determine the lease term when measuring lease liabilities.

The range of incremental borrowing rate applicable to the Group's lease liabilities as of January 1, 2019 was between 1.65% and 3.00%. The difference between such lease liabilities and the future minimum lease payments for non-cancellable operating leases as of December 31, 2018 is stated as follows:

Future minimum lease payments for non-cancellable operating leases as of December 31, 2018	\$ 144,052
Less: Short-term leases qualified for recognition exemption	(1,702)
Total undiscounted amount as of January 1, 2019	<u>\$ 142,350</u>
Present value after the discount using the incremental borrowing rate on January 1, 2019	<u>\$ 106,874</u>

The Group is the lessee.

No adjustments will be made to the lessor's leases during the transition and IFRS 16 will be applied from January 1, 2019.

Adjustments in assets, liabilities and equity on January 1, 2019 due to the first-time adoption of IFRS 16 were as follows:

	Carrying amount as of December 31, 2018	Adjustment of First-time Adoption	Adjusted Balance as of January 1, 2018
<u>Non-current assets</u>			
Long-term prepaid rent	\$ 148,101	(\$ 148,101)	\$ -
Right-of-use assets	-	254,975	254,975
Effect on assets	<u>\$ 148,101</u>	<u>\$ 106,874</u>	<u>\$ 254,975</u>
<u>Current liabilities</u>			
Lease liabilities	\$ -	\$ 13,462	\$ 13,462
<u>Current liabilities</u>			
Lease liabilities	-	93,412	93,412
Effect on liabilities	<u>\$ -</u>	<u>\$ 106,874</u>	<u>\$ 106,874</u>

(II) FSC-endorsed IFRSs that are applicable from 2020 onwards

New, Amended and Revised Standards and Interpretations	Effective Date Issued by IASB
Amendment to IFRS 3 - "Definition of Business"	January 1, 2020 (Note 1)
Amendment to IFRS 9, IAS 39 and IFRS 7 - "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 - "Definition of Materiality"	January 1, 2020 (Note 3)

Note 1. Corporate mergers with an acquisition date between the starting date of the annual report on January 1, 2020 and assets acquired after this date shall be applicable to this amendment.

Note 2. Accounts in the fiscal years starting after January 1, 2020 shall be applicable to this amendment.

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

As of the date the consolidated financial statements were authorized for issue, the Group is 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 issued by the IASB but yet to be approved by the FSC and have entered into effect

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
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
Amendment to IAS 1 "Classification of Liabilities as Current or Non-Current"	44562

Note 1. Unless otherwise specified, the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the fiscal year after the specified dates.

As of the date the consolidated financial statements were authorized for issue, the Group is 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 Report was formulated in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs recognized and announced by the FSC that have entered into effect.

(II) Basis of preparation

In addition to assessment of financial instruments based on their fair value and the present value of defined benefit assets minus net defined benefit liabilities recognized at fair value, the Consolidated Financial Report was prepared based on historical costs.

The fair value measurement is classified into 3 levels based on the observability and importance of related input:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. 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.
4. Current liabilities include:
5. Liabilities held primarily for the purpose of trading;
6. Liabilities to be settled within 12 months after the balance sheet date; and
7. Liabilities with a repayment deadline that cannot be unconditionally deferred till at least 12 months after the balance sheet date.

The Company shall classify all other assets or liabilities that are not specified above as 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 consolidated statements of comprehensive income include the operating income of the acquired or disposed subsidiaries from the date of acquisition to the date of disposal in the current year. The financial statements of the subsidiaries have been adjusted to bring their accounting policies into line with those used by the Group. In the consolidated financial statements, all transactions, account balances, income and expenses between the entities have been written off. The total comprehensive income of subsidiaries is recognized in equity attributable to shareholders of the parent and non-controlling interests, even if non-controlling interests become a loss balance.

When a change is effected in the ownership of the subsidiary, the Group does not lose control of it and it will be treated as equity transaction. The carrying amounts of the parent and non-controlling interests have been adjusted to reflect the relative changes in the equity of subsidiaries. The difference between the adjusted amount in non-controlling interests and the fair value of consideration will be considered as equity attributable to the shareholders of the parent.

Please refer to Note 13 and Table 7 and 8 for details, shareholding ratio, and operating items of subsidiaries.

(V) Foreign Currency

In preparing each individual financial statement, 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.

Monetary items denominated in foreign currencies are translated at the closing rates on the 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 measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

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

PP&E are stated at cost and subsequently measured at cost less accumulated depreciation and impairment.

The depreciation of PP&E in its useful life is considered on straight-line basis and each major part/component will be shown independently. 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.

When derecognizing PP&E, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(VII) Investment Property

Investment real estate is real estate held for rent or capital appreciation or both.

Investment real estate is initially measured in terms of costs (including transaction costs) and is subsequently measured in terms of costs minus accumulated depreciation and accumulated impairment losses. Depreciation is provided by using the straight-line basis by the Group.

Investment property under construction shall be 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.

In the event of derecognition of investment real estate, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized as gain or loss.

(VIII) Impairment of Tangible and Intangible Assets

On each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. 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 the fair value minus cost of sales or its value in use, whichever is higher. 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 liabilities will be recognized in the balance sheet when the Group becomes a party to the contract of financial instrument.

When showing the original financial assets and liabilities, if their fair value was not assessed based on profit or loss, it is the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities.

Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Types of measurement

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 at fair value through profit or loss are financial assets forcibly measured at fair value through profit or loss. Financial assets forcibly 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 are recognized in profit or loss. Dividends and interest accrued by such assets are recognized as other revenue. Please refer to Note 28 for the determination of fair value.

B. Financial assets measured at amortized cost

When the Group's investments in financial assets satisfy the following two conditions simultaneously, they 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 cash and cash equivalents, receivables, accounts receivables and other receivables that are measured at amortized cost) 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 value of 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 recognized by applying the credit-adjusted effective interest rate to the amortized 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 amortized cost balance.

Credit-impaired financial assets are those where the issuer or debtor has experienced major financial difficulties, defaults, the debtor is likely to claim bankruptcy or other financial restructuring, or financial assets disappearance of the active market due to financial difficulties.

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 FVTOCI are measured at fair value. Among changes in the carrying amount, interest revenue calculated using the effective interest method, gain or loss on foreign exchange, and impairment loss of foreign exchange or gain on reversal of impairment loss of foreign exchange are recognized in profit or loss; other changes are recognized in other comprehensive

income and reclassified as profit or loss upon disposal of investments.

D. Investment in equity instruments measured at FVTOCI

The Company may, at initial recognition, make an irrevocable election to designate an equity instrument that is neither held for trading nor contingent consideration arising from a business combination to be measured at FVTOCI.

Investments in an equity instrument measured at FVTOCI are measured at fair value, and any subsequent fair value changes 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 measured at FVTOCI are recognized in profit or loss when the Company's right to receive payment is established unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets and contract assets

Financial assets (including accounts receivable), investments in debt instruments at fair value through other comprehensive income, and impairment losses on contract assets as measured at the amortized cost of the estimated credit losses of the merged company on each balance sheet date.

Accounts receivable and contract asset shall be recognized as allowance loss against the lifetime expected credit losses during the term of duration. 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.

The expected credit loss is the weighted average credit loss determined by the risk of default. 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 impairment loss of all financial assets is reduced based on the allowance account. However, the allowance for the investment in the

debt instruments measured at fair value through other comprehensive gains and losses is recognized in other comprehensive gains and losses and shall not reduce its carrying amount.

(3) Derecognition of financial assets

The Group derecognizes the financial assets when the contractual rights to the cash inflow from the asset expire or when the company transfers all the risks and rewards of ownership of the financial assets to other enterprises substantially.

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. On derecognition of debt instruments measured at fair value through other comprehensive income in its entirety, the difference between the financial 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 and accumulated in equity is recognized in profit or loss. On derecognition of equity instruments measured at fair value through other comprehensive income in its entirety, the accumulated profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

The repurchase of equity instruments issued by the Company is recognized in equity as a deduction. The purchase, sale, issue or cancellation 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.

(XI) Hedge Accounting

The Group designates a portion of hedging instruments (including derivatives, embedded derivatives, and non-derivatives for hedging exchange rate risks) as cash flow hedges. Foreign exchange risk of a firm commitment is hedged with cash flow hedges.

Cash Flow Hedges

For a hedging instrument designated as and qualified for a cash flow hedge, the effective portion of fair value changes is recognized in other comprehensive income, whereas the ineffective portion is immediately recognized in profit or loss.

When the hedged item is recognized in profit or loss, the amount previously recognized in other comprehensive income is reclassified to profit or loss for the same period and recognized in the consolidated statements of comprehensive income under items associated with the hedged item. However, in case that a hedge of a forecast transaction will result in recognition of a non-financial asset or non-financial liability, the amount previously recognized in other comprehensive income is transferred from equity to the original cost of such a non-financial asset or non-financial liability.

The Group prospectively suspends hedge accounting only when the hedge relationship ceases to qualify for the criteria of hedge accounting, i.e., when a hedging instrument is expired, sold, discharged, or executed. Prior to the occurrence of a forecast transaction, the amount that had previously been recognized in other comprehensive income in the period during which the hedge still remained effective is recognized in equity. However, in case the forecast transaction is no longer expected, the amount that had been previously recognized in other comprehensive income is immediately recognized in profit or loss.

(XII) Revenue Recognition

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 Groups 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.

If the outcome of the performance obligations cannot be measured reliably, construction revenue is recognized only to the extent of the expenses incurred for satisfaction of performance obligations that are expected to be recovered.

(XIII) Leases

2019

The merged company evaluates whether a contract belongs to (or includes) a lease on the contract establishment date.

1. The Group as lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as an operating lease.

Under operating leases, lease payments after deducting lease incentives are recognized as revenue on a straight-line basis over the relevant lease term.

2. The Group as lessee

Except that payments for leases of low-value assets and short-term leases to which exemption is applicable are recognized as expenses on a straight-line basis over the lease term, other leases recognize right-of-use assets and lease liabilities on the lease start date.

Right-of-use assets are initially measured at cost (including the initially measured amount of lease liabilities, the lease payments paid before the lease start date less the lease incentives received, the initial direct cost, and the estimated cost of restoring underlying assets), and subsequently measured at cost less the amount after deducting accumulated depreciation and accumulated impairment losses, while adjusting the re-measurement of lease liabilities. A right-of-use asset is separately presented on the consolidated balance sheets.

Right-of-use assets are depreciated on a straight-line basis from the lease start date to the end of the useful life or the expiration of the lease term, whichever is earlier.

A lease liability is initially measured at the present value of lease payments (including fixed payments and in-substance fixed payments). If the interest rate implicit in a lease can be readily determined, lease payments are discounted using the interest rate. If the interest rate implicit in a lease cannot be determined, lease payments are discounted using the incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, while interest expenses are amortized over the lease term. In the case that future lease payments change as a result of a change in the lease term, the Group remeasures the lease liability and correspondingly adjusts the right-of-use asset, except in the case when the carrying amount of the right-of-use asset has reduced to zero, in which case any residual remeasured amount shall be recognized in profit or loss. A lease liability is separately presented on the consolidated balance sheets.

2018

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as an operating lease.

1. The Group as lessor

Revenue from operating leases is recognized as revenue on a straight-line basis over relevant lease terms.

2. The Group as lessee

Payment for operating leases are recognized during the lease period is considered as expenses based on straight-line method.

(XIV) Employee benefits

1. Short-term employee benefits

Related liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The defined cost of benefits under the defined benefit retirement plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method. The cost of services (including the cost of services of the current period and the cost of services of the previous period, and repayment of profit and loss) and the net interest of the net defined benefit liability (asset) are recognized as employee benefit expenses as they occur. 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.

The net defined benefit liabilities (assets) are the shortfall (surplus) of the defined benefit retirement 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 will recognize the termination benefits liability when it is no longer able to revoke the termination benefits offer or recognize the related restructuring costs (whichever is earlier).

(XV) Income Tax

Income tax expenses are the sum of current income tax and deferred income tax.

1. Current Income tax

A tax is levied on the unappropriated earnings pursuant to the Income Tax Act and is recorded as income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to income tax payable from previous years are recognized in the income tax of current year.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

Deferred tax liabilities are mostly recognized based on taxable temporary differences. Deferred tax assets are recognized to the extent that it is most probable that those deductible temporary differences and loss credits can be applied to produce taxable profits.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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 the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. 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 income tax assets and liabilities are measured at the tax rate of the period of expected realization of assets or repayment of liabilities. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. 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 and deferred taxes for the year

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

When the Group adopts accounting policies, the management must make judgments, estimates and assumptions based on historical experience and other critical factors for related information that are not readily available 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

Estimated impairment of accounts receivable is based on the assumption of the Company regarding default rate and expected loss rate. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on its past history, existing market conditions and forward-looking estimates. For critical assumptions adopted, please refer to Note 10.

(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. Changes in incentives and compensations stipulated in the contracts will only be included in and recognized as contract revenue when relevant uncertainties are subsequently eliminated and the probability of reversing the amount of accumulated contract revenue is quite low.

As estimated costs 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, they may affect the calculation of the percentage of completion and the profit or loss of construction.

VI. Cash and Cash Equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	\$ 2,195	\$ 2,560
Bank checks and demand deposits	676,954	760,458
Cash equivalents (time deposits with original maturity date within 6 months)	1,923,613	1,674,294
	<u>\$ 2,602,762</u>	<u>\$ 2,437,312</u>

The rate intervals of time deposits on the balance sheet date are as follows:

	<u>December 31, 2019</u> 0.15%~2.79%	<u>December 31, 2018</u> 0.13%~3.48%
VII. Financial Instruments at Fair Value through Profit or Loss		
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
- Beneficiary certificates	\$ 120,073	\$ -
Hybrid financial assets		
- Structured deposits	-	159,157
	<u>\$ 120,073</u>	<u>\$ 159,157</u>
<u>Non-current</u>		
Mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
- Beneficiary certificates	<u>\$ 75,969</u>	<u>\$ 95,174</u>
Details of financial instruments pledged at fair value through profit or loss are provided in Note 30.		
VIII. Financial assets at fair value through other comprehensive income		
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Equity instrument investment at fair value through comprehensive income (I)	<u>\$ 49,567</u>	<u>\$ 41,347</u>
<u>Non-current</u>		
Equity instrument investment at fair value through comprehensive income (I)	\$ 410,826	\$ 289,351
Liability instrument investment at fair value through comprehensive income (II)	-	57,060
	<u>\$ 410,826</u>	<u>\$ 346,411</u>
(I) Investments in equity instruments measured at fair value through other comprehensive income		
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Investments in domestic listed stocks		
Common stock of Chia Hsin Cement Corporation	\$ 28,825	\$ 17,540
Investments in foreign listed stocks		

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Common stock of China Mobile Communications Corporation	<u>20,742</u>	<u>23,807</u>
Sub-total	<u>\$ 49,567</u>	<u>\$ 41,347</u>
<u>Non-current</u>		
Investments in domestic listed stocks		
Common stock of Chia Hsin Cement Corporation	\$ 153,165	\$ 93,201
Common stock of Taiwan Cement Corporation	<u>257,661</u>	<u>196,150</u>
Sub-total	<u>\$ 410,826</u>	<u>\$ 289,351</u>

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.

Details of financial instruments pledged at fair value through other comprehensive income are provided in Note 30.

(II) Investments in debt instruments measured at fair value through other comprehensive income

1. Information on foreign corporate bonds held by the Group as of December 31, 2018 is as follows:

<u>Company Name</u>	<u>Fair Value</u>	<u>Coupon Rate</u>	<u>Effective Interest Rate</u>	<u>Period</u>
POLY REAL ESTATE GROUP CO. LTD	<u>\$ 57,060</u>	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 for Debt Instruments

The Group's investments in debt instruments are financial assets at fair value through other comprehensive income.

	<u>December 31, 2018</u>
Gross Carrying Amount	\$ 57,222
Allowance for loss	(58)
Amortized cost	57,164
Adjustment in fair value	(104)
	<u>\$ 57,060</u>

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 of 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%	<u>\$ 57,222</u>

X. Notes Receivables and Accounts Receivables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	<u>\$ 204,179</u>	<u>\$ 111,011</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Gross Carrying Amount	\$ 2,229,438	\$ 2,714,164
Less: Allowance losses	(103,207)	(104,195)
	<u>\$ 2,126,231</u>	<u>\$ 2,609,969</u>

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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not overdue	<u>\$ 204,179</u>	<u>\$ 111,011</u>

Aging analysis of account receivable of the Group is stated as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not overdue	\$ 1,545,027	\$ 2,142,266
Less than 180 days	501,198	399,995
181~360 days	64,691	65,358
More than 361 days	118,522	106,545
Total	<u>\$ 2,229,438</u>	<u>\$ 2,714,164</u>

Changes in loss allowance for notes and accounts receivable are as follows:

	December 31, 2019	December 31, 2018
Balance - beginning of year	\$ 104,195	\$ 88,175
Add: Impairment loss recognized	2,927	18,456
Less: Reclassification of non-current assets held for sale	-	(744)
Exchange difference	(3,915)	(1,692)
Balance - end of year	<u>\$ 103,207</u>	<u>\$ 104,195</u>

XI. 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 18 and 30.

XII. Prepayments

	December 31, 2019	December 31, 2018
Prepayments for purchases	\$ 358,750	\$ 539,487
Prepayments construction contracts	44,985	71,428
Tax overpaid retained	6,597	9,263
Prepaid insurance	4,556	7,890
Others	4,706	3,934
	<u>\$ 419,594</u>	<u>\$ 632,002</u>

XIII. Subsidiaries

(I) Subsidiaries included in the consolidated financial statements

The entities of the Consolidated Financial Report are as follows:

Investor	Name of Subsidiary	Business Activities	Percentage of Ownership		Description
			December 31, 2019	December 31, 2018	
The Company	Jin Gu Limited (Jin Gu)	Investment	100%	100%	
	Yin Ying Holding Limited (Yin Ying)	Investment	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	(Note 1)	76.5%	Please refer to Note 14 and 26.
	Anping Real Estate Co., Ltd. (Anping Real Estate)	Housing and building development and lease	100%	100%	
	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	(Note 2)	100%	
	Chien Kuo Asia Co., Ltd. (Chien Kuo Asia)	Investment	100%	100%	
	Jianya (Shanghai) Information Technology Co., Ltd. (Shanghai Information)	Computer software technology development and consultation	100%	100%	
Jin Gu and Yin Ying	Yangzhou Chien Yung Concrete Co., Ltd. (Yangzhou Chien Yung)	Production and sale of concrete and concrete products	100%	100%	

Investor	Name of Subsidiary	Business Activities	Percentage of Ownership		Description
			December 31, 2019	December 31, 2018	
	Shun Long (Hong Kong) Limited (Hong Kong Shun Long)	International trade	(Note 3)	100%	
	Suzhou Chien Hua Concrete Co., Ltd. (Suzhou Chien Hua)	Production and sale of concrete and concrete products	100%	100%	Please refer to Note 14 and 26.
	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%	Please refer to Note 14 and 26.
	Changzhou Changlong Handling Co., Ltd. (Changzhou Changlong)	Cargo handling	(Note 4)	100%	
	Jianya (Nantong) Information Technology Consulting Co., Ltd. (Jianya Nantong)	Computer software technology development and consultation	(Note 5)	100%	
	Jianya (Yangzhou) Technology Consulting Co., Ltd. (Jianya Yangzhou)	Computer software technology development and consultation	100%	100%	
	Jianya (Suzhou) Information Technology Consulting Co., Ltd. (Jianya Suzhou)	Computer software technology development and consultation	100%	-	Note 6

The subsidiaries of the consolidated financial statements are as follows:

- (1) Since January 22, 2019, the Group has lost its control on WeBIM Services and adopted the equity method for evaluation.
- (2) Jiangsu Shili Construction Engineering Co., Ltd. was liquidated on July 24, 2019.
- (3) Shun Long (Hong Kong) Limited was liquidated on December 27, 2019.
- (4) Changzhou Changlong Handling Co., Ltd. was liquidated on July 12, 2019.
- (5) Jianya (Nantong) Information Technology Consulting Co., Ltd. was liquidated on December 6, 2019.
- (6) Divided from Suzhou Chien Hua and newly established.

(II) Subsidiaries not included in the consolidated financial statements: None.

XIV. Non-current Assets Held for Sale

- (I) 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. The disposal is completed on January 7, 2019. Please refer to Note 26 for related information.

Assets and liabilities classified in the held-for-sale disposal group are as follows:

	December 31, 2018
Cash	\$ 2,269
Accounts receivable	9,286
Other receivables	284
Inventories	252
Prepayments	126
Other current assets	265
Property, plant and equipment	27,241
Other non-current assets	<u>12,341</u>

	<u>December 31, 2018</u>
Total non-current assets held for sale	<u>\$ 52,064</u>
Other payables	<u>\$ 365</u>
Liabilities directly associated with non-current assets held for sale	<u>\$ 365</u>
Equity directly relating to non-current assets held for sale	(\$ 18,731)

- (II) 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. The disposal is completed on January 22, 2019. Please refer to Note 26 for related information.

Assets and liabilities classified in the held-for-sale disposal group are as follows:

	<u>December 31, 2018</u>
Cash	\$ 16,204
Accounts receivable	6,146
Property, plant and equipment	328
Deferred income tax assets	283
Other non-current assets	<u>577</u>
Total non-current assets held for sale	<u>\$ 23,538</u>
Other payables	\$ 4,439
Other current liabilities	103
Deferred income tax liabilities	<u>28</u>
Total liabilities directly associated with non-current assets held for sale	<u>\$ 4,570</u>

- (III) The Board of Directors of the Company resolved on June 11, 2019 to sell Suzhou Chien Hua Concrete Co., Ltd. ("Chien Hua" hereinafter) to Kunshan Shen Kun Concrete Co., Ltd. ("Shen Kun" hereinafter). The two parties executed an equity transfer agreement in June 2019. As of December 31, 2019, the advance receipts amounted to NT\$126,384 thousand (RMB29,409 thousand) and NT\$77,355 thousand (RMB 18,000 thousand) for guarantee notes of final payment. The main terms of the equity transfer agreement are as follows:

1. The asset transfer date is set on July 19, 2019. The equity transfer date is the date when the registered shareholders of Chien Hua have been replaced with Shen Kun on the Company Registration Portal.
2. Total proceeds of such an equity transfer are approximately NT\$260,514 thousand (RMB60,620 thousand), which comprises of plant, machinery and equipment, and other Chien Hua's realizable assets.
3. Any account receivables and debt incurred to Chien Hua prior to the asset transfer date are to be settled by Chien Hua before the equity transfer date.

4. The business transfer date was June 12, 2019, before which any profit and loss incurred was attributable to Chien Hua.
5. In the event of force majeure that leads to the non-performance of the equity transfer contract after the date of asset transfer, within 15 days after the termination of the contract, Shen Kun shall return all property, plant, and equipment in exchange for the return of the proceeds it has paid, without any interest accrued and net of the usage fee of RMB2,000 thousand per annum.

Assets and liabilities classified in the held-for-sale disposal group are as follows:

	December 31, 2019
Cash	\$ 87,403
Property, plant and equipment	53,322
Total non-current assets held for sale	<u>\$ 140,725</u>
Other payables	\$ 1,454
Liabilities directly associated with non-current assets held for sale	<u>\$ 1,454</u>
Equity directly relating to non-current assets held for sale	(\$ 26,848)

The Group has completed all the above equity transfer procedures on February 11, 2020, and the proceeds of NT\$260,514 thousand (RMB60,620 thousand yuan) has been fully collected.

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.

XV. Property, Plant and Equipment

	Own Land	Buildings	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
Cost								
Balance as of January 1, 2018	\$ 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	<u>\$ 15,742</u>	<u>\$ 118,804</u>	<u>\$ 171,567</u>	<u>\$ 75,056</u>	<u>\$ 17,672</u>	<u>\$ 17,942</u>	<u>\$ 92,261</u>	<u>\$ 509,044</u>
Accumulated depreciation								
Balance as of January 1, 2018	\$ -	\$ 69,264	\$ 205,163	\$ 109,014	\$ 17,937	\$ 1,627	\$ 44,825	\$ 447,830
Depreciation expense	-	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	<u>\$ -</u>	<u>\$ 58,051</u>	<u>\$ 127,402</u>	<u>\$ 66,855</u>	<u>\$ 14,735</u>	<u>\$ 4,644</u>	<u>\$ 46,291</u>	<u>\$ 317,978</u>
Net worth as of December 31, 2018	<u>\$ 15,742</u>	<u>\$ 60,753</u>	<u>\$ 44,165</u>	<u>\$ 8,201</u>	<u>\$ 2,937</u>	<u>\$ 13,298</u>	<u>\$ 45,970</u>	<u>\$ 191,066</u>
Cost								
Balance as of January 1, 2019	\$ 15,742	\$ 118,804	\$ 171,567	\$ 75,056	\$ 17,672	\$ 17,942	\$ 92,261	\$ 509,044
Addition	-	3,388	6,202	1,027	790	115	6,884	18,406
Disposal	-	(336)	(18,850)	(44,561)	(5,022)	(595)	(697)	(70,061)
Reclassified to held for sale	-	(40,165)	(69,589)	-	(5,165)	-	(35,757)	(150,676)
Other (Reclassified)	-	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-	-
Net exchange differences	-	(4,798)	(6,282)	(1,209)	(453)	-	(3,611)	(16,353)

	Own Land	Buildings	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
Balance as of December 31, 2019	\$ 15,742	\$ 76,893	\$ 83,048	\$ 30,313	\$ 7,822	\$ 17,462	\$ 59,080	\$ 290,360
<u>Accumulated depreciation</u>								
Balance as of January 1, 2019	\$ -	\$ 58,051	\$ 127,402	\$ 66,855	\$ 14,735	\$ 4,644	\$ 46,291	\$ 317,978
Depreciation expense	-	4,518	5,173	1,952	762	3,149	4,187	19,741
Disposal	-	(229)	(17,967)	(41,922)	(4,865)	(464)	(296)	(65,743)
Reclassified to held for sale	-	(22,659)	(50,700)	-	(4,119)	-	(19,877)	(97,355)
Other (Reclassified)	-	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
Net exchange differences	-	(2,446)	(4,545)	(1,028)	(364)	-	(1,920)	(10,303)
Balance as of December 31, 2019	\$ -	\$ 37,235	\$ 59,363	\$ 25,857	\$ 6,149	\$ 7,329	\$ 28,385	\$ 164,318
Net Worth as of December 31, 2019	\$ 15,742	\$ 39,658	\$ 23,685	\$ 4,456	\$ 1,673	\$ 10,133	\$ 30,695	\$ 126,042

Depreciation expenses are calculated on a straight-line basis according to the following durable years:

Buildings

Main building for plants	61 years
Rooftop construction	22 years
Yard construction	22 years
Others	22 years
Leasehold improvements	1~6 years
Machinery	5~12 years
Transportation equipment	6~7 years
Office equipment	4~7 years
Other equipment	4~22 years

For the amount of property, plant and equipment designated by the Group as collateral against its secured borrowings and credit lines for its acceptance bills, please refer to Note 30.

XVI. Lease Agreements

(I) Right-of-use assets - 2019

	<u>December 31, 2019</u>
Carrying amount of right-of-use assets	
Land	\$ 15,285
Buildings	40,389
Transportation equipment	3,454
	<u>\$ 59,128</u>
	<u>2019</u>
Increase in right-of-use assets	<u>\$ 1,847</u>
Depreciation expense of right-of-use assets	
Land	\$ 1,961
Buildings	11,856
Transportation equipment	1,786
	<u>\$ 15,603</u>

In May 2019, the Group applied to the National Property Administration of the Ministry of Finance for termination of the superficies for the land located in Miao

Shou Section, Anping District, Tainan City. Such superficies had been terminated and acknowledged in August 2019. The right of use assets of NT\$181,607 thousand had been derecognized and a gain on lease modification of NT\$198 thousand recognized. The Group had received the refunded right-of-use consideration of NT\$130,660 thousand on October 16, 2019.

(II) Lease liabilities - 2019

	<u>December 31, 2019</u>
Carrying amount of lease liabilities	
Current (listed as other current liabilities)	\$ <u>13,010</u>
Non-current (listed as other non-current liabilities)	\$ <u>31,204</u>

The discount rate intervals of the lease liabilities are as follows:

	<u>December 31, 2019</u>
Land	1.65%
Buildings	1.65%
Transportation equipment	3.00%

(III) Other lease information
2019

	<u>2019</u>
Short-term lease expense	\$ <u>3,995</u>
Total cash outflow on lease	\$ <u>18,858</u>

The total minimum future payable amount for operating leases that cannot be canceled are as follows:

2018

The total minimum future payable amount for operating leases that cannot be canceled are as follows:

	<u>December 31, 2018</u>
Less than 1 year	\$ 16,671
1~5 years	49,404
Over 5 years	<u>77,977</u>
	\$ <u>144,052</u>

XVII. Investment Property

	<u>2019</u>	<u>2018</u>
<u>Cost</u>		
Balance - beginning of year	\$ 258,353	\$ 211,634
Addition	1,076	47,441
Disposal	(51,801)	-
Listed as other expense	(280)	(722)
Balance - end of year	\$ <u>207,348</u>	\$ <u>258,353</u>

	<u>2019</u>	<u>2018</u>
<u>Accumulated depreciation</u>		
Balance - beginning of year	\$ 41,669	\$ 40,475
Depreciation expensive	1,286	1,194
Disposal	(11,034)	-
Balance - end of year	<u>\$ 31,921</u>	<u>\$ 41,669</u>
Net value - end of year	<u>\$ 175,427</u>	<u>\$ 216,684</u>

Depreciation expenses of investment property are computed using the straight-line method over 3~50 years of service lives.

The fair value of the Group's investment property as of December 31, 2019 and 2018 were NT\$201,774 thousand and NT\$238,182 thousand. The fair value is derived by reference to the most recent closing prices of properties sold in the adjacent area.

For the amount of investment property pledged as collateral, please refer to Note 30.

XVIII. Loans

(I) Short-term loans

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Secured loans (Note 30)</u>		
Bank loan	<u>\$ 41,750</u>	<u>\$ -</u>
Annual interest rate	4.57%	—
Date due	June 9, 2020	—
<u>Unsecured loans</u>		
Line of credit loans	<u>\$ 12,000</u>	<u>\$ -</u>
Annual interest rate	1.68%	—
Date due	January 15, 2020	—

(II) Long term loan

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Secured loans (Note 30)</u>		
Syndicated loans (1)	\$ -	\$ 450,000
Bank loans (2)	<u>350,000</u>	<u>350,000</u>
	350,000	800,000
Less: Current portion	<u>-</u>	(450,000)
Sub-total	<u>350,000</u>	<u>350,000</u>
<u>Unsecured loans</u>		
Long-term commercial paper payable (3)	\$ 600,000	\$ 450,000
Less: discount on long-term commercial paper payable	(1,009)	(869)
Sub-total	<u>598,991</u>	<u>449,131</u>
Long-term loans	<u>\$ 948,991</u>	<u>\$ 799,131</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Annual interest rate	1.49%~1.68%	1.60%~2.38%

1. To repay the existing liabilities and increase the medium-term revolving funds, the Group 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 Group. The first supplementary contract entered into on February 7, 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 Group shall not be less than 120% and 150%, respectively;
- (3) The interest coverage ratio (depreciation expenses + amortization expenses + 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 payments were fully repaid on October 1, 2019.

2. To obtain land held for construction, the Group 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 Group 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 paper payable that have not matured on the balance sheet date are as follows:

December 31, 2019

<u>Guarantee/Accepting Institution</u>	<u>Nominal Amount</u>	<u>Discounted Amount</u>	<u>Carrying Amount</u>	<u>Interest interval</u>	<u>Collateral</u>
Shanghai Commercial and Savings Bank	\$ 300,000	(\$ 526)	\$ 299,474	1.648%	None
Entie Commercial Bank	150,000	(273)	149,727	1.678%	None
Mega International Commercial Bank	<u>150,000</u>	<u>(210)</u>	<u>149,790</u>	1.487%	None
	<u>\$ 600,000</u>	<u>(\$ 1,009)</u>	<u>\$ 598,991</u>		

December 31, 2018

Guarantee/Accepting Institution	Nominal Amount	Discounted Amount	Carrying Amount	Interest interval	Collateral
Shanghai Commercial and Savings Bank	\$ 300,000	(\$ 572)	\$ 299,428	1.648%	None
Entie Commercial Bank	<u>150,000</u>	<u>(297)</u>	<u>149,703</u>	1.678%	None
	<u>\$ 450,000</u>	<u>(\$ 869)</u>	<u>\$ 449,131</u>		

XIX. Accounts Payable

Accounts payable 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.

XX. Post-retirement benefit plan

(I) Defined Contribution Plan

The "Labor Pension Act" applicable to the Group is a defined contribution plan under government administration that contributes 6% of employees' monthly salary to their personal 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 Group's pension system under the "Labor Standards Act" 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 2% 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 funds for defined benefit plans included in the consolidated balance sheets were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 36,027	\$ 41,152
Fair value of planned assets	(33,681)	(34,143)
Net defined benefit liabilities (listed as other non-current liabilities)	<u>\$ 2,346</u>	<u>\$ 7,009</u>

Changes in net defined benefit liabilities were as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of planned assets</u>	<u>Net defined benefit liabilities</u>
As of January 1, 2018	\$ 43,937	(\$ 35,239)	\$ 8,698
Service costs			
Current service cost	478	-	478
Interest expense (income)	436	(358)	78
Recognized in profit and loss	<u>914</u>	<u>(358)</u>	<u>556</u>
Remeasurement			
Return on plan assets (excluding amounts that are included in net interest)	-	(1,049)	(1,049)
Actuarial losses - Adjustments based on history	(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	<u>41,152</u>	<u>(34,143)</u>	<u>7,009</u>
Service costs			
Current service cost	390	-	390
Past service cost and settlement gain or loss	(841)	-	(841)
Interest expense (income)	408	(345)	63
Recognized in profit and loss	<u>43</u>	<u>(345)</u>	<u>388</u>
Remeasurement			
Return on plan assets (excluding amounts that are included in net interest)	-	(1,240)	(1,240)
Actuarial losses - Experience adjustments	(2,645)	-	(2,645)
Actuarial losses - Change in demographic assumptions	1,019	-	1,019
Recognized in other comprehensive income	(1,626)	(1,240)	(2,866)
Contribution from employer	-	(1,409)	(1,409)
Benefits paid	(2,512)	2,512	-
Settlement	(944)	944	-
December 31, 2019	<u>\$ 36,027</u>	<u>(\$ 33,681)</u>	<u>\$ 2,346</u>

The amount of defined benefit plan recognized in profit or loss was summarized by functions as follows:

Summarized by functions	2019	2018
Operating costs	\$ 318	\$ 139
Operating expenses	(706)	417
	<u>(\$ 388)</u>	<u>\$ 556</u>

The Group has the following risks owing to the implementation of the pension system of the "Labor Standards Act":

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 present value of the Group's defined benefit obligations is calculated by certified actuaries and the major assumptions on the assessment date are as follows:

	December 31, 2019	December 31, 2018
Discount rate	0.70%	1.00%
Expected growth rate of salaries	2.00%	2.00%

If changes occur in major actuarial assumptions with other assumptions unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	December 31, 2019	December 31, 2018
Discount rate		
Increase by 0.25%	(\$ 810)	(\$ 1,004)
Decrease by 0.25%	<u>\$ 836</u>	<u>\$ 1,038</u>
Expected growth rate of salaries		
Increase by 0.25%	<u>\$ 823</u>	<u>\$ 1,025</u>
Decrease by 0.25%	<u>(\$ 802)</u>	<u>(\$ 997)</u>

As actuarial assumptions may be related to one another, the likelihood of fluctuation in a single assumption is not high. Therefore, the aforementioned sensitivity analysis may not reflect the actual fluctuations of the present value of defined benefit obligations.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Expected contribution amounts within 1 year	\$ <u>660</u>	\$ <u>1,450</u>
Average maturity period of defined benefit obligations	9 years	9 years

XXI. Equity

(I) Capital stock

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Authorized shares (in 1,000 shares)	<u>500,000</u>	<u>500,000</u>
Authorized capital	\$ <u>5,000,000</u>	\$ <u>5,000,000</u>
Number of issued and paid shares (in 1,000 shares)	<u>267,440</u>	<u>334,300</u>
Issued capital	\$ <u>2,674,401</u>	\$ <u>3,343,001</u>

The par value of ordinary shares issued were NT\$10 per share. Each share is entitled to the right to vote and receive dividend.

To adjust the capital structure and increase the return on equity of the shareholders of the Company, the Board of Directors resolved on June 21, 2019 for cash reduction of capital and returned the share capital. The amount of capital reduction was NT\$668,000 thousand, 66,860 thousand shares were subtracted and the capital reduction ratio was 20%. The share capital was 267,440 thousand shares after the capital reduction. The aforementioned capital reduction, after being approved and put into effect by the Financial Supervisory Commission on September 4, 2019, had its record date set on September 23, 2019 and had completed registration modification on October 8, 2019.

(II) Capital surplus

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Used to offset deficits, appropriated as cash dividends or transferred to capital stock (1)</u>		
Stock issuance premium	\$ 197,435	\$ 197,435
Treasury stock trading	3,914	3,914
<u>Used to offset deficits</u>		
Adjustment in capital surplus of subsidiaries using equity method	73	73
<u>Not be used for any purposes</u>		
Employee stock options	<u>205</u>	<u>205</u>
	\$ <u>201,627</u>	\$ <u>201,627</u>

- (1) This type of capital stock may be used to offset deficits, if any, or to issue cash dividends or increase capital stock, but 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 Articles of Incorporation of the Company, 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.
4. Please refer to Note 23(6) - "Employee Bonus and Bonus to Directors" for the policy of employee and Director bonus distribution stipulated in the Articles of Incorporation.

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.

The Company appropriates and reverses special reserve in accordance with the regulations in Jin-Guan-Zheng-Fa's Letter No. 1010012865 from the FSC and "Q&A on the Applicability of the Appropriation of Special Reserve after the Adoption of the International Financial Reporting Standards (IFRSs)." If other shareholders' equity deductions are reversed afterward, the reversal should be applicable to the appropriation of earnings.

The legal surplus is supplemented until the balance equals the Company's total paid-in capital. The legal capital reserve may be used to offset deficits. When the Company has no deficits, the portion of legal capital reserve that exceeds 25% of the total paid-in capital may be used to appropriate cash dividends in addition to an increase in capital stock.

The proposals to appropriate earnings for the years ended 2018 and 2017 are as follows:

	Proposal of Earnings Appropriation		Dividends per share (NT\$)	
	2018	2017	2018	2017
Appropriated as legal capital reserve	\$ 20,567	\$ 17,118		
(Reversal) Special Reserve	(10,002)	28,091		
Cash dividends	167,150	167,150	\$ 0.50	\$ 0.50

The Company's proposal for distribution of earnings and dividend per share for 2019 was proposed by the Board of Directors on March 27, 2020:

	Proposal of Earnings Appropriation	Dividends per share (NT\$)
Appropriated as legal capital reserve	\$ 18,910	
Reversal of special reserve	(18,090)	
Cash dividends	133,720	\$ 0.50

The distribution of earnings for 2019 is subject to the resolution of the shareholders' meeting to be held on June 23, 2020.

(IV) Treasury stock

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 stocks held by the Company may not be pledged nor assigned rights such as dividend appropriation and voting rights in accordance with the Securities and Exchange Act.

XXII. Revenue

(I) Revenue from contracts with customers

	2019	2018
Revenue from construction	\$ 4,771,507	\$ 4,042,141
Revenue from the sale of goods	1,558,745	2,759,323
Others	<u>1,505</u>	<u>22,664</u>
	<u>\$ 6,331,757</u>	<u>\$ 6,824,128</u>

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.

(II) Contract balance

	December 31, 2019		December 31, 2018	
	Construction Segment	Concrete Segment	Construction Segment	Concrete Segment
Accounts receivable (Note 10)	\$ 587,678	\$ 1,538,553	\$ 284,011	\$ 2,325,958
Contract assets				
Property construction	\$ 654,002	\$ -	\$ 875,462	\$ -
Construction Retainage Receivable	644,878	-	455,753	-
	<u>\$ 1,298,880</u>	<u>\$ -</u>	<u>\$ 1,331,215</u>	<u>\$ -</u>
Contract liabilities				
Property construction Receipts in advance	\$ 250,748	\$ -	\$ 57,730	\$ -
	-	10,278	-	15,012
	<u>\$ 250,748</u>	<u>\$ 10,278</u>	<u>\$ 57,730</u>	<u>\$ 15,012</u>

XXIII. Net Income for the Current Year

Net income for the current year comprises the following items:

(I) Other revenue

	2019	2018
Interest income	\$ 50,117	\$ 51,102
Dividend income	27,213	13,397
Non-payable warranty liability listed as revenue	10,504	-
Others	2,252	11,103
	<u>\$ 90,086</u>	<u>\$ 75,602</u>

(II) Other gains and losses

	2019	2018
Net gain on disposal of subsidiaries	\$ 34,324	\$ -
Litigation compensation gain (loss)	13,878	(15,959)
Gain on valuation of financial assets at fair value through profit or loss	11,958	11,214
Loss on foreign currency exchange, net	(25,070)	(11,455)
Gains on disposal of property, plant and equipment	3,975	6,938
Net loss on disposal of investment property	(1,146)	-
Gains on lease modification	198	-
Gains on disposal of investments	39	-
Expected credit impairment loss	-	(16,291)
Loss on disposal of financial assets	-	(628)
Others	9,279	(8,213)
	<u>\$ 47,435</u>	<u>(\$ 34,394)</u>

(III) Finance costs

	2019	2018
Interest expenses		
Bank loan	\$ 16,008	\$ 26,365
Interest on lease liabilities	1,351	-
	<u>\$ 17,359</u>	<u>\$ 26,365</u>

(IV) Depreciation and amortization expenses

	2019	2018
Property, plant and equipment	\$ 19,741	\$ 25,330
Right-of-use assets	15,603	-
Investment property	1,286	1,194
Intangible assets	1,741	3,856
Total	<u>\$ 38,371</u>	<u>\$ 30,380</u>

Depreciation expenses
summarized by functions

Operating costs	\$ 14,757	\$ 17,976
Operating expenses	20,626	7,393
Other gains and losses	1,247	1,155
	<u>\$ 36,630</u>	<u>\$ 26,524</u>

Amortization expenses
summarized by functions

Operating costs	\$ -	\$ 1,021
Operating expenses	1,741	2,835
	<u>\$ 1,741</u>	<u>\$ 3,856</u>

(V) Employee benefits

	2019	2018
Short-term employee benefits	\$ 360,119	\$ 510,855
Post-employment benefits		
Defined contribution plans	14,370	26,677
Defined benefit plans		
(Note 20)	(388)	556
Termination benefits	1,855	1,119
	<u>\$ 375,956</u>	<u>\$ 539,207</u>

Summarized by functions

Operating costs	\$ 196,337	\$ 282,525
Operating expenses	179,619	256,682
	<u>\$ 375,956</u>	<u>\$ 539,207</u>

(VI) Remuneration for Employees and Directors

According to the Articles of Incorporation, the Company sets aside the remuneration of employees and directors and supervisors at the rates between 0.1%~3% and no higher than 3% of profit before tax, respectively. Remunerations for employees and directors for 2019 and 2018 were resolved by the Board of Directors on March 27, 2020 and March 28, 2020 respectively.

	2019		2018	
	Cash	Percentage (%)	Cash	Percentage (%)
Employees' remuneration	\$ 7,799	3%	\$ 9,200	3%
Director's remuneration	7,799	3%	9,200	3%
	<u>\$ 15,598</u>		<u>\$ 18,400</u>	

If changes are made to the amount after the publication of the consolidated annual financial report, they apply in accordance with accounting estimation changes and will be included in the financial statements of the following year.

For information on the Company's employee bonus and bonus to Directors as determined by the Board of Directors in 2020, please visit the "Market Observation Post System" of Taiwan Stock Exchange.

XXIV. Income tax

- (I) Major components of income tax expenses recognized in profit or loss are as follows:

	2019	2018
Current income tax		
Generated in the current year	\$ 98,363	\$ 84,100
Additional tax on undistributed earnings	1,684	-
Adjustments from previous years	(<u>1,805</u>)	(<u>1,618</u>)
	<u>98,242</u>	<u>82,482</u>
Deferred income tax		
Generated in the current year	16,619	57,256
Changes in tax rates	-	27,356
Adjustments from previous years	<u>-</u>	<u>321</u>
	<u>16,619</u>	<u>84,933</u>
Income tax expenses recognized in profit or loss	<u>\$ 114,861</u>	<u>\$ 167,415</u>

Adjustments for accounting income and income tax expenses are as follows:

	2019	2018
Income before tax	<u>\$ 294,425</u>	<u>\$ 375,123</u>
Income tax expenses calculated as the product of income before income tax and the statutory tax rate	\$ 58,885	\$ 75,025
Effects on the deferred income tax of subsidiaries' earnings	48,641	54,860
Permanent difference	6,949	(1,202)
Effects arising from variation of tax rates applicable to various consolidated entities	7,390	17,046
Exemption	(5,056)	(2,299)
Adjustments on income tax expenses of prior years	(1,805)	(1,297)
Additional tax on undistributed earnings	1,684	-
Changes in tax rates	-	27,356
Others	(1,827)	(2,074)
Income tax expenses recognized in profit or loss	<u>\$ 114,861</u>	<u>\$ 167,415</u>

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%.

(II) Income tax recognized in other comprehensive income

	2019	2018
<u>Deferred income tax</u>		
Income tax expenses recognized in the period		
Exchange differences arising from translation of financial statements of foreign operations	\$ 19,665	(\$ 6,442)
Remeasurement of defined benefit plans	(573)	(475)
Income Tax Recognized in Other Comprehensive Income	<u>\$ 19,092</u>	<u>(\$ 6,917)</u>

(III) Deferred Income Tax Assets and Liabilities

Changes in deferred income tax assets and liabilities were described as follows:

2019

	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Balance - end of year
<u>Deferred income tax assets</u>				
Warranty Cost	\$ 3,506	\$ 1,027	\$ -	\$ 4,533
Construction proceeds				
temporarily estimated	1,914	3,170	-	5,084
Unrealized construction loss	3,043	449	-	3,492
Impairment loss	4,705	(2,026)	-	2,679
Loss carryforwards	\$ 64,028	(\$ 63,746)	\$ -	\$ 282
Others	2,547	(1,023)	(573)	951
	<u>\$ 79,743</u>	<u>(\$ 62,149)</u>	<u>(\$ 573)</u>	<u>\$ 17,021</u>
<u>Deferred income tax liabilities</u>				
Gains or losses from				
investment accounted for				
using equity method	\$ 533,638	(\$ 42,603)	\$ -	\$ 491,035
Exchange differences on				
translation of foreign				
operations	35,492	-	(19,665)	15,827
Reserve for Land Revaluation				
Increment Tax	10,814	-	-	10,814
Unrealized exchange gains	2,927	(2,927)	-	-
Others	915	-	-	915
	<u>\$ 583,786</u>	<u>(\$ 45,530)</u>	<u>(\$ 19,665)</u>	<u>\$ 518,591</u>

2018

	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Changes in tax rates	Reclassify to assets held 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
Impairment loss	4,084	(100)	-	721	-	4,705
Loss carryforwards	45,632	10,627	-	8,052	(283)	64,028
Others	9,946	(8,816)	(475)	1,892	-	2,547
	<u>\$ 68,108</u>	<u>\$ 238</u>	<u>(\$ 475)</u>	<u>\$ 12,155</u>	<u>(\$ 283)</u>	<u>\$ 79,743</u>
<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
Unrealized exchange						
gains	-	2,955	-	-	(28)	2,927
Others	778	-	-	137	-	915
	<u>\$ 480,046</u>	<u>\$ 57,815</u>	<u>\$ 6,442</u>	<u>\$ 39,511</u>	<u>(\$ 28)</u>	<u>\$ 583,786</u>

(IV) Income Tax Approval

The tax authorities have assessed the profit-seeking enterprise income tax returns of the Company and domestic subsidiaries as follows:

Company Name	Approval year
The Company	2017
Chien Kuo Development Co., Ltd.	2017
Shun Long International Electrical Engineering Co., Ltd.	2017
Anping Real Estate Co., Ltd.	2018

XXV. Basic Earnings Per Share

	2019	2018
Basic earnings per share	\$ 0.57	\$ 0.62

Diluted earnings per share \$ 0.57 \$ 0.61
The weighted average number of ordinary shares for the purpose of calculating earnings per share and the weighted average number of ordinary shares are as follows:

Net income in the current year

	2019	2018
Net income attributable to shareholders of the parent	\$ 179,635	\$ 205,671

Number of shares

	2019	2018
Weighted average number of common stocks used for the calculation of basic earnings per share	315,982	334,300
Effect of dilutive potential common stocks:		
Employees' remuneration	944	1,084
Weighted average number of common stocks used for the calculation of diluted earnings per share	316,926	335,384

If the Group chooses to offer employees remuneration or share profits by way of shares or cash, then while calculating the Diluted Earnings Per Share, and assuming that the remuneration is paid in the form of stocks, the dilutive potential ordinary shares will be included in the weighted average number of outstanding shares to calculate the 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.

XXVI. Disposal of Subsidiaries

The Group completed the dispose of the entire equity of Nantong Chien Cheng and part of the equity of WeBIM Services on January 7, 2019 and January 22, 2019 respectively, resulting in the Group losing control over such subsidiaries. The disposal proceeds of Nantong Chien Cheng and WeBIM Services were NT\$129,079 thousand (RMB29,500) and NT\$5,500 thousand (RMB29,500) respectively.

(I) Analysis on assets and liabilities over which the Group lost control

	Chien Cheng	WeBIM Services
Current assets		
Cash and Cash Equivalents	\$ 2,218	\$ 16,204
Accounts receivable	9,078	6,146
Other receivables	37,470	-
Inventories	246	-
Prepayments	283	-
Other current assets	259	-
Non-current assets		
Property, plant and equipment	\$ 26,630	\$ 328
Deferred income tax assets	-	283
Other non-current assets	12,064	577
Current liabilities		
Other payables	(2,019)	(4,562)
Deferred income tax liabilities	-	(28)
Other current liabilities	(9,089)	(103)
Net assets disposed	<u>\$ 77,140</u>	<u>\$ 18,845</u>

(II) Gain (loss) on disposal of subsidiaries

	Chien Cheng	WeBIM Services
Consideration received	\$ 129,079	\$ 5,500
Net assets being disposed of (Chien Cheng: 100%; WeBIM Services: 76.5%)	(77,140)	(14,417)
Remaining equity listed as investment using equity method at fair value	-	8,546
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.	(17,102)	-
Disposal (losses) gains	<u>\$ 34,837</u>	<u>(\$ 371)</u>

(III) Net cash outflow from disposal of subsidiaries

	Chien Cheng	WeBIM Services
Consideration received in cash and cash equivalents	\$ 129,079	\$ 5,500
Less: Advance receipts - beginning of year	(129,079)	-
Less: Balance of cash and cash equivalents disposed	(2,218)	(16,204)
	<u>(\$ 2,218)</u>	<u>(\$ 10,704)</u>

XXVII. Capital risk management

The Group's objectives in capital management are to safeguard the Group's ability to continue as a going concern in order to maintain optimal capital structure in order to minimize the cost of funding and to provide remuneration for its 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.

XXVIII. 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 that are measured at fair value

1. Fair value level

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value through profit or loss</u>				
Foreign Fund	\$ 120,073	\$ -	\$ -	\$ 120,073
Private equity funds	-	-	75,969	75,969
Total	<u>\$ 120,073</u>	<u>\$ -</u>	<u>\$ 75,969</u>	<u>\$ 196,042</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Domestic and foreign listed stocks	<u>\$ 460,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460,393</u>
<u>Financial assets for hedging</u>				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 1,011</u>	<u>\$ -</u>	<u>\$ 1,011</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value through profit or loss</u>				
Foreign Fund	\$ 11,736	\$ -	\$ -	\$ 11,736
Private equity funds	-	-	83,438	83,438
Structured deposits	-	159,157	-	159,157
Total	<u>\$ 11,736</u>	<u>\$ 159,157</u>	<u>\$ 83,438</u>	<u>\$ 254,331</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Investment in equity instrument				
Domestic and foreign listed stocks	\$ 330,698	\$ -	\$ -	\$ 330,698
Investments in debt instruments				
Investments in foreign bonds	-	57,060	-	57,060
Total	<u>\$ 330,698</u>	<u>\$ 57,060</u>	<u>\$ -</u>	<u>\$ 387,758</u>

Transfers without Level 1 or 2 fair value assessment in 2019 and 2018.

2. Valuation techniques and inputs applied to Level 2 fair value measurement

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: 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 of December 31, 2019 and 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\$844 thousand and NT\$927 thousand respectively.

(III) Category of financial instruments

	December 31, 2019	December 31, 2018
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	\$ 196,042	\$ 254,331
Financial assets for hedging	1,011	-
Financial assets measured at amortized cost (Note 1)	4,961,841	5,190,167
Financial assets measured at fair value through other comprehensive income		
Investment in equity instrument	460,393	330,698
Investments in debt instruments	-	57,060
<u>Financial liabilities</u>		
Valuation of cost after amortization (Note 2)	3,094,142	3,552,931

Note 1. Balance includes financial assets measured at amortized cost, such as cash and cash equivalents, debt instrument investments, notes receivable, accounts receivable, and other receivables.

Note 2. The balance includes financial liabilities at amortized cost, which comprise 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.

Risk management is executed by the Group treasury by following policies approved by the Board. 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 32.

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	
	2019	2018
RMB	\$ 1,644	\$ 404
USD	-	62

Hedge Accounting

In order to reduce the cash flow exposure to proceeds derived from disposal of subsidiaries, the Group entered into forward exchange contracts to hedge against the exchange rate risk of the foreign currency firm commitment. The Group assesses the hedge effectiveness by comparing the fair value changes of forward exchange contracts and the changes in hypothetical derivatives.

The hedge ineffectiveness of the hedging relationship mainly comes from the impact of the credit risk of the Group and the Counter-party on the fair value of the forward exchange contracts. Such credit risk does not dominate the fair value change of the hedged item caused by exchange rate changes, nor does it affect the timing of occurrence of the forecast transactions being hedged. There are no other sources of hedge ineffectiveness during the hedging period.

Details of the exchange rate risk of the Group are as follows:

December 31, 2019

Hedging instrument	Currency	Contract amount	Maturity Date	Balance sheet item	Carrying Amount	
					Assets	Liabilities
Cash Flow Hedges						
Forward exchange contracts	RMB/USD	RMB60,000/USD8,617	June 2020	Financial assets for hedging	\$ 1,011	\$ -

The forward foreign exchange contracts engaged in the above-mentioned hedging instruments designated as cash flow hedging recognized the other comprehensive profit and loss as a hedging benefit from January 1 to December 31, 2019, respectively.

(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 book value of financial assets exposed to interest rate and the book value of financial liabilities of the Group on the balance sheet date are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fair value interest rate risk		
- Financial Assets	\$ 2,070,531	\$ 2,021,358
- Financial Liabilities	547,165	899,131
Cash flow interest rate risk		
- Financial Assets	676,954	760,458
- Financial Liabilities	499,790	350,000

Sensitivity analysis

The sensitivity analysis below is prepared based on the risk exposure of derivative and non-derivative instruments to the interest rates on 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). A 100 basis point increase or decrease is used when reporting the interest rate risk internally to the key management, and represents the management's assessment of the reasonably possible changes in interest 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\$1,772 thousand and NT\$4,105 thousand, respectively for 2019 and 2018.

(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 has been determined based on the exposure to equity price risk at the balance sheet date.

If equity prices rise/fall by 10%, the pre-tax income for the annual period ended December 31, 2019 will increase/decrease by NT\$19,604 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\$46,039 thousand due to the rise/fall of the fair value of financial assets measured at FVTOCI.

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.

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 policy of the Group in response to credit risk is as follows:

Client

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.

Debt instruments

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.

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.

December 31, 2019

	<u>Less than 1 Year</u>	<u>1~2 Year(s)</u>	<u>2~5 Years</u>
Non-interest bearing liabilities	\$ 2,015,326	\$ 70,174	\$ 5,901
Lease liabilities	13,655	12,301	20,132
Fixed interest rate instruments	53,750	299,474	149,727

	<u>Less than 1 Year</u>	<u>1~2 Year(s)</u>	<u>2~5 Years</u>
Floating interest rate instruments	-	-	499,790
	<u>\$ 2,082,731</u>	<u>\$ 381,949</u>	<u>\$ 675,550</u>
Lease liabilities	<u>Within 1 year</u>		<u>1~5 years</u>
	<u>\$ 13,655</u>		<u>\$ 32,433</u>
<u>December 31, 2018</u>			
	<u>Less than 1 Year</u>	<u>1~2 Year(s)</u>	<u>2~5 Years</u>
Non-interest bearing liabilities	\$ 2,174,679	\$ 109,949	\$ 19,172
Fixed interest rate instruments	450,000	-	449,131
Floating interest rate instruments	-	-	350,000
	<u>\$ 2,624,679</u>	<u>\$ 109,949</u>	<u>\$ 818,303</u>

The above-mentioned amount of non-derivative financial asset and liability instruments with floating interests are subject to change due to changes in floating rates and/or differences in interest rates estimated as of the balance sheet date.

(3) Financing facilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Credit line of unsecured bank loan		
- amount used	\$ 612,000	\$ 450,000
- amount unused	<u>1,489,817</u>	<u>1,299,495</u>
	<u>\$ 2,101,817</u>	<u>\$ 1,749,495</u>
Credit line of secured bank loan		
- amount used	\$ 391,750	\$ 800,000
- amount unused	<u>273,123</u>	<u>100,000</u>
	<u>\$ 664,873</u>	<u>\$ 900,000</u>

(V) Financial asset shifting

The Group has endorsed a part of its banker's acceptance in Mainland China over to suppliers for the purpose of paying off its accounts payables. Since the risks and rewards of such bank acceptance bills have been substantially transferred, the Group has derecognized the banker's acceptance and the corresponding accounts payables. Provided, however, that if the derecognized banker's acceptance fail to be accepted by banks when due, the suppliers are entitled to demand for a settlement made by the Company. Therefore, the Company still has continuing involvement in the notes.

The maximum risk exposure of the Company's continuing involvement in the derecognized banker's acceptance is the carrying amount of the banker's acceptance that had been endorsed over but yet to be due, which totaled NT\$323,907 thousand

and NT\$331,572 thousand, respectively as of December 31, 2019 and December 31, 2018, and will be due respectively within 9 months and 12 months after the balance sheet date. Having considered the credit risks of the derecognized banker's acceptance, the Group determines that the fair value of its continuing involvement is immaterial.

As of the three-month periods ended March 31, 2019 and 2018, the Group did not recognize any gains or losses for its banker's acceptance being endorsed over, nor for its continuing involvement in the notes in the current period or cumulatively over the previous periods.

XXIX. Related-party transactions

All transactions between the Company and its subsidiaries, account balances, income and expenses are disregarded on the merger and therefore are not shown in this Note. 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

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
WeBIM Services Co., Ltd. (WeBIM Services)	It became an associate of the Company since January 22, 2019.
Jianhui Investment Co., Ltd. (Jianhui Investment)	The chairperson of Jianhui Investment is the vice chairperson of the Company.
Chien Kuo Foundation for Arts and Culture	The chairperson of the foundation is the vice chairperson of the Company.
Mark Lee	President of WeBIM Services
Tzu-chiang Yang	Director of the Company
Pang-yen Yang	Director of the Company

(II) Other related party transactions

1. Construction Costs

<u>Category of related parties</u>	<u>2019</u>	<u>2018</u>
Associates	\$ <u>2,045</u>	Note

It is the cost paid for entrusting associates to provide services such as architectural model drawing, and is handled in accordance with general terms and condition.

Note: Such associate is a consolidated entity of the Company in 2018.

2. Lease agreements

The Group rents the office from other related parties based on the local rental standards. The rent is paid on a monthly basis.

<u>Accounting subject</u>	<u>Category of related parties</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Lease liabilities	Other related parties	\$ <u>21,847</u>	\$ <u>-</u>

<u>Category of related parties</u>	<u>2019</u>	<u>2018</u>
<u>Interest expenses</u>		

<u>Category of related parties</u>	<u>2019</u>	<u>2018</u>
Other related parties	\$ <u>400</u>	\$ <u>-</u>
<u>Rental Expenses</u>		
Other related parties	\$ <u>72</u>	\$ <u>5,748</u>

3. Equity transactions

The Group sold 27% of the equity of WEBIM Services to the president of WEBIM Services on January 22, 2019. The proceeds of disposal was NT\$5,500 thousand.

4. Donation expenditure

The Group's Board of Directors resolved on August 8, 2019 and 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, 2019 and 2018 as a donation expense in the amount of NT\$1,800 thousand and NT\$1,620 thousand respectively.

5. Acquisition of financial assets

The Group invested in CSVI VENTURES, L.P. with NT\$17,988 thousand (USD600 thousand) and NT\$18,432 thousand (USD600 thousand) in April 2019 and January 2018 respectively. The key decision maker of the fund is the Company's director.

(III) Remuneration to key management

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 52,331	\$ 47,042
Termination benefits	280	-
Post-employment benefits	<u>1,196</u>	<u>1,205</u>
	\$ <u>53,807</u>	\$ <u>48,247</u>

The remuneration to Directors and other key management is determined by the Remuneration Committee based on personal performance and market trends.

XXX. 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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Land held for construction	\$ 463,577	\$ 463,577
Pledged certificate of deposit	146,918	347,064
Financial assets at fair value through other comprehensive income - non-current	133,177	94,555
Investment property	31,548	32,122
Property, plant and equipment	16,382	18,701
Right-of-use assets	4,414	-
Other restricted assets	8,833	2,580

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets at fair value through profit or loss - current	-	123,289
Long-term prepaid rent	-	4,735
	<u>\$ 804,849</u>	<u>\$ 1,086,623</u>

XXXI. 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:

Contingencies

- (I) 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. The mediation suggestion made by the mediation committee was overdue default penalty fee of NTS8,286,572. The Group has agreed to accept within the deadline, but the ministry has to yet to respond.
- (II) On July 20, 2014, Shing Tzung Development Co., Ltd. (Shing Tzung) and its person in charge, Kuo-feng Lu performed the diaphragm wall construction for the building (3 floors underground and 26 floors above ground) at Lingzhou section land No. 537 in Kaohsiung City, which caused the severe tilts, wall cracks and subsidence of the buildings at Lane 187, Ziqiang 3rd Road. Due to the Group's active participation in the repair work, a total of 25 house owners transferred a certain amount of their creditors' rights to the Group, by which the Group 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 Group might be entitled. Therefore, the plaintiff's case was rejected. The Group 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 Group for compensation for the Incident. The Group had also suffered loss from such Incident. Consequently, the Group filed a claim against Shing Tzung for compensation (including expenses incurred by the Group's participation in the repair work) and demanded that Shing Tzung return the promissory notes of performance guarantee to the Group. 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.

- (III) On March 15, 2013, the Group and Kingland Property Corporation Ltd. (formerly known as DSG Technology Inc., hereinafter referred to as "Kingland") signed a construction contract, under which two parties covenanted to contract the Group for the construction project named "Fu-yi River Residential Construction Project" on Land No. 440, Zhuangjing Section, Xindian District, New Taipei City. The Group had completed the various stages of work as defined by the contract and, together with Kingland, completed the acceptance of the residential units and inspection of communal facilities. Due to a large portion of the residential units being unsold and thus the condominium management committee failed to be established, Kingland, by putting up various excuses, refused to make progress with any follow-up inspections or acceptance, nor the remaining contract payments and additional payments due to the Group. As a consequence, on October 22, 2019, The Group then submitted a request for arbitration, demanding Kingland pay the payables due and the loss suffered by the Group of NT\$57,370 thousand to the Group.
- (IV) As of December 31, 2019, the performance guarantee letters issued by the bank for construction projects amounted to NT\$1,904,671 thousand.
- (V) As of December 31, 2019, the guaranteed bills issued by the Company for business needs amounted to NT\$575,683 thousand.

XXXII. Information on Foreign-Currency-Denominated Assets and Liabilities Wielding Significant Influence

Significant impact on assets and liabilities recognized in foreign currencies of the Group is as follows:

Unit: Foreign currency/NT\$1,000

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB	\$ 3,718	0.1433 (RMB:USD)	<u>\$ 15,978</u>

December 31, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB	\$ 9,020	0.1457 (RMB:USD)	\$ 40,374
USD	201	30.72 (USD: New Taiwan Dollars)	<u>6,175</u>
			<u>\$ 46,549</u>

Significant impact on unrealized gain or loss on foreign currency exchange is as follows:

	2019		2018	
	Exchange Rate	Gain (Loss) on Foreign Currency Exchange, Net	Exchange Rate	Gain (Loss) on Foreign Currency Exchange, Net
<u>Financial assets</u>				
RMB	0.1450 (RMB:USD)	(\$ 8,284)	0.1457 (RMB:USD)	(\$ 3,648)
USD	30.91 (USD:NTD)	-	30.72 (USD:NTD)	139
		<u>(\$ 8,284)</u>		<u>(\$ 3,509)</u>

XXXIII. Supplementary Disclosures

Information on (I) significant transactions and (II) invested companies is as follows:

1. Loaning to Others. Please refer to Appendix 1.
2. Endorsements/Guarantees Provided to Others. Please refer to Appendix 2.
3. Marketable Securities Held at the End of the Period (Excluding investment in Subsidiaries, Associates and Joint Ventures) Please refer to Appendix 3.
4. Marketable Securities Acquired and Disposed of at Costs or Prices Reaching NT\$300 Million or 20% of the Paid-in Capital: None.
5. Acquisition of Real Estate at Costs Reaching NT\$300 Million or 20% of the Paid-in Capital: None.
6. Disposal of Real Estate at Costs Reaching 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. Please refer to Appendix 4.
 8. Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital Please refer to Appendix 5.
 9. Engaging in Derivatives Trading. (Note 28)
 10. Others: Inter-company Business Relationships and Significant Inter-company Transactions Please refer to Appendix 6.
 11. Information on invested companies. Please refer to Appendix 7.
- (II) 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: Please refer to Appendix 8.
 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 endorsements/guarantees 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.

XXXIV. Segment Information

The information is provided to the main business decision-maker to allocate resources and assess the performance of each department and focus on type of product 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.

Production and sale of concrete and concrete products

- (I) Segment revenue and results

The revenue and results of the Group is analyzed as follow (by reportable segments):

	Segment Revenue		Segment Profit or Loss	
	2019	2018	2019	2018
Construction Segment	\$ 4,773,012	\$ 4,064,805	\$ 179,948	\$ 156,307
Concrete Segment	<u>1,558,745</u>	<u>2,759,323</u>	<u>102,154</u>	<u>290,963</u>
Total revenue from continuing operations	<u>\$ 6,331,757</u>	<u>\$ 6,824,128</u>	282,102	447,270
Other revenues			90,086	75,602
Other gains and losses			47,435	(34,393)
Shares of profits of associates accounted for using the equity method			1,106	-
Headquarters management costs and directors' remuneration			(108,945)	(86,991)
Finance costs			(17,359)	(26,365)
Income before tax			<u>\$ 294,425</u>	<u>\$ 375,123</u>

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 revenue, 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 geographical areas, including Taiwan and Mainland China.

The Group's revenue made by continuing operations from external customers classified by the location of the business and the non-current assets is as follows:

	Revenue from external customers		Non-current assets	
	2019	2018	December 31, 2019	December 31, 2018
Taiwan	\$ 4,773,012	\$ 4,064,805	\$ 284,028	\$ 408,710
China	<u>1,558,745</u>	<u>2,759,323</u>	<u>107,677</u>	<u>372,003</u>
	<u>\$ 6,331,757</u>	<u>\$ 6,824,128</u>	<u>\$ 391,705</u>	<u>\$ 780,713</u>

Non-current assets do not include assets classified as financial instruments or deferred tax assets.

(III) Major Customers

Individual customers accounted for at least 10% of net revenue of the Group were as follows

	2019	2018
Customer A (Note 1)	\$ 935,262	\$ 492,281
Customer B (Note 1)	706,025	208,914
Customer C (Note 1)	<u>546,859</u>	<u>709,451</u>
	<u>\$ 2,188,146</u>	<u>\$ 1,410,646</u>

Note 1: Comes from construction revenue.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Loaning to Others

From January 1 to December 31, 2019

Appendix 1

Unit: NT\$ Thousand

No.	Financing Company	Counter-party	Financial Statement Account	Related Party (Y/N)	Highest balance in the current year	Balance - end of year	Actual Amount Used	Interest interval	Nature of loan (Note 1)	Amount of Transaction	Reason for short-term financing	Allowance for Bad Debts	Collateral		Limit on loans granted to a single party	Total limit amount of 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	40% of the parent's net worth	
1	Jianya (Shanghai) Information Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	82,843	-	-	6.0%	(1)	-	Operating capital	-	-	-	\$ 868,305 100% of the Company's net worth 147,163	\$ 1,736,609 100% of the Company's net worth 147,163	
2	Jianya (Nantong) Information Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	165,686	-	-	6.0%	(1)	-	Operating capital	-	-	-	100% of the Company's net worth 158,211	100% of the Company's net worth 158,211	Note 3
3	Jianya (Yangzhou) Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	174,891	-	-	6.0%	(1)	-	Operating capital	-	-	-	100% of the Company's net worth 244,607	100% of the Company's net worth 244,607	
3	Jianya (Yangzhou) Technology Consulting Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Other receivables	Yes	248,007	240,660	240,660	5.0%	(1)	-	Operating capital	-	-	-	100% of the Company's net worth 244,607	100% of the Company's net worth 244,607	Note 3
3	Chien Kuo Development Co., Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Other receivables	Yes	20,000	20,000	20,000	1.7%	(1)	-	Operating capital	-	-	-	100% of the Company's net worth 20,003	100% of the Company's net worth 40,006	

Note 1. The nature of financing is described as follows:

1. For the purpose of short-term financing.

Note 2. Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as of December 31, 2019 (RMB1 = NT\$4.2975).

Note 3. Such loan is denominated in RMB, so if calculated in RMB, the highest balance of the current year does not exceed the limit of the total loans.

Chien Kuo Construction Co. Ltd. and Subsidiaries
Endorsements/Guarantees Provided to Others
From January 1 to December 31, 2019

Appendix 2

Unit: NT\$ Thousand

No.	endorsements/guarantees provider company name	Parties being endorsed/guaranteed		Limit of endorsements/guarantees for a single entity (Notes 1, 2 and 4)	Highest balance up to the current month (Note 1)	Outstanding endorsements/guarantees - ending (Note 1)	Actual amount used (Note 1)	Endorsements/guarantees secured with collateral	Ratio of cumulative endorsements/guarantees to the net equity stated in the latest financial statements	Limit of endorsements/guarantees (Notes 1, 3 and 4)	Endorsements provided by parent for subsidiary	Endorsements provided by subsidiary for parent	Endorsements for entities in China	Note
		Company Name	Relationship											
0	Chien Kuo Construction Co. Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiary	2,170,762	80,000	80,000	12,000	-	1.84%	4,341,523	Y	N	N	Financing endorsements/guarantees
		Suzhou Chien Hua Concrete Co., Ltd.	Sub-subsidiary	2,170,762	239,689	-	-	-	-	4,341,523	Y	N	Y	Financing endorsements/guarantees
		Wuxi Chien Bang Concrete Co., Ltd.	Sub-subsidiary	2,170,762	454,720	440,289	138,444	-	10.14%	4,341,523	Y	N	Y	Financing endorsements/guarantees
1	Jin Gu Limited	Chien Kuo Construction Co. Ltd.	Parent	10,725,863	189,720	-	-	-	-	10,725,863	N	Y	N	Financing endorsements/guarantees

Note 1. Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as of December 31, 2019 (US\$1 = NT\$29.98).

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 endorsements/guarantees amount allowable is calculated as follows:

1. The maximum endorsements/guarantees amount allowable to the same trade should be 400% of net worth of shareholders' equity.
2. The maximum endorsements/guarantees amount allowable to other guaranteed parties should be 100% of net worth of shareholders' equity.

Note 4. The limit on endorsements/guarantees provided for each guaranteed party and the maximum endorsements/guarantees amount allowable are calculated as follows:

1. Limit on endorsements/guarantees provided for each guaranteed party: 400% of net worth of shareholders' equity.
2. Maximum endorsements/guarantees amount allowable: 400% of net worth of shareholders' equity.

Chien Kuo Construction Co. Ltd. and Subsidiaries
Marketable Securities Held at the End of the Period
As of December 31, 2019

Appendix 3

Unit: NT\$ Thousand

Holding Company	Type and name of marketable securities	Relationship with the marketable security issuer marketable security issuer	Financial Statement Account	Ending Balance				Note
				Number of Shares (in Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair value	
Chien Kuo Construction Co. Ltd.	<u>Funds</u>							
	Wan Chan Venture Capital Co. Ltd.	—	Financial assets at fair value through profit or loss - non-current	900	\$ 8,100	4.92	\$ 8,100	—
	<u>Shares</u>							
	Chia Hsin Cement Corporation	—	Financial assets at fair value through other comprehensive income - current	1,114	24,909	0.14	24,909	—
	Taiwan Cement Corporation	—	Financial assets at fair value through other comprehensive income - non-current	5,896	257,661	0.10	257,661	(Note 3)
	Chia Hsin Cement Corporation	—	Financial assets at fair value through other comprehensive income - non-current	6,853	153,165	0.88	153,165	(Note 1)
Anping Real Estate Co., Ltd.	<u>Funds</u>							
	Allianz Global Investors Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss - current	4,772	60,035	-	60,035	—
	Mega Diamond Money Market Fund	—	Financial assets at fair value through profit or loss - current	4,768	60,038	-	60,038	—
Jin Gu Limited	<u>Funds</u>							
	PVG GCN VENTURES, L.P.	—	Financial assets at fair value through profit or loss - non-current	-	31,850	5.00	31,850	—
	CSVI VENTURES, L.P.	(Note 2)	Financial assets at fair value through profit or loss - non-current	-	36,019	5.16	36,019	—
	<u>Shares</u>							
	Chia Hsin Cement Corporation	—	Financial assets at fair value through other comprehensive income - current	175	3,916	0.02	3,916	—
Wuxi Chien Bang Concrete Co., Ltd.	<u>Shares</u>							
	Common stock of China Mobile Communications Corporation	—	Financial assets at fair value through other comprehensive income - current	82	20,742	-	20,742	—

Note 1. Among them, 2,000 shares are pledged to the bank as collateral for the performance of construction contracts.

Note 2. The chief decision makers of the fund are the directors of the Company.

Note 3. Among them, 2,025 thousand shares are pledged to the Court as collateral against the litigation between the Company and Shing Tzung.

Note 4. For information regarding investment of subsidiaries, please refer to Appendix 7 and Appendix 8.

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
From January 1 to December 31, 2019

Appendix 4

Unit: NT\$ Thousand

Company name	Related party	Relationship	Transaction				Unusual trade conditions status and reasons (Note 1)		Notes and accounts receivable (Payable)		Note (Note 2)
			Purchases (Sell)	Amount	Ratio to total purchase (sell)	Credit period	Unit price	Credit period	Balance	Ratio to total notes or accounts receivable (payable)	
Chien Kuo Construction Co. Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiary	Purchase	\$ 670,171	15.09%	Pursuant to the agreement	-	-	(\$ 369,891)	23.87%	
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent	Sales	670,171	97.76%	Pursuant to the agreement	-	-	270,260	96.56%	

Note 1. If related party transaction terms are different from general terms, situations and reasons for the differences should be specified the unit price and the credit period columns.

Note 2. In case of advance receipts (prepayments), reasons, the terms of the agreement, the amount and differences from the general situation shall be specified in the Note column.

Note 3. Paid-in capital refers to the parent's paid-in capital. When the issuer's shares have no denomination, or its denomination is not NT\$10, regarding the maximum transaction amount on 20% of the paid-in capital, the amount is calculated based on 10% of equity attributable to shareholders of the parent in the balance sheet.

Chien Kuo Construction Co., Ltd. and Subsidiaries

Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital

As of December 31, 2020

Appendix 5

Unit: NT\$ Thousand

Company Name	Counter-Party	Relationship	Balance dues from related parties	Turnover Rate	Overdue Receivables from Related Parties		Subsequently recovered amount from related party	Loss allowance provided
					Amount	Action Taken		
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent company	Accounts receivables \$ 270,260	3.22	\$ -	\$ -	\$ 126,143	\$ -
Jianya (Yangzhou) Technology Consulting Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Direct or indirect investment by the Company	Other receivables 240,660	-	-	-	-	-

Note 1: Recovered amount as of February 29, 2020.

Chien Kuo Construction Co., Ltd. and Subsidiaries
Inter-company Business Relationships and Significant Inter-company Transactions
From January 1 to December 31, 2019

Appendix 6

Unit: In Thousands of New Taiwan Dollars

No.	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction details			
				Financial Statement Account	Amount	Transaction Terms	Ratio to total revenue or total assets
0	Chien Kuo Construction Co. Ltd.	Shun Long International Electrical Engineering Co., Ltd.	(1)	Other prepayments	\$ 42,965	Note 2	0.5%
			(1)	Construction costs	670,171	Note 2	10.58%
			(1)	Contract assets - property construction	1,359,054	Note 2	15.91%
1	Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Development Co., Ltd.	(1)	Accounts payable	369,891	Note 2	4.33%
			(3)	Other payables	20,000	Note 3	0.23%
2	Jianya (Shanghai) Information Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	(3)	Interest income	4,170	Note 3	0.07%
3	Jianya (Yangzhou) Technology Consulting Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	(3)	Other receivables	240,660	Note 3	2.82%
			(3)	Interest income	5,895	Note 3	0.09%

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. Conducted in line with ordinary terms.

Note 3. Loan funds

Chien Kuo Construction Co., Ltd. and Subsidiaries
Information on Invested Companies and Their Locations, etc.
From January 1 to December 31, 2019

Appendix 7

Unit: NT\$ Thousand

Investor	Invested Company	Location	Main Businesses	Original Investment Amount		End of the Current Period			Gains (Losses) of the Investee	Investment gains (losses) recognized for the current period	Note
				September 30, 2018	December 31, 2017	Shares	Ratio (%)	Carrying Amount			
Chien Kuo Construction Co. Ltd.	Golden Canyon Limited	British Virgin Islands	Investment	\$ 272,267	\$ 491,804	8,714	100.00	\$ 2,356,663	\$ 86,453	\$ 86,453	Subsidiary
	Silver Shadow Holdings Limited	British Virgin Islands	Investment	815,907	1,065,645	25,038	100.00	1,718,013	71,401	71,401	Subsidiary
	Chien Kuo Development Co., Ltd.	Taiwan	Building construction commission; public housing lease	144,065	144,065	11,100	100.00	100,135	490	1,042	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	45,354	(529)	(458)	Subsidiary
	WeBIM Services Co., Ltd.	Taiwan	Construction technology	8,546	15,166	980	49.00	9,652	2,258	1,106	Associates
	Anping Real Estate Co., Ltd.	Taiwan	Housing and building development and lease	140,000	140,000	14,000	100.00	132,431	(1,945)	(1,945)	Subsidiary
Silver Shadow Holdings Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Investment	878,510	910,310	1,685	54.78	1,700,218	126,060	Not applicable.	Sub-subsubsidiary
Golden Canyon Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Investment	782,106	810,433	1,391	45.22	1,403,513	126,060	Not applicable.	Sub-subsubsidiary
Chien Kuo Asia Co., Ltd.	Shun Long (Hong Kong) Limited	Hong Kong	International trade	-	0.007794	-	-	-	(38)	Not applicable.	Sub-subsubsidiary

Note 1. Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as of December 31, 2019 (US\$1=NT\$30.91), except for profit or loss items, which are translated into New Taiwan Dollars by using the average exchange rate over January 1 - December 31, 2019 (US\$1=NT\$29.98).

Note 2. For investment in investees in China, please refer to Appendix 8.

Chien Kuo Construction Co., Ltd. and Subsidiaries
Information on Investments in Mainland China
From January 1 to December 31, 2019

Appendix 8

Unit: In Thousands of New Taiwan Dollars

Investee in Mainland China	Main Businesses	Paid-in Capital	Method of Investment	Cumulative investment amount remitted from Taiwan - Beginning of the period	Investment amount remitted or received for the current period		Ending balance of accumulated outflow of investment from Taiwan	Profit or Loss of investees for the current period	Percentage of Ownership (Direct or Indirect)	Investment gains (losses) recognized for the current period (Note 1)	Carrying amount - end of the 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	\$ 150,260	Investment through a company founded in a third region	\$ 125,779	\$ -	\$ 109,634	\$ 16,145	\$ -	-	\$ -	\$ -	\$ -	Note 4
Jianya (Shanghai) Information Technology Co., Ltd.	Computer software technology development and consultation	107,928	Investment through a company founded in a third region	68,326	-	-	68,326	1,971	100%	1,971	149,052	-	
Suzhou Chien Hua Concrete Co., Ltd.	Production and sale of concrete and concrete products	119,920	Investment through a company founded in a third region	182,036	-	-	182,036	34,543	100%	34,543	160,873	-	
Jianya (Suzhou) Information Technology Consulting Co., Ltd.	Computer software technology development and consultation	291,556	Investment through a company founded in a third region	-	-	-	-	(42,428)	100%	(42,428)	253,300	-	Note 7
Kunshan Jianshan Concrete Co., Ltd.	Production and sale of concrete and concrete products	299,800	Investment through a company founded in a third region	230,025	-	227,634	2,391	-	-	-	-	34,177	Note 4
Wuxi Chien Bang Concrete Co., Ltd.	Production and sale of concrete and concrete products	149,900	Investment through a company founded in a third region	214,059	-	-	214,059	105,115	100%	105,115	1,593,415	32,445	Note 8
Changzhou Chien An Concrete Co., Ltd.	Production and sale of concrete and concrete products	74,950	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	60,710	Investment through a company founded in a third region	244,471	-	48,299	196,172	-	-	-	-	181,997	
Jianya (Nantong) Information Technology Consulting Co., Ltd.	Computer software technology development and consultation	149,900	Investment through a company founded in a third region	-	-	-	-	(3,771)	-	(3,771)	-	-	Note 5
Yangzhou Chien Yung Concrete Co., Ltd.	Production and sale of concrete and concrete products	59,960	Investment through a company founded in a third region	197,041	-	-	197,041	(2,051)	100%	(2,051)	33,368	161,613	
Jianya (Yangzhou) Technology Consulting Co., Ltd.	Computer software technology development and consultation	242,838	Investment through a company founded in a third region	-	-	-	-	9,097	100%	9,097	253,329	-	Note 6
Shanghai Chien Chung Concrete Co., Ltd.	Production and sale of concrete and concrete products	74,950	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Changzhou Changlong Handling Co., Ltd.	Cargo handling	2,194	Investment through an existing company in a third region	-	-	-	-	(22)	-	(22)	-	-	Note 4
Jiangsu Shili Construction Co., Ltd.	Construction consultation	62,958	Investment through a company founded in a third region and others	23,100	-	23,100	-	(365)	-	(365)	-	-	Note 4
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	Construction consultation	17,988	Investment through a company founded in a third region and others	-	-	-	-	27	100%	27	21,941	-	
Loudi Chien Kuo Mining Co., Ltd. and other six invested companies	Quarrying	1,193,804	Investment through an existing company in a third region and others	36,840	-	-	36,840	-	-	-	-	914,492	Note 4

Accumulated investment remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Upper limit on investment authorized by MOEAIC
\$ 942,688 (Note 3)	\$ 110,580(Note 2)	\$2,609,244

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\$1,119,003, 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\$942,688, including the following expenses:

(1) Loss on investment:

Investee in Mainland China	Initial 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. has been liquidated in 2015. 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. Kunshan 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. Changzhou Changlong Handling Co., Ltd. had been liquidated on July 12, 2019. Jiangsu Shili Construction Co., Ltd. had been liquidated on July 24, 2019. Jianya (Nantong) Information Technology Consulting Co., Ltd. had been liquidated on December 6, 2019.

Note 5. New shares divided from Nantong Chien Cheng Concrete Co., Ltd.

Note 6. New shares divided from Yangzhou Chien Yung Concrete Co., Ltd.

Note 7. New shares divided from Suzhou Chien Hwa Concrete Co., Ltd.

Note 8. The paid-in capital of Wuxi Chien Bang was NT\$427,965 thousand (US\$14,275 thousand). Due to the need for a split-up to establish Jianya (Wuxi) Information Technology Consulting Co., Ltd. (Jianya Wuxi), an approval to invest in mainland China has been obtained from the Ministry of Economic Affairs Investment Commission. An approval for local business registration modification has been obtained on January 8, 2020. The paid-in capital of Wuxi Chien Bang after the split-up is NT\$149,900 thousand (US\$5,000 thousand) and the paid-in capital of Jianya Wuxi after the split-up is NT\$278,065 thousand (US\$9,275 thousand).

Independent Auditors' Report

The Board of Directors and Shareholders Chien Kuo Construction Co., Ltd.

Audit Opinions

We have audited the Individual Balance Sheets of Chien Kuo Construction Co. Ltd. as of December 31, 2019 and 2018, the Individual Statements of Comprehensive Income, Individual Statements of Changes in Equity, Individual Statements of Cash Flows, and Notes to Individual Financial Statements (including Summary of Significant Accounting Policies) for the annual period from January 1 to December 31, 2019 and 2018.

In our opinion, the aforementioned Individual Financial Statements present fairly, in all material respects, the Individual financial position of Chien Kuo Construction Co. Ltd. as of December 31, 2019 and 2018, and its individual financial performance and Individual cash flows for the annual periods ended December 31, 2019 and 2018 in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

Basis for Audit Opinion

We conducted our audits of the financial statements as of and for the year ended December 31, 2019 in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants," Order No. 1090360805 issued by the Financial Supervisory Commission on February 25, 2020 and the auditing standards generally accepted in the Republic of China. Our responsibility under the above mentioned regulations will be further explained in the section titled "The Accountants' Responsibility in Auditing the Individual 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 are those matters that, in our professional judgment, were of most significance in our audit of 2019 individual financial statements of Chien Kuo Construction Co. Ltd. These matters were addressed in the context of our audit of the Individual financial statements as a whole and, in forming our opinion thereon, we do not provide an Individual opinion on these matters.

Key Audit Matters for the individual financial statements of Chien Kuo Construction Co. Ltd. for 2019 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 the total costs of the construction contract 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 assessing 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 Individual Financial Statements

It is the management's responsibility to fairly present the Individual Financial Statements in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and to sustain internal controls respecting preparation of the Individual Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing the Individual 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 Individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the Individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is

not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements may result from fraud or errors. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the parent financial statements, they shall be deemed as material.

We have utilized our professional judgment and maintained professional skepticism when exercising auditing work according to GAAS. We have also:

1. Identified and assessed the risks of material misstatement within the Individual financial statements, whether due to fraud or error; design and execute counter-measures in response to those risks; and obtain sufficient and appropriate audit evidence to provide a basis for our 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 Individual 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 Individual Financial Statements (including the related notes), and determined whether the Individual 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 Individual 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 communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide governing bodies with a declaration 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 possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with those charged with governance, we determine the key audit matters of the 2019 individual financial statements of Chien Kuo Construction Co. Ltd. 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 Approval
number by the Financial Supervisory
Commission FSC - 0980032818

CPA: Wen-ching Lin Approval number by the
Securities and Futures Commission
Taiwan-Finance-Securities - 0920123784

March 27, 2020

Chien Kuo Construction Co., Ltd.
Individual Balance Sheets
for the Year Ended December 31, 2019 and 2018

Unit: NT\$ Thousand

Code	Assets	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
	Current assets				
1100	Cash (Notes 6)	\$ 380,687	5	\$ 201,630	2
1120	Financial assets at fair value through other comprehensive income (Note 8)	24,909	-	15,157	-
1140	Contract assets (Note 18)	1,298,880	17	1,304,299	16
1150	Notes receivable (Note 9)	13,125	-	26,838	-
1170	Accounts receivable (Note 9 and 17)	578,046	7	260,971	3
1200	Other receivables	7,723	-	8,162	-
1323	Land held for construction (Notes 10 and 25)	463,577	6	463,577	6
1410	Prepayments	96,574	1	122,644	2
1460	Non-current assets classified as held for sale (Note 11)	-	-	14,417	-
1470	Other current assets (Note 25)	21,779	-	5,946	-
11XX	Total current assets	<u>2,885,300</u>	<u>36</u>	<u>2,423,641</u>	<u>29</u>
	Non-current assets				
1510	Financial assets at fair value through profit or loss (Note 7)	8,100	-	-	-
1520	Financial assets at fair value through other comprehensive income (Notes 8 and 25)	410,826	5	289,351	4
1550	Investments accounted for using equity method (Note 11)	4,362,248	55	5,205,419	63
1600	Property, plant and equipment (Notes 25)	33,053	1	33,526	1
1755	Right-of-use assets (Note 12)	32,178	1	-	-
1760	Investment property (Notes 13 and 25)	150,507	2	191,445	2
1840	Deferred tax assets (Note 20)	15,534	-	78,372	1
1980	Pledged certificate of deposit (Note 25)	-	-	7,700	-
1990	Other non-current Assets (Note 25)	15,393	-	9,320	-
15XX	Total non-current assets	<u>5,027,839</u>	<u>64</u>	<u>5,815,133</u>	<u>71</u>
1XXX	Total assets	<u>\$ 7,913,139</u>	<u>100</u>	<u>\$ 8,238,774</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2130	Contract liabilities (Note 18)	\$ 245,696	3	\$ 57,730	1
2170	Accounts payable (Notes 15 and 24)	1,549,723	19	1,163,348	14
2200	Other payables	145,350	2	118,689	1
2230	Current tax liabilities	2,071	-	-	-
2320	Long-term Bank loans, current portion (Note 14 and 25)	-	-	450,000	5
2399	Other current liabilities (Note 12)	56,750	1	47,505	1
21XX	Total current liabilities	<u>1,999,590</u>	<u>25</u>	<u>1,837,272</u>	<u>22</u>
	Non-current liabilities				
2540	Short-term Bank loans (Notes 14 and 25)	948,991	12	799,131	10
2570	Deferred tax liabilities (Note 20)	518,591	7	583,786	7
2600	Other non-Current Liabilities (Note 12 and 16)	97,227	1	69,112	1
25XX	Total non-current liabilities	<u>1,564,809</u>	<u>20</u>	<u>1,452,029</u>	<u>18</u>
2XXX	Total liabilities	<u>3,564,399</u>	<u>45</u>	<u>3,289,301</u>	<u>40</u>
	Equity (Note 17)				
	Capital stock				
3110	Capital from common stock	2,674,401	34	3,343,001	41
3200	Capital surplus	201,627	3	201,627	2
	Retained earnings				
3310	Appropriated as legal capital reserve	626,554	8	605,987	7
3320	Appropriated as special capital reserve	50,001	1	67,179	1
3350	Unappropriated Earnings	800,246	9	788,857	10
3300	Total retained earnings	1,476,801	18	1,462,023	18
3400	Others	(4,089)	-	(57,178)	(1)
3XXX	Total equity	<u>4,348,740</u>	<u>55</u>	<u>4,949,473</u>	<u>60</u>
	Total liabilities and equity	<u>\$ 7,913,139</u>	<u>100</u>	<u>\$ 8,238,774</u>	<u>100</u>

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

Chairperson: Chang-shiou Wu

Manager: Chang-shiou Wu

Accounting Manager: Shu-fen Yang

Chien Kuo Construction Co. Ltd.
Individual Statements of Comprehensive Income
From January 1 to December 31, 2019 and 2018

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

Code	2019		2018	
	Amount	%	Amount	%
4000 Operating Revenue (Note 18)	\$ 4,756,126	100	\$ 3,932,750	100
5000 Operating cost (Notes 19 and 24)	<u>4,440,872</u>	<u>93</u>	<u>3,632,070</u>	<u>93</u>
5900 Gross profit	<u>315,254</u>	<u>7</u>	<u>300,680</u>	<u>7</u>
Operating Expenses				
6200 General and administrative expenses (Note 19 and 24)	<u>242,905</u>	<u>5</u>	<u>240,530</u>	<u>6</u>
6900 Net operating income	<u>72,349</u>	<u>2</u>	<u>60,150</u>	<u>1</u>
Non-operating income and expenses				
7010 Other income (Note 19 and 24)	41,290	-	18,150	1
7020 Other gains and losses (Note 19)	(10,827)	-	(41,841)	(1)
7050 Financial costs (Note 19)	(15,448)	-	(26,360)	(1)
7060 Share of profits (losses) of subsidiaries associates accounted for using the equity method (Note 11)	<u>157,599</u>	<u>3</u>	<u>280,300</u>	<u>7</u>
7000 Total non-operating revenue and expenses	<u>172,614</u>	<u>3</u>	<u>230,260</u>	<u>6</u>
7900 Income before income tax	244,963	5	290,410	7
7950 Income tax expense (Note 20)	<u>65,328</u>	<u>1</u>	<u>84,740</u>	<u>2</u>
8200 Net income	<u>179,635</u>	<u>4</u>	<u>205,670</u>	<u>5</u>

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Code		2019		2018	
		Amount	%	Amount	%
	Other comprehensive income				
	Items that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans (Note 16)	\$ 2,866	-	\$ 1,695	-
8316	Unrealized gain on investments in equity instruments at fair value through other comprehensive income	131,227	3	19,787	1
8330	Share of other comprehensive income from subsidiaries accounted for using equity method	(565)	-	(4,123)	-
8349	Income tax related to items that will not be reclassified (Note 20)	(573)	-	(475)	-
8310		<u>132,955</u>	<u>3</u>	<u>16,884</u>	<u>1</u>
	Items that may be reclassified subsequently to profit or loss				
8380	Share of other comprehensive income from subsidiaries accounted for using equity method	(97,238)	(2)	6,265	-
8399	Income tax related to items that will not be reclassified (Notes 20)	<u>19,665</u>	:	<u>(6,442)</u>	=
8360		<u>(77,573)</u>	<u>(2)</u>	<u>(177)</u>	=
8300	Other comprehensive income or loss (after tax)	<u>55,382</u>	<u>1</u>	<u>16,707</u>	<u>1</u>
8500	Total comprehensive income	<u>\$ 235,017</u>	<u>5</u>	<u>\$ 222,378</u>	<u>6</u>
	Earnings per share (Note 21)				
9750	Basic earnings per share	<u>\$ 0.57</u>		<u>\$ 0.62</u>	
9850	Diluted earnings per share	<u>\$ 0.57</u>		<u>\$ 0.61</u>	

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

Chairperson: Chang-shiou Wu Manager: Chang-shiou Wu Accounting Manager: Shu-fen Yang

Chien Kuo Construction Co. Ltd.
Individual Statements of Changes
in Equity January 1 to December 31, 2019 and 2018

Unit: NT\$ Thousand

								Others					
		Retained earnings						Exchange differences arising from translation of financial statements of foreign operations Foreign Currency Translations Exchange differences	Unrealized gain (loss) on available-for-sale financial assets Unrealized gain or loss	Financial assets at fair value through other comprehensive income on financial assets measured financial asset Unrealized gain or loss	Profit or loss of hedging instrument	Treasury stock	Total equity
Code		Capital stock	Capital surplus	Appropriated as legal capital reserve	Appropriated as special capital reserve	Unappropriated earnings							
A1	Balance as of 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 for 2017												
B1	Appropriated as legal capital reserve	-	-	17,118	-	(17,118)	-	-	-	-	-	-	
B3	Special capital reserve	-	-	-	28,091	(28,091)	-	-	-	-	-	-	
B5	Cash dividends - NT\$0.50 per share	-	-	-	-	(167,150)	-	-	-	-	(167,150)	-	
D1	Net profit for 2018	-	-	-	-	205,671	-	-	-	-	-	205,671	
D3	Other comprehensive income (loss) (net of tax) for 2018	-	-	-	-	1,220	137	-	15,350	-	-	16,707	
D5	Total comprehensive income (loss) in 2018	-	-	-	-	206,891	137	-	15,350	-	-	222,378	
L3	Retirement of treasury shares	(36,000)	1,165	-	-	-	-	-	-	-	34,835	-	
Z1	Balance, December 31, 2018	3,343,001	201,627	605,987	67,179	788,857	(109,003)	-	51,825	-	-	4,949,473	
	Appropriations and distribution of retained earnings for, 2018												
B1	Appropriated as legal capital reserve	-	-	20,567	-	(20,567)	-	-	-	-	-	-	
B3	Special capital reserve	-	-	-	(10,002)	10,002	-	-	-	-	-	-	
B5	Cash dividends - NT\$0.50 per share	-	-	-	-	(167,150)	-	-	-	-	(167,150)	-	
B17	Reversal of special capital reserve due to disposal of subsidiaries and branches	-	-	-	(7,176)	7,176	-	-	-	-	-	-	
E1	Cash capital reduction	(668,600)	-	-	-	-	-	-	-	-	(668,600)	-	
D1	Net profit for 2019	-	-	-	-	179,635	-	-	-	-	-	179,635	
D3	Other comprehensive income (net of tax) for 2019	-	-	-	-	2,293	(78,659)	-	130,706	1,042	-	55,382	
D5	Total comprehensive income in 2019	-	-	-	-	181,928	(78,659)	-	130,706	1,042	-	235,017	
Z1	Balance, December 31, 2019	\$ 2,674,401	\$ 201,627	\$ 626,554	\$ 50,001	\$ 800,246	(\$ 187,662)	\$ -	\$ 182,531	\$ 1,042	\$ -	\$ 4,348,740	

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

Chairperson: Chang-shiou Wu

Manager: Chang-shiou Wu

Accounting Manager: Shu-fen Yang

Chien Kuo Construction Co. Ltd
. Individual Statements of Cash Flows
January 1 to December 31, 2019 and 2018

Unit: NT\$ Thousand

Code		2019	2018
	Cash flows from operating activities		
A10000	Income before income tax	\$ 244,963	\$ 290,412
A20010	Gains and Losses:		
A22400	Shares of profits of subsidiaries and associates accounted for using the equity method	(157,599)	(280,306)
A21300	Dividend income	(26,178)	(11,497)
A20100	Depreciation expenses	16,448	5,513
A20900	Finance costs	15,448	26,360
A21200	Interest income	(2,151)	(2,758)
A20200	Amortization expenses	1,741	2,765
A22700	Loss on disposal of investment property	1,146	-
A29900	Net loss from disposal of subsidiaries	371	-
A22500	Net loss (gain) from disposal of property, plant and equipment	131	(29)
A24100	Net loss (gain) on foreign exchange	3	(7,836)
A20300	Expected credit losses	-	26,891
A29900	Litigation compensations	-	15,959
A30000	Changes in operating assets and liabilities		
A31115	Financial assets at fair value through profit or loss	(8,100)	-
A31125	Contract assets	5,419	(79,007)
A31130	Notes receivable	13,713	45,345
A31150	Accounts receivable	(317,075)	(25,671)
A31180	Other receivables	555	240
A31230	Prepayments	26,070	(11,985)
A31240	Other current assets	667	(852)
A32125	Contract liabilities	187,966	(153,979)
A32130	Notes payable	-	(100)
A32150	Accounts payable	386,375	(120,682)
A32180	Other payables	26,688	10,660
A32230	Other current liabilities	(898)	9,801
A32990	Other non-current liabilities	(7,221)	5
A33000	Cash used in operating activities	408,482	(260,751)
A33100	Interest received	2,156	6,878

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Code		2019	2018
A33300	Interest paid	(\$ 14,826)	(\$ 26,494)
A33500	Income taxes paid	(46,070)	(16,227)
AAAA	Net cash used in operating activities	<u>349,742</u>	<u>(296,594)</u>
	Cash flows from investing activities		
B02300	Net cash from disposal of subsidiaries	5,500	-
B02400	Subsidiary Capital Reduction and Return of Share Proceeds	453,474	153,329
B03800	Decrease in refundable deposits	343	507
B02700	Acquisition of property, plant and equipment	(4,133)	(1,049)
B02800	Proceeds from disposal of property, plant and equipment	-	326
B04500	Acquisition of intangible assets	(1,904)	-
B05400	Acquisition of investment properties	(1,076)	(47,161)
B05500	Proceeds from Disposal of Investment Properties	39,621	-
B06700	Increase (Decrease) in pledged certificate of deposit and reserve account	(8,800)	378,368
B07600	Dividend received	<u>477,964</u>	<u>12,796</u>
BBBB	Net cash used in investing activities	<u>960,989</u>	<u>497,116</u>
	Cash flows from financing activities		
C00100	Decrease in short-term loans	-	(220,000)
C00500	Decrease in short-term bills payable	-	(79,948)
C01600	Increase in long-term loans	149,860	449,189
C01700	Repayment of long-term loans	(450,000)	(600,000)
C03000	Increase in guarantee deposits received	15,317	16,699
C04020	Repayment of lease principal	(11,098)	-
C04500	Cash dividends paid	(167,150)	(167,150)
C04600	Cash capital reduction	<u>(668,600)</u>	<u>-</u>
CCCC	Net cash used in financing activities	<u>(1,131,671)</u>	<u>(601,210)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	(3)	7,836
EEEE	Increases (decreases) in cash and cash equivalents	179,057	(392,852)
E00100	Balance of cash and cash equivalents - beginning of the year	<u>201,630</u>	<u>594,482</u>
E00200	Balance of cash and cash equivalents - end of the year	<u>\$ 380,687</u>	<u>\$ 201,630</u>

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

Chairperson: Chang-shiou Wu Manager: Chang-shiou Wu Accounting Manager: Shu-fen Yang

Chien Kuo Construction Co. Ltd.

Notes to Individual Financial Statements

From January 1 to December 31, 2019 and 2018

(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.

The Individual Financial Report is shown in NTD, the Company's functional currency.

II. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

The individual financial statements were approved by the Board of Directors on March 27, 2020.

III. Application of New, Amended and Revised Standards and Interpretations

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

With the exception of the following, the applicability of the aforementioned revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and announced by the FSC should not result in major changes to the accounting policies of the Company:

IFRS 16 "Leases"

IFRS 16, which governs the identification of a lease agreement and lessee-accounting and lessor-accounting, will supersede IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and other relevant interpretations. Please refer to Note 4 for information relating to the relevant accounting policies.

Definition of "Leases"

The Company shall elect to determine whether contracts signed (or changed) after January 1, 2019 are (or include) leases in accordance with IFRS 16. The lease contracts identified in accordance with IAS 17 and IFRIC 4 shall not be reassessed and shall be processed in accordance with transitional regulations in IFRS 16._____

The Company is the lessee

The Company shall recognize right-of-use assets and lease liabilities for all leases on the individual balance sheets except for small-amount and short-term leases which shall be recognized on a straight-line basis. Other leases shall recognize usage right assets and lease liabilities on the individual balance sheet. The individual statements of comprehensive income state clearly and respectively the depreciation expense of the right-of-use assets, as well as the interest expense calculated using the effective interest method that has accrued on the lease liability. On the individual statements of cash flows, payments for the principal amount of lease liabilities are presented as financing activities, while payments for interests accrued thereon are presented as operating activities. 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 individual statements of cash flows.

The Company is expected to adjust the cumulative impact of the retroactive application of IFRS 16 to the retained earnings on January 1, 2019, without recompiling the comparative information.

For agreements currently treated as operating leases under IAS 17, the lease liability as of 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 range of incremental borrowing rate applicable to the Company's lease liabilities as of January 1, 2019 was between 1.65% and 3.00%. The difference between such lease liabilities and the future minimum lease payments for non-cancellable operating leases as of December 31, 2018 is stated as follows:

Future minimum lease payments for non-cancellable operating leases as at December 31, 2018	\$ 44,162
Less: Short-term leases qualified for recognition exemption	<u>1,208</u>
Total undiscounted amount as at January 1, 2019	<u>\$ 42,954</u>
Present value after the discount using the incremental borrowing rate on January 1, 2019	<u><u>\$ 41,454</u></u>

The Company is the lessee

No adjustments will be made to the lessor's leases during the transition and IFRS 16 will be applied from January 1, 2019.

Adjustments in assets, liabilities and equity on January 1, 2019 due to the first-time adoption of IFRS 16 were as follows:

	Carrying amount as of December 31, 2018	Adjustment of First-time Adoption	Adjusted Balance as of January 1, 2018
<u>Non-current assets</u>			
Right-of-use assets	\$ -	\$ 41,454	\$ 41,454
Effect on assets	<u>\$ -</u>	<u>\$ 41,454</u>	<u>\$ 41,454</u>
<u>Current liabilities</u>			
Lease liabilities	\$ -	\$ 10,228	\$ 10,228
<u>Non-current liabilities</u>			
Lease liabilities	\$ -	\$ 31,226	\$ 31,226
Effect on liabilities	<u>\$ -</u>	<u>\$ 41,454</u>	<u>\$ 41,454</u>

(II) FSC-endorsed IFRSs that are applicable from 2020 onwards

New, Amended and Revised Standards and Interpretations	Effective Date Issued by IASB
Amendment to IFRS 3 "Definition of Business"	January 1, 2020 (Note 1)
Amendment to IFRS 9, IAS 39 and IFRS 7 - "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Materiality"	January 1, 2020 (Note 3)

Note 1. Corporate mergers with an acquisition date between the starting date of the annual report on January 1, 2020 and assets acquired after this date shall be applicable to this amendment.

Note 2. Accounts in the fiscal years starting after January 1, 2020 shall be applicable to this amendment.

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

As of the date the individual financial statements were authorized for issue, the Company is 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 issued by the IASB but yet to be approved by the FSC and have entered into effect

New, Amended and Revised Standards and Interpretations	Effective Date Issued by IASB (Note 1)
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
Amendment to IAS 1 "Classification of Liabilities as Current or Non-Current "	January 1, 2022

Note 1: Unless otherwise specified, the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the fiscal year after the specified dates.

As of the date the individual financial statements were authorized for issue, the Company is 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 Individual financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(II) Basis of preparation

The Individual financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurement is classified into 3 levels based on the observability and importance of related input:

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

3. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing individual financial reports, the Company adopts the Equity Method for investment subsidiaries, affiliated enterprises or joint ventures. In order to align loss and profit, other comprehensive income and equity from the current year in individual financial statements with those attributable to the Company's owners, the differences in accounting treatment with individual and consolidated basis have led to adjustments in "investment under equity method," "subsidiary loss and profit under equity method," "other comprehensive income of subsidiary under equity method" and related equity items.

(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.

The Company shall classify all other assets or liabilities that are not specified above as non-current.

(IV) Foreign currencies

When preparing the Individual financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are converted into functional currency at the rates of exchange prevailing at the dates of the transactions.

Monetary items denominated in foreign currencies are translated at the closing rates on the 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 measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was

determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

The assets and liabilities of foreign operations (including subsidiaries at countries or using currencies different from the Company) are translated into New Taiwan Dollars at the rate of exchange prevailing on the balance sheet date. The income and expense items are translated at the average rate of the year. The exchange differences arising are recognized in other comprehensive income.

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 has adopted the equity method to account for investments in subsidiaries.

Subsidiaries are entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost. The carrying amount of investment is adjusted thereafter for the post-acquisition changes in the Company's share of profit or loss and other comprehensive income and profit distribution of the subsidiary. In addition, changes in other equity of the subsidiary attributable to the Company shall be recognized in accordance with the Company's shareholding percentage.

When a change in the Company's ownership interests in a subsidiary does not cause it to lose control of the subsidiary, it shall be accounted for as equity transaction. The difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

(VI) Property, Plant and Equipment

PP&E are stated at cost and subsequently measured at cost less accumulated depreciation and impairment.

The depreciation of PP&E in its useful life is considered on straight-line basis and each major part/component will be shown independently. The Company 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.

When derecognizing PP&E, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(VII) Investment Property

Investment real estate is real estate held for rent or capital appreciation or both.

Investment real estate is initially measured in terms of costs (including transaction costs) and is subsequently measured in terms of costs minus accumulated depreciation and accumulated impairment losses. The Company applies the straight-line method for depreciation.

In the event of the derecognition of investment real estate, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized as gain or loss.

(VIII) Impairment of Tangible and Intangible Assets

On each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. 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 determine the recoverable amount for an individual asset, the Company shall determine the recoverable amount of the asset's cash generating unit.

The recoverable amount is the fair value minus cost of sales or its value in use, whichever is higher. 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 shall be recognized in the Individual Balance Sheets when the Company becomes a party of the financial instrument contract.

When showing the original financial assets and liabilities, if their fair value was not assessed based on profit or loss, it is the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Types of measurement

Financial assets held by the Company 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 at fair value through profit or loss are financial assets forcibly measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are measured at fair value, of which any remeasurement gains or losses are recognized in profit or loss. Dividends and interest accrued by such assets are recognized as other revenue. Please refer to Note 28

for the determination of fair value. Please refer to Note 28 for the determination of fair value.

B. Financial assets measured at amortized cost

The Company's investment financial assets shall be classified as financial assets measured at amortized cost if both conditions below are met;

- 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 cash and cash equivalents, receivables, accounts receivables and other receivables that are measured at amortized cost) 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 value of 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 recognized by applying the credit-adjusted effective interest rate to the amortized 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 amortized cost balance.

Credit-impaired financial assets are those where the issuer or debtor has experienced major financial difficulties, defaults, the debtor is likely to claim bankruptcy or other financial restructuring, or financial assets disappearance of the active market due to financial difficulties.

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)

The Company may, at initial recognition, make an irrevocable election to designate an equity instrument that is neither held for trading nor contingent consideration arising from a business combination to be measured at FVTOCI.

Investments in an equity instrument measured at FVTOCI are measured at fair value, and any subsequent fair value changes 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 measured at FVTOCI are recognized in profit or loss when the Company's right to receive payment is established unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets and contract assets

Financial assets (including accounts receivable), investments in debt instruments at fair value through other comprehensive income, and impairment losses on contract assets as measured at the amortized cost of the estimated credit losses of the merged company on each balance sheet date.

Accounts receivable and contract asset shall be recognized as allowance loss against the lifetime expected credit losses during the term of duration. 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.

The expected credit loss is the weighted average credit loss determined by the risk of default. 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 impairment loss of all financial assets is reduced based on the allowance account. However, the allowance for the investment in the debt instruments measured at fair value through other comprehensive gains and losses is recognized in other comprehensive gains and losses and shall not reduce its carrying amount.

(3) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the Company transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

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. On derecognition of debt instruments measured at fair value through other comprehensive income in its entirety, the difference between the financial 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 and accumulated in equity is recognized in profit or loss. On derecognition of equity instruments measured at fair value through other comprehensive income in its entirety, the accumulated profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

The repurchase of equity instruments issued by the Company is recognized in equity as a deduction. The purchase, sale, issue or cancellation 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.

(XI) Revenue Recognition

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.

If the outcome of the performance obligations cannot be measured reliably, construction revenue is recognized only to the extent of the expenses incurred for satisfaction of performance obligations that are expected to be recovered.

(XII) Leases

2019

The Company evaluates whether a contract belongs to (or includes) a lease on the contract establishment date.

1. Company as the Lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as an operating lease.

Under operating leases, lease payments after deducting lease incentives are recognized as revenue on a straight-line basis over the relevant lease term.

2. Company as the lessee

Except that payments for leases of low-value assets and short-term leases to which exemption is applicable are recognized as expenses on a straight-line

basis over the lease term, other leases recognize right-of-use assets and lease liabilities on the lease start date.

Right-of-use assets are initially measured at cost (including the initially measured amount of lease liabilities, the lease payments paid before the lease start date less the lease incentives received, the initial direct cost, and the estimated cost of restoring underlying assets), and subsequently measured at cost less the amount after deducting accumulated depreciation and accumulated impairment losses, while adjusting the re-measurement of lease liabilities. A right-of-use asset is separately presented on the individual balance sheets.

Right-of-use assets are depreciated on a straight-line basis from the lease start date to the end of the useful life or the expiration of the lease term, whichever is earlier.

A lease liability is initially measured at the present value of lease payments (including fixed payments and in-substance fixed payments). If the interest rate implicit in a lease can be readily determined, lease payments are discounted using the interest rate. If the interest rate implicit in a lease cannot be determined, lease payments are discounted using the incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, while interest expenses are amortized over the lease term. In the case that future lease payments change as a result of a change in the lease term, the Company remeasures the lease liability and correspondingly adjusts the right-of-use asset, except in the case when the carrying amount of the right-of-use asset has reduced to zero, in which case any residual remeasured amount shall be recognized in profit or loss. A lease liability is separately presented on the individual balance sheets.

2018

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as an operating lease.

1. The Group as lessor

Revenue from operating leases is recognized as revenue on a straight-line basis over relevant lease terms.

2. The Group as lessee

Payment for operating leases are recognized during the lease period is considered as expenses based on straight-line method.

(XIII) Employee benefits

1. Short-term employee benefits

Related liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The defined cost of benefits under the defined benefit retirement plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method. The cost of services (including the cost of services of the current period and the cost of services of the previous period, and repayment of profit and loss) and the net interest of the net defined benefit liability (asset) are recognized as employee benefit expenses as they occur. 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.

The net defined benefit liabilities (assets) are the shortfall (surplus) of the defined benefit retirement 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 will recognize the termination benefits liability when it is no longer able to revoke the termination benefits offer or recognize the related restructuring costs (whichever is earlier).

(XIV) Income tax

Income tax expenses are the sum of current income tax and deferred income tax.

1. Current Income tax

A tax is levied on the unappropriated earnings pursuant to the Income Tax Act and is recorded as income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to income tax payable from previous years are recognized in the income tax of current year.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

Deferred tax liabilities are mostly recognized based on taxable temporary differences. Deferred tax assets are recognized to the extent that it is most probable that those deductible temporary differences and loss credits can be applied to produce taxable profits.

Taxable temporary differences from investment subsidiaries are recognized under deferred tax liabilities, except when the Company is able to control reversal of temporary difference which is likely to not reverse 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 the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. The carrying amount of items that were not previously recognized as a deferred tax asset is also reviewed at each balance sheet date. The Company 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 income tax assets and liabilities are measured at the tax rate of the period of expected realization of assets or repayment of liabilities. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. 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 and deferred taxes for the year

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

When the Company adopts accounting policies, the management must make judgments, estimates and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from these estimates.

The management shall continue to review the estimates and basic assumptions. 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.

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. Changes in incentives and compensations stipulated in the contracts will only be included in and recognized as contract revenue when relevant uncertainties are subsequently eliminated and the probability of reversing the amount of accumulated contract revenue is quite low.

As estimated costs 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, they may affect the calculation of the percentage of completion and the profit or loss of construction.

VI. Cash and Cash Equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 1,772	\$ 1,874
Bank checks and demand deposits	378,915	199,756
	<u>\$ 380,687</u>	<u>\$ 201,630</u>

VII. Financial Instruments at Fair Value through Profit or Loss

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Non-current</u>		

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
- Beneficiary certificates	<u>\$ 8,100</u>	<u>\$ -</u>

VIII. Financial assets at fair value through other comprehensive income

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Investment in equity instruments measured at fair value through other comprehensive income		
Investments in domestic listed stocks		
Common stock of Chia Hsin Cement Corporation	<u>\$ 24,909</u>	<u>\$ 15,157</u>
<u>Non-current</u>		
Investment in equity instruments measured at fair value through other comprehensive income		
Investments in domestic listed stocks		
Common stock of Chia Hsin Cement Corporation	\$ 153,165	\$ 93,201
Common stock of Taiwan Cement Corporation	<u>257,661</u>	<u>196,150</u>
Sum	<u>\$ 410,826</u>	<u>\$ 289,351</u>

The Company invested in domestic and foreign common stock for long-term strategic purposes. The management of the Company believes that it is not consistent with the aforementioned long-term investment planning if the short-term fair value changes of such investment in profit or loss. Therefore, the Company elects to designate such investment as to be measured at FVTOCI.

Details of financial instruments pledged at fair value through other comprehensive income are provided in Note 25.

IX. Notes Receivables and Accounts Receivables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	<u>\$ 13,125</u>	<u>\$ 26,838</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Gross Carrying Amount	\$ 587,132	\$ 270,057
Less: Allowance losses	<u>(9,086)</u>	<u>(9,086)</u>
	<u>\$ 578,046</u>	<u>\$ 260,971</u>

Accounts receivable

The credit policy of the Company is mainly contract-based, and the notes receivable and accounts receivable are not interest-bearing. To lower the credit risk, management of the Company appoints a specific team to handle decisions on credit limits, credit approval and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each receivables on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As such, the Company's management concludes that the credit risk of the Company is 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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not overdue	<u>\$ 13,125</u>	<u>\$ 26,838</u>

Aging analysis of account receivable of the Company is stated as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not overdue	<u>\$ 576,176</u>	<u>\$ 250,005</u>
Less than 180 days	-	-
181~360 days	-	-
More than 361 days	<u>10,956</u>	<u>20,052</u>
Total	<u>\$ 587,132</u>	<u>\$ 270,057</u>

Changes in loss allowance for notes and accounts receivable are as follows:

	<u>2019</u>	<u>2018</u>
Balance - beginning of year	<u>\$ 9,086</u>	<u>\$ -</u>
Add: Impairment loss recognized	<u>-</u>	<u>9,086</u>
Balance - end of year	<u>\$ 9,086</u>	<u>\$ 9,086</u>

X. 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 25.

XI. Investments by equity method

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Investment in subsidiary companies	<u>\$ 4,352,596</u>	<u>\$ 5,205,419</u>
Investment in affiliate enterprises	<u>9,652</u>	<u>-</u>

<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>\$ 4,362,248</u>	<u>\$ 5,205,419</u>

(I) Investment in subsidiary companies

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Jin Gu Limited	\$ 2,356,663	\$ 2,747,651
Yin Ying Holding Limited	1,718,013	2,176,668
Chien Kuo Development Co., Ltd.	100,135	99,093
Shun Long International Electrical Engineering Co., Ltd.	45,354	47,631
WeBIM Services Co., Ltd.	-	14,417
Anping Real Estate Co., Ltd.	<u>132,431</u>	<u>134,376</u>
	4,352,596	5,219,836
Less: Transfer to non-current assets held for sale	<u>-</u>	<u>(14,417)</u>
	<u>\$ 4,352,596</u>	<u>\$ 5,205,419</u>

The percentage of ownership and voting rights of the above-mentioned investee companies on the balance sheet date are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Jin Gu Limited	100%	100%
Yin Ying Holding Limited	100%	100%
Chien Kuo Development Co., Ltd.	100%	100%
Shun Long International Electrical Engineering Co., Ltd.	86.61%	86.61%
WeBIM Services Co., Ltd.	-	76.5%
Anping Real Estate Co., Ltd.	100%	100%

Note 1: 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 Company sold 27.5% of the equity of WEBIM Services on January 22, 2019 and the proceed of disposal was NT\$5,000 thousand. The disposal proceed is lower than the net value recognized and the disposal loss is NT\$371 thousand. After disposal, the Company lost the control of WeBIM Services.

The recognition of investment income or loss from investment accounted for using equity method in 2019 and 2018 is based on financial statements by certified public accountants of subsidiaries

(II) Investments in affiliated corporates

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Associates not individually significant</u>		

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
WeBIM Services Co., Ltd.	<u>\$ 9,652</u>	<u>\$ -</u>

Summary Information on Affiliated Enterprises Not Individually Significant

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Share Enjoyed by the Company		
Net income from continuing operations for the year	<u>\$ 1,106</u>	<u>\$ -</u>
Total comprehensive income	<u>\$ 1,106</u>	<u>\$ -</u>

XII. Lease Agreements

(I) Right-of-use assets - 2019

	<u>December 31, 2019</u>
Carrying amount of right-of-use assets	
Buildings	\$ 28,724
Transportation equipment	<u>3,454</u>
	<u>\$ 32,178</u>
	<u>2019</u>
Increase in right-of-use assets	<u>\$ 1,847</u>
Depreciation expense of right-of-use assets	
Buildings	\$ 8,940
Transportation equipment	<u>1,786</u>
	<u>\$ 10,726</u>

(II) Lease liabilities - 2019

	<u>December 31, 2019</u>
Carrying amount of lease liabilities	
Current (listed as other current liabilities)	<u>\$ 10,142</u>
Non-current (listed as other non-current liabilities)	<u>\$ 22,312</u>
	<u>December 31, 2019</u>
Buildings	1.65%
Transportation equipment	3.00%

(III) Other lease information

2019

	<u>2019</u>
Short-term lease expense	<u>\$ 2,790</u>
Total cash outflow on lease	<u>\$ 13,888</u>

2018

The total minimum future payable amount for operating leases that cannot be canceled are as follows:

	<u>December 31, 2018</u>
Less than 1 year	\$ 11,893
1~5 years	<u>32,269</u>
	<u>\$ 44,162</u>

XIII. Investment Property

	2019	2018
<u>Cost</u>		
Balance - beginning of year	\$ 233,037	\$ 185,876
Addition	1,076	47,161
Disposal	(51,801)	-
Balance - end of year	<u>\$ 182,312</u>	<u>\$ 233,037</u>
<u>Accumulated depreciation</u>		
Balance - beginning of year	\$ 41,592	\$ 40,437
Depreciation	1,247	1,155
Disposal	(11,034)	-
Balance - end of year	<u>\$ 31,805</u>	<u>\$ 41,592</u>
Net value - end of year	<u>\$ 150,507</u>	<u>\$ 191,445</u>
Fair value	<u>\$ 169,145</u>	<u>\$ 209,254</u>

Depreciation expenses of investment property are computed using the straight-line method over 3~50 years of service lives.

The fair value of the Company's investment property is derived by reference to the most recent closing prices of properties sold in the adjacent area.

For the amount of investment property pledged as collateral, please refer to Note 25.

XIV. Long-term Loans

	December 31, 2019	December 31, 2018
<u>Secured loans (Note 25)</u>		
Syndicated loans (1)	\$ -	\$ 450,000
Bank loans (2)	<u>350,000</u>	<u>350,000</u>
	350,000	800,000
Less: listed as current portion with a year	<u>-</u>	(<u>450,000</u>)
Subtotal	<u>350,000</u>	<u>350,000</u>
<u>Unsecured loans</u>		
Long-term commercial paper payable(3)	600,000	450,000
Less: discount on long-term commercial paper payable	(<u>1,009</u>)	(<u>869</u>)
Sub-total	<u>598,991</u>	<u>449,131</u>
Long-term loans	<u>\$ 948,991</u>	<u>\$ 799,131</u>
Annual interest rate	1.49%~1.68%	1.60%~2.38%

- 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 first supplementary contract entered into on February 7, 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 individual financial statements of the Company shall not be less than 120% and 150%, respectively;
- (3) The interest coverage ratio (depreciation expenses + amortization expenses + 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 payments were fully repaid on October 1, 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 paper payable that have not matured on the balance sheet date are as follows:

December 31, 2019

Guarantee/Accepting Institution	Nominal Amount	Discounted Amount	Carrying Amount	Interest interval	Collateral
Shanghai Commercial and Savings Bank	\$ 300,000	(\$ 526)	\$ 299,474	1.648%	None
Entie Commercial Bank	150,000	(273)	149,727	1.678%	None
Mega International Commercial Bank	150,000	(210)	149,790	1.487%	None
	<u>\$ 600,000</u>	<u>(\$ 1,009)</u>	<u>\$ 598,991</u>		

December 31, 2018

Guarantee/Accepting Institution	Nominal Amount	Discounted Amount	Carrying Amount	Interest interval	Collateral
Shanghai Commercial and Savings Bank	\$ 300,000	(\$ 572)	\$ 299,428	1.648%	None
Entie Commercial Bank	150,000	(297)	149,703	1.678%	None
	<u>\$ 450,000</u>	<u>(\$ 869)</u>	<u>\$ 449,131</u>		

XV. Accounts Payables

Accounts payable 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.

XVI. Benefit plan after retirement

(I) Defined Contribution Plan

The pension system of the "Labor Pension Act" applicable to the Company is a defined contribution plan under government administration. The Company contributes 6% of employees' monthly salaries to their personal accounts at the Bureau of Labor Insurance.

(II) Defined Benefit Plans

The Company's pension system under the "Labor Standards Act" 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 2% of the total monthly wages of employees to the Supervisory Committee of Labor Retirement Reserve's dedicated account in the Bank of Taiwan as pension reserve funds. Before the end of each year, if the balance in the account is inadequate to pay pensions of laborers who are expected to reach retirement conditions in the following year, the Company shall make up the difference in one appropriation before the end of March in the following year. The Bureau of Labor Funds, Ministry of Labor is assigned to administer the account. The Company retains no rights that may influence its investment and administration strategies.

The funds for defined benefit plans included in the Individual Balance Sheets were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 36,027	\$ 41,152
Fair value of planned assets	(33,681)	(34,143)
Net defined benefit liabilities (listed as other non-current liabilities)	<u>\$ 2,346</u>	<u>\$ 7,009</u>

Changes in net defined benefit liabilities were as follows:

	Present value of defined benefit obligations	Fair value of planned assets	Net defined benefit liabilities
As of January 1, 2018	\$ 43,937	(\$ 35,239)	\$ 8,698
Service costs			
Current service cost	478	-	478
Interest expense (income)	<u>436</u>	<u>(358)</u>	<u>78</u>
Recognized in profit and loss	<u>914</u>	<u>(358)</u>	<u>556</u>
Remeasurement			
Return on plan assets (excluding amounts that are included in net interest)	-	(1,049)	(1,049)
Actuarial gains - Experience adjustments	<u>(646)</u>	<u>-</u>	<u>(646)</u>
Recognized in other comprehensive income	<u>(646)</u>	<u>(1,049)</u>	<u>(1,695)</u>
Contribution from employer	\$ -	(\$ 550)	(\$ 550)
Benefits paid	<u>(3,053)</u>	<u>3,053</u>	<u>-</u>
December 31, 2018	<u>41,152</u>	<u>(34,143)</u>	<u>7,009</u>
Service costs			
Current service cost	390	-	390
Past service cost and settlement gain or loss	<u>(841)</u>	<u>-</u>	<u>(841)</u>
Interest expense (income)	<u>408</u>	<u>(345)</u>	<u>63</u>
Recognized in profit and loss	<u>(43)</u>	<u>(345)</u>	<u>(388)</u>
Remeasurement			
Return on plan assets (excluding amounts that are included in net interest)	-	(1,240)	(1,240)
Actuarial gains - Experience adjustments	<u>(2,645)</u>	<u>-</u>	<u>(2,645)</u>
Actuarial gains - Change in demographic assumptions	<u>1,019</u>	<u>-</u>	<u>1,019</u>
Recognized in other comprehensive income	<u>(1,626)</u>	<u>(1,240)</u>	<u>(2,866)</u>
Contribution from employer	-	(1,409)	(1,409)
Benefits paid	<u>(2,512)</u>	<u>2,512</u>	<u>-</u>
Settlement	<u>(944)</u>	<u>944</u>	<u>-</u>
December 31, 2019	<u>\$ 36,027</u>	<u>(\$ 33,681)</u>	<u>\$ 2,346</u>

The amount of defined benefit plan recognized in profit or loss was summarized by functions as follows:

	2019	2018
Summarized by functions		
Operating costs	\$ 318	\$ 139
Operating Expenses	<u>(706)</u>	<u>417</u>
	<u>(\$ 388)</u>	<u>\$ 556</u>

The Company is exposed to the following risks due to the pension system of the "Labor Standards Act":

1. Investment risks: The Bureau of Labor Funds of the Ministry of Labor invests the labor pension fund in equity securities, debt securities, and bank deposits in domestic (foreign) banks through independent implementation and commissioned operations. However, the distributed amount from the plan assets received by the Company shall not be lower than interest on a two-year time deposit at a local bank.
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 net present value of the defined benefit obligations held by the Company is evaluated by certified actuaries and the major assumptions made on the assessment date are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	0.70%	1.00%
Expected growth rate of salaries	2.00%	2.00%

If changes occur in major actuarial assumptions with other assumptions unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate		
Increase by 0.25%	(\$ <u>810</u>)	(\$ <u>1,004</u>)
Decrease by 0.25%	<u>\$ 836</u>	<u>\$ 1,038</u>
Expected growth rate of salaries		
Increase by 0.25%	<u>\$ 823</u>	<u>\$ 1,025</u>
Decrease by 0.25%	(\$ <u>802</u>)	(\$ <u>997</u>)

As actuarial assumptions may be related to one another, the likelihood of fluctuation in a single assumption is not high. Therefore, the aforementioned sensitivity analysis may not reflect the actual fluctuations of the present value of defined benefit obligations.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Expected contribution amounts within 1 year	\$ <u>660</u>	\$ <u>1,450</u>
Average maturity period of defined benefit obligations	9 years	9 years

XVII. Equity

(I) Capital stock

Common stock

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Authorized shares (in 1,000 shares)	<u>500,000</u>	<u>500,000</u>
Authorized capital	\$ <u>5,000,000</u>	\$ <u>5,000,000</u>
Number of issued and paid shares (in 1,000 shares)	<u>267,440</u>	<u>334,300</u>
Issued capital	\$ <u>2,674,401</u>	\$ <u>3,343,001</u>

The par value of ordinary shares issued were NT\$10 per share. Each share is entitled to the right to vote and receive dividend.

To adjust the capital structure and increase the return on equity of the shareholders of the Company, the Board of Directors resolved on June 21, 2019 for cash reduction of capital and returned the share capital. The amount of capital reduction was NT\$668,000 thousand, 66,860 thousand shares were subtracted and the capital reduction ratio was 20%. The share capital was 267,440 thousand shares after the capital reduction. The aforementioned capital reduction, after being approved and put into effect by the Financial Supervisory Commission on September 4, 2019, had its record date set on September 23, 2019, had completed registration modification on October 8, 2019, and capital reduction and refund of shares were fully returned to shareholders in December 2019.

(II) Capital surplus

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Used to offset deficits,</u> <u>appropriated as cash</u> <u>dividends or transferred to</u> <u>capital stock (A)</u>		
Stock issuance premium	\$ 197,435	\$ 197,435
Treasury stock trading	3,914	3,914
<u>Used to offset deficits</u>		
Adjustment in capital surplus of subsidiaries using equity method	73	73
<u>Not be used for any purposes</u>		
Employee stock options	205	205
	<u>\$ 201,627</u>	<u>\$ 201,627</u>

- (1) This type of capital stock may be used to offset deficits, if any, or to issue cash dividends or increase capital stock, but 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 Articles of Incorporation of the Company, 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.

Please refer to Note 19(6) - "Employee Bonus and Bonus to Directors" for the policy of employee and Director bonus distribution stipulated in the Articles of Incorporation.

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.

The Company appropriates and reverses special reserve in accordance with the regulations in Jin-Guan-Zheng-Fa's Letter No. 1010012865 from the FSC and "Q&A on the Applicability of the Appropriation of Special Reserve after the Adoption of the

International Financial Reporting Standards (IFRSs)." If other shareholders' equity deductions are reversed afterward, the reversal should be applicable to the appropriation of earnings.

The legal surplus is supplemented until the balance equals the Company's total paid-in capital. The legal capital reserve may be used to offset deficits. When the Company has no deficits, the portion of legal capital reserve that exceeds 25% of the total paid-in capital may be used to appropriate cash dividends in addition to an increase in capital stock.

The proposals to appropriate earnings for the years ended 2019 and 2018 are as follows:

	Proposal of Earnings Appropriation		Dividends per Share (NT\$)	
	2018	2017	2018	2017
Appropriated as legal capital reserve	\$ 20,567	\$ 17,118		
Appropriated as special capital reserve	(10,002)	28,091		
Cash dividends	167,150	167,150	\$ 0.50	\$ 0.50

The Company's proposal for distribution of earnings and dividend per share for 2019 was proposed by the board of directors on March 27, 2020:

	Proposal of Earnings Appropriation	Dividends per Share (NT\$)
Appropriated as legal capital reserve	\$ 18,910	
Appropriated as special capital reserve	(18,090)	
Cash dividends	133,720	\$ 0.50

The distribution of earnings for 2019 is subject to the resolution of the shareholders' meeting to be held on June 23, 2020.

(IV) Treasury stock

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 stocks held by the Company may not be pledged nor assigned rights such as dividend appropriation and voting rights in accordance with the Securities and Exchange Act.

XVIII. Revenue

(I) Revenue from contracts with customers

	<u>2019</u>	<u>2018</u>
Revenue from construction contracts	<u>\$ 4,756,126</u>	<u>\$ 3,932,756</u>

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.

(II) Contract balance

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable (Note 9)	<u>\$ 578,046</u>	<u>\$ 260,971</u>
Contract assets		
Property construction	\$ 654,002	\$ 848,546
Construction Retainage Receivable	646,392	457,267
Less: Allowance losses	(1,514)	(1,514)
	<u>\$ 1,298,880</u>	<u>\$ 1,304,299</u>
Contract liabilities		
Property construction	<u>\$ 245,696</u>	<u>\$ 57,730</u>

XIX. Net Income for the Current Year

Net income for the current year comprises the following items:

(I) Other revenue

	<u>2019</u>	<u>2018</u>
Dividend income	\$ 26,178	\$ 11,497
Non-payable warranty liability listed as revenue	10,504	-
Interest income	2,151	2,758
Others	<u>2,457</u>	<u>3,901</u>
	<u>\$ 41,290</u>	<u>\$ 18,156</u>

(II) Other gains and losses

	<u>2019</u>	<u>2018</u>
Loss on foreign currency exchange, net	(\$ 2,417)	(\$ 5,612)
Loss on disposal of investment property	(1,146)	-

	2019	2018
Loss on valuation of financial assets at fair value through profit or loss	(900)	-
Loss on disposal of subsidiaries	(371)	-
Gain (Loss) on disposal of property, plant and equipment, net	(\$ 131)	\$ 29
Expected credit impairment loss (Note 26)	-	(16,291)
Loss on disposal of financial assets (Note 26)	-	(15,959)
Others	(5,862)	(4,008)
	<u>(\$ 10,827)</u>	<u>(\$ 41,841)</u>
(III) Finance costs		
	2019	2018
Interest expenses		
Bank loan	\$ 14,799	\$ 26,360
Interest on lease liabilities	<u>649</u>	<u>-</u>
	<u>\$ 15,448</u>	<u>\$ 26,360</u>
(IV) Depreciation and amortization expenses		
	2019	2018
Property, plant and equipment	\$ 4,474	\$ 4,358
Right-of-use assets	10,727	-
Investment property	1,247	1,155
Intangible assets	<u>1,741</u>	<u>2,765</u>
	<u>\$ 18,189</u>	<u>\$ 8,278</u>
Depreciation expenses summarized by functions		
Operating costs	\$ 653	\$ 703
Operating expenses	14,548	3,655
Other gains and losses	<u>1,247</u>	<u>1,155</u>
	<u>\$ 16,448</u>	<u>\$ 5,513</u>
Amortization expenses summarized by functions		
Operating costs	\$ -	\$ 45
Operating Expenses	<u>1,741</u>	<u>2,720</u>
	<u>\$ 1,741</u>	<u>\$ 2,765</u>
(V) Employee benefits		
	2019	2018
Short-term employee benefits	\$ 360,119	\$ 341,024
Post-employment benefits		
Defined contribution plans	14,370	13,271
Defined benefit plans (Note 16)	(388)	556
Termination benefits	<u>1,855</u>	<u>1,081</u>

	2019	2018
Total employee benefit expenses	\$ <u>375,956</u>	\$ <u>355,932</u>
Summarized by functions		
Operating costs	\$ 196,337	\$ 187,954
Operating Expenses	<u>179,619</u>	<u>167,978</u>
	<u>\$ 375,956</u>	<u>\$ 355,932</u>

(VI) Remuneration for Employees and Directors

According to the Articles of Incorporation, the Company sets aside the remuneration of employees and directors and supervisors at the rates between 0.1%~3% and no higher than 3% of profit before tax, respectively. Remunerations for employees and directors for 2019 and 2018 were resolved by the Board of Directors on March 27, 2020 and March 28, 2020 respectively as follows:

	2019		2018	
	Cash	Percentage (%)	Cash	Percentage (%)
Employees' remuneration	\$ 7,799	3%	\$ 9,200	3%
Director's remuneration	<u>7,799</u>	3%	<u>9,200</u>	3%
	<u>\$ 15,598</u>		<u>\$ 18,400</u>	

If there are changes made to the amount after the issuance of Individual annual financial statements, the changes shall be accounted for as changes in accounting estimates and recognized in the financial statements of the following year.

For information on the Company's employee bonus and bonus to Directors as determined by the Board of Directors in 2020, please visit the "Market Observation Post System" of Taiwan Stock Exchange.

XX. Income tax

(I) Major components of income tax expenses recognized in profit or loss are as follows:

	2019	2018
Current income tax		
Generated in the current year	\$ 46,889	\$ -
Additional tax on undistributed earnings	1,684	-
Adjustments from previous years	<u>20</u>	(<u>558</u>)
	<u>48,593</u>	(<u>558</u>)
Deferred income tax		
Generated in the current year	16,735	57,400

	2019	2018
Changes in tax rates	-	27,578
Adjustments from previous years	-	321
	<u>16,735</u>	<u>85,299</u>
Income tax expenses recognized in profit or loss	<u>\$ 65,328</u>	<u>\$ 84,741</u>

Adjustments for accounting income and income tax expenses are as follows:

	2019	2018
Income before tax	<u>\$ 244,963</u>	<u>\$ 290,412</u>
Income tax expenses calculated as the product of income before income tax and the statutory tax rate	\$ 48,993	\$ 58,082
Effects on the deferred income tax of subsidiaries' earnings	17,070	-
Permanent difference	2,617	1,617
Exemption	(5,056)	(2,299)
Additional tax on undistributed earnings	1,684	-
Changes in tax rates	-	27,578
Adjustments of income tax expenses of prior years	<u>20</u>	<u>(237)</u>
Income tax expenses recognized in profit or loss	<u>\$ 65,328</u>	<u>\$ 84,741</u>

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%.

(II) Income tax recognized in other comprehensive income

	2019	2018
<u>Deferred income tax</u>		
- Translation of foreign operations	\$ 19,665	(\$ 6,442)
- Remeasurement of defined benefit plans	(573)	(475)
Income Tax Recognized in Other Comprehensive Income	<u>\$ 19,092</u>	<u>(\$ 6,917)</u>

(III) Deferred Income Tax Assets and Liabilities

Changes in deferred income tax assets and liabilities were described as follows:

2019

	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Balance - end of year
<u>Deferred income tax assets</u>				
Warranty Cost	\$ 3,506	\$ 1,027	\$ -	\$ 4,533
Construction proceeds				
temporarily estimated	1,914	3,170	-	5,084
Unrealized construction loss	1,672	615	-	2,287
Defined benefit pension plan	1,402	(360)	(573)	469
Impairment loss	4,705	(2,026)	-	2,679
Unrealized exchange losses	-	2	-	2
Loss carryforwards	64,028	(64,028)	-	-
Expected credit losses	1,145	(665)	-	480
	<u>\$ 78,372</u>	<u>(\$ 62,265)</u>	<u>(\$ 573)</u>	<u>\$ 15,534</u>
<u>Deferred income tax liabilities</u>				
Gains or losses from				
investment accounted for				
using equity method	\$ 533,638	(\$ 42,603)	\$ -	\$ 491,035
Exchange differences on				
translation of foreign				
operations	35,492	-	(19,665)	15,827
Reserve for Land Revaluation				
Increment Tax	10,814	-	-	10,814
Unrealized exchange gains	2,927	(2,927)	-	-
Others	915	-	-	915
	<u>\$ 583,786</u>	<u>(\$ 45,530)</u>	<u>(\$ 19,665)</u>	<u>\$ 518,591</u>

2018

	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Changes in tax rates	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	(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	-
Loss carryforwards	44,372	11,826	-	7,830	64,028
Expected credit losses	-	1,145	-	-	1,145
	<u>\$ 66,848</u>	<u>\$ 66</u>	<u>(\$ 475)</u>	<u>\$ 11,933</u>	<u>\$ 78,372</u>
<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
Unrealized exchange gains	-	2,927	-	-	2,927
Others	778	-	-	137	915
	<u>\$ 480,046</u>	<u>\$ 57,787</u>	<u>\$ 6,442</u>	<u>\$ 39,511</u>	<u>\$ 583,786</u>

(IV) Income Tax Approval

The profit-seeking enterprise income tax returns filed as at December 31, 2017 by the Company is approved by the taxation authority

XXI. Earnings per Share

	Unit: NT\$1/share	
	2019	2018
Basic earnings per share	<u>\$ 0.57</u>	<u>\$ 0.62</u>
Diluted earnings per share	<u>\$ 0.57</u>	<u>\$ 0.61</u>

The weighted average number of ordinary shares for the purpose of calculating earnings per share and the weighted average number of ordinary shares are as follows:

	2019	2018
Net income	<u>\$ 179,635</u>	<u>\$ 205,671</u>
	Number of shares Unit: In 1,000 Shares	
	2019	2018
Weighted average number of common stocks used for the calculation of basic earnings per share	<u>315,982</u>	<u>334,300</u>
Effect of dilutive potential common stocks:		
Employees' remuneration	<u>944</u>	<u>1,084</u>
Weighted average number of common stocks used for the calculation of diluted earnings per share	<u>316,926</u>	<u>335,384</u>

If the Company can choose between stocks and cash for the appropriation of employee compensation, it shall assume the employee compensation would be appropriated in stocks for the calculation of diluted EPS. The dilutive potential common stocks shall be incorporated in the weighted average number of stocks outstanding when calculating the diluted EPS. 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. Capital Risk Management

The Company's objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to maintain optimal capital structure in order to minimize the cost of funding and to provide remuneration for its 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.

XXIII. Financial Instruments

(I) Fair value of financial instruments that are not measured at fair value

Please refer to the information stated in the individual balance sheets. The management of the Company 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 individual balance sheets are used as a reasonable basis for estimating their fair values.

(II) Fair value of financial instruments that are measured at fair value

1. Fair value level

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through profit or loss</u>				
Private equity funds	\$ -	\$ -	\$ 8,100	\$ 8,100
<u>Financial assets measured at fair value through other comprehensive income</u>				
Domestic public stocks	\$ 435,735	\$ -	\$ -	\$ 435,735

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Domestic public stocks	\$ 304,508	\$ -	\$ -	\$ 304,508

Transfers without Level 1 or 2 fair value assessment in 2019 and 2018.

2. 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 Company as of December 31, 2019 and 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\$90 thousand.

(III) Category of financial instruments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Mandatorily measured at fair value through profit or loss	\$ 8,100	\$ -
Financial assets measured at amortized cost (Note 1)	979,581	497,601
Financial assets measured at fair value through other comprehensive income		
Investment in equity instrument	435,735	304,508
<u>Financial liabilities</u>		
Valuation of cost after amortization (Note 2)	2,644,064	2,531,168

Note 1. Balance includes financial assets measured at amortized cost, such as cash and cash equivalents, notes receivable, accounts receivable, and other receivables.

Note 2. The balance includes financial liabilities at amortized cost, which comprise 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.

Risk management is executed by the Group treasury by following policies approved by the Board. 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) 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.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fair value interest rate risk		
- Financial assets	\$ 16,500	\$ 7,700
- Financial liabilities	481,655	899,131
Cash flow interest rate risk		
- Financial assets	378,915	199,756
- Financial liabilities	499,790	350,000

Sensitivity analysis

The sensitivity analysis below is prepared based on the risk exposure of derivative and non-derivative instruments to the interest rates on 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\$,1209 thousand and NT\$1,50,25 thousand, respectively for 2019 and 2018.

(2) 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 has been determined based on the exposure to equity price risk at the balance sheet date.

If equity prices rise/fall by 10%, the pre-tax income for the annual period ended December 31, 2019 while the pre-tax other comprehensive income for the annual period ended December 31, 2019 will increase/decrease by NT\$ 810 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%, other comprehensive income for the annual period ended December 31, 2019 and 2018 will increase/decrease by NT\$ 43,571 thousand and NT\$ 30,451 thousand

respectively due to the rise/fall of the fair value of financial assets measured at FVTOCI.

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 is required to conduct management and credit risk analysis for each of its new customers before the terms and conditions of the payment and delivery are established in accordance with the internal credit policy. 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.

December 31, 2019

	Less than 1 Year	1~2 Year(s)	2~5 Years
Non-interest bearing liabilities	\$ 1,618,998	\$ 70,174	\$ 5,901
Lease liabilities	10,619	9,265	13,301
Fixed interest rate instruments	-	299,474	149,727
Floating interest rate instruments	-	-	499,790
	<u>\$ 1,629,617</u>	<u>\$ 378,913</u>	<u>\$ 668,719</u>

	Within 1 year	1~5 years
Lease liabilities	<u>\$ 10,619</u>	<u>\$ 22,566</u>

December 31, 2018

	Less than 1 Year	1~2 Year(s)	2~5 Years
Non-interest bearing liabilities	\$ 1,152,916	\$ 109,949	\$ 19,172
Fixed interest rate instruments	450,000	-	449,131
Floating interest rate instruments	-	-	350,000
	<u>\$ 1,602,916</u>	<u>\$ 109,949</u>	<u>\$ 818,303</u>

The above-mentioned amount of non-derivative financial asset and liability instruments with floating interests are subject to change due to changes in floating rates and/or differences in interest rates estimated as of the balance sheet date.

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(3) Financing facilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured bank loan facilities		
- amount used	\$ 600,000	\$ 450,000
- amount unused	<u>1,489,817</u>	<u>1,299,495</u>
	<u>\$ 2,089,817</u>	<u>\$ 1,749,495</u>
Credit line of secured bank loan		
- amount used	\$ 350,000	\$ 800,000
- amount unused	<u>100,000</u>	<u>100,000</u>
	<u>\$ 450,000</u>	<u>\$ 900,000</u>

XXIV. 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

<u>Name of Related Party</u>	<u>Relations with the company</u>
Shun Long International Electrical Engineering Co., Ltd. (Shun Long)	Subsidiary
Jin Gu Limited (Jin Gu)	Subsidiary
Chien Kuo Asia Co., Ltd. (Chien Kuo Asia)	Sub-subsubsidiary
Suzhou Chien Hua Concrete Co., Ltd. (Suzhou Chien Hua)	Sub-subsubsidiary
Wuxi Chien Bang Concrete Co., Ltd. (Wuxi Chien Bang)	Sub-subsubsidiary

WeBIM Services Co., Ltd. (WeBIM Services)	It became an associate of the Company since January 22, 2019.
Jianhui Investment Co., Ltd. (Jianhui Investment)	The chairperson of Jianhui Investment is the vice chairperson of the Company.
Chien Kuo Foundation for Arts and Culture	The chairperson of the foundation is the vice chairperson of the Company.
Mark Lee	Chairman of WeBIM Services
Tzu-chiang Yang	Director of WeBIM Services
Pang-yen Yang	Director of WeBIM Services

(II) Outsourced Construction

Category/Name of Related Party	No. of Contract	Contract total value	Recognized as contract cost for current year	Accumulated as recognized contract cost	Accounts payable
<u>2019</u>					
Shun Long	101C1502	\$ 419,685	\$ 4,821	\$ 404,463	\$ 43,798
	101C1504	234,813	101,511	192,097	41,052
	101C1603	77,424	40,684	72,203	12,728
	101C1605	269,210	129,889	231,060	35,949
	101C1702	297,919	84,742	97,824	59,096
	101C1703	553,935	198,093	245,130	113,448
	101C1707	420,042	50,526	52,906	31,201
	101C1701	109,339	41,719	50,408	19,352
	101C1802	\$ 426,440	\$ 5,754	\$ 6,158	\$ 6,158
	101C1803	198,302	4,705	4,965	4,312
	101C1901	251,995	1,706	1,706	1,706
	101C1902	273,116	66	66	66
	101C1903	97,857	66	66	66
	101C1503	50,892	3,042	50,892	542
		<u>\$ 3,680,969</u>	<u>\$ 667,324</u>	<u>\$ 1,409,944</u>	<u>\$ 369,474</u>
<u>2018</u>					
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
		<u>\$ 3,099,699</u>	<u>\$ 326,699</u>	<u>\$ 751,215</u>	<u>\$ 179,702</u>

The contract price and payment terms of the construction contract between the Company and the related parties are equivalent to those of the non-related person.

(III) Business Transaction

Accounting subject	Category of related parties	2019	2018
Construction costs	Associates	\$ 2,045	\$ 2,513
Operating Expenses	Associates	\$ 520	\$ 660
Other revenues	Associates	\$ 1,093	\$ -

(IV) Other related party transactions

1. Lease agreements

The Company rents the office from other related parties based on the local rental standards. The rent is paid on a monthly basis.

Accounting subject	Category of related parties	December 31, 2019	December 31, 2018
Lease liabilities	Other related parties	\$ 10,087	\$ -

Accounting subject	Category of related parties	2019	2018
Interest expenses	Associates	\$ 185	\$ -
Rental Expenses	Associates	\$ -	\$ 5,604

2. Equity transactions

The Company sold 27% of the equity of WEBIM Services to the president of WEBIM Services on January 22, 2019. The proceeds of disposal was NT\$5,500 thousand.

3. Donation expenditure

The Company's Board of Directors resolved on August 8, 2019 and 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, 2019 and 2018 as a donation expense in the amount of NT\$1,800 thousand and NT\$1,620 thousand respectively.

(V) Endorsements/guarantees

Endorsements/guarantees Provided

Category/Name of Related Party	December 31, 2019	December 31, 2018
Shun Long	\$ 80,000	\$ 50,000
Suzhou Chien Hua	-	172,326
Wuxi Chien Bang	440,289	172,326
	\$ 520,289	\$ 394,652

Endorsements/guarantees Obtained

<u>Category/Name of Related Party</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Jin Gu	<u>\$ -</u>	<u>\$ 184,320</u>

(VI) Remuneration to key management

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 44,867	\$ 40,293
Termination benefits	280	-
Post-employment benefits	<u>1,196</u>	<u>1,205</u>
	<u>\$ 46,343</u>	<u>\$ 41,498</u>

The remuneration to Directors and other key management is determined by the Remuneration Committee based on personal performance and market trends.

XXV. Pledged assets

The Company's assets listed below were provided as bank loans, collateral against litigations, deposits for construction performance obligation:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Land held for construction	\$ 463,577	\$ 463,577
Financial assets at fair value through other comprehensive income - non-current	133,177	94,555
Investment property	31,548	32,122
Pledged certificate of deposit (recognized in other current assets)	16,500	7,700
Other restricted assets	8,833	2,580
Property, plant and equipment	<u>6,264</u>	<u>6,312</u>
	<u>\$ 659,899</u>	<u>\$ 606,846</u>

XXVI. 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:

- (I) 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. The mediation suggestion made by the mediation committee was overdue default penalty fee of NTS8,286,572. The Group has agreed to accept within the deadline, but the ministry has to yet to respond.

- (II) On July 20, 2014, Shing Tzung Development Co., Ltd. (Shing Tzung) and its person in charge, Kuo-feng Lu performed the diaphragm wall construction for the building (3 floors underground and 26 floors above ground) at Lingzhou section land No. 537 in Kaohsiung City, which caused the severe tilts, wall cracks and subsidence of the buildings at Lane 187, Ziqiang 3rd Road. 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 Group 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.
- (III) 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.

On March 15, 2013, the Company and Kingland Property Corporation Ltd. (formerly known as DSG Technology Inc., hereinafter referred to as “Kingland”) signed a construction contract, under which two parties covenanted to contract the Group for the construction project named “Fu-yi River Residential Construction Project” on Land No. 440, Zhuangjing Section, Xindian District, New Taipei City. The Company had completed the various stages of work as defined by the contract and, together with Kingland, completed the acceptance of the residential units and inspection of communal facilities. Due to a large portion of the residential units being unsold and thus the condominium management committee failed to be established, Kingland, by putting up various excuses, refused to make progress with any follow-up inspections or acceptance, nor the remaining contract payments and additional payments due to the Group. As a consequence, on October 22, 2019, The Company then submitted a request for arbitration, demanding Kingland pay the payables due and the loss suffered by the Group of NT\$57,370 thousand to the Company.

(IV) As of December 31, 2019, the performance guarantee letters issued by the bank for construction projects amounted to NT\$1,904,671 thousand.

(V) As of December 31, 2019, the guaranteed bills issued by the Company for business needs amounted to NT\$575,683 thousand.

XXVII. Information on Foreign-Currency-Denominated Assets and Liabilities Wielding Significant Influence

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. Information regarding the significant assets and liabilities denominated in foreign currencies of the Company is listed below:

Unit: Foreign currency/NT\$1,000

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
<u>Non-monetary</u>			
<u>items</u>			

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
USD	\$ 135,913	29.98 (USD: New Taiwan Dollars)	<u>\$ 4,074,676</u>
<u>December 31, 2018</u>			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Non-monetary items</u>			
USD	\$ 160,390	30.72 (USD: New Taiwan Dollars)	<u>\$ 4,924,319</u>

XXVIII. Supplementary Disclosures

Information on (I) significant transactions and (II) invested companies is as follows:

1. Loaning to Others. Please refer to Appendix 1.
2. Endorsements/Guarantees Provided to Others. Please refer to Appendix 2.
3. Marketable Securities Held at the End of the Period (Excluding investment in Subsidiaries, Associates and Joint Ventures) Please refer to Appendix 3.
4. Marketable Securities Acquired and Disposed of at Costs or Prices Reaching NT\$300 Million or 20% of the Paid-in Capital: (None)
5. Acquisition of Real Estate at Costs Reaching NT\$300 Million or 20% of the Paid-in Capital: None.
6. Disposal of Real Estate at Costs Reaching 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. Please refer to Appendix 4.
8. Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital. Please refer to Appendix 5.
9. Engaging in Derivatives Trading. None.
10. Information on invested companies. Please refer to Appendix 6.

(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: Please refer to Appendix 7.

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.

Chien Kuo Construction Co. Ltd.
Loaning to Others
From January 1 to December 31, 2019

Appendix 1

Unit: NT\$ Thousand

No.	Financing Company	Counterparty	Financial Statement Account	Related Party (Y/N)	Highest balance in the current year	Balance - end of year	Amount Actually Provided	Interest interval	Nature of loan (Note 1)	Amount of Transaction	Reason for short-term financing	Allowance for Bad Debts	Collateral		Limit on loans granted to a single party	Total limit amount of 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 \$ 868,305	40% of the parent's net worth \$ 1,736,609	
1	Jianya (Shanghai) Information Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	82,843	-	-	6.0%	(1)	-	Operating capital	-	-	-	100% of the company 147,163	100% of the company 147,163	
2	Jianya (Nantong) Information Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	165,686	-	-	6.0%	(1)	-	Operating capital	-	-	-	100% of the company 158,211	100% of the company 158,211	Note 3
3	Jianya (Yangzhou) Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	174,891	-	-	6.0%	(1)	-	Operating capital	-	-	-	100% of the company 244,607	100% of the company 244,607	
3	Jianya (Yangzhou) Technology Consulting Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Other receivables	Yes	248,007	240,660	240,660	5.0%	(1)	-	Operating capital	-	-	-	100% of the company 244,607	100% of the company 244,607	Note 3
3	Chien Kuo Development Co., Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Other receivables	Yes	20,000	20,000	20,000	1.7%	(1)	-	Operating capital				100% of the company 20,003	100% of the company 40,006	

Note 1. The nature of financing is described as follows:

(1) For the purpose of short-term financing.

Note 2. Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as of December 31, 2019 (RMB1=NT\$4.2975).

Note 3. Such loan is denominated in RMB, so if calculated in RMB, the highest balance of the current year does not exceed the limit of the total loans.

Chien Kuo Construction Co. Ltd.
Endorsements/Guarantees Provided to Others
From January 1 to December 31, 2019

Appendix 2

Unit: NT\$ Thousand

No.	Endorsements/guarantees provider company name	Parties being endorsed/guaranteed		Limit of endorsement/guarantee for a single entity (Notes 1, 2 and 4)	Highest balance up to the current month (Note 1)	Outstanding endorsements/guarantees - ending (Note 1)	Actual amount used (Note 1)	Endorsements/guarantees secured with collateral	Ratio of cumulative endorsements/guarantees to the net equity stated in the latest financial statements	Limit of endorsements/guarantees (Notes 1, 3 and 4)	Endorsements/guarantees provided by parent for subsidiary	Endorsements/guarantees provided by subsidiary for parent	Endorsements/guarantees for entities in China	Note
		Company Name	Relationship											
0	Chien Kuo Construction Co. Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiary	2,170,762	80,000	80,000	12,000	-	1.84%	4,341,523	Y	N	N	Financing endorsements/guarantees
		Suzhou Chien Hua Concrete Co., Ltd.	Sub-subsubsidiary	2,170,762	239,689	-	-	-	-	4,341,523	Y	N	Y	Financing endorsements/guarantees
		Wuxi Chien Bang Concrete Co., Ltd.	Sub-subsubsidiary	2,170,762	454,720	440,289	138,444	-	10.14%	4,341,523	Y	N	Y	Financing endorsements/guarantees
1	Jin Gu Limited	Chien Kuo Construction Co. Ltd.	Parent	10,725,863	189,720	-	-	-	-	10,725,863	N	Y	N	Financing endorsements/guarantees

Note 1. Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as of December 31, 2019 (US\$1 = NT\$29.98).

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. Note 4: the limit on endorsements/guarantees provided for each guaranteed party and the maximum endorsement/guarantee amount allowable are calculated as follows:

- (1) Limit on endorsements/guarantees provided for each guaranteed party: 400% of net worth of shareholders' equity.
- (2) Maximum endorsement/guarantee amount allowable: 400% of net worth of shareholders' equity.

Chien Kuo Construction Co. Ltd.
Marketable Securities Held at the End of the Period
As of December 31, 2019

Appendix 3

Unit: NT\$ Thousand

Holding Company	Type and name of marketable securities	Relationship with the marketable security issuer	Financial Statement Account	Ending Balance				Note
				Number of Shares (in Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair value	
Chien Kuo Construction Co. Ltd.	<u>Funds</u>							
	Wan Chan Venture Capital Co. Ltd.	—	Financial assets at fair value through profit or loss - non-current	900	\$ 8,100	4.92	\$ 8,100	—
	<u>Shares</u>							
	Chia Hsin Cement Corporation	—	Financial assets at fair value through other comprehensive income - current	1,114	24,909	0.14	24,909	—
	Taiwan Cement Corporation	—	Financial assets at fair value through other comprehensive income - non-current	5,896	257,661	0.10	257,661	(Note 3)
Anping Real Estate Co., Ltd.	Chia Hsin Cement Corporation	—	Financial assets at fair value through other comprehensive income - non-current	6,853	153,165	0.88	153,165	(Note 1)
	<u>Funds</u>							
	Allianz Global Investors Taiwan Money Market Fund	—	Financial assets at fair value through profit or loss - current	4,772	60,035	-	60,035	—
Jin Gu Limited	Mega Diamond Money Market Fund	—	Financial assets at fair value through profit or loss - current	4,768	60,038	-	60,038	—
	<u>Funds</u>							
	PVG GCN VENTURES, L.P.	—	Financial assets at fair value through profit or loss - non-current	-	31,850	5.00	31,850	—
	CSVI VENTURES, L.P.	(Note 2)	Financial assets at fair value through profit or loss - non-current	-	36,019	5.16	36,019	—
	<u>Shares</u>							
Wuxi Chien Bang Concrete Co., Ltd.	Chia Hsin Cement Corporation	—	Financial assets at fair value through other comprehensive income - current	175	3,916	0.02	3,916	—
	<u>Shares</u>							
	Common stock of China Mobile Communications Corporation	—	Financial assets at fair value through other comprehensive income - current	82	20,742	-	20,742	—

Note 1. Among them, 2,000 shares are pledged to the bank as collateral for the performance of construction contracts.

Note 2. The chief decision makers of the fund are the directors of the Company.

Note 3. Among them, 2,025 thousand shares are pledged to the Court as collateral against the litigation between the Company and Shing Tzung.

Note 4. The information regarding investment of subsidiaries please refer to Appendix 7 and Appendix 8.

Chien Kuo Construction Co., Ltd.

Purchases From or Sales to Related Parties of at Least NT\$100 million or 20% of the Paid-in Capital

From January 1 to December 31, 2019

Appendix 4

Unit: NT\$ Thousand

Company Name	Related Party	Relationship	Transaction				Unusual trade conditions status and reasons (Note 1)		Notes and Accounts Receivable (Payable)		Note (Note 2)
			Purchases/Sales	Amount	Ratio to total purchase (sell)	Credit Period	Unit Price	Credit Period	Ending Balance	Ratio to total notes or accounts receivable (payable)	
Chien Kuo Construction Co. Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiary	Purchases	\$ 670,171	15.09%	Subject to the agreement	-	-	(\$ 369,891)	23.87%	
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent	Sales	670,171	97.76%	Subject to the agreement	-	-	270,260	96.56%	

Note 1. If related party transaction terms are different from general terms, situations and reasons for the differences should be specified the unit price and the credit period columns.

Note 2. In case of advance receipts (prepayments), reasons, the terms of the agreement, the amount and differences from the general situation shall be specified in the Note column.

Note 3. Paid-in capital refers to the parent's paid-in capital. When the issuer's shares have no denomination, or its denomination is not NT\$10, regarding the maximum transaction amount on 20% of the paid-in capital, the amount is calculated based on 10% of equity attributable to shareholders of the parent in the balance sheet.

Chien Kuo Construction Co., Ltd.

Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital

From January 1 to December 31, 2019

Appendix 5

Unit: NT\$ Thousand, unless otherwise specified.

Company Name	Counter-Party	Relationship	Balance dues from related parties	Turnover Rate	Overdue Receivables from Related Parties		Subsequently recovered amount from related party (Note 1)	Listed allowances for losses
					Amount	Action Taken		
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent	Accounts receivable \$ 270,260	3.22	\$ -	\$ -	\$ 126,143	\$ -
Jianya (Yangzhou) Technology Consulting Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Direct or indirect investment by the Company	Other receivables \$ 240,660	-	-	-	-	-

Note 1: Recovered amount as of February 29, 2020.

Chien Kuo Construction Co., Ltd.
Information on Invested Companies and Their Locations, etc.
From January 1 to December 31, 2019

Appendix 6

Unit: NT\$ Thousand

Investor	Invested Company	Location	Principal Business Activities	Initial Investment Amount		End of the Current Period			Gains (Losses) of the Investee	Investment gains (losses) recognized for the current period	Note
				September 30, 2018	December 31, 2017	Shares	Ratio (%)	Carrying Amount			
Chien Kuo Construction Co. Ltd.	Jin Gu Limited	British Virgin Islands	Investment	\$ 272,267	\$ 491,804	8,714	100.00	\$ 2,356,663	\$ 86,453	\$ 86,453	Subsidiary
	Yin Ying Holding Limited	British Virgin Islands	Investment	815,907	1,065,645	25,038	100.00	1,718,013	71,401	71,401	Subsidiary
	Chien Kuo Development Co., Ltd.	Taiwan	Building construction commission; public housing lease	144,065	144,065	11,100	100.00	100,135	490	1,042	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	45,354	(529)	(458)	Subsidiary
	WeBIM Services Co., Ltd.	Taiwan	Construction technology	8,546	15,166	980	49.00	9,652	2,258	1,106	Associates
	Anping Real Estate Co., Ltd.	Taiwan	Housing and building development and lease	140,000	140,000	14,000	100.00	132,431	(1,945)	(1,945)	Subsidiary
Yin Ying Holding Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Investment	878,510	910,310	1,685	54.78	1,700,218	126,060	Not applicable.	Sub-subsubsidiary
Jin Gu Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Investment	782,106	810,433	1,391	45.22	1,403,513	126,060	Not applicable.	Sub-subsubsidiary
Chien Kuo Asia Co., Ltd.	Shun Long (Hong Kong) Limited	Hong Kong	International trade	-	0.007794	-	-	-	(38)	Not applicable.	Sub-subsubsidiary

Note 1. Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as of December 31, 2019 (US\$1=NT\$30.91), except for profit or loss items, which are translated into New Taiwan Dollars by using the average exchange rate over January 1 - December 31, 2019 (US\$1=NT\$29.98).

Note 2. Please refer to Appendix 7 for information on invested companies in mainland China.

Chien Kuo Construction Co., Ltd.
Information on Investments in Mainland China
From January 1 to December 31, 2019

Appendix 7

Unit: NT\$ Thousand, unless otherwise specified.

Investee in Mainland China	Principal Business Activities	Paid-in Capital	Method of Investment	Cumulative investment amount remitted from Taiwan - Beginning of the period	Investment amount remitted or received for the current period		Ending balance of accumulated outflow of investment from Taiwan	Profit or Loss of Invested Company	Percentage of Ownership (Direct or Indirect)	Investment gains (losses) recognized in the current period (Note 1)	Carrying amount - end of the period (Note 1)	Accumulated Repatriation of Investment Income as of September 30, 2018	Note
					Remitted	Received							
Shanghai Chien Kuo Concrete Co., Ltd.	Production and sale of concrete and concrete products	\$ 150,260	Investment through a company founded in a third region	\$ 125,779	\$ -	\$ 109,634	\$ 16,145	\$ -	-	\$ -	\$ -	\$ -	Note 4
Jianya (Shanghai) Information Technology Co., Ltd.	Computer software technology development and consultation	107,928	Investment through a company founded in a third region	68,326	-	-	68,326	1,971	100%	1,971	149,052	-	
Suzhou Chien Hua Concrete Co., Ltd.	Production and sale of concrete and concrete products	119,920	Investment through a company founded in a third region	182,036	-	-	182,036	34,543	100%	34,543	160,873	-	Note 7
Jianya (Suzhou) Information Technology Consulting Co., Ltd.	Computer software technology development and consultation	291,556	Investment through a company founded in a third region	-	-	-	-	(42,428)	100%	(42,428)	253,300	-	
Kunshan Jianshan Concrete Co., Ltd.	Production and sale of concrete and concrete products	299,800	Investment through a company founded in a third region	230,025	-	227,634	2,391	-	-	-	-	34,177	Note 4
Wuxi Chien Bang Concrete Co., Ltd.	Production and sale of concrete and concrete products	149,900	Investment through a company founded in a third region	214,059	-	-	214,059	105,115	100%	105,115	1,593,415	32,445	Note 8
Changzhou Chien An Concrete Co., Ltd.	Production and sale of concrete and concrete products	74,950	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	60,710	Investment through a company founded in a third region	244,471	-	48,299	196,172	-	-	-	-	181,997	
Jianya (Nantong) Information Technology Consulting Co., Ltd.	Computer software technology development and consultation	149,900	Investment through a company founded in a third region	-	-	-	-	(3,771)	-	(3,771)	-	-	Note 5
Yangzhou Chien Yung Concrete Co., Ltd.	Production and sale of concrete and concrete products	59,960	Investment through a company founded in a third region	197,041	-	-	197,041	(2,051)	100%	(2,051)	33,368	161,613	
Jianya (Yangzhou) Technology Consulting Co., Ltd.	Computer software technology development and consultation	242,838	Investment through a company founded in a third region	-	-	-	-	9,097	100%	9,097	253,329	-	Note 6
Shanghai Chien Chung Concrete Co., Ltd.	Production and sale of concrete and concrete products	74,950	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Changzhou Changlong Handling Co., Ltd.	Cargo handling	2,194	Investment through an existing company in a third region	-	-	-	-	(22)	-	(22)	-	-	Note 4
Jiangsu Shili Construction Co., Ltd.	Construction consultation	62,958	Investment through a company founded in a third region and others	23,100	-	23,100	-	(365)	-	(365)	-	-	Note 4
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	Construction consultation	17,988	Investment through a company founded in a third region and others	-	-	-	-	27	100%	27	21,941	-	
Loudi Chien Kuo Mining Co., Ltd. and other six invested companies	Quarrying	1,193,804	Investment through an existing company in a third region and others	36,840	-	-	36,840	-	-	-	-	914,492	Note 4

Accumulated investment remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Upper limit on investment authorized by MOEAIC
\$ 942,688 (Note 3)	\$ 110,580 (Note 2)	\$2,609,244

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\$1,119,003, 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\$942,688, including the following expenses:

(1) Loss on investment:

Investee in Mainland China	Initial 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. has been liquidated in 2015. 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. Kunshan 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. Changzhou Changlong Handling Co., Ltd. had been liquidated on July 12, 2019. Jiangsu Shili Construction Co., Ltd. had been liquidated on July 24, 2019. Jianya (Nantong) Information Technology Consulting Co., Ltd. had been liquidated on December 6, 2019.

Note 5. New shares divided from Nantong Chien Cheng Concrete Co., Ltd.

Note 6. New shares divided from Yangzhou Chien Yung Concrete Co., Ltd.

Note 7. New shares divided from Suzhou Chien Hwa Concrete Co., Ltd.

Note 8. The paid-in capital of Wuxi Chien Bang was NT\$427,965 thousand (US\$14,275 thousand). Due to the need for a split-up to establish Jianya (Wuxi) Information Technology Consulting Co., Ltd. (Jianya Wuxi), an approval to invest in mainland China has been obtained from the Ministry of Economic Affairs Investment Commission. An approval for local business registration modification has been obtained on January 8, 2020. The paid-in capital of Wuxi Chien Bang after the split-up is NT\$149,900 thousand (US\$5,000 thousand) and the paid-in capital of Jianya Wuxi after the split-up is NT\$278,065 thousand (US\$9,275 thousand).

Tables of Significant Accounting Items

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Chien Kuo Construction Co. Ltd
Statement of Accounts Receivables
As of December 31, 2019

Form of Statement I

Unit: NT\$ Thousand

<u>Customers' Name</u>	<u>Amount</u>
Client A	\$ 172,800
Client B	106,341
Client C	88,705
Client D	70,147
Client E	40,689
Client F	40,150
Client G	31,100
Client H	26,244
Other (Note)	<u>1,870</u>
	<u>\$ 578,046</u>

Note: The balance for each customer did not exceed 5% of the balance of this account.

Chien Kuo Construction Co., Ltd.

Statement of Changes in Contract Assets and Contract Liabilities for Property Construction

As of December 31, 2019

Form of Statement II

Unit: NT\$ Thousand

Project	Amount paid for this year				Amount received for this year				Contract assets	Contract liabilities
	Balance - beginning of year	Construction costs	Project completed and transferred	Balance - end of year	Balance - beginning of year	Increase This Year	Amount carried down upon completion	Balance - end of year		
101C0910	\$ 2,961,591	\$ 18,648	\$ -	\$ 2,980,239	\$ 2,982,301	\$ -	\$ -	\$ 2,982,301	\$ -	\$ 2,062
101C1007	1,961,246	3,392	-	1,964,638	1,861,721	-	-	1,861,721	102,917	-
101C1301	442,493	(10,273)	-	432,220	411,855	-	-	411,855	20,365	-
101C1305	476,616	5,371	481,987	-	416,923	65,063	481,986	-	-	-
101C1308	798,944	2,804	801,748	-	801,748	-	801,748	-	-	-
101C1401	489,735	52,408	542,143	-	493,800	48,343	542,143	-	-	-
101C1403	372,185	(1,462)	-	370,723	361,428	11,014	-	372,442	-	1,719
101C1404	969,565	12,315	981,880	-	931,657	50,223	981,880	-	-	-
101C1405	160,937	1,874	-	162,811	161,905	1,799	-	163,704	-	893
101C1406	1,025,909	10,126	1,036,035	-	1,025,000	11,036	1,036,036	-	-	-
101C1502	2,109,067	91,615	-	2,200,682	2,000,298	226,667	-	2,226,965	-	26,283
101C1503	292,204	16,871	309,075	-	313,953	(4,878)	309,075	-	-	-
101C1504	507,385	469,071	-	976,456	474,000	474,000	-	948,000	28,456	-
101C1601	713,705	84,959	-	798,664	635,558	194,362	-	829,920	-	31,256
101C1602	258,377	5,974	264,351	-	262,272	2,079	264,351	-	-	-
101C1603	287,506	142,801	-	430,307	242,482	192,996	-	435,478	-	5,171
101C1604	483,196	183,276	-	666,472	462,937	199,022	-	661,959	4,513	-
101C1605	595,108	423,442	-	1,018,550	508,450	467,044	-	975,494	43,056	-
101C1701	211,667	244,800	-	456,467	214,286	229,429	-	443,715	12,752	-
101C1702	262,296	405,059	-	667,355	232,283	343,796	-	576,079	91,276	-
101C1703	638,237	935,262	-	1,573,499	478,428	804,418	-	1,282,846	290,653	-
101C1705	745,366	540,885	-	1,286,251	746,286	532,343	-	1,278,629	7,622	-
101C1707	208,793	706,025	-	914,818	173,105	779,249	-	952,354	-	37,536
101C1802	10,235	239,809	-	250,044	1,211	201,384	-	202,595	47,449	-
101C1803	2,340	121,807	-	124,147	-	176,750	-	176,750	-	52,603
101C1901	-	32,920	-	32,920	-	121,093	-	121,093	-	88,173
101C1902	-	3,359	-	3,359	-	-	-	-	3,359	-
101C1903	-	1,053	-	1,053	-	-	-	-	1,053	-
101C1904	-	531	-	531	-	-	-	-	531	-
	<u>\$ 16,984,703</u>	<u>\$ 4,744,722</u>	<u>\$ 4,417,219</u>	<u>\$ 17,312,206</u>	<u>\$ 16,193,887</u>	<u>\$ 5,127,232</u>	<u>\$ 4,417,219</u>	<u>\$ 16,903,900</u>	<u>\$ 654,002</u>	<u>\$ 245,696</u>

Chien Kuo Construction Co. Ltd.

Statement of Changes in Financial Assets Measured at Fair Value Through Other Comprehensive Income

From January 1 to December 31, 2019

Form of Statement III

Unit, thousand shares, Amount as NT\$ thousand

Invested Company	Balance - beginning of year		Increase This Year		Decrease This Year		Change in unrealized gain or loss on financial asset	Balance - end of year	
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount
<u>Current</u>									
Domestic listed companies									
Chia Hsin Cement Corporation	1,115	\$ 15,157	-	\$ -	-	\$ -	\$ 9,752	1,115	\$ 24,909
<u>Non-current</u>									
Domestic listed companies									
Taiwan Cement Corporation	5,510	\$ 196,150	386	\$ -	-	\$ -	\$ 61,511	5,896	\$ 257,661
Chia Hsin Cement Corporation	6,853	93,201	-	-	-	-	59,964	6,853	153,165
		\$ 289,351		\$ -		\$ -	\$ 121,475		\$ 410,826

Note 1. Par value per share: NT\$10.

Note 2. 2,000 shares of Chia Hsin Cement Corporation are pledged to the bank as collateral for the performance of construction contracts.

Note 3. Thousand shares of Taiwan Cement Corporation are pledged to the Court as collateral against the litigation between the Company and Shing Tzung.

Note 3: The increase in the current year is due to allotted stock dividend

Chien Kuo Construction Co. Ltd.
Statement of Changes in Investments Accounted for Using Equity Method
From January 1 to December 31, 2019

Form of Statement IV

Unit: NT\$ thousand, unless otherwise stated

Name of investee	Balance - beginning of year		Increase This Year		Decrease This Year		Investment Income (loss)	Exchange differences arising from translation of financial statements of foreign operations	Unrealized gains on financial assets (loss)	Cash Flow Hedges	Balance - end of year			Endorsements and guarantees provided	Note
	Number of Shares (in Thousands)	Amount	Number of Shares (in Thousands)	Amount	Number of Shares (in Thousands)	Amount					Number of Shares (in Thousands)	Shareholding percentage %	Amount		
<u>Subsidiary</u>															
Unlisted companies															
Jin Gu Limited	15,740	\$ 2,747,651	-	\$ -	7,026	\$ 423,099	\$ 86,453	(\$ 55,501)	\$ 688	\$ 471	8,714	100	\$ 2,356,663	None	Note 2
Yin Ying Holding Limited	32,701	2,176,668	-	-	7,664	486,595	71,401	(42,824)	(1,208)	571	25,037	100	1,718,013	None	Note 3
Chien Kuo Development Co., Ltd.	11,100	99,093	-	-	-	-	1,042	-	-	-	11,100	100	100,135	None	
Shun Long International Electrical Engineering Co., Ltd.	6,063	47,631	-	-	-	1,819	(458)	-	-	-	6,063	87	45,354	None	Note 4
WeBIM Services Co., Ltd.	1,530	14,417	-	-	1,530	14,417	-	-	-	-	-	-	-	None	Note 5
Anping Real Estate Co., Ltd.	14,000	134,376	-	-	-	-	(1,945)	-	-	-	14,000	100	132,431	None	
		5,219,836		\$ -		\$ 925,930	\$ 156,493	(\$ 98,325)	(\$ 520)	\$ 1,042			4,352,596		
Less: Reclassification to non-current financial assets held for sale		(14,417)											-		
		<u>\$ 5,205,419</u>											<u>\$ 4,352,596</u>		
<u>Associates</u>															
Unlisted companies															
WeBIM Services Co., Ltd.	-	\$ -	980	\$ 8,546	-	\$ -	\$ 1,106	\$ -	\$ -	\$ -	980	49	\$ 9,652	None	Note 5

Note 1. Except the par values of Gin Gu Limited and Yin Ying Holding Limited is US\$ 1 per share, and Shun Long has no par value, the par values of the remaining companies are NT\$ 10 per share.

Note 2. Decrease in the current year is due to capital reduction of NT\$ 216,974 thousand and appropriation of net income of NT\$ 206,125 thousand.

Note 3. Decrease in the current year is due to capital reduction of NT\$ 236,500 thousand and appropriation of net income of NT\$ 250,095 thousand.

Note 4. Decrease in the current year is due to cash dividend distribution of NT\$ 1,819 thousand.

Note 5. Change in the current year is because the Company's management resolved in December 2018 to dispose of 27.5% of the equity of WeBIM Services Co., Ltd. (equivalent to 550 thousand shares). After disposal, the Company lost the control of WeBIM Services and became the affiliate using equity method.

Chien Kuo Construction Co. Ltd.
Table of Long-term Borrowings
As of December 31, 2019

Form of Statement V

Unit: NT\$ Thousand

Creditor	Repayment method	Mature within one year	Mature after one year	Total	Term of the agreement	Interest Rate	Collaterals or guarantees
Secured loans from banks							
Land Bank of Taiwan	Interest should be paid monthly, and the principal should be repaid in full upon maturity	\$ -	\$ 350,000	\$ 350,000	July 13, 2017 - July 12, 2022	1.60%	Land held for construction
Long-term commercial paper payable							
Shanghai Commercial and Savings Bank	Interest is paid in the beginning of the period, and the principal should be repaid in full upon maturity(90 days) with revolving credit limit within the term of contract.	-	149,737	149,737	December 27, 2018 - December 26, 2021	1.65%	None
Shanghai Commercial and Savings Bank	Interest is paid in the beginning of the period, and the principal should be repaid in full upon maturity (90 days) with revolving credit limit within the term of contract.		149,737	149,737	March 29, 2018 - March 29, 2021	1.65%	None
Entie Commercial Bank	Interest is paid in the beginning of the period, and the principal should be repaid in full upon maturity (90 days) with revolving credit limit within the term of contract.	-	149,727	149,727	September 28, 2018 - September 27, 2022	1.68%	None
Mega International Commercial Bank	Interest is paid in the beginning of the period, and the principal should be repaid in full upon maturity(90 days) with revolving credit limit within the term of contract.	-	149,790	149,790	June 27, 2019 - June 26, 2022	1.49%	None
		-	598,991	598,991			
		\$ -	\$ 948,991	\$ 948,991			

Chien Kuo Construction Co. Ltd.
Table of Accounts Payable
As of December 31, 2019

Form of Statement VI

Unit: NT\$ Thousand

<u>Customers' Name</u>	<u>Amount</u>
A	\$ 369,891
B	92,840
Other (Note)	<u>1,086,992</u>
	<u>\$ 1,549,723</u>

Note: The balance for each customer did not exceed 5% of the balance of this account.

Chien Kuo Construction Co. Ltd.
Statement of Operating Revenue and Expense
As of December 31, 2019

Form of Statement VII

Unit: NT\$ Thousand

<u>Construction item</u>	<u>Operating revenue</u>	<u>Operating costs</u>	<u>Gross profit</u>
Residential construction	\$ 2,223,984	\$ 2,092,764	\$ 131,220
Public construction	1,127,681	1,040,806	86,875
Commercial Office, Factory Office and others	<u>1,404,461</u>	<u>1,307,302</u>	<u>97,159</u>
	<u>\$ 4,756,126</u>	<u>\$ 4,440,872</u>	<u>\$ 315,254</u>

Chien Kuo Construction Co. Ltd.
Statement of Management Expense
As of December 31, 2019

Form of Statement VIII

Unit: NT\$ Thousand

Item	Amount
Salary and Bonus	\$ 155,358
Depreciation	14,548
Other expense (Note)	<u>72,999</u>
	<u>\$ 242,905</u>

Note: The balance for each customer did not exceed 5% of the balance of this account.

Chien Kuo Construction Co. Ltd.

Summary Table of Employee Benefit, Depreciation, Depletion and Amortization Expenses

For the Current Year for 2019 and 2018

Form of Statement IX

Unit: NT\$ Thousand

	2019				2018			
	Operating cost	Operating expense	Other gain and loss	Total	Operating cost	Operating expense	Other gain and loss	Total
Employee Benefits Expenses (Note)								
Salary expense	\$ 163,143	\$ 142,353	\$ -	\$ 305,496	\$ 157,395	\$ 133,866	\$ -	\$ 291,261
Labor Insurance and National								
Health Insurance expense	15,420	10,457	-	25,877	14,239	9,417	-	23,656
Pension expense	8,775	5,207	-	13,982	8,040	5,787	-	13,827
Remuneration to Directors	-	13,245	-	13,245	-	13,178	-	13,178
Other employee benefits expenses	<u>8,999</u>	<u>8,357</u>	<u>-</u>	<u>17,356</u>	<u>8,280</u>	<u>5,730</u>	<u>-</u>	<u>14,010</u>
	<u>\$ 196,337</u>	<u>\$ 179,619</u>	<u>\$ -</u>	<u>\$ 375,956</u>	<u>\$ 187,954</u>	<u>\$ 167,978</u>	<u>\$ -</u>	<u>\$ 355,932</u>
Depreciation	<u>\$ 653</u>	<u>\$ 14,548</u>	<u>\$ 1,247</u>	<u>\$ 16,448</u>	<u>\$ 703</u>	<u>\$ 3,655</u>	<u>\$ 1,155</u>	<u>\$ 5,513</u>
Amortization expenses	<u>\$ -</u>	<u>\$ 1,741</u>	<u>\$ -</u>	<u>\$ 1,741</u>	<u>\$ 45</u>	<u>\$ 2,720</u>	<u>\$ -</u>	<u>\$ 2,765</u>

Note 1. In 2019 and 2018, the average number of employees of the Company was 327 and 298 respectively, of which the number of directors who were not employees were 11 and 9 respectively.

Note 2. In 2019 and 2018, the average employee benefit expense were NT\$1,148 thousand and NT\$1,186 thousand.

Note 3. In 2019 and 2018, the average salary expense were NT\$967 thousand and NT\$1,008 thousand.