

Chien Kuo Construction Co., Ltd. and Subsidiaries

Consolidated Financial Statements

and

Independent Auditors' Review Report

For the Three Months Ended March

31, 2020 and 2019

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Independent Auditors' Review Report

To: Chien Kuo Construction Co., Ltd.

Introduction

We have reviewed the consolidated financial statements of Chien Kuo Construction Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, as well as notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion", we conducted our reviews in compliance with Statements of Auditing Standards (SAS) No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As mentioned in Note XIII of the consolidated financial statements, the financial statements of non-material subsidiaries included in the consolidated financial statements for the same period have not been reviewed by independent auditors. As of March 31, 2019, their total assets and liabilities amounted to NT\$1,275,106 thousand and NT\$222,146 thousand and accounted for 14.10% of the total consolidated assets and 5.68% of the total consolidated liabilities, respectively. Their total comprehensive income amounted to NT\$4,225 thousand and accounted for 2.44% of the total consolidated comprehensive income for the three months ended March 31, 2019. In addition, the investments accounted for using equity method of Chien Kuo Construction Co., Ltd. and its subsidiaries at March 31, 2019 was NT\$7,605 thousand, and the share of loss of associates accounted for using equity method for the three-month period ended March 31, 2019 was NT\$941 thousand; the figures were derived from the financial statements of the investees for the same period and have not been reviewed by independent auditors.

Conclusion

Except for possible effects from financial statements of the non-material subsidiaries mentioned in the paragraph titled "Basis for Qualified Conclusion" if they were reviewed by independent auditors, we did not discover matters which would lead us to believe that the aforementioned consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Chien Kuo Construction Co., Ltd. and its subsidiaries as of March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission.

Deloitte & Touche

Lin Wen-Qin, CPA

Financial Supervisory Commission Approval
Document No.: Taiwan-Finance-Securities-
VI-0920123784

Chen Jun-Hong, CPA

Securities and Futures Bureau Approval
Document No.: Financial-Supervisory-
Securities-Auditing-0990031652

May 15, 2020

Chien Kuo Construction Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
March 31, 2020, December 31, 2019 and March 31, 2019

Unit: NT\$ Thousands

Code	Assets	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
		Amount	%	Amount	%	Amount	%
1100	Cash and cash equivalents (Note VI)	\$ 2,948,282	37	\$ 2,602,762	31	\$ 2,381,821	26
1110	Financial assets at fair value through profit or loss (Note VII)	155,837	2	120,073	1	247,432	3
1120	Financial assets at fair value through other comprehensive income (Note VIII)	38,027	-	49,567	1	45,391	-
1135	Financial assets for hedging (Note XXVIII)	5,184	-	1,011	-	-	-
1140	Contract assets (Note XXI)	1,375,171	17	1,298,880	15	1,230,242	14
1150	Notes receivable (Note X)	237,755	3	204,179	2	225,050	2
1170	Accounts receivable (Notes X & XXI)	1,501,686	19	2,126,231	25	2,238,510	25
1200	Other receivables	19,949	-	28,669	-	59,964	1
1310	Inventories	12,494	-	29,402	-	23,077	-
1323	Land held for construction (Note XI)	463,577	6	463,577	6	463,577	5
1410	Prepayments (Note XII)	330,205	4	419,594	5	626,391	7
1460	Non-current assets classified as held for sale (Note XIV)	-	-	140,725	2	-	-
1470	Other current assets (Note XXX)	120,632	2	163,237	2	92,863	1
11XX	Total current assets	<u>7,208,799</u>	<u>90</u>	<u>7,647,907</u>	<u>90</u>	<u>7,634,318</u>	<u>84</u>
1510	Non-current assets						
1520	Financial assets at fair value through profit or loss (Note VII)	67,832	1	75,969	1	50,653	1
1550	Financial assets at fair value through other comprehensive income (Note VIII & XXX)	336,720	4	410,826	5	388,537	4
1600	Investments accounted for using equity method	10,439	-	9,652	-	7,605	-
1755	Property, plant, and equipment (Notes XV & XXX)	123,208	2	126,042	1	189,542	2
1760	Right-of-use assets (Notes XVI & XXX)	43,309	1	59,128	1	251,719	3
1840	Investment property (Notes XVII & XXX)	152,284	2	175,427	2	216,335	3
1980	Deferred tax assets	22,085	-	17,021	-	77,024	1
1990	Pledged certificate of deposit (Note XXX)	6,046	-	5,996	-	206,489	2
15XX	Other non-current assets (Note XXX)	18,864	-	15,461	-	18,821	-
15XX	Total non-current assets	<u>780,787</u>	<u>10</u>	<u>895,522</u>	<u>10</u>	<u>1,406,725</u>	<u>16</u>
1XXX	Total assets	<u>\$ 7,989,586</u>	<u>100</u>	<u>\$ 8,543,429</u>	<u>100</u>	<u>\$ 9,041,043</u>	<u>100</u>
Code	Liabilities and Equity						
2100	Current liabilities						
2130	Short-term loans (Note XVIII)	\$ 81,451	1	\$ 53,750	1	\$ -	-
2150	Contract liabilities (Note XXI)	103,281	1	261,026	3	90,261	1
2170	Notes payable	21,653	-	143,189	2	73,234	1
2200	Accounts payable (Note XIX)	1,553,698	19	1,712,414	20	1,667,309	18
2230	Other payables	139,216	2	235,798	3	151,368	2
2260	Current tax liabilities	12,696	-	6,379	-	2,573	-
2260	Liabilities related to non-current assets classified as held for sale (Note XIV)	-	-	1,454	-	-	-
2320	Current portion of long-term loans (Note XVIII)	149,740	2	-	-	300,000	3
2399	Other current liabilities (Notes XVI)	62,306	1	191,996	2	52,564	1
21XX	Total current liabilities	<u>2,124,041</u>	<u>26</u>	<u>2,606,006</u>	<u>31</u>	<u>2,337,309</u>	<u>26</u>
2540	Non-current liabilities						
2570	Long-term loans (Note XVIII)	799,266	10	948,991	11	799,131	9
2600	Deferred tax liabilities	544,782	7	518,591	6	613,219	7
25XX	Other non-current liabilities (Note XVI)	110,988	1	114,089	1	161,030	1
25XX	Total non-current liabilities	<u>1,455,036</u>	<u>18</u>	<u>1,581,671</u>	<u>18</u>	<u>1,573,380</u>	<u>17</u>
2XXX	Total Liabilities	<u>3,579,077</u>	<u>44</u>	<u>4,187,677</u>	<u>49</u>	<u>3,910,689</u>	<u>43</u>
3110	Equity attributable to owners of the parent (Note XX)						
3110	Capital						
3200	Common stock	<u>2,674,401</u>	<u>33</u>	<u>2,674,401</u>	<u>31</u>	<u>3,343,001</u>	<u>37</u>
3200	Additional paid-in capital	<u>202,620</u>	<u>3</u>	<u>201,627</u>	<u>2</u>	<u>201,627</u>	<u>2</u>
3310	Retained earnings						
3320	Legal reserve	626,554	8	626,554	7	605,987	7
3320	Special reserve	41,720	1	50,001	1	65,457	1
3350	Unappropriated earnings	928,435	12	800,246	10	847,238	9
3300	Total retained earnings	<u>1,596,709</u>	<u>21</u>	<u>1,476,801</u>	<u>18</u>	<u>1,518,682</u>	<u>17</u>
3400	Other equity interest	(63,221)	(1)	(4,089)	-	59,531	1
31XX	Total equity attributable to owners of the parent	<u>4,410,509</u>	<u>56</u>	<u>4,348,740</u>	<u>51</u>	<u>5,122,841</u>	<u>57</u>
36XX	Non-controlling interests	-	-	7,012	-	7,513	-
3XXX	Total equity	<u>4,410,509</u>	<u>56</u>	<u>4,355,752</u>	<u>51</u>	<u>5,130,354</u>	<u>57</u>
	Total liabilities and equity	<u>\$ 7,989,586</u>	<u>100</u>	<u>\$ 8,543,429</u>	<u>100</u>	<u>\$ 9,041,043</u>	<u>100</u>

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

(Please refer to the Independent Auditors' Review Report of Deloitte & Touche on May 15, 2020.)

Chien Kuo Construction Co., Ltd. and Subsidiaries
 Consolidated Statements of Comprehensive Income
 For the Three Months Ended March 31, 2020 and 2019
 (Reviewed, Not Audited)

Unit: NT\$ Thousands,
 except for Earnings per share

Code		January 1 ~ March 31, 2020		January 1 ~ March 31, 2019	
		Amount	%	Amount	%
4000	Operating revenue (Note XXI)	\$ 1,516,380	100	\$ 1,459,727	100
5000	Operating costs (Notes XXII & XXIX)	1,391,781	92	1,342,067	92
5900	Gross profit	124,599	8	117,660	8
	Operating expenses (Notes XXII & XXIX)				
6100	Selling expenses	1,401	-	10,197	-
6200	Administrative expenses	57,305	4	70,164	5
6000	Total operating expenses	58,706	4	80,361	5
6900	Net operating income	65,893	4	37,299	3
	Non-operating income and expenses (Note XXII)				
7010	Other income	17,596	1	16,448	1
7020	Other gains and losses	85,788	6	41,134	3
7050	Finance costs	(3,402)	-	(5,449)	(1)
7060	Share of profit or loss of associates accounted for using equity method	787	-	(941)	-
7000	Total non-operating income and expenses	100,769	7	51,192	3
7900	Income before income tax	166,662	11	88,491	6
7950	Income tax expense (Note XXIII)	45,915	3	31,683	2
8200	Net income	120,747	8	56,808	4
	Other comprehensive income				
	Items that will not be reclassified subsequently to profit or loss:				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(85,549)	(6)	45,681	3

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Code	Items that may be reclassified subsequently to profit or loss:	January 1 ~ March 31, 2020		January 1 ~ March 31, 2019	
		Amount	%	Amount	%
8361	Exchange differences on translation of foreign operations	\$ 27,835	2	\$ 88,785	6
8368	Gains (losses) on hedging instruments	4,149	-	-	-
8399	Income tax related to items of other comprehensive income that may be reclassified subsequently to profit or loss (Note XXIII)	(5,567)	-	(17,757)	(1)
8300	Other comprehensive income (after-tax)	(59,132)	(4)	116,709	8
8500	Total comprehensive income	\$ 61,615	4	\$ 173,517	12
	Net income attributable to:				
8610	Owners of the parent	\$ 119,908	8	\$ 56,659	4
8620	Non-controlling interests	839	-	149	-
8600		\$ 120,747	8	\$ 56,808	4
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 60,776	4	\$ 173,368	12
8720	Non-controlling interests	839	-	149	-
8700		\$ 61,615	4	\$ 173,517	12
	Earnings per share (Note XXIV)				
9750	Basic	\$ 0.45		\$ 0.17	
9850	Diluted	\$ 0.45		\$ 0.17	

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

(Please refer to the Independent Auditors' Review Report of Deloitte & Touche on May 15, 2020.)

Chairman: Chang-shiou WU

Manager: Chang-shiou WU

Accounting Manager: Shu-Feng Yang

Chien Kuo Construction Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Three Months Ended March 31, 2020 and 2019

(Reviewed, Not Audited)

Unit: NT\$ Thousands

Code		Equity attributable to owners of the Company										Non-controlling interests	Total equity	
		Retained earnings					Other equity interests							
		Capital	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	(\$ 109,003)	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	\$ 51,825	Gains (losses) on hedging instruments	\$ 4,949,473		
A1	Balance as of January 1, 2019	\$ 3,343,001	\$ 201,627	\$ 605,987	\$ 67,179	\$ 788,857	(\$ 109,003)		\$ 51,825		\$ 4,949,473	\$ 11,792	\$ 4,961,265	
B17	Reversal of special reserve due to disposal of subsidiaries	-	-	-	(1,722)	1,722	-	-	-	-	-	-	-	
D1	Net income for the three months ended March 31, 2019	-	-	-	-	56,659	-	-	-	-	56,659	149	56,808	
D3	Other comprehensive income for the three months ended March 31, 2019 (after-tax)	-	-	-	-	-	71,028		45,681		116,709	-	116,709	
D5	Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	56,659	71,028		45,681		173,368	149	173,517	
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,428)	(4,428)	
Z1	Balance as of March 31, 2019	<u>\$ 3,343,001</u>	<u>\$ 201,627</u>	<u>\$ 605,987</u>	<u>\$ 65,457</u>	<u>\$ 847,238</u>	<u>(\$ 37,975)</u>		<u>\$ 97,506</u>		<u>\$ 5,122,841</u>	<u>\$ 7,513</u>	<u>\$ 5,130,354</u>	
A1	Balance as of January 1, 2020	\$ 2,674,401	\$ 201,627	\$ 626,554	\$ 50,001	\$ 800,246	(\$ 187,662)		\$ 182,531	\$ 1,042	\$ 4,348,740	\$ 7,012	\$ 4,355,752	
B17	Reversal of special reserve due to disposal of subsidiaries	-	-	-	(8,281)	8,281	-	-	-	-	-	-	-	
M5	Acquired part of the equity of the subsidiary	-	993	-	-	-	-	-	-	-	993	(7,851)	(6,858)	
D1	Net income for the three months ended March 31, 2020	-	-	-	-	119,908	-	-	-	-	119,908	839	120,747	
D3	Other comprehensive income for the three months ended March 31, 2020 (after-tax)	-	-	-	-	-	22,268	(85,549)	4,149	(59,132)	-	-	(59,132)	
D5	Total comprehensive income for the three months ended March 31, 2020	-	-	-	-	119,908	22,268	(85,549)	4,149	60,776	839	-	61,615	
Z1	Balance as of March 31, 2020	<u>\$ 2,674,401</u>	<u>\$ 202,620</u>	<u>\$ 626,554</u>	<u>\$ 41,720</u>	<u>\$ 928,435</u>	<u>(\$ 165,394)</u>		<u>\$ 96,982</u>	<u>\$ 5,191</u>	<u>4,410,509</u>	<u>\$ -</u>	<u>\$ 4,410,509</u>	

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

(Please refer to the Independent Auditors' Review Report of Deloitte & Touche on May 15, 2020.)

Chien Kuo Construction Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2020 and 2019

(Reviewed, Not Audited)

Unit: NT\$ Thousands

Code		January 1 ~ March 31, 2020		January 1 ~ March 31, 2019	
	Cash flows from operating activities				
A10000	Income before income tax	\$ 166,662	\$ 88,491		
A20010	Adjustments to reconcile income (loss):				
A29900	Net gain on disposal of subsidiaries	(101,188)	(34,376)		
A21200	Interest income	(12,000)	(14,880)		
A20300	Reversal of expected credit loss	(7,275)	(7,790)		
A20100	Depreciation expense	7,096	10,492		
A20900	Finance costs	3,402	5,449		
A24600	Impairment loss recognized in profit or loss, investment property	2,252	-		
A22700	Losses on disposals of investment property	1,431	-		
A22300	Share of (profit) loss of associates accounted for using equity method	(787)	941		
A24100	Foreign exchange losses	545	2,324		
A20200	Amortization expense	334	698		
A29900	Profit from lease modification	(208)	-		
A30000	Changes in operating assets and liabilities, net				
A31115	Financial assets at fair value through profit or loss	(149,184)	(76,527)		
A31125	Contract assets	(76,291)	100,973		
A31130	Notes receivable	(43,323)	(102,637)		
A31150	Accounts receivable	490,963	428,989		
A31180	Other receivables	(65,347)	6,547		
A31200	Inventories	4,822	4,628		
A31230	Prepayments	86,268	17,677		
A31240	Other current assets	(21,944)	2,427		
A32125	Contract liabilities	(157,641)	14,156		
A32130	Notes payable	(110,609)	(320,249)		
A32150	Accounts payable	(8,724)	(47,382)		
A32180	Other payables	(102,444)	(66,371)		
A32230	Other current liabilities	4,780	(17,148)		
A32990	Other non-current liabilities	-	(4,833)		

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Code		January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
A33000	Cash outflow generated from operations	(\$ 88,410)	(\$ 8,401)
A33100	Interest received	17,990	15,577
A33300	Interest paid	(3,373)	(5,014)
A33500	Income taxes paid	(23,555)	(30,408)
AAAA	Net cash flows from operating activities	(97,348)	(28,246)
Cash flows from investing activities			
B00200	Disposal of financial assets at fair value through profit or loss	120,225	-
B02300	Net cash flows from disposal of subsidiaries	125,279	(12,984)
B02700	Acquisition of property, plant and equipment	(1,192)	(856)
B02800	Proceeds from disposal of property, plant and equipment	19	-
B03800	Increase (decrease) in refundable deposits	(3,737)	208
B04500	Acquisition of intangible assets	-	(190)
B05500	Proceeds from disposal of investment properties	19,162	-
B06700	Decrease in pledged certificate of deposit	63,912	103,957
B07100	Increase in prepayments for business facilities	-	(519)
BBBB	Net cash flows from investing activities	323,668	89,616
Cash flows from financing activities			
C00200	Increase in short-term loans	28,000	-
C01700	Repayment of long-term loans	-	(150,000)
C03000	Increase in guarantee deposits received	2,347	2,459
C04200	Repayment of lease principal	(3,279)	(3,802)
CCCC	Net cash flows from financing activities	27,068	(151,343)
DDDD	Effect of exchange rate changes on cash and cash equivalents	4,729	16,009
EEEE	Net increase (decrease) in cash and cash equivalents	258,117	(73,964)
E00100	Cash and cash equivalents at beginning of period	2,690,165	2,455,785
E00200	Cash and cash equivalents at end of period	\$ 2,948,282	\$ 2,381,821

Reconciliation of cash and cash equivalents at beginning of period

<u>Code</u>		<u>March 31, 2020</u>	<u>March 31, 2019</u>
E00210	Cash and cash equivalents reported in the balance sheets	\$ 2,602,762	\$ 2,437,312
E00240	Cash and cash equivalents included in disposal groups classified as held for sale	87,403	18,473
E00200	Cash and cash equivalents at beginning of period	<u>\$ 2,690,165</u>	<u>\$ 2,455,785</u>

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

(Please refer to the Independent Auditors' Review Report of Deloitte & Touche on May 15, 2020.)

Chairman:
Chang-shiou WU

Manager:
Chang-shiou WU

Accounting Manager:
Shu-Feng Yang

Chien Kuo Construction Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

For the Three Months Ended March 31, 2020 and 2019

(Reviewed, Not Audited)

(Amount in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company History

Chien Kuo Construction Co., Ltd. (hereinafter "the Company") was founded in November 1960. It 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 the over-the-counter GreTai Securities Market since February 1, 1999, were transferred to be listed on Taiwan Stock Exchange in October 2003.

The consolidated financial statements were expressed in New Taiwan Dollars, the Company's functional currency.

II. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements were published after having been reported to the Board of Directors on May 15, 2020.

III. Application of New and Amended Standards and Interpretations

(I) The first-time application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (hereinafter referred to as "IFRSs") endorsed by the Financial Supervisory Commission (hereinafter referred to as "FSC") with effective date:

With the exception of the following, the applicability of the amended IFRSs endorsed and issued into effect by the FSC will not result in major changes to the accounting policies of the combined company:

Amendments to IAS 1 and IAS 8 "Definition of Material"

The combined company adopts the amendment on January 1, 2020. The threshold for materiality is amended to be "could reasonably be expected to influence users" and the disclosures in consolidated financial statements are adjusted by removing immaterial information which may obscure material information.

(II) IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC:

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Yet to be decided
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2022

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

As of the date the consolidated financial statements were authorized for issue, the combined company is continuously assessing the possible impacts on its financial position and financial performance upon the initial application of the aforementioned standards and interpretations. Any relevant impact will be disclosed when the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs.

(II) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less 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 on the measurement date.
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 assets or liabilities.

(III) Basis of consolidation

The consolidated financial statements include the financial reports of the Company

and its wholly owned entities. The consolidated statements of comprehensive income include the operating income/loss of the acquired or disposed subsidiaries from the date of acquisition to the date of disposal in the current period. The financial statements of the subsidiaries have been adjusted to bring their accounting policies in line with those used by the combined company. When compiling the consolidated financial statements, all transactions, account balances, income and expenses between the entities were eliminated. A subsidiary's total comprehensive income is attributed to the owners of the Company and non-controlling interests, even if non-controlling interests become having deficit balances in the process.

When a change in the combined company's ownership interests in a subsidiary does not cause a loss of control over the subsidiary, it shall be treated as an equity transaction. The carrying amounts of the combined company and its non-controlling interests have been adjusted to reflect the relative changes in the interest in the subsidiaries. The difference between the adjustment amount of non-controlling interests and the fair value of consideration paid or collected shall be directly recognized in equity attributable to the owners of the Company.

When the combined company loses control over a subsidiary, the gains and losses from disposal is the difference between the following two items: (1) the sum of the fair value of the consideration received and the fair value of the residual investment in such a former subsidiary at the date of loss of control; and (2) the sum of the carrying amount of the assets (including goodwill), liabilities, and non-controlling interests of the former subsidiary at the date when control is lost. The combined company recognizes the amounts in other comprehensive income in relation to the subsidiary on the same accounting basis as would be required if such assets or liabilities had been directly disposed of by the combined company.

The combined company takes the fair value of the residual investment in the former subsidiary at the date of loss of control to be the initially recognized investment amount in an associate.

Please refer to Note XIII and Tables VII and VIII for details, shareholding percentages and operations of subsidiaries.

(IV) Other significant accounting policies

Except for the following explanations, please refer to the summary of significant accounting policies in the consolidated financial statements for the year ended December 31, 2019.

1. Post-employment benefits under defined benefit plan

Pension costs for an interim period are calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, and adjusted for major market fluctuations, major project modifications, liquidations or other major one-off matters for the period.

2. Income tax

Income tax expenses are the sum of current income tax and deferred income tax. The income tax expenses for an interim period are accrued by applying the tax rate applicable based on expected total annual earnings to the pre-tax income of the interim period.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When the combined 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. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

(I) Estimated impairment of accounts receivable

Estimated impairment of accounts receivable is based on the assumption of the combined company regarding default rate and expected loss rate. The combined company uses judgment 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 X. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

(II) Construction contracts

Income or loss 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 be included in and recognized as contract revenue only when relevant uncertainties are subsequently eliminated and the probability of reversing the amount of accumulated contract revenue is quite low.

As estimated total 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 construction income or loss.

VI. Cash and Cash Equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash on hand and revolving funds	\$ 2,542	\$ 2,195	\$ 2,674
Bank checks and demand deposits	1,266,975	676,954	942,785
Cash equivalents (time deposits with original maturity date within 6 months)	<u>1,678,765</u> <u>\$ 2,948,282</u>	<u>1,923,613</u> <u>\$ 2,602,762</u>	<u>1,436,362</u> <u>\$ 2,381,821</u>

Interest rate ranges for time deposits as of the balance sheet dates are as follows:

<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
0.15% ~ 2.4%	0.15% ~ 2.79%	0.13% ~ 3.30%

VII. Financial Assets at Fair Value through Profit or Loss

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</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	<u>155,837</u> <u>\$ 155,837</u>	<u>-</u> <u>\$ 120,073</u>	<u>247,432</u> <u>\$ 247,432</u>

Non-current

Mandatorily measured at fair value through profit or loss			
Non-derivative financial assets			
- Beneficiary certificates	<u>\$ 67,832</u>	<u>\$ 75,969</u>	<u>\$ 50,653</u>

VIII. Financial Assets at Fair Value through Other Comprehensive Income

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current			
Investments in equity			
instruments measured at fair value through other comprehensive income	<u>\$ 38,027</u>	<u>\$ 49,567</u>	<u>\$ 45,391</u>
Non-current			
Investments in equity			
instruments measured at fair value through other comprehensive income	<u>\$ 336,720</u>	<u>\$ 410,826</u>	<u>\$ 331,446</u>
Investments in debt			
instruments measured at fair value through other comprehensive income	<u>\$ 336,720</u>	<u>\$ 410,826</u>	<u>\$ 388,537</u>
			<u>57,091</u>

Details of investments in equity instruments measured at fair value through other comprehensive income pledged are provided in Note XXX.

IX. Credit Risk Management for Debt Instruments

	<u>March 31, 2019</u>
Gross carrying amount	<u>\$ 57,106</u>
Allowance for loss	<u>(60)</u>
Amortized cost	<u>57,046</u>
Adjustment in fair value	<u>45</u>
Sub-total	<u>\$ 57,091</u>

The policy adopted by the combined company 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 combined company 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 combined company measures the 12-month expected credit loss (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, the present financial position of the debtor, and the prospect forecast of the industry to which the debtor belongs.

X. Notes and Accounts Receivable

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable	<u>\$ 237,755</u>	<u>\$ 204,179</u>	<u>\$ 225,050</u>
<u>Accounts receivable</u>			
Measured at amortized cost			
Gross carrying amount	\$ 1,597,030	\$ 2,229,438	\$ 2,337,047
Less: Allowance for uncollectible accounts	(95,344)	(103,207)	(98,537)
	<u>\$ 1,501,686</u>	<u>\$ 2,126,231</u>	<u>\$ 2,238,510</u>

Accounts receivable

The credit policy of the combined company is mainly contract-based, and the notes receivable and accounts receivable are not interest-bearing. To minimize credit risk, the management of the combined company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the combined company reviews the recoverable amount of each individual 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 combined company's credit risk has been significantly reduced.

The combined company recognizes allowance for uncollectible accounts for accounts receivable as lifetime ECL for the duration of contract. 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 combined 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 combined company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, they are recognized in profit or loss.

Aging analysis of notes receivable of the combined company is as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Not overdue	<u>\$ 237,755</u>	<u>\$ 204,179</u>	<u>\$ 225,050</u>

Aging analysis of accounts receivable of the combined company is as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Not overdue	\$ 1,121,835	\$ 1,545,027	\$ 1,941,985
Less than 180 days	277,169	501,198	309,269
181~360 days	96,915	64,691	24,510
More than 361 days	101,111	118,522	61,283
Total	<u>\$ 1,597,030</u>	<u>\$ 2,229,438</u>	<u>\$ 2,337,047</u>

Changes in allowance for uncollectible accounts for accounts receivable are as follows:

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Beginning balance	\$ 103,207	\$ 104,195
Add: Reversal of impairment loss in the current period	(7,275)	(7,790)
Exchange difference	(588)	2,132
Ending Balance	<u>\$ 95,344</u>	<u>\$ 98,537</u>

XI. Land Held for Construction

The combined company acquired the land sitting at the northern part of the industrial zone in Xinzhuang District in July 2017. The purpose of holding such land is to construct commercial buildings for sale. The land is also pledged to financial institutions for loans. Please refer to Notes XVIII and XXX.

XII. Prepayments

	March 31, 2020	December 31, 2019	March 31, 2019
Prepayments for purchases	\$ 212,972	\$ 358,750	\$ 527,147
Prepayments for construction contracts	86,060	44,985	77,988
Tax overpaid retained	18,237	6,597	9,622
Prepaid insurance	5,648	4,556	6,702
Others	<u>7,288</u>	<u>4,706</u>	<u>4,932</u>
	<u>\$ 330,205</u>	<u>\$ 419,594</u>	<u>\$ 626,391</u>

XIII. Subsidiaries

(I) Subsidiaries included in the consolidated financial statements

The entities of the consolidated financial statements are as follows:

Name of Investor	Name of Subsidiary	Business Activities	Percentage of Ownership			Explanation
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	Golden Canyon Limited (Golden Canyon)	Reinvestment	100%	100%	100%	
	Silver Shadow Holding Limited (Silver Shadow)	Reinvestment	100%	100%	100%	
	Shun Long International Electrical Engineering Co., Ltd. (Shun Long)	Undertaking mechanical, electrical and plumbing/refrigeration/air conditioning engineering; wholesale and retail of equipment	100%	86.61%	86.61%	Please refer to Note XXVII.
	Chien Kuo Building Co., Ltd. (Chien Kuo Building)	Building construction commission; public housing lease and sale	100%	100%	100%	
	WeBIM Services Co., Ltd. (WeBIM Services)	Construction technology	(Note 2)	(Note 2)	(Note 2)	Please refer to Notes XXV and XXIX.
Subsidiaries of Golden Canyon and Silver Shadow	Anping Property Co., Ltd. (Anping Property)	Housing and building development and lease	100%	100%	100%	
	Chien Kuo Construction Consultant Co., Ltd. (Chien Kuo Construction Consultant)	Engineering technology; procurement planning; installation consultation	100%	100%	100%	
	Jiangsu Solid Construction & Engineering Co., Ltd. (Jiangsu Solid)	Engineering technology; procurement planning; installation consultation	(Note 3)	(Note 3)	100%	
	CK Asia Co., Ltd. (CK Asia)	Reinvestment	100%	100%	100%	
	CK Asia (Shanghai) Information Technology Co., Ltd. (Shanghai Information)	Computer software technology development and consultation	100%	100%	100%	

Name of Investor	Name of Subsidiary	Business Activities	Percentage of Ownership			Explanation
			March 31, 2020	December 31, 2019	March 31, 2019	
Yangzhou Chien Yung Concrete Co., Ltd. (Yangzhou Chien Yung)	Production and sale of concrete and concrete products		100%	100%	100%	
Fast Dragon (Hong Kong) Limited (Hong Kong Fast Dragon)	International trade	(Note 4)	(Note 4)	100%		
Suzhou Chien Hua Concrete Co., Ltd. (Suzhou Chien Hua)	Production and sale of concrete and concrete products	-	100%	100%		Please refer to Notes XIV and XXVI.
Wuxi Chien Bang Concrete Co., Ltd. (Wuxi Chien Bang)	Production and sale of concrete and concrete products	100%	100%	100%		
Nantong Chien Cheng Concrete Co., Ltd. (Nantong Chien Cheng)	Production and sale of concrete and concrete products	-	-	-		Please refer to Note XXV.
Changzhou Changlong stevedoring Co., Ltd. (Changzhou Changlong)	Cargo handling	(Note 5)	(Note 5)	100%		
Chien Ya (Nantong) Information Technology Co., Ltd. (Chien Ya Nantong)	Computer software technology development and consultation	(Note 6)	(Note 6)	100%		
Chien Ya (Yangzhou) Technology Consultant Co., Ltd. (Chien Ya Yangzhou)	Computer software technology development and consultation	100%	100%	100%		
Chien Ya (Suzhou) Information Technology Consultant Co., Ltd. (Chien Ya Suzhou)	Computer software technology development and consultation	100%	100%	-		(Note 7)
Chien Ya (Wuxi) Information Technology Consultant Co., Ltd. (Chien Ya Wuxi)	Computer software technology development and consultation	100%	-	-		(Note 8)

Subsidiaries included in the consolidated financial statements are described as follows:

- (1) Non-material subsidiaries not reviewed by independent auditors on March 31, 2019 include Shun Long, Chien Kuo Building, Anping Property, and Golden Canyon.
- (2) The combined company lost its control over WeBIM Services on January 22, 2019 and changed to measurement by equity method.
- (3) The liquidation of Jiangsu Solid was completed on July 24, 2019.
- (4) The liquidation of Hong Kong Fast Dragon was completed on December 27, 2019.
- (5) The liquidation of Changzhou Changlong was completed on July 12, 2019.
- (6) The liquidation of Chien Ya Nantong was completed on December 6, 2019.
- (7) Newly established as a spin-off from Suzhou Chien Hua.
- (8) Newly established as a spin-off from Wuxi Chien Bang.

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

XIV. Non-current Assets Held for Sale and Disposal Group Held for Sale

The Board of Directors of the combined company resolved to sell the equity of Suzhou Chien Hua Concrete Co., Ltd. (Suzhou Chien Hua) to Kunshan Shen Kun United Concrete Co., Ltd. (Shen Kun) on June 11, 2019. The disposal was completed on February 11, 2020. Please refer to Note XXV for relevant information.

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

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

XV. Property, Plant and Equipment

	March 31, 2020	December 31, 2019	March 31, 2019
Land	\$ 15,742	\$ 15,742	\$ 15,742
Buildings	38,652	39,658	58,671
Machinery	23,158	23,685	43,792
Transportation equipment	4,122	4,456	8,321
Office equipment	1,026	1,673	2,731
Leasehold improvements	9,456	10,133	12,513
Other equipment	<u>31,052</u>	<u>30,695</u>	<u>47,772</u>
	<u><u>\$ 123,208</u></u>	<u><u>\$ 126,042</u></u>	<u><u>\$ 189,542</u></u>

Other than recognizing depreciation expenses and being reclassified to non-current assets classified as held for sale, the combined company's property, plant and equipment did not incur any material addition, disposal, and impairment for the three-month periods ended March 31, 2020 and 2019.

Depreciation expenses of property, plant and equipment are computed by significant component using the straight-line method over the following estimated useful lives:

Buildings

Main building for plants	61 years
Rooftop construction	22 years
Wharf construction	22 years
Others	22 years
Leasehold Improvements	1 to 6 years
Machinery	5 to 12 years
Transportation equipment	6 to 7 years
Office equipment	4 to 7 years
Other equipment	4 to 22 years

For the amount of property, plant and equipment designated by the combined company as collateral against its secured borrowings and credit lines for its acceptance drafts, please refer to Note XXX.

XVI. Lease Agreement

(I) Right-of-use assets

	March 31, 2020	December 31, 2019	March 31, 2019
Carrying amount of right-of-use assets			
Land	\$ 10,588	\$ 15,285	\$ 198,463
Buildings	29,754	40,389	49,518
Transportation equipment	<u>2,967</u>	<u>3,454</u>	<u>3,738</u>
	<u><u>\$ 43,309</u></u>	<u><u>\$ 59,128</u></u>	<u><u>\$ 251,719</u></u>
	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019	
Increase in right-of-use assets	<u><u>\$ 12,532</u></u>	<u><u>\$ 591</u></u>	
Depreciation expense of right-of-use assets			
Land	\$ 90	\$ 847	
Buildings	2,851	2,970	
Transportation equipment	<u>487</u>	<u>399</u>	
	<u><u>\$ 3,428</u></u>	<u><u>\$ 4,216</u></u>	

Other than the above increase and recognition of depreciation expenses, the combined company's right-of-use assets did not undergo significant sublease and impairment for the three-month periods ended March 31, 2020 and 2019.

(II) Lease liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
Carrying amount of lease liabilities			
Current (listed as other current liabilities)	\$ 7,187	\$ 13,010	\$ 13,747
Non-current (listed as other current liabilities)	<u>\$ 25,756</u>	<u>\$ 31,204</u>	<u>\$ 90,360</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Land	1.65%	1.65%	1.65%
Buildings	1.65%	1.65%	1.65%
Transportation equipment	3.00%	3.00%	3.00%

(III) Other lease information

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Short-term lease expense	\$ 1,098	\$ 1,107
Total cash outflow on lease	\$ 4,377	\$ 4,909

XVII. Investment Property

	March 31, 2020	December 31, 2019	March 31, 2019
Land	\$ 124,397	\$ 139,130	\$ 168,257
Buildings	25,581	33,428	43,766
Parking space	2,306	2,869	4,032
Construction in progress	-	-	280
	<u>\$ 152,284</u>	<u>\$ 175,427</u>	<u>\$ 216,335</u>
Fair value	<u>\$ 158,503</u>	<u>\$ 201,774</u>	<u>\$ 238,182</u>

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

The fair value of investment property is calculated by reference to the latest transaction price in the neighborhood.

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

XVIII. Loans

(I) Short-term loans

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Secured loans (Note XXIX)</u>			
Bank loans	\$ 41,451	\$ 41,750	\$ -
Annual interest rate	4.57%	4.57%	-
<u>Unsecured loans</u>			
Credit loans	\$ 40,000	\$ 12,000	\$ -
Annual interest rate	1.68%~1.7%	1.68%	-

(II) Long-term loans

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Secured loans (Note XXIX)</u>			
Syndicated loans (1)	\$ -	\$ -	\$ 300,000
Bank loans (2)	350,000	350,000	350,000
Less: Current portion	350,000	350,000	650,000
Sub-total	-	-	(300,000)
	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Unsecured loans</u>			
Long-term commercial paper payable (3)	\$ 600,000	\$ 600,000	\$ 450,000
Less: Discount on long-term commercial paper payable	(994)	(1,009)	(869)
	599,006	598,991	449,131
Less: Current portion	(149,740)	—	—
Sub-total	449,266	598,991	449,131
Long-term loans	<u>\$ 799,266</u>	<u>\$ 948,991</u>	<u>\$ 799,131</u>
Annual interest rate	1.48% ~ 1.68%	1.49% ~ 1.68%	1.60% ~ 2.26%

1. To repay the existing liabilities and increase the medium-term revolving funds, the combined 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 common stock of Taiwan Cement Corporation held by the combined 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 consolidated financial statements of the combined company shall not be less than 120% and higher than 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 was paid monthly and NT\$150 million was repaid every quarter since December 30, 2017. The loans were fully repaid on October 1, 2019.
2. To obtain land held for construction, the combined company entered into the medium and long-term loan contract with the bank in June 2017. The maturity date is July 12, 2022. Interest is being paid monthly, and the principal should be repaid in full upon maturity. The land is pledged as collateral.
3. The long-term commercial papers issued by the combined 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 paper.

The long-term commercial paper payable that have not matured on the balance sheet date are as follows:

March 31, 2020

Guarantee/Accepting Institution	Nominal Amount	Discounted Amount	Carrying Amount	Interest Rate Range	Collateral
Shanghai					
Commercial and Savings Bank	\$ 300,000	(\$ 520)	\$ 299,480	1.648%	None
EnTie Commercial Bank	150,000	(269)	149,731	1.678%	None
Mega International Commercial Bank	<u>150,000</u>	<u>(205)</u>	<u>149,795</u>	1.479%	None
	<u><u>\$ 600,000</u></u>	<u><u>(\$ 994)</u></u>	<u><u>\$ 599,006</u></u>		

December 31, 2019

Guarantee/Accepting Institution	Nominal Amount	Discounted Amount	Carrying Amount	Interest Rate Range	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	<u>150,000</u>	<u>(210)</u>	<u>149,790</u>	1.487%	None
	<u><u>\$ 600,000</u></u>	<u><u>(\$ 1,009)</u></u>	<u><u>\$ 598,991</u></u>		

March 31, 2019

Guarantee/Accepting Institution	Nominal Amount	Discounted Amount	Carrying Amount	Interest Rate Range	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><u>\$ 450,000</u></u>	<u><u>(\$ 869)</u></u>	<u><u>\$ 449,131</u></u>		

XIX. Accounts Payable

Accounts payable include construction retainage payable for construction contracts. Construction retainage 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 combined company.

XX. Equity

(I) Capital

	March 31, 2020	December 31, 2019	March 31, 2019
Authorized shares (in 1,000 shares)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Authorized capital	<u>\$ 5,000,000</u>	<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>267,440</u>	<u>334,300</u>
Issued capital	<u>\$ 2,674,401</u>	<u>\$ 2,674,401</u>	<u>\$ 3,343,001</u>

The par value of common stock issued is 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 stockholders of the Company, the Board of Directors resolved on June 21, 2019 for a capital reduction for which cash was paid as return of capital to stockholders. The amount of capital reduction was NT\$668,000 thousand, 66,860 thousand shares were subtracted and the capital reduction ratio was 20%. The capital is 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 by the Board of Directors and had completed registration of change on October 8, 2019.

(II) Additional paid-in capital

	March 31, 2020	December 31, 2019	March 31, 2019
<u>May be used to offset deficits, appropriated as cash dividends or transferred to capital (1)</u>			
Stock issuance premium	\$ 197,435	\$ 197,435	\$ 197,435
Treasury stock transactions	3,914	3,914	3,914
Difference between prices of shares acquired from subsidiaries and book value	993	-	-
<u>May only be used to offset deficits</u>			
Adjustment in additional paid-in capital of subsidiaries accounted for using equity method	73	73	73
<u>May not be used for any purpose</u>			
Employee stock options	<u>205</u> <u>\$ 202,620</u>	<u>205</u> <u>\$ 201,627</u>	<u>205</u> <u>\$ 201,627</u>

(1) This type of additional paid-in capital may be used to offset deficits, if any, or to distribute cash dividends or to transfer to capital, but the transfer to capital is up 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 years' deficits. The remaining amount, if any, should 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 for 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 Stockholders' Meeting.

For appropriation policy regarding compensation to employees and remuneration to directors as set forth in the Company's Articles of Incorporation, please refer to Note XXII (VI).

The Company's dividend policy takes into account the environment and growth of the industry, long-term financial plans and optimization of stockholders' value. Cash dividends to be appropriated in a year should not be less than 10% of the total dividends to be appropriated for the year.

The Company appropriates and reverses special reserves in accordance with the Official Letter No. Financial-Supervisory-Securities-Corporate-1010012865 and "Questions and Answers for Special Reserves Appropriated Following Adoption of International Financial Reporting Standards". If other deductions under stockholders' equity are reversed afterward, the reversal may be applicable for the appropriation of earnings.

The Company shall set aside a legal reserve until it equals the Company's paid-in capital. Such legal reserve may be used to offset the deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be distributed in cash.

The Company's 2019 and 2018 earnings distribution proposed and resolved in the Board of Directors' meeting on March 27, 2020 and the annual stockholders' meeting on June 21, 2019, respectively are as follows:

	Earnings Appropriation Proposal		Dividends per Share (NT\$)	
	2019	2018	2019	2018
Legal reserve	\$ 18,910	\$ 20,567		
Reversal of special reserve	(18,090)	(10,002)		
Cash dividends	133,720	167,150	\$0.50	\$0.50

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

XXI. Revenue

(I) Revenue from contracts with customers

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Construction revenue	\$ 1,384,920	\$ 972,828
Sales revenue	131,370	486,236
Others	90	663
	<u><u>\$ 1,516,380</u></u>	<u><u>\$ 1,459,727</u></u>

1. Revenue from construction

The real estate construction contracts of the construction department specify the adjustment for price index fluctuations, performance bonus and penalties for delay, and the combined company estimates the most possible amount for 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

	March 31, 2020		December 31, 2019		March 31, 2019	
	Construction Segment	Concrete Segment	Construction Segment	Concrete Segment	Construction Segment	Concrete Segment
Accounts receivable (Note X)	<u><u>\$ 359,671</u></u>	<u><u>\$ 1,142,015</u></u>	<u><u>\$ 587,678</u></u>	<u><u>\$ 1,538,553</u></u>	<u><u>\$ 273,795</u></u>	<u><u>\$ 1,964,715</u></u>
Contract assets						
Real estate construction	\$ 753,168	\$ -	\$ 654,002	\$ -	\$ 712,843	\$ -
Construction Retainage Receivables	<u><u>\$ 622,003</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 644,878</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 517,399</u></u>	<u><u>\$ -</u></u>
	<u><u>\$ 1,375,171</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,298,880</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,230,242</u></u>	<u><u>\$ -</u></u>
Contract liabilities						
Real estate construction	\$ 90,515	\$ -	\$ 250,748	\$ -	\$ 71,886	\$ -
Receipts in advance	<u><u>\$ -</u></u>	<u><u>\$ 12,766</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,278</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,375</u></u>
	<u><u>\$ 90,515</u></u>	<u><u>\$ 12,766</u></u>	<u><u>\$ 250,748</u></u>	<u><u>\$ 10,278</u></u>	<u><u>\$ 71,886</u></u>	<u><u>\$ 18,375</u></u>

XXII. Net Income of the Period

(I) Other revenue

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Interest income	\$ 12,000	\$ 14,880
Others	<u><u>5,596</u></u>	<u><u>1,568</u></u>
	<u><u>\$ 17,596</u></u>	<u><u>\$ 16,448</u></u>

(II) Other gains and losses

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Net gain on disposal of subsidiaries	\$ 101,188	\$ 34,376
Valuation gains (losses) from financial instruments measured at fair value through profit or loss	(8,413)	8,659

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Impairment loss recognized in profit or loss, investment property	(2,252)	-
Foreign exchange gains (losses), net	(1,887)	2,736
Losses on disposals of investment property	(1,431)	-
Others	(1,417)	(4,637)
	<u>\$ 85,788</u>	<u>\$ 41,134</u>

(III) Finance costs

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Interest expenses		
Bank loans	\$ 3,218	\$ 5,005
Interest of lease liabilities	<u>184</u>	<u>444</u>
	<u>\$ 3,402</u>	<u>\$ 5,449</u>

(IV) Depreciation and Amortization

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Property, plant and equipment	\$ 3,370	\$ 5,927
Right-of-use assets	3,428	4,216
Investment property	298	349
Intangible assets	<u>334</u>	<u>535</u>
Total	<u>\$ 7,430</u>	<u>\$ 11,027</u>

Depreciation expenses by function

Operating costs	\$ 2,304	\$ 5,588
Operating Expenses	4,503	4,565
Other gains and losses	<u>289</u>	<u>339</u>
	<u>\$ 7,096</u>	<u>\$ 10,492</u>

Amortizations expenses by function

Operating Expenses	<u>\$ 334</u>	<u>\$ 535</u>
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(V) Employee benefit expense

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Short-term employee benefits	\$ 108,214	\$ 123,701
Post-employment benefits		
Defined contribution plans	5,083	7,738
Defined benefit plans	169	190
Termination benefits	<u>66</u>	<u>813</u>
	<u>\$ 113,532</u>	<u>\$ 132,442</u>

By function

Operating costs	\$ 63,828	\$ 68,128
Operating expenses	<u>49,704</u>	<u>64,314</u>
	<u>\$ 113,532</u>	<u>\$ 132,442</u>

(VI) Compensation to employees and remuneration to directors

Pursuant to the Articles of Incorporation, the Company appropriates 0.1% to 3% of its income before tax, compensation to employees and remuneration to directors as employee compensations, and less than 3% of such income as remuneration to directors. Compensation to employees and remuneration to directors for the three-month periods ended March 31, 2020 and 2019 are as follows:

	January 1 ~ March 31, 2020		January 1 ~ March 31, 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Employee compensation	\$ 4,580	3%	\$ 2,264	3%
Director's Remuneration	\$ 4,558	3%	\$ 2,264	3%

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

The Company's compensation to employees and remuneration to directors approved by the Board of Directors are stated as follows:

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

There is no discrepancy between the amount actually distributed as compensation to employees and remuneration to directors for 2019 and 2018 and the amount recognized on the consolidated financial statements for 2019 and 2018.

Information about compensation to employees and remuneration to directors approved by the Board of Directors is available at the Market Observation Post System website of Taiwan Stock Exchange.

XXIII. Income Tax

(I) Income tax recognized in profit or loss

Major components of income tax expenses are as follows:

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Current period income tax		
Income tax expenses recognized in the period	\$ 30,767	\$ 17,288
Adjustments for prior years	<u>20</u>	<u>-</u>
	<u>30,787</u>	<u>17,288</u>

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Deferred income tax		
Income tax expenses recognized in the period	<u>15,128</u>	<u>14,395</u>
Income tax expenses recognized in profit or loss	<u>\$ 45,915</u>	<u>\$ 31,683</u>
(II) Income tax recognized in other comprehensive income		
<u>Deferred income tax</u>	<u>January 1 ~ March 31, 2020</u>	<u>January 1 ~ March 31, 2019</u>
Income tax expenses recognized in the period		
- Exchange differences on translation of foreign operations	<u>\$ 5,567</u>	<u>\$ 17,757</u>
(III) Income tax approval status		
The tax authorities have assessed the profit-seeking enterprise income tax returns of the Company and domestic subsidiaries as follows:		
Company Name	Year Approved	
The Company	2018	
Chien Kuo Building Co., Ltd.	2018	
Shun Long International Electrical Engineering Co., Ltd.	2018	
Anping Property Co., Ltd.	2018	

XXIV. Earnings per Share

Unit: NT\$

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Basic earnings per share	<u>\$ 0.45</u>	<u>\$ 0.17</u>
Diluted earnings per share	<u>\$ 0.45</u>	<u>\$ 0.17</u>
Net income and weighted average number of shares of common stock used for calculation of EPS are as follows:		

Net income

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Net income attributable to owners of the Company	<u>\$ 119,908</u>	<u>\$ 56,659</u>

Number of shares of common stock

Unit: In 1,000 Shares

	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Weighted average number of shares of common stock used for the calculation of basic earnings per share	267,440	334,300
Effect of potentially dilutive shares of common stock:		
Employee compensation	1,506	1,111
Weighted average number of shares of common stock used for the calculation of diluted earnings per share	268,946	335,411

If the combined company can choose between stocks or cash for distribution for employee compensation, it assumes stocks would be distributed for employee compensation in the calculation of diluted EPS. The potential shares of common stock with dilutive effect shall be incorporated in the weighted average number of shares outstanding when calculating the diluted EPS. Such dilutive effect of potential shares of common stock is still included in the calculation of diluted earnings per share before the stockholders' meeting in the following year resolves the number of shares to be distributed to employees.

XXV. Disposal of Subsidiaries

The combined company sold all equity of Suzhou Chien Hua and Nantong Chien Cheng and partial equity of WeBIM Service on February 11, 2020, January 7, 2019 and January 22, 2019, respectively, and lost control over such subsidiaries. Proceeds from the disposal of Suzhou Chien Hua, Nantong Chien Cheng and WeBIM Service were NT\$266,064 thousand (RMB \$60,620 thousand), NT\$132,696 thousand (RMB \$29,500 thousand) and NT\$5,500 thousand, respectively.

(I) Analysis of assets and liabilities over which control was lost

	Suzhou Chien Hua	Nantong Chien Cheng	WeBIM Service
Current assets			
Cash and Cash Equivalents	\$ 14,402	\$ 2,280	\$ 16,204
Notes and accounts receivables	143,365	9,332	6,146
Other receivables	62,252	38,519	-
Inventories	12,075	253	-
Prepayments	2,293	291	-
Other current assets	-	266	-
Non-current assets			
Property, plant and equipment	54,458	27,376	328
Right-of-use assets	4,626	-	-
Deferred tax assets	-	-	283
Other non-current assets	-	12,402	577
Current liabilities			
Notes payable	(11,533)	-	-
Other payables	(149,601)	(2,076)	(4,562)
Deferred tax liabilities	-	-	(28)
Other current liabilities	-	(9,344)	(103)
Net assets disposed	<u>\$ 132,337</u>	<u>\$ 79,299</u>	<u>\$ 18,845</u>

(II) Gains (losses) on disposal of subsidiaries

	Suzhou Chien Hua	Nantong Chien Cheng	WeBIM Service
Consideration received	\$ 266,064	\$ 132,696	\$ 5,500
Net assets disposed (100% for Suzhou Chien Hua and Nantong Chien Cheng and 76.5% for WeBIM Service)	(132,337)	(79,299)	(14,417)
Remaining equity listed as investments accounted for using equity method at fair value (49%)	-	-	8,546
Accumulated exchange difference due to net assets of subsidiaries reclassified from equity to profit or loss as a result of losing control over the subsidiary	(32,539)	(18,650)	-
Gains (losses) on disposal	<u>\$ 101,188</u>	<u>\$ 34,747</u>	<u>(\$ 371)</u>

(III) Net cash outflow on disposal of subsidiaries

	Suzhou Chien Hua	Nantong Chien Cheng	WeBIM Service
Consideration received in cash and cash equivalents	\$ 266,064	\$ 132,696	\$ 5,500
Less: Receipts in advance - beginning of year	(126,383)	(132,696)	-
Less: Balance of cash and cash equivalents disposed	(14,402)	(2,280)	(16,204)
	<u>\$ 125,279</u>	<u>(\$ 2,280)</u>	<u>(\$ 10,704)</u>

XXVI. Equity Transactions with Non-controlling Interests

On March 12, 2020, the combined company acquired 13.39% of Shun Long's equity from the Company's employees and chairman. The shareholding ratio thus increased from 86.61% to 100%.

As the above-mentioned transactions did not change the combined company's control over such subsidiary, the combined company treated the transactions as equity transactions.

	Shun Long
Cash consideration paid	\$ 6,858
Carrying amount of the subsidiary's net assets to be transferred out of non-controlling interest based on changes in equity	(7,851)
Difference in equity transactions	<u>(\$ 993)</u>

Equity transaction balance adjustment

Additional paid-in capital - Difference between the share price and carrying amount of the acquired shares of the subsidiary \$ 993

The aforementioned cash consideration of NT\$6,858 thousand was paid in full on April 6, 2020.

XXVII. Capital Risk Management

The objective of the combined company's capital management is to ensure that the Group can continue as a going concern, that an optimal capital structure is maintained to lower the cost of capital, and that returns are provided to stockholders. To maintain or adjust the capital structure, the Company may adjust dividends paid to stockholders, refund capital to stockholders 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 combined company believes that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values, such that their carrying amounts recognized in the consolidated balance sheets are used as a reasonable basis for estimating their fair values.

(II) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

March 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Private placement funds	\$ -	\$ -	\$ 67,832	\$ 67,832
Structured deposits	<u>\$ 155,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,837</u>
Total	<u>\$ 155,837</u>	<u>\$ -</u>	<u>\$ 67,832</u>	<u>\$ 223,669</u>

Financial assets measured at fair value through other comprehensive income

Domestic and foreign listed stocks	<u>\$ 374,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 374,747</u>
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Financial assets for hedging

Forward exchange contracts	<u>\$ -</u>	<u>\$ 5,184</u>	<u>\$ -</u>	<u>\$ 5,184</u>
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December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Offshore Fund	\$ 120,073	\$ -	\$ -	\$ 120,073
Private funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,969</u>	<u>\$ 75,969</u>
Total	<u>\$ 120,073</u>	<u>\$ -</u>	<u>\$ 75,969</u>	<u>\$ 196,042</u>

Financial assets measured at fair value through other comprehensive income

Domestic and foreign listed stocks	<u>\$ 460,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460,393</u>
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Financial assets for hedging

Forward exchange contracts	<u>\$ -</u>	<u>\$ 1,011</u>	<u>\$ -</u>	<u>\$ 1,011</u>
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March 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Private placement funds	\$ -	\$ -	\$ 50,653	\$ 50,653
Structured deposits	\$ -	\$ 247,432	\$ -	\$ 247,432
Total	\$ -	\$ 247,432	\$ 50,653	\$ 298,085
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity instrument investment				
Domestic listed stocks	\$ 376,837	\$ -	\$ -	\$ 376,837
Debt instrument investment				
Foreign corporate bonds		\$ 57,091	\$ -	\$ 57,091
Total	\$ 376,837	\$ 57,091	\$ -	\$ 433,928

There was no transfer between Level 1 and Level 2 fair value measurement for the three-month periods ended March 31, 2020 and 2019.

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

Types of Financial instruments	Valuation Techniques and Inputs
Foreign corporate bonds investment	The fair values of foreign corporate bonds are based on quoted prices of participants or closing prices in stock exchange markets.
Forward exchange contracts	Discounted cash flow methods: Future cash flows are estimated based on end-of-period observable forward exchanges 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 funds is measured by using the asset-based approach with reference to the net asset value provided by the fund companies. The unobservable inputs applied by the combined company were a 10% discount for lack of liquidity and a 10% discount for minority interest at March 31, 2020, December 31, 2019 and March 31, 2019. When other inputs are held constant, a 1% discount would decrease the fair value by NT\$744 thousand, NT\$844 thousand and NT\$536 thousand, respectively.

(III) Types of Financial Instruments

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets</u>			
Measured at fair value through profit or loss			
Mandatorily measured at fair value through profit or loss	\$ 223,669	\$ 196,042	\$ 298,085
Financial assets for hedging	5,184	1,011	-
Financial assets at amortized cost (Note 1)	4,790,678	5,108,759	5,111,834
Financial assets measured at fair value through other comprehensive income			
Equity instrument investment	374,747	460,393	376,837
Debt instrument investment	-	-	57,091
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	2,745,024	3,094,142	2,991,042

Note 1. The balance includes financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, other receivables, and pledged certificate of deposit.

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 combined 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 financial risk management policy of the combined company focuses on the uncertainties in the financial market to reduce the potentially adverse effects on the financial position and performance of the combined company.

Financial risk management of the combined company is carried out by its finance department based on the policies approved by the Board of Directors. Through cooperation with the combined company's operating units, the finance department is responsible for identifying, evaluating and hedging financial risks. The Board of Directors has established written principles with respect to the overall risk

management, and there are policies in writing for specified scope and matters, such as foreign exchange rate risk, interest rate risk, other price risk, credit risk, utilization of derivatives and non-derivatives and investment of remaining circulating capital.

1. Market risk

(1) Foreign exchange rate risk

Please see Note XXXII for details on carrying amounts of significant monetary assets and monetary liabilities denominated in foreign currencies on the balance sheet dates.

Sensitivity analysis

The combined company is exposed mainly to RMB and USD fluctuations.

The following table details the combined company's sensitivity to a 1% increase or decrease in New Taiwan Dollars against the relevant foreign currencies. 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 range of changes in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and is used to adjust the translation at the end of the period to a 1% change in the exchange rate. The table below shows the increase/decrease in income before tax where the currency weakens by 1% against the functional currencies of the entities combined.

	Effect on Profit or Loss	
	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
RMB	\$ 4,467	\$ 188
USD	-	4

Hedge Accounting

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

The hedge ineffectiveness of the hedging relationship is mainly from the impact of the credit risk of the combined company and the counterparty on the fair value of the forward exchange contracts. Such credit risk does not affect the fair value change of the hedged item caused by exchange rate changes, nor does it affect the timing of occurrence of the anticipated

transactions being hedged. There are no other sources of hedge ineffectiveness during the hedging period.

Details of exchange rate risk hedging of the combined company are as follows:

March 31, 2020

Hedging Instrument	Currency	Contract Amount	Maturity Period	Balance Sheet Item	Carrying Amount Assets	Carrying Amount Liabilities
Cash flow hedge Forward exchange contracts	RMB/USD	RMB60,000 / USD8,617	06/2020	Financial assets for hedging	\$ 5,184	\$ -

December 31, 2019

Hedging Instrument	Currency	Contract Amount	Maturity Period	Balance Sheet Item	Carrying Amount Assets	Carrying Amount Liabilities
Cash flow hedge Forward exchange contracts	RMB/USD	RMB60,000 / USD8,617	06/2020	Financial assets for hedging	\$ 1,011	\$ -

For the above forward exchange contract designated as hedging instrument for cash flow hedge, a hedging profit of NT\$4,149 thousand was recognized in other comprehensive income for the three months ended March 31, 2020.

(2) Interest rate risk

The interest rate risk of the combined company is mainly from cash and cash equivalents. Cash and cash equivalents held at floating interest rates expose the combined company to the cash flow interest rate risk. Part of such risk is offset by loans made at floating interest rates. Cash and cash equivalents held and loans made at fixed interest rates expose the combined company to the fair value interest rate risk. The policy of the combined company is to dynamically adjust the proportion of instruments of fixed interest rates and those of floating interest rates based on the overall trend of interest rates.

The carrying amounts of the combined company's financial assets and financial liabilities with exposure to interest rate risk on the balance sheet date are as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Fair value interest rate risk			
- Financial assets	\$ 1,745,270	\$ 2,070,531	\$ 1,436,362
- Financial liabilities	548,605	547,165	749,131
Cash flow interest rate risk			
- Financial assets	1,266,975	676,954	942,785
- Financial liabilities	514,795	499,790	350,000

Sensitivity analysis

The sensitivity analysis below is based on the exposure to interest rate risk of derivative and non-derivative instruments at the balance sheet date. For liabilities at floating interest rates, the analysis assumes they are outstanding throughout the reporting period if they are outstanding at the balance sheet date. 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 range of changes in interest rates.

If the interest rate is 100 basis points higher/lower while all other variables are held constant, the combined company's income before tax would increase/decrease by NT\$1,880 thousand and NT\$1,482 thousand for the three-month periods ended March 31, 2020 and 2019, respectively.

(3) Other price risk

Investments in beneficiary certificates and domestic and foreign equity instruments expose the combined company to the equity price risk. The combined company diversifies its investment portfolio to manage the price risk of investments in equity instruments.

Sensitivity analysis

The sensitivity analysis below is based on the exposure to the equity price risk at the balance sheet date.

For the three-month period ended March 31, 2020, if equity prices rise/fall by 10%, the income before tax would increase/decrease by NT\$6,783 thousand due to the increase/decrease in the fair value of financial assets at fair value through profit or loss, while the other comprehensive income before tax would increase/decrease by NT\$37,475 thousand due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive income.

For the three-month period ended March 31, 2019, if equity prices rise/fall by 10%, the income before tax would increase/decrease by NT\$5,065 thousand due to the increase/decrease in the fair value of financial assets at fair value through profit or loss, while the other comprehensive income before tax would increase/decrease by NT\$37,684 thousand due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk of financial loss of the combined company arising from default by clients or counterparties of financial instruments on the contractual obligations. The policy of the combined company in response to

credit risk is as follows:

Client

The combined company's established internal credit policy requires that all entities within the combined company manage and conduct a credit analysis on every new client before stipulating the terms and conditions of payment and delivery. The internal risk control assesses clients' credit quality by taking into account their financial position, past experience, and other factors. Individual risk limits are set by the management based on internal or external ratings. The utilization of credit limits is regularly monitored.

As the group of clients of the combined company is vast and they are unrelated, the concentration of credit risk is low.

Debt instruments

The policy adopted by the combined company 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 combined company 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 combined company measures the 12-month expected credit loss (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, the present financial position of the debtor, and the prospect forecast of the industry to which the debtor belongs.

3. Liquidity risk

- (1) The cash flow forecast is performed by each operating entity of the Company and compiled by the Company's finance department. The finance department monitors the forecast of circulating capital needs of the Company to ensure that the Company's funds are adequate to finance the operations.
- (2) The following tables detail the combined company's non-derivative financial liabilities grouped by the maturity date. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual maturity date. The contractual cash flows disclosed below, including those of interest and principals, are undiscounted.

March 31, 2020

	Less than 1 Year	1~2 Year(s)	2~5 Years
Non-interest bearing liabilities	\$ 1,528,784	\$ 182,820	\$ 2,963
Lease liabilities	11,657	11,276	18,911
Fixed interest rate instruments	216,191	299,471	-
Floating interest rate instruments	15,000	-	499,795
	<u>\$ 1,771,632</u>	<u>\$ 493,567</u>	<u>\$ 521,669</u>

	Less than 1 Year	1~5 years
Lease liabilities	<u>\$ 11,657</u>	<u>\$ 30,187</u>

December 31, 2019

	Less than 1 Year	1~2 Year(s)	2~5 Years
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
Floating interest rate instruments	-	-	499,790
	<u>\$ 2,082,731</u>	<u>\$ 381,949</u>	<u>\$ 675,550</u>

March 31, 2019

	Less than 1 Year	1~2 Year(s)	2~5 Years	Over 5 years
Non-interest bearing liabilities	\$ 1,760,873	\$ 102,072	\$ 28,966	\$ -
Lease liabilities	15,346	14,615	31,504	77,666
Fixed interest rate instruments	300,000	-	449,131	-
Floating interest rate instruments	-	-	350,000	-
	<u>\$ 2,076,219</u>	<u>\$ 116,687</u>	<u>\$ 859,601</u>	<u>\$ 77,666</u>

The above amounts of non-derivative financial asset and liability instruments with floating interest rates will change due to differences between the floating interest rates and the interest rates estimated as of the balance sheet date.

(3) Line of credit

	March 31, 2020	December 31, 2019	March 31, 2019
Unsecured bank loan facilities			
- Amount withdrawn	\$ 640,000	\$ 612,000	\$ 450,000
- Amount unused	<u>1,656,427</u>	<u>1,489,817</u>	<u>1,640,072</u>

	March 31, 2020	December 31, 2019	March 31, 2019
	<u>\$ 2,296,427</u>	<u>\$ 2,101,817</u>	<u>\$ 2,090,072</u>
Secured bank loan facilities			
- Amount withdrawn	\$ 391,451	\$ 391,750	\$ 650,000
- Amount unused	<u>271,884</u>	<u>273,123</u>	<u>100,000</u>
	<u><u>\$ 663,335</u></u>	<u><u>\$ 664,873</u></u>	<u><u>\$ 750,000</u></u>

(V) Transfer of financial assets

The combined company has transferred with endorsement a part of its banker's accepted draft receivable in Mainland China to suppliers for the purpose of paying off its accounts payables. Since the risks and returns of such bank acceptance drafts have been substantially transferred, the combined company has derecognized the banker's acceptance drafts receivable and the corresponding accounts payables. However, if such derecognized drafts fails to be accepted by banks when due, the suppliers are entitled to demand for a settlement to be made by the combined company. Therefore, the combined company still has continuing involvement in such drafts.

The maximum risk exposure of the combined company's continuing involvement in the above derecognized drafts is their face amount, which totaled NT\$137,585 thousand, NT\$323,907 thousand, and NT\$246,737 thousand as of March 31, 2020, December 31, 2019, and March 31, 2019, and will be due within 10 months, 9 months, and 11 months after the balance sheet date, respectively. Having considered the credit risks of such derecognized drafts, the combined company determines that the fair value of its continuing involvement is immaterial.

As of the three-month periods ended March 30, 2020 and 2019, the combined company did not recognize any gain or loss for its banker's acceptance drafts that were transferred with endorsement, nor for its continuing involvement in such drafts in the current period or cumulatively over the previous periods.

XXIX. Related Party Transactions

In preparing the consolidated financial statements, all transactions, balances, income and expenses between the Company and its subsidiaries have been eliminated in full and are not disclosed in this note accordingly. In addition to those disclosed in other notes, transactions between the combined company and other related parties are as follows.

(I) Names and relationships of related parties

Name of related party	Relationship with the combined company
WeBIM Services Co., Ltd. (WeBIM Services)	It became an associate of the Company since January 22, 2019.
Chien Hwei Investment Co., Ltd.	Chairman of Chien Hwei Investment is the vice chairman of the Company.

Name of related party	Relationship with the combined company
Chien Kuo Foundation for Arts and Culture	Chairman of the foundation is the vice chairman of the Company.
Lee, Meng-Chung	Chairman of WeBIM Services
Yang, Tzu-Chiang	Director of the Company
Yang, Pang-Yen	Director of the Company

(II) Other related party transactions

1. Construction Costs

Category of related parties	January 1 ~ March	January 1 ~ March
	31, 2020	31, 2019
Associates	\$ 944	\$ 1,073
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.		

2. Lease agreements

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

Category of related parties	January 1 ~ March	January 1 ~ March
	31, 2020	31, 2019
Acquisition of right-of-use assets		
Other related parties	\$ 12,532	\$ -

Accounting item	Category of related parties	December 31,	March 31, 2019	March 31, 2019
		March 31, 2020		
Lease liabilities	Other related parties	\$ 12,532	\$ 21,847	\$ 25,785

Category of related parties	January 1 ~ March	January 1 ~ March
	31, 2020	31, 2019
Interest expenses		
Other related parties	\$ 86	\$ 108
Lease expenses		
Other related parties	\$ 18	\$ 18

3. Equity transactions

The combined company sold 27.5% of the equity of WEBIM Services to the chairman of WEBIM Services on January 22, 2019. The proceed of disposal was NT\$5,500 thousand.

(III) Remuneration to key management

	January 1 ~ March	January 1 ~ March
	31, 2020	31, 2019
Short-term employee benefits	\$ 23,979	\$ 25,412
Post-employment benefits	\$ 279	\$ 301
	\$ 24,258	\$ 25,713

XXX. Pledged assets

The combined company's assets listed below were provided as collateral against bank loans, collateral against litigations, deposits for construction performance obligation, and deposits for acceptance drafts:

	March 31, 2020	December 31, 2019	March 31, 2019
	\$ 463,577	\$ 463,577	\$ 463,577
Land held for construction			
Financial assets at fair value			
through other comprehensive income -			
non-current	110,273	133,177	108,445
Pledged certificate of deposit	83,006	146,918	206,489
Investment property	31,405	31,548	31,978
Property, plant and equipment	15,885	16,382	18,522
Right-of-use assets	4,349	4,414	4,807
Other restricted assets	8,833	8,833	39,197
	<u>\$ 717,328</u>	<u>\$ 804,849</u>	<u>\$ 873,015</u>

XXXI. Significant Contingent Liabilities and Unrecognized Contract Commitments

Except for those disclosed in other notes, significant commitments and contingencies of the combined company on the balance sheet date are as follows:

Contingencies

(I) The construction project 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. Per instructions of the Ministry during the acceptance inspection process, work completed in phases was delivered for use, while other interface projects were still undergoing construction within the same space. The Ministry even allowed public access to some facilities without turning on related equipment to maintain appropriate temperature and humidity, which resulted in unexpected damage and deficiencies to the Project. The Ministry then demanded the Company to repair the damage, which in turn resulted in the Project failing to meet acceptance requirements within the prescribed deadline. As a result, the Ministry proposed to impose a default penalty on the Company for the delay. The combined company deemed such application of law was 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 (hereinafter referred to as "the Committee") on October 9, 2018. The Committee proposed a payment for delay of NT\$8,286,572, which the combined company agreed within the deadline. However, the Ministry rejected the proposal. Consequently, the Committee issued a notice on failure of mediation and the case will be submitted for arbitration.

(II) Shing Tzung Development Co., Ltd (hereinafter referred to as "Shing Tzung") and its responsible person, Lu, Kuo-Feng, constructed a commercial-residential hybrid complex that has 5 floors below ground and 26 floors above ground at Land No. 537, Lingzhou Section, Kaohsiung City. Due to poor construction of diaphragm walls, buildings at Lane 187, Ziqiang 3rd Road suffered severe tilts, wall cracks and subsidence on July 20, 2014. Due to the combined company's active participation in the repair work, a total of 25 house owners transferred a certain amount of their creditors' rights to the combined company, by which the combined 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 court held an initial judgment that Shing Tzung had also paid related expenses for such an incident and thus agreed to the contention of Shing Tzung that the expenses already paid by Shing Tzung should offset the credit rights to which the combined company might be entitled. Therefore, the plaintiff's case was rejected. Based on the court judgment, the combined company has recognized as a loss the total amount of NT\$25 million that was previously recognized as "payment on behalf of another party".

In addition, Shing Tzung claimed that it had suffered loss from the incident and should have demanded compensation from the subcontractor responsible for constructing the diaphragm wall. However, Shing Tzung turned to the combined company for compensation for the incident because the subcontractor had insufficient capital. The combined company also had suffered loss from the incident and, consequently, filed a claim against Shing Tzung for compensation (including expenses incurred by the combined company's participation in the repair work) and demanded that Shing Tzung return the promissory notes of performance guarantee to the combined company. The two lawsuits currently are being jointly tried by the Kaohsiung Qiaotou District Court. The court commissioned the Kaohsiung Professional Civil Engineers Association and the Kaohsiung Professional Geotechnical Engineers Association to conduct a joint appraisal. The appraisal was completed and the associations had delivered the appraisal report to the court. The cases are now pending for subsequent court procedures.

(III) On March 15, 2013, the combined 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 combined company for the construction project named "Fu-yi River Residential Construction Project" on Land No. 440, Zhuangjing Section, Xindian District, New Taipei City. The combined company had completed the various stages of work as specified 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, and furthermore refused to make the remaining contract payments and additional payments due to the combined company. As a consequence, on October 22, 2019, the combined company submitted a request for arbitration, demanding Kingland to pay the payables due and the loss suffered by the combined company of NT\$57,370 thousand to the combined company. The case is undergoing arbitration procedures.

- (IV) As of December 31, 2020, the performance guarantee letters issued by the bank for construction projects of the combined company amounted to NT\$1,710,506 thousand.
- (V) As of December 31, 2020, the guaranteed bills issued by the combined company for business needs amounted to NT\$498,698 thousand.

XXXII. Information on Foreign Currency Assets and Liabilities with Significant Influence

Information on financial assets and liabilities denominated in foreign currencies with significant influence is as follows:

Unit: Foreign currency/NT\$ Thousand

March 31, 2020

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB	\$ 104,699	0.1411 (RMB:USD)	<u>\$ 446,719</u>

December 31, 2019

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

March 31, 2019

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB	\$ 4,106	0.1485 (RMB:USD)	\$ 18,794
USD	12	30.82 (USD:NTD)	<u>\$ 370</u>
			<u>\$ 19,164</u>

The unrealized gain or loss on foreign currency exchange with significant influence is as follows:

	<u>January 1 ~ March 31, 2020</u>		<u>January 1 ~ March 31, 2019</u>	
	Gain (Loss) on		Gain (Loss) on	
	Foreign		Foreign	
	<u>Exchange Rate</u>	<u>Exchange, Net</u>	<u>Exchange Rate</u>	<u>Exchange, Net</u>
<u>Financial assets</u>				
RMB	0.1434 (RMB:USD)	(\$ 90)	0.1485 (RMB:USD)	(\$ 3,730)

XXXIII. Additional Disclosures

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

1. Financing provided to others: (Appendix 1)
2. Endorsements/guarantees provided for others: (Appendix 2)
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures): (Appendix 3)
4. Marketable securities acquired and disposed of amounting to NT\$300 million or 20% of the paid-in capital or more: (None)
5. Acquisition of real estate amounting to NT\$300 million or 20% of the paid-in capital or more: (None)
6. Disposal of real estate amounting to NT\$300 million or 20% of the paid-in capital or more: (None)
7. Purchases from or sales to related parties amounting to NT\$100 million or 20% of the paid-in capital or more: (Appendix 4)
8. Receivables from related parties amounting to NT\$100 million or 20% of the paid-in capital or more: (Appendix 5)
9. Derivatives trading: (Note XXVIII)
10. Others: Inter-company relationships and significant inter-company transactions: (Appendix 6)
11. Information on invested companies: (Appendix 7)

(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 or loss on repatriated investment and ceiling of investments in mainland China: (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 the related payables.
 - (2) Sales amount and percentage, and the ending balance and percentage of the related receivables.
 - (3) Property transaction amount and the resulting gain or loss.
 - (4) Ending balances and purposes of endorsement/guarantee or collateral provided.
 - (5) The maximum balance, ending balance, interest rate range and total amount of current-period 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.

(IV) Information of major stockholders: names of stockholders with a holding ratio of 5% or more, the amount and proportion of shares held: (Appendix 9)

XXXIV. Segment Information

Information provided to the chief business decision makers to allocate resources and to evaluate the performance of segments, focusing on the category of products or service delivered or provided. The combined company's reportable segments are as follows:

Construction Segment: Design, supervision and undertaking of construction projects and trading of building materials.

Concrete Segment - Production and sale of concrete and concrete products.

Segment revenue and operational results

The combined company's revenue and operational results by reportable segment are analyzed as follows:

	Segment Revenue		Segment Profit or Loss	
	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019	January 1 ~ March 31, 2020	January 1 ~ March 31, 2019
Construction Segment	\$ 1,385,010	\$ 973,491	\$ 82,033	\$ 30,206
Concrete Segment	131,370	486,236	12,972	32,563
Total revenue from continuing operations	<u>\$ 1,516,380</u>	<u>\$ 1,459,727</u>	95,005	62,769
Other income			17,596	16,448
Other gains and losses			85,788	41,134
Headquarters management costs and directors' remuneration			(29,112)	(25,470)
Finance costs			(3,402)	(5,449)
Share of (gain) loss of associates accounted for using equity method			787	(941)
Income before tax			<u>\$ 166,662</u>	<u>\$ 88,491</u>

Segment income refers to the profit made by each segment, not including headquarters management costs and directors' remuneration that should be allocated, share of profit or loss in joint ventures accounted for using equity method, other income, other gains and losses, finance costs, and income tax expense. Such measurement amounts are provided to the chief business decision makers to allocate resources to segments and to evaluate their performance.

Chien Kuo Construction Co., Ltd. and Subsidiaries

Financing Provided to Others

For the Three Months Ended March 31, 2020

Appendix 1

Unit: NT\$ Thousand

No.	Financing Company	Counterparty	Financial Statement Account	Related Party (Y/N)	Maximum Balance	Ending Balance	Amount Actually Withdrawn	Interest Rate Range	Nature of Financing (Note 1)	Amount of Transaction	Reason for Short-term Financing	Allowance for Doubtful Debts	Collateral		Limit on Loans Granted to a Single Party	Total Loan Limited	Note	
													Item	Value				
0	Chien Kuo Construction Co., Ltd.	Chien Kuo Building 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	Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Other Receivables	Yes	245,459	238,935	238,935	5.0%	(1)		Operating capital		-		\$ 869,748	\$ 1,739,496		
2	Chien Kuo Building 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	251,516	100% of the company's net worth	
															20% of the company's net worth	20,027	40% of the company's net worth	
																251,516	40,054	

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

(1) For the purpose of short-term financing.

Note 2. Where a foreign currency is involved, it is translated into New Taiwan Dollars using the exchange rate at March 31, 2020 (RMB\$1=NT\$4.2667).

Chien Kuo Construction Co., Ltd. and Subsidiaries
Endorsements and Guarantees Provided For Others
For the Three Months Ended March 31, 2020

Appendix 2

Unit: NT\$ Thousand

No.	Endorsement/ Guarantee Provider Name	Guaranteed Party		Limit of Endorsement/G uarantee for a Single Entity (Notes 1 & 2)	Maximum Balance for the Period (Note 1)	Endorsement and Guarantee Ending Balance (Note 1)	Amount Actually Used (Note 1)	Endorsement/G uarantee Secured with Collateral	Ratio of Cumulative Endorsement/G uarantee to Net Worth in the Latest Financial Statements	Limit of Endorsement/G uarantee (Notes 1 & 3)	Guarantee Provided by the Parent to a Subsidiary	Guarantee Provided by a Subsidiary to the Parent	Guarantee Provided to Subsidiaries in Mainland China	Note
		Company Name	Relationship											
0	Chien Kuo Construction Co., Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiary	\$ 2,174,370	\$ 80,000	\$ 80,000	\$ 40,000	\$ -	1.84%	\$ 4,348,740	Y	N	N	Financing endorsement/guar antee
		Wuxi Chien Bang Concrete Co., Ltd.	Sub-subsidiary	2,174,370	448,293	377,603	41,451	-	8.68%	4,348,740	Y	N	Y	Financing endorsement/guar antee

Note 1. Where a foreign currency is involved, it is translated into New Taiwan Dollars using the exchange rate at March 31, 2020 (US\$1 = NT\$30.23).

Note 2. The limit on endorsements/guarantees provided for each guaranteed party is calculated as follows:

- (1) The limit on endorsements/guarantees made to companies in the same industry should be 200% of net worth of stockholders' equity.
- (2) The limit on endorsements/guarantees made to others guaranteed parties should be 50% of net worth of stockholders' equity.

Note 3. The maximum endorsement/guarantee amount allowable is calculated as follows:

- (1) The maximum endorsement/guarantee amount allowable to companies in the same industry should be 400% of net worth of stockholders' equity.
- (2) The maximum endorsement/guarantee amount allowable to others guaranteed parties should be 100% of net worth of stockholders' equity.

Chien Kuo Construction Co. Ltd. and Subsidiaries
Marketable Securities Held at the End of the Period
March 31, 2020

Appendix 3

Unit: NT\$ Thousand

Holding Company	Type and Name of Marketable Securities	Relationship with the issuer of the securities	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>	—	Financial assets at fair value through profit or loss - non-current	900	\$ 8,100	4.92	\$ 8,100	—
	Wan Chan Venture Capital Co. Ltd.		Financial assets at fair value through other comprehensive income - current	1,114	16,884	0.14	16,884	—
	<u>Stock</u>		Financial assets at fair value through other comprehensive income - non-current	5,896	232,897	0.11	232,897	(Note 3)
	Chia Hsin Cement Corporation		Financial assets at fair value through other comprehensive income - non-current	6,853	103,823	0.88	103,823	(Note 1)
Golden Canyon Limited	<u>Funds</u>	(Note 2)	Financial assets at fair value through profit or loss - non-current	-	28,115	5.00	28,115	—
	PVG GCN VENTURES, L.P.		Financial assets at fair value through profit or loss - non-current	-	31,617	5.10	31,617	—
	CSV VENTURES, L.P.		Financial assets at fair value through other comprehensive income - current	175	2,655	0.02	2,655	—
	<u>Stock</u>		Financial assets at fair value through other comprehensive income - non-current	82	18,488	-	18,488	—
Wuxi Chien Bang Concrete Co., Ltd.	<u>Stock</u>	—	Financial assets at fair value through other comprehensive income - current	-	128,084	-	128,084	—
	China Mobile Communications Group Co., Ltd.		Financial assets at fair value through profit or loss - current	-	27,753	-	27,753	—
	<u>Structured deposits</u>		Financial assets at fair value through profit or loss - current	-	27,753	-	27,753	—
Chien Ya (Suzhou) Information Technology Consultant Co., Ltd.	<u>Structured deposits</u>	—	Financial assets at fair value through profit or loss - current	-	27,753	-	27,753	—
	Agricultural Bank of China Limited							

Note 1. Among them, 2,000 thousand 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 for the litigation between the combined company and Shing Tzung.

Note 4. For information regarding investments in subsidiaries, please refer to Appendixes 7 & 8.

Chien Kuo Construction Co., Ltd. and Subsidiaries
 Purchases from or Sales to Related Parties Amounting to NT\$100 Million or 20% of the Paid-in Capital or More
 For the Three Months Ended March 1, 2020

Appendix 4

Unit: NT\$ Thousand

Purchaser (Seller)	Related Party	Relationship	Transaction situation				Situations and reasons of transaction terms different from general transaction terms (Note 1)		Notes and Accounts Receivable (Payable)		Note (Note 2)
			Purchases/ Sales	Amount	Ratio to Total Purchases/Sales	Credit Period	Unit Price	Credit Period	Ending Balance	Ratio to Total Notes/Accounts Receivable (Payable)	
Chien Kuo Construction Co., Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiary	Purchases	\$ 248,574	19.33%	Subject to the agreement	-	-	(\$ 413,568)	(26.07%)	
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co., Ltd.	Parent	Sales	(248,574)	(99.81%)	Subject to the agreement	-	-	303,325	98.42%	

Note 1. If related party transaction terms are different from general transaction terms, situations and reasons for the differences should be specified in 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 transaction type shall be specified in the Note column.

Note 3. Paid-in capital refers to the parent's paid-in capital. When the issuer's stock has no par value, or the par value is not NT\$10 per share, the maximum transaction amount related to 20% of the paid-in capital is calculated based on 10% of equity attributable to owners of the parent in the balance sheet.

Chien Kuo Construction Co., Ltd. and Subsidiaries
 Receivables from Related Parties Amounting to NT\$100 Million or 20% of the Paid-in Capital or More
 For the Three Months Ended March 31, 2020

Appendix 5

Unit: NT\$ Thousand

Company Name	Related Party	Relationship	Balance of Receivables from Related Party	Turnover ratio	Overdue Receivables from Related Party		Amount Received in Subsequent Period	Loss Allowance Provided
					Amount	Action Taken		
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co., Ltd.	Parent	Accounts receivable \$303,325	3.47	\$ -	\$ -	\$ 59,770 (Note 1)	\$ -
Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Direct or indirect investment by the Company	Other receivables 238,935	-	-	-	-	-
CK Asia Co., Ltd.	CK Asia (Shanghai) Information Technology Co., Ltd.	Direct or indirect investment by the Company	Other receivables 244,856	-	-	-	-	-

Note 1. Amount received as of May 13, 2020.

Chien Kuo Construction Co., Ltd. and Subsidiaries
 Inter-company Relationships and Significant Inter-company Transactions
 For the Three Months Ended March 31, 2020

Appendix 6

Unit: NT\$ Thousand

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Inter-company Transactions			
				Financial Statement Account	Amount	Terms	Ratio to Total Consolidated Revenue/Total Assets
0	Chien Kuo Construction Co., Ltd.	Shun Long International Electrical Engineering Co., Ltd.	(1)	Other prepayments	\$ 45,902	Note 2	0.57%
				Construction costs	248,574	Note 2	16.39%
				Contract assets - Property construction	1,187,414	Note 2	14.86%
1	Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Building Co., Ltd.	(1)	Accounts payable	413,568	Note 2	5.18%
				Other payables	20,000	Note 3	0.25%
2	Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	(3)	Other receivables	238,935	Note 3	2.99%
2	CK Asia Co., Ltd.	CK Asia (Shanghai) Information Technology Co., Ltd.	(3)	Interest income	2,883	Note 3	0.19%
				Other receivables	244,856	Note 4	3.06%

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

Note 4. Collection of proceeds from disposal of Suzhou Chien Hua on behalf of others.

Chien Kuo Construction Co., Ltd. and Subsidiaries

Information on Invested Companies including Locations

For the Three Months Ended March 31, 2020

Appendix 7

Unit: NT\$ Thousand

Name of Investor	Invested Company	Location	Principal Business Activities	Initial Investment Amount		Balance as of March 31, 2020			Profit or Loss of Invested Company in the current period	Investment Profit/Loss recognized in the current period	Note
				March 31, 2020	December 31, 2019	Number of Shares (in Thousands)	Ratio (%)	Carrying Amount			
Chien Kuo Construction Co., Ltd.	Golden Canyon Limited	British Virgin Islands	Reinvestment	\$ 272,267	\$ 272,267	8,714	100	\$ 2,417,558	\$ 44,453	\$ 44,453	Subsidiary
	Silver Shadow Holding Limited	British Virgin Islands	Reinvestment	815,907	815,907	25,038	100	1,788,868	58,732	58,732	Subsidiary
	Chien Kuo building Co., Ltd.	Taiwan	Building construction commission; public housing lease and sale	144,065	144,065	11,100	100	100,353	217	217	Subsidiary
	Shun Long International Electrical Engineering Co., Ltd.	Taiwan	Undertaking mechanical, electrical and plumbing/refrigeration/air conditioning engineering; wholesale and retail of equipment	51,219	44,361	7,000	100	58,646	6,282	5,441	Subsidiary
	WeBIM Services Co., Ltd.	Taiwan	Construction technology	8,546	8,546	980	49.00	10,438	1,605	787	Associates
	Anping Property Co., Ltd.	Taiwan	Housing and building development and lease	20,000	140,000	2,000	100	12,536	105	105	Subsidiary
Silver Shadow Holding Limited	CK Asia Co., Ltd.	British Virgin Islands	Reinvestment	878,510	878,510	1,685	54.78	1,770,910	107,189	Not applicable	Sub-subsidiary
Golden Canyon Limited	CK Asia Co., Ltd.	British Virgin Islands	Reinvestment	782,106	782,106	1,391	45.22	1,467,418	107,189	Not applicable	Sub-subsidiary

Note 1. Where a foreign currency is involved, it is translated into New Taiwan Dollars using the exchange rate at March 31, 2020 (US\$1=NT\$30.23), except for profit or loss items, which are translated into New Taiwan Dollars using the average exchange rate for the three-month period ended March 31, 2020 (US\$1=NT\$30.11).

Note 2. Please refer to Appendix 8 for information on investees in Mainland China.

Chien Kuo Construction Co., Ltd. and Subsidiaries

Investments in Mainland China

For the Three Months Ended March 31, 2020

Appendix 8

Unit: NT\$ Thousand

Invested Company	Principal Business Activities	Paid-in Capital	Method of Investment	Beginning balance of accumulated outflow of investment from Taiwan	Investment Flow		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 as of March 31, 2020 (Note 1)	Investment Gains repatriated by the end of the current period	Note
					Outflow	Inflow							
Shanghai Chien Kuo Concrete Co., Ltd.	Production and sale of concrete and concrete products	\$ 151,513	Investment through a company founded in a third region	\$ 16,145	\$ -	\$ -	\$ 16,145	\$ -	-	\$ -	\$ -	\$ -	Note 4
CK Asia (Shanghai) Information Technology Co., Ltd.	Computer software technology development and consultation	108,828	Investment through a company founded in a third region	68,326	-	-	68,326	721	100%	721	148,698	-	
Suzhou Chien Hua Concrete Co., Ltd.	Production and sale of concrete and concrete products	120,920	Investment through a company founded in a third region	182,036	-	-	182,036	7,203	-	7,203	-	-	Note 4
Chien Ya (Suzhou) Information Technology Consultant Co., Ltd.	Computer software technology development and consultation	293,987	Investment through a company founded in a third region	-	-	-	-	307	100%	307	251,790	-	Note 7
Kunshan Jianshan New Tinbering Co., Ltd.	Production and sale of concrete and concrete products	302,300	Investment through a company founded in a third region	2,391	-	-	2,391	-	-	-	-	34,177	Note 4
Wuxi Chien Bang Concrete Co., Ltd.	Production and sale of concrete and concrete products	151,150	Investment through a company founded in a third region	214,059	-	-	214,059	3,848	100%	3,848	1,374,081	32,445	
Chien Ya (Wuxi) Information Technology Consultant Co., Ltd.	Computer software technology development and consultation	280,383	Investment through a company founded in a third region	-	-	-	-	-	100%	-	-	-	Note 8
Changzhou Chien An Concrete Co., Ltd.	Production and sale of concrete and concrete products	75,575	Investment through a company founded in a third region	-	-	-	-	-	-	-	-	-	Note 4
Nantong Chien Cheng Concrete Co., Ltd.	Production and sale of concrete and concrete products	61,216	Investment through a company founded in a third region	196,172	-	-	196,172	-	-	-	-	181,997	Note 4
Chien Ya (Nantong) Information Technology Co., Ltd.	Computer software technology development and consultation	151,150	Investment through a company founded in a third region	-	-	-	-	-	-	-	-	-	Note 5
Yangzhou Chien Yung Concrete Co., Ltd.	Production and sale of concrete and concrete products	60,460	Investment through a company founded in a third region	197,041	-	-	197,041	(256)	100%	(256)	32,875	161,613	
Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	Computer software technology development and consultation	244,863	Investment through a company founded in a third region	-	-	-	-	2,153	100%	2,153	253,643	-	Note 6
Shanghai Chien Chung Concrete Co., Ltd.	Production and sale of concrete and concrete products	75,575	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4

Invested Company	Principal Business Activities	Paid-in Capital	Method of Investment	Beginning balance of accumulated outflow of investment from Taiwan	Investment Flow		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 as of March 31, 2020 (Note 1)	Investment Gains repatriated by the end of the current period	Note
					Outflow	Inflow							
Changzhou Changlong stevedoring Co., Ltd.	Cargo handling	2,133	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Jiangsu Solid Construction & Engineering Co., Ltd.	Construction consultation	63,483	Investment through a company founded in a third region and others	-	-	-	-	-	-	-	-	-	Note 4
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	Construction consultation	18,138	Investment through a company founded in a third region and others	-	-	-	-	398	100%	398	22,177	-	
Loudi Chien Kuo Mining Co., Ltd. and other seven invested companies	Quarrying	1,203,759	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, Ministry of Economic Affairs (MOEA)	Upper limit on investment authorized by the Investment Commission, MOEA
\$ 942,688 (Note 3)	\$ 111,502 (Note 2)	\$2,646,305

Note 1. The amount was recognized based on the reviewed financial statements of invested companies.

Note 2. The amount authorized by the Investment Commission, MOEA was NT\$1,119,925 thousand, of which NT\$1,008,423 thousand was the earnings 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 of NT\$942,688 included the following expenditures:

(1) Loss on investment:

Invested Company	Initial Investment Amount	Repatriated 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) Of the amount, 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 on October 31, 2013. The liquidation of Shanghai Chien Chung Concrete Co., Ltd. was completed in 2015. The liquidation of Loudi Chien Kuo Mining Co., Ltd. was completed on August 15, 2016. The liquidation of Shanghai Chien Kuo Concrete Co., Ltd. was completed on December 9, 2016. Kunshan Jianshan New Tinbering Co., Ltd. was disposed of and the equity transfer was completed on August 23, 2017. Guangxi Hefa Mining Co., Ltd. was disposed of and the equity transfer was completed on September 22, 2017. Nantong Chien Cheng Concrete Co., Ltd. was disposed of and the equity transfer was completed on January 7, 2019. The liquidation of Changzhou Changlong stevedoring Co., Ltd. was completed on July 12, 2019. The liquidation of Jiangsu Solid Construction & Engineering Co., Ltd. was completed on July 24, 2019. The liquidation of Chien Ya (Nantong) Information Technology Co., Ltd. was completed on December 6, 2019. Suzhou Chien Hua Concrete Co., Ltd. was disposed of and the equity transfer was completed on February 11, 2020.

Note 5. Newly established as a spin-off from Nantong Chien Cheng Concrete Co., Ltd.

Note 6. Newly established as a spin-off from Yangzhou Chien Yung Concrete Co., Ltd.

Note 7. Newly established as a spin-off from Suzhou Chien Hua Concrete Co., Ltd.

Note 8. Newly established as a spin-off from Wuxi Chien Bang Concrete Co., Ltd.

Chien Kuo Construction Co., Ltd.

Information of Major Stockholders as of March 31, 2020

Appendix 9

Unit: In 1,000 Shares

List of Major Stockholders	Shareholding	
	Shares Held	Percentage
Chien Hwei Investment Co., Ltd.	46,012	17.20%
Chi-te CHEN	16,392	6.12%
Chen-ching CHEN	13,586	5.07%

Note: The above information on major stockholders in the table are based on the data from the Taiwan Depository & Clearing Corporation, which calculates stockholders' holdings of 5% or more of the shares of common stock and preferred stock that have completed delivery of non-physical registration (including shares of treasury stock) on the last business day of each quarter. The number of shares recorded in the Company's consolidated financial statements and the number of shares that have completed delivery of non-physical registration may differ due to the different calculation bases.