

Chien Kuo Construction Co., Ltd.  
and Subsidiaries

Consolidated Financial Statements  
and Certified Public Accountant's  
Review Report  
First quarter of 2018 and 2019

Notice to readers

*If there is any discrepancy between the English and Chinese versions of Financial Statements and Certified Public Accountant Report, the Chinese version shall prevail.*

Address: 20F, No. 67, Sec. 2, Dunhua S. Rd., Da'an  
District, Taipei City  
TEL: (02)2784-9730

## TABLE OF CONTENTS

<u>Item</u>	<u>Pages</u>	<u>Consolidated Financial Statements Note No.</u>
I. Cover	1	-
II. Table of Contents	2	-
III. Certified Public Accountant's Review Report	3~4	-
IV. Consolidated Balance Sheets	5	-
V. Consolidated Statements of Comprehensive Income	6~8	-
VI. Consolidated Statements of Changes in Equity	9	-
VII. Consolidated Statements of Cash Flows	10~11	-
VIII. Notes to the Consolidated Financial Statements		
1. Company History	12	1
2. The Date of Authorization for Issuance of the Consolidated Financial Statements and Procedures for Authorization	11	2
3. Application of New Standards, Amendments and Interpretations	11~15	3
4. Summary of Significant Accounting Policies	15~19	4
5. Critical Accounting Judgments, Estimates and Assumptions on Uncertainty	19~20	5
6. Details of Significant Accounts	20~47	6~27
7. Related Party Transactions	47~49	28
8. Pledged Assets	49	29
9. Significant Contingent Liabilities and Unrecognized Contract Commitments	49~51	30
10. Significant Disaster Loss	-	-
11. Significant Subsequent Events	-	-
12. Others	51~52	31
13. Supplementary Disclosures		
(1) Information on significant transactions	52 , 55~60	32
(2) Information on invested companies	52 , 61	32
(3) Information on investments in mainland China	52~53 , 62~64	32
14. Sector Information	53~54	33

## **Certified Public Accountant's Review Report**

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

### **Introduction**

We have reviewed the accompanying consolidated financial statements of Chien Kuo Construction Co., Ltd. and its subsidiaries (the Company) as of March 31, 2019 and 2018 and the consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and the note 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 accordance with Statement of Auditing Standards 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 stated in Note 13 of the consolidated financial statements, the financial statements of the insignificant subsidiaries incorporated into the aforesaid consolidated financial statements for

the same periods have not been reviewed by CPA. The total assets as of March 31, 2019 and 2018 amounted to NT\$1,275,106 thousand and NT\$1,853,214 thousand, respectively, accounting for 14.10% and 18.90% of the consolidated total assets, respectively. The total liabilities as of March 31, 2019 and 2018 amounted to NT\$222,146 thousand and NT\$177,916 thousand, respectively, accounting for 5.68% and 3.65% of the consolidated total liabilities, respectively. The comprehensive gain (loss) as of March 31, 2018 and 2017 amounted to NT\$4,225 thousand and NT\$(3,953) thousand, respectively, accounting for 2.44% and (15.50)% of the consolidated comprehensive loss (profit), respectively.

In addition, the equity-method investment of Chien Kuo Construction Co. Ltd. and its subsidiaries as at March 31, 2019 was NT\$7,605 thousand, and the share of loss of the same in associates accounted for using equity-method for the three-month period ended March 31, 2019 was NT\$941 thousand, both of which figures were derived from the financial statements of the investees for the corresponding periods that had not been reviewed by a CPA.

### **Qualified Conclusion**

Based on our reviews, except for the effects as stated in the paragraph titled "Basis for Qualified Conclusion" that there would have been adjustments in the consolidated financial statements of the said insignificant subsidiaries if they had been reviewed by a CPA, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material aspects the financial position of the entity as at March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated 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 of the Republic of China.

Deloitte & Touche Taiwan

CPA Wang, Yi-Wen

CPA Fan, Yu-Wei

Approval No. from the Financial  
Supervisory Commission  
Jin-Guan-Zheng-Shen-Zi No. 0980032818

Approval No. from the Securities and Futures  
Commission  
Tai-Cai-Zheng-Liu-Zi No. 0920123784

May 9, 2019

Chien Kuo Construction Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
March 31, 2019, December 31, 2018 and March 31, 2018

Unit: NT\$1,000

Code	Assets	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
		Amount	%	Amount	%	Amount	%
	Current assets						
1100	Cash and cash equivalents (Note 6)	\$ 2,381,821	26	\$ 2,437,312	26	\$ 2,508,865	26
1110	Financial assets at fair value through profit or loss (Notes 7 and 29)	247,432	3	159,157	2	547,625	6
1120	Financial assets at fair value through other comprehensive income (Note 8)	45,391	-	41,347	-	36,889	-
1136	Financial assets at amortized cost	-	-	-	-	2,315	-
1140	Contract assets (Note 21)	1,230,242	14	1,331,215	14	1,162,255	12
1150	Notes receivable (Note 10)	225,050	2	111,011	1	241,676	2
1170	Accounts receivable (Notes 10 and 21)	2,238,510	25	2,609,969	28	2,330,389	24
1200	Other receivables	59,964	1	31,875	-	21,581	-
1310	Inventories	23,077	-	27,102	-	18,557	-
1323	Land held for construction (Notes 11 and 29)	463,577	5	463,577	5	463,577	5
1410	Prepayments (Note 12)	626,391	7	632,002	7	819,119	8
1460	Non-current assets held for sale (Note 14)	-	-	75,602	1	-	-
1470	Other current assets (Note 29)	92,863	1	191,253	2	185,019	2
11XX	Total current asset	7,634,318	84	8,111,422	86	8,337,867	85
	Non-current assets						
1510	Financial assets at fair value through profit or loss (Notes 7 and 29)	50,653	1	95,174	1	96,833	1
1517	Financial assets at fair value through other comprehensive income (Notes 8, 9 and 29)	388,537	4	346,411	4	401,588	4
1550	Investment by equity method	7,605	-	-	-	-	-
1600	Property, plant and equipment	189,542	2	191,066	2	230,692	2
1755	Right-of- use assets (Notes 6)	251,719	3	-	-	-	-
1760	Investment property (Notes 17 and 29)	216,335	3	216,684	2	170,860	2
1840	Deferred income tax assets	77,024	1	79,743	1	79,164	1
1980	Pledged certificate of deposit (Note 29)	206,489	2	205,844	2	265,577	3
1985	Long-term prepaid rent (Note 29)	-	-	148,101	2	163,525	2
1990	Other non-current assets	18,821	-	19,018	-	57,743	-
15XX	Total non-current assets	1,406,725	16	1,302,041	14	1,465,982	15
1XXX	Total assets	\$ 9,041,043	100	\$ 9,413,463	100	\$ 9,803,849	100
代 碼	Liabilities and Equity						
	Current liabilities						
2110	Short-term notes and bills payable (Note 18)	\$ -	-	\$ -	-	\$ 149,803	1
2130	Contract liabilities (Note 21)	71,886	1	57,730	1	252,595	3
2150	Notes payable	73,234	1	385,388	4	488,859	5
2170	Accounts payable (Notes 19)	1,667,309	18	1,701,653	18	1,820,775	19
2200	Other payables	151,368	2	216,759	2	177,364	2
2230	Current income tax liabilities	2,573	-	13,316	-	36,722	-
2260	Liabilities directly associated with non-current assets held for sale (Note 18)	-	-	4,935	-	-	-
2320	Long-term liabilities - within one year (Note 18)	300,000	3	450,000	5	600,000	6
2399	Other current liabilities (Note 16)	70,939	1	166,519	2	101,766	1
21XX	Total current liabilities	2,337,309	26	2,996,300	32	3,627,884	37
	Non-current liabilities						
2540	Long-term loans (Note 81)	799,131	9	799,131	8	650,000	7
2570	Deferred income tax liabilities	613,219	7	583,786	6	542,597	5
2580	Lease liabilities (Note 16)	90,360	1	-	-	-	-
2600	Other non-current liabilities	70,670	-	72,981	1	53,271	1
25XX	Total non-current liabilities	1,573,380	17	1,455,898	15	1,245,868	13
2XXX	Total liabilities	3,910,689	43	4,452,198	47	4,873,752	50
	Equity attributable to shareholders of the parent (Note 20)						
	Capital stock						
3110	Capital from common stock	3,343,001	37	3,343,001	36	3,379,001	34
3200	Capital surplus	201,627	2	201,627	2	200,462	2
	Retained earnings						
3310	Appropriated as legal capital reserve	605,987	7	605,987	7	588,869	6
3320	Appropriated as special capital reserve	65,457	1	67,179	1	39,088	-
3350	Unappropriated earnings	847,238	9	788,857	8	835,411	9
3300	Total retained earnings	1,518,682	17	1,462,023	16	1,463,368	15
3400	Other equity	59,531	1	( 57,178 )	( 1 )	( 88,479 )	( 1 )
3500	Treasury stock	-	-	-	-	( 34,835 )	-
31XX	Total owner's equity	5,122,841	57	4,949,473	53	4,919,517	50
36XX	Non-controlling interests	7,513	-	11,792	-	10,580	-
3XXX	Total equity	5,130,354	57	4,961,265	53	4,930,097	50
	Total liabilities and equity	\$ 9,041,043	100	\$ 9,413,463	100	\$ 9,803,849	100

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to the Certified Public Accountant's Review Report of Deloitte & Touche Taiwan on May 9, 2019.)

Chairman: Wu, Chang-Shiou

Manager: Wu, Chang-Shiou

Accounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co., Ltd. and Subsidiaries  
Consolidated Statements of Comprehensive Income

For the Three-month Periods Ended March 31, 2019 and 2018

(Reviewed but not audited in accordance with generally accepted auditing standards)

Unit: NT\$1,000

(Except the unit of earnings per share is NT\$)

Code		January 1, 2019 to March 31, 2019		January 1, 2018 to March 31, 2018	
		Amount	%	Amount	%
4000	Operational revenues (Note 21)	\$ 1,459,727	100	\$ 1,479,923	100
5000	Operating costs (Note 22)	<u>1,342,067</u>	<u>92</u>	<u>1,297,781</u>	<u>88</u>
5900	Gross profit	<u>117,660</u>	<u>8</u>	<u>182,142</u>	<u>12</u>
	Operating expenses (Notes 22 and 28)				
6100	Marketing expenses	10,197	-	6,307	-
6200	General and administrative expenses	<u>70,164</u>	<u>5</u>	<u>70,595</u>	<u>5</u>
6000	Total operational expenses	<u>80,361</u>	<u>5</u>	<u>76,902</u>	<u>5</u>
6900	Net operating income	<u>37,299</u>	<u>3</u>	<u>105,240</u>	<u>7</u>
	Non-operating revenue and expenses (Note 22)				
7010	Other revenues	16,448	1	14,319	1
7020	Other gains and losses	41,134	3	( 1,942 )	-
7050	Finance cost	( 5,449 )	( 1 )	( 7,751 )	-
7060	Share of profit loss of associates accounted for using equity method	( <u>941</u> )	<u>-</u>	<u>-</u>	<u>-</u>
7000	Total non-operating revenue and expenses	<u>51,192</u>	<u>3</u>	<u>4,626</u>	<u>1</u>
7900	Income before tax	88,491	6	109,866	8
7950	Income tax expenses (Note 23)	<u>31,683</u>	<u>2</u>	<u>68,419</u>	<u>5</u>
8200	Net income	<u>56,808</u>	<u>4</u>	<u>41,447</u>	<u>3</u>

Other comprehensive income  
(Continued on next page)

(Continued from previous page)

Code		January 1, 2019 to March 31, 2019		January 1, 2018 to March 31, 2018	
		Amount	%	Amount	%
8310	Items that will not be reclassified to profit or loss:				
8316	Unrealized valuation gain or loss on investments in equity instruments at fair value through other comprehensive income	45,681	3	( 15,824)	( 1)
8349	Income tax relating to items that will not be reclassified	-	-	( 136)	-
8360	Items that may be reclassified to profit or loss:				
8361	Exchange differences arising from translation of foreign operations	88,785	6	6,980	-
8367	Unrealized valuation loss on investments in debt instruments at fair value through other comprehensive income	-	-	( 448)	-
8399	Income tax relating to items that may be reclassified (Note 23)	( 17,757)	( 1)	( 6,522)	-
8300	Other comprehensive income (net value after tax) for the period	<u>116,709</u>	<u>8</u>	( 15,950)	( 1)
8500	Total comprehensive income for the period	<u>\$ 173,517</u>	<u>12</u>	<u>\$ 25,497</u>	<u>2</u>
	Net profit attributable to:				
8610	Company owner	\$ 56,659	4	\$ 41,222	3
8620	Non-controlling interests	<u>149</u>	<u>-</u>	<u>225</u>	<u>-</u>
8600		<u>\$ 56,808</u>	<u>4</u>	<u>\$ 41,447</u>	<u>3</u>
	Total comprehensive income attributable to:				
8710	Shareholders of the parent	\$ 173,368	12	\$ 25,272	2

8720	Non-controlling interests	<u>149</u>	<u>-</u>	<u>225</u>	<u>-</u>
8700		<u>\$ 173,517</u>	<u>12</u>	<u>\$ 25,497</u>	<u>2</u>
	Earnings per share (Note 24)				
9750	Basic earnings per share	<u>\$ 0.17</u>		<u>\$ 0.12</u>	
9850	Diluted earnings per share	<u>\$ 0.17</u>		<u>\$ 0.12</u>	

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to the Independent Auditors' Review Report of Deloitte & Touche Taiwan on May  
19, 2019.)

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



Chien Kuo Construction Co., Ltd. and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the Three-month Periods Ended March 31, 2019 and 2018  
(Reviewed but not audited in accordance with generally accepted auditing standards)

Unit: NT\$1,000

		Equity Attributable to Company Owners											
		Retained Earnings					Other equity						
代 碼		Capital Stock	Capital Surplus	Appropriated as Legal Capital Reserve	Appropriated as Special Capital Reserve	Unappropriated Earnings	Exchange Differences arising from Translation of Foreign Operations	Unrealized Gain (Loss) on Available-for-sal e Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Cash Flow Hedges	Treasury Stock	Total	Non-controlling Interests
A1	Balance as of January 1, 2018	\$ 3,379,001	\$ 200,462	\$ 588,869	\$ 39,088	\$ 789,811	(\$ 109,140)	\$ 41,961	\$ -	(\$ 34,835)	\$ 4,895,217	\$ 10,355	\$ 4,905,572
A3	Effect of retrospective application and retrospective adjustment	-	-	-	-	4,514	-	( 41,961)	36,475	-	( 972)	-	( 972)
A5	Adjusted balance as of January 1, 2018	3,379,001	200,462	588,869	39,088	794,325	( 109,140)	-	36,475	( 34,835)	4,894,245	10,355	4,904,600
D1	Net profit for the three-month period ended March 31, 2018	-	-	-	-	41,222	-	-	-	-	41,222	225	41,447
D3	Other comprehensive income for the three-month period ended March 31, 2018	-	-	-	-	( 136)	458	-	( 16,272)	-	( 15,950)	-	( 15,950)
D5	Total comprehensive income for the three-month period ended March 31, 2018	-	-	-	-	41,086	458	-	( 16,272)	-	25,272	225	25,497
Z1	Balance as of March 31, 2018	<u>\$ 3,379,001</u>	<u>\$ 200,462</u>	<u>\$ 588,869</u>	<u>\$ 39,088</u>	<u>\$ 835,411</u>	<u>(\$ 108,682)</u>	<u>\$ -</u>	<u>\$ 20,203</u>	<u>(\$ 34,835)</u>	<u>\$ 4,919,517</u>	<u>\$ 10,580</u>	<u>\$ 4,930,097</u>
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 listed earned surplus due to deposit of subsidiary	-	-	-	( 1,722)	1,722	-	-	-	-	-	-	-
D1	Net profit for the three-month period ended March 31, 2019	-	-	-	-	56,659	-	-	-	-	56,659	149	56,808
D3	Other comprehensive income after tax for the three-month period ended March 31, 2019	-	-	-	-	-	71,028	-	45,681	-	116,709	-	116,709
D5	Total comprehensive income for the three-month period ended March 31, 2019	-	-	-	-	56,659	71,028	-	45,681	-	173,368	149	173,517
O1	Non-controlling equity changes	-	-	-	-	-	-	-	-	-	-	( 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>\$ -</u>	<u>\$ 97,506</u>	<u>\$ -</u>	<u>\$ 5,122,841</u>	<u>\$ 7,513</u>	<u>\$ 5,130,354</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to the Independent Auditors' Review Report of Deloitte & Touche Taiwan on May 9, 2019.)

Chairman: Wu, Chang-Shiou

Manager: Wu, Chang-Shiou

Accounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the Three-month Periods Ended March 31, 2019 and 2018

(Reviewed but not audited in accordance with generally accepted auditing standards)

Unit: NT\$1,000

Code		January 1, 2019 to March 31, 2019	January 1, 2018 to March 31, 2018
	Cash flows from operating activities		
A10000	Income before tax	\$ 88,491	\$ 109,866
A20010	Gains and Losses:		
A29900	Net income of deposit subsidiary	( 34,376)	-
A21200	Interest revenue	( 14,880)	( 10,951)
A20100	Depreciation	10,492	6,916
A20300	Reversal revenue of expected credit impairment	( 7,790)	( 3,354)
A20900	Finance costs	5,449	7,751
A24100	Loss (Gain) on foreign exchange	2,324	( 4,152)
A22300	Share of loss due to recognized of deposit of associates by equity method	941	-
A20200	Amortization expenses	698	998
A22500	Loss on disposal of property, plant and equipment, net	-	47
A30000	Changes in operating assets and liabilities, net		
A31115	Financial instruments measured at fair value through profit or loss	( 76,527)	258,909
A31125	Contract assets	100,973	79,281
A31130	Notes receivable	( 102,637)	( 33,468)
A31150	Accounts receivable	428,989	( 128,810)
A31180	Other receivables	6,547	( 2,983)
A31200	Inventories	4,628	( 3,534)
A31230	Prepayments	17,677	( 133,811)
A31240	Other current assets	2,427	48,430
A31990	Other non-current assets	( 519)	586
A32125	Contract liabilities	14,156	40,886
A32130	Notes payable	( 320,249)	94,017
A32150	Accounts payable	( 47,382)	( 10,937)
A32180	Other payables	( 66,371)	( 59,600)

(Continued on next page)

(Continued from previous page)

code		January 1, 2019 to March 31, 2019	January 1, 2018 to March 31, 2018
A32230	Other current liabilities	(\$ 17,148)	\$ 30,032
A32990	Other non-current liabilities	( 4,833)	405
A33000	Cash inflow(outflow) from operation	( 8,920)	286,524
A33100	Received interests	15,577	20,383
A33300	Paid interests	( 5,014)	( 7,798)
A33500	Paid income tax	( 30,408)	( 38,106)
AAAA	Net cash inflow(outflow) from operation activities	( 28,765)	261,003
Cash flows from investment activities			
B06700	Decrease in pledged certificate of deposit	103,957	65,681
B02300	Net outflow by deposit of subsidiary	( 12,984)	-
B02700	Purchase of property, plant and equipment	( 856)	( 2,747)
B03800	Decrease in refundable deposit	208	324
B04500	Purchase of intangible assets	( 190)	-
B02800	Proceeds from disposal of property, plant and equipment	-	720
BBBB	Net cash inflow (outflow) used in investment activities	90,135	63,978
Cash flows from financing activities			
C01700	Repayment of long-term debt	( 150,000)	( 150,000)
C04020	Repayment of lease principal	( 3,802)	-
C03000	Increase in refundable deposit	2,459	3,551
C00200	Decrease in short-term debt	-	( 220,000)
C00500	Increase in payable short-term notices	-	69,855
CCCC	Cash outflow from fundraising activities	( 151,343)	( 296,594)
DDDD	Effect of changes in exchange rates on cash and cash equivalents	16,009	( 37,819)
EEEE	Decrease in cash and cash equivalents	( 73,964)	( 9,432)
E00100	Cash and cash equivalents, beginning of period	2,455,785	2,518,297
E00200	Cash and cash equivalents balance by the end of the period	\$ 2,381,821	\$ 2,508,865

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to the Independent Auditors' Review Report of Deloitte & Touche Taiwan on May 9, 2019.)

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

Chien Kuo Construction Co., Ltd. and Subsidiaries  
Notes to the Consolidated Financial Statements  
For the Three-month Periods Ended March 31, 2019 and 2018  
(Reviewed but not audited in accordance with generally accepted auditing standards)  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company History

Incorporated in November 1960, Chien Kuo Construction Co., Ltd. (the Company) mainly engages in design, supervision and undertaking of construction projects and trading of building materials. On February 1, 1999, the Company's shares were listed on Taipei Exchange (TPEX). In October 2003, the Company listed its shares on Taiwan Stock Exchange (TWSE) instead.

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

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

The consolidated financial statements were adopted by the Board of Directors on May 9, 2019.

III. Application of New Standards, Amendments and Interpretations

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

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

1. IFRS 16 Leases

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

### Definition of lease

The Company elects to assess the contracts executed (or modified) on or after January 1, 2019 as to whether they are (or contain) a lease in accordance with IFRS 16. Contracts that had been identified as a lease pursuant to IAS 17 and IFRIC 4 are not reassessed, but to be treated in accordance with the transition requirements of IFRS 16.

### The Company as Lessee

A right-of-use asset and a lease liability are recognized on the consolidated balance sheet for all leases, except for leases with low-value underlying assets and short-term leases, for which an expense is recognized on a straight-line basis. The consolidated statements of comprehensive income states clearly and respectively the depreciation expense of the right-of-use assets, as well as the interest expense calculated using the effective interest method that has accrued on the lease liability. On the consolidated statements of cash flows, payments for the principal amount of lease liabilities are presented as financing activities, while payments for interests accrued thereon are presented as operating activities. Prior to application of IFRS 16, an expense was recognized on a straight-line basis for contracts classified as operating leases, while advance lease payments for the purpose of acquiring the land-use rights in the People's Republic of China were recognized as prepaid lease payments. Cash flows from operating leases are presented under operating activities on the consolidated statements of cash flows.

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

For agreements previously treated as operating leases under IAS 17, the lease liability as at January 1, 2019 is measured at the residual lease payments over the lease term, discounted at the incremental borrowing rate of the lessee on such date; whereas all right-of-use assets are measured at the amount equal to the lease liability on such date, eligible for application of IAS 36 for impairment assessment.

The Company is eligible for application of the following practical expedients:

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

- (2) Leases to be expired prior to December 31, 2019 are accounted for as short-term leases.
- (3) Excluding the initial direct costs from the measurement of the right-of-use assets on January 1, 2019.
- (4) Using hindsight to determine the lease term when measuring lease liabilities.

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

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

#### The Company as Lessor

The leases to which the Company is a lessor are not adjusted in the transition period, and are to apply IFRS 16 beginning on and after January 1, 2019.

The effects of initial application of IFRS 16 on assets, liabilities, and equity as of January 1, 2019 are stated as follows:

	Carrying amount on 31 December, 2018	Adjustment after first adoption	Carrying amount after adjusted on 1 January, 2019
<u>Non-current assets</u>			
Long-term prepaid lease	\$ 148,101	( \$ 148,101 )	\$ -
Right-to-use assets	<u>-</u>	<u>254,975</u>	<u>254,975</u>
Impact on assets	<u>\$ 148,101</u>	<u>\$ 106,874</u>	<u>\$ 254,975</u>
<u>Current liabilities</u>			
Lease liabilities	\$ -	<u>\$ 13,462</u>	<u>\$ 13,462</u>
<u>Non-current liabilities</u>			
Lease liabilities	<u>-</u>	<u>93,412</u>	<u>93,412</u>
Impact on liabilities	<u>\$ -</u>	<u>\$ 106,874</u>	<u>\$ 106,874</u>

(II) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Amendments to IFRS 3 " Definition "	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of materiality "	January 1, 2020 (Note 3)

Note 1: Unless otherwise stated, the aforementioned new standards, interpretations and amendments are effective from the fiscal year after their respective effective dates.

Note 2: Such an amendment is applicable to corporate mergers with an acquisition date occurred on and after the starting date of the annual report of January 1, 2020, and to acquisition of assets occurred after this date.

Note 3:

Such an amendment is prospectively applicable to annual periods beginning on and after January 1, 2020.

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

As of publication of the consolidated financial statements, the Company has continuously evaluated the effects on the financial position and financial performance as a result of the amendments to other standards or interpretations. The related effects will be disclosed upon the completion of evaluation.

#### 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 the 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 endorsed and issued into effect by the FSC.

## (II) Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value and net defined benefit liabilities recognized by present value of defined benefit obligations minus fair value of plan assets.

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

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

## (III) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned entities (subsidiaries). The statements of comprehensive income include the operating income of the acquired or disposed subsidiaries from the date of acquisition to the date of disposal in the current year. The financial statements of the subsidiaries have been adjusted to bring their accounting policies into line with those used by the Company. In the consolidated financial statements, all transactions, account balances, income and expenses between the entities have been written off. The total comprehensive income of subsidiaries is recognized in equity attributable to shareholders of the parent and non-controlling interests, even if non-controlling interests become a loss balance.

When changes in the equity of subsidiaries do not cause the parent to lose control, they are recognized as equity transactions. The carrying amounts of the parent and non-controlling interests have been adjusted to reflect the relative changes in the equity of subsidiaries. The difference between the adjusted amount in non-controlling interests and the fair value of consideration will be considered as equity attributable to the shareholders of the parent.



When the Company loses control over its subsidiaries, 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 the former subsidiaries as 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 subsidiaries at the date when control is lost. The Company treats the amounts in relation to the subsidiaries as recognized on the statement of other comprehensive income on the same accounting basis as would be required if such assets or liabilities had been directly disposed of by the Company.

The Company takes the fair value of the residual investment in the former subsidiaries as at the date of loss of control to be the initially recognized investment amount in associates.

Details of subsidiaries, shareholding ratios and business items are provided in Note 13 and Appendixes 7 and 8.

#### (IV) Other significant accounting policies

Please refer to the summary of significant accounting policies of the consolidated financial statements for the year ended December 31, 2018 unless otherwise stated below.

##### 1. Lease

###### 2019

The Company assesses whether a contract is (or contains) a lease on the execution date of the contract.

##### (1) The Company as lessor

Where the terms and conditions of a lease transfer substantially all of the risks and rewards incidental to the ownership of the asset to the lessee, it is deemed a finance lease. All other leases are classified as an operating lease.

Operating lease payments less lease incentives are recognized as operating income on a straight-line basis over the duration of such lease.

##### (2) The Company as lessee

A right-of-use asset and a lease liability are recognized for all leases at the inception date of such leases, except for leases qualified for recognition

exemption, e.g. leases with low-value underlying assets and short-term leases, for which an expense is recognized on a straight-line basis over the lease term.

A right-of-use asset is initially measured at cost (including the initial measured amount of lease liability, the amount of lease payments made to the lessors less lease incentives received prior to the inception of the lease, initial direct costs and the estimated costs of restored underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment, adjusted for any remeasurements of the lease liability. A right-of-use asset is separately presented on the consolidated balance sheets.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful lives, or to the end of the lease term, whichever is earlier.

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

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

## 2018

Where the terms and conditions of a lease transfer substantially all of the risks and rewards of ownership of the asset to the lessee, it is deemed a finance lease. All other leases are classified as an operating lease.

### (1) The Company as lessor

Revenue from an operating lease is recognized as operating income on a straight-line basis over the duration of such lease.

### (2) The Company as lessee

Payments for an operating lease are recognized as expense on a straight-line basis over the duration of such lease.

2. Retirement benefits under defined benefit plans

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.

3. Income tax

Income tax expenses represent the sum of taxes currently payable and deferred taxes. The income tax expenses for an interim period are accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The effect of a change in the tax rate resulting from a change in the tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in an interim period in which the change in the tax rate occurs.

V. Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty

In the application of the Company's accounting policies, the management is required to make judgments, estimates and assumptions which are based on historical experience and other factors that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(I) Estimated impairment of accounts receivable

The estimated impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on its past history, existing market conditions and forward-looking estimates. Details of the key assumptions and inputs used are provided in Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## (II) Construction contracts

Revenue and cost of construction contracts are recognized separately based on the percentage of completion of contractual activities, and the percentage of completion is measured at the proportion of the contract costs incurred to date to the estimated total contract costs. Changes in incentives and compensations stipulated in the contracts will only be included in and recognized as contract revenue when relevant uncertainties are subsequently eliminated and the probability of reversing the amount of accumulated contract revenue is quite low.

As the estimated total cost and contractual activities are evaluated and judged by the management based on the nature of the different construction projects, the estimated amount of the contract, the duration of construction, the undertaking of construction and the construction methods, they may affect the calculation of the percentage of completion and the profit or loss of construction.

## VI. Cash and Cash Equivalents

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand and revolving funds	\$ 2,674	\$ 2,560	\$ 2,961
Bank checks and demand deposits	942,785	760,458	696,598
Cash equivalents (time deposits with original maturity date within 6 months)	<u>1,436,362</u>	<u>1,674,294</u>	<u>1,809,306</u>
	<u>\$ 2,381,821</u>	<u>\$ 2,437,312</u>	<u>\$ 2,508,865</u>

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

March 31, 2019	December 31, 2018	March 31, 2018
0.13%~3.30%	0.13%~3.48%	0.13%~2.64%

## VII. Financial Instruments at Fair Value through Profit or Loss

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Held for trading			
Non-derivative financial assets			
- Fund beneficiary certificates	\$ -	\$ -	\$ 295,873
Hybrid financial assets			
- structured deposits	<u>247,432</u>	<u>159,157</u>	<u>251,752</u>
	<u>\$ 247,432</u>	<u>\$ 159,157</u>	<u>\$ 547,625</u>
<u>Non-current</u>			
Compulsorily measured at fair value through profit or loss			
Non-derivative financial assets			
- Fund beneficiary	<u>\$ 50,653</u>	<u>\$ 95,174</u>	<u>\$ 96,833</u>

certificates

Please refer to Note 29 for financial assets measured at fair value through profit or loss.

#### VIII. Financial Assets at Fair Value through Other Comprehensive Income

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Investments in equity instruments measured at fair value through other comprehensive income	\$ 45,391	\$ 41,347	\$ 36,889
<u>Non-current</u>			
Investments in equity instruments measured at fair value through other comprehensive income	\$ 331,446	\$ 289,351	\$ 262,914
Investments in debt instruments measured at fair value through other comprehensive income	57,091	57,060	138,674
	<u>\$ 388,537</u>	<u>\$ 346,411</u>	<u>\$ 401,588</u>

Please refer to Note 29 for financial assets measured at fair value through other comprehensive income.

#### IX. Credit Risk Management of Investments in Debt Instruments

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

	March 31, 2019	December 31, 2018	March 31, 2018
Total Carrying Amount	\$ 57,106	\$ 57,163	\$ 139,323
Allowance for loss	( 60 )	( 58 )	( 544 )
Amortized cost	57,046	57,105	138,779
Adjustment in fair value	45	( 45 )	( 105 )
Total	<u>\$ 57,091</u>	<u>\$ 57,060</u>	<u>\$ 138,674</u>

The policy which the Company implements is to invest only in debt instruments with credit ratings above (and including) the investment grade and with impairment low in credit risk. The aforesaid credit ratings are provided by independent rating agencies. The 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 Company considers the historical default loss rate provided by the independent rating agencies, the debtor's current financial status and the industry's forward-looking forecast to measure the 12-month expected credit loss or full-lifetime expected credit loss of the investments in debt instruments.

X. Notes and Accounts Receivable

	March 31, 2019	December 31, 2018	March 31, 2018
Note receivables	<u>\$ 225,050</u>	<u>\$ 111,011</u>	<u>\$ 241,676</u>

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable	<u>\$ 225,050</u>	<u>\$ 111,011</u>	<u>\$ 241,676</u>

Accounts receivable

Measured at amortized cost

Total carrying amount	\$ 2,337,047	\$ 2,714,164	\$ 2,416,644
Less: Allowance for loss	( 98,537 )	( 104,195 )	( 86,255 )
	\$ 2,238,510	\$ 2,609,969	\$ 2,330,389

Accounts receivable

The credit policy of the Company is mainly based on the contract, and the notes and accounts receivable are not interest-bearing. To minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual account receivable on the balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk has been significantly reduced.

The Company applies lifetime expected credit losses to allowance for accounts receivable. The expected credit losses are estimated by reference to past default experience with the respective debtor and an analysis of the debtor's current financial position and an assessment of forecasted GDP and industrial indicators.

The Company writes off accounts receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivables. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The aging analysis of the Company's notes receivable is as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Not overdue	<u>\$ 225,050</u>	<u>\$ 111,011</u>	<u>\$ 241,676</u>

The aging  
analysis of the

	March 31, 2019	December 31, 2018	March 31, 2018
--	----------------	----------------------	----------------

Company's  
accounts  
receivable is as  
follows:

Not overdue	\$ 1,941,985	\$ 2,142,266	\$ 1,929,747
Less than 180 days	309,269	399,995	318,900
181~360 days	24,510	65,358	52,777
More than 361 days	61,283	106,545	115,220
Total	<u>\$ 2,337,047</u>	<u>\$ 2,714,164</u>	<u>\$ 2,416,644</u>

	January 7 to December 31, 2019	January 1 to March 31, 2018
Opening balance	\$ 104,195	\$ 88,175
Less: Reversal impairment loss for current period	( 7,790 )	( 3,354 )
Foreign currency translation difference	2,132	1,434
Total	<u>\$ 98,537</u>	<u>\$ 86,255</u>

#### XI. Land Held for Construction

The Company acquired the land of New Taipei Industrial Park on the north side of Xinzhuang in July 2017 for the purpose of construction and sale of a commercial office building. The land is also pledged to the financial institution for loans. Please refer to Notes 18 and 29.

#### XII. Prepayments

	March 31, 2018	December 31, 2017	March 31, 2017
Prepayments for purchases	\$ 527,147	\$ 539,487	\$ 722,280
Prepayments construction contracts	77,988	71,428	73,837
Tax overpaid retained	9,622	9,263	8,150
Prepaid insurance	6,702	7,890	10,356
Others	4,932	3,934	4,496
	<u>\$ 626,391</u>	<u>\$ 632,002</u>	<u>\$ 819,119</u>
	March 31, 2018	December 31, 2017	March 31, 2017
Prepayments for purchases	\$ 527,147	\$ 539,487	\$ 722,280
Prepayments construction contracts	77,988	71,428	73,837
Tax overpaid retained	9,622	9,263	8,150
Prepaid insurance	6,702	7,890	10,356
Others	4,932	3,934	4,496
	<u>\$ 626,391</u>	<u>\$ 632,002</u>	<u>\$ 819,119</u>

### XIII. Subsidiaries

#### (I) Subsidiaries included in the consolidated financial statements

The entities of the consolidated financial statements are as follows:

Investor	Name of Subsidiary	Business Activities	Percentage of Ownership			Detail
			March 31, 2019	December 31, 2018	March 31, 2018	
The Company	Golden Canyon Limited (Golden Canyon )	Investment	100%	100%	100%	
	Yin Ying Holding Limited (Yin Ying)	Investment	100%	100%	100%	
Golden Canyon and Yin Ying	Shun Long International Electrical Engineering Co., Ltd. (Shun Long)	Mechanical, electrical and plumbing engineering, undertaking and equipment/wholesale and retail	86.61%	86.61%	100%	
	Chien Kuo Development Co., Ltd. (Chien Kuo Development)	Building construction commission; public housing lease	100%	100%	100%	
	WeBIM Services Co., Ltd. (WeBIM Services)	Construction technology	76.5%	76.5%	76.5%	Please refer to note 14 and 25.
	Anping Real Estate Co., Ltd. (Anping Real Estate)	Housing and building development and lease	100%	100%	100%	
	Chien Kuo Construction Consultant (Kunshan) Co., Ltd. (Chien Kuo Construction Consultant)	Engineering technology; procurement planning; installation consultation	100%	100%	100%	
	Jiangsu Shili Construction Co., Ltd. (Jiangsu Shili )	Engineering technology; procurement planning; installation consultation	100%	100%	100%	
	Chien Kuo Asia Co., Ltd. (Chien Kuo Asia)	Investment	100%	100%	100%	
	Jianya (Shanghai) Information Technology Co., Ltd. (Shanghai Information)	Computer software technology development and consultation	100%	100%	100%	
	Yangzhou Chien Yung Concrete Co., Ltd. (Yangzhou Chien Yung)	Production and sale of concrete and concrete products	100%	100%	100%	
	Shun Long (Hong Kong) Limited (Hong Kong Shun Long)	International trade	100%	100%	100%	
	Suzhou Chien Hua Concrete Co., Ltd. (Suzhou Chien Hua)	Production and sale of concrete and concrete products	100%	100%	100%	
	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	100%	100%	100%	Please refer to note 14 and 25.
	Changzhou Changlong Handling Co., Ltd. (Changzhou Changlong)	Cargo handling	100%	100%	100%	
	Jianya ( Nantong ) Information Technology Co., Ltd. ( Jianya Nantong )	Computer software technology development and consultation	100%	100%	-	
	Jianya ( Yangzhou ) Information Technology	Computer software technology development and consultation	100%	100%	-	



Co., Ltd. (Jianya  
Yangzhou)

Subsidiaries included in the consolidated financial statements are as follows:

- (I) Non-important subsidiaries not reviewed by accountants are Shun Long, Chein Kuo Development, Anping Real Estate on March 31, 2019 and Shun Long, Chein Kuo Development, WeBIM, Anping Real Estate and Jing Ku on March 31, 2018.
- (II) The Company loss the control of WeBIM since January 22, 2019 and change the measurement by equity method.
- (II) Subsidiaries not included in the consolidated financial statements: None.

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

- (I) The Company's Board of Directors resolved on August 9, 2018 to dispose of the entire equity of Nantong Chien Cheng Concrete Co., Ltd. (hereinafter referred to as Chien Cheng) to Zhongying Building Materials Co., Ltd. (hereinafter referred to as Zhongying) and Nantong Shenye Building Materials Co., Ltd. (hereinafter referred to as Shenye). The company registration was completed as at January 7, 2019 and further information please refer to note 25.
  - (1) The asset transfer date is set on October 25, 2018. The equity transfer date is the date when the registered shareholders of Chien Cheng have been replaced with Zhongying and Shenye on the Company Registration Portal.
  - (2) Total proceeds of such an equity transfer are approximately NT\$132,696 thousand (RMB29,500 thousand), which comprises land-use rights, plant, machinery and equipment, and other Chien Cheng's realizable assets.
  - (3) Chien Cheng's accounts receivables and debts incurred prior to the equity transfer date are to be collected and paid by the Company.
  - (4) Profit or loss existing prior to the equity transfer date is assumed by the Company.
  - (5) In case any force majeure occurs after the asset transfer date that has caused the equity transfer agreement to fail to be executed in full after one year from such date, either party is entitled to discharge or terminate this agreement. Zhongying and Shenye shall, within 15 days after the termination of this contract, return all the property, plant and equipment for the Company's check and acceptance, and then the Company shall refund the collected proceeds without deducting any interest therefrom.

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

	31 December, 2018
Cash	\$ 2,269
Accounts receivable	9,286
Other receivables	38,330
Inventories	252
Prepayments	126
Other current assets	265
Property, plant and equipment	27,241
Other non-current assets	12,341
Less: consolidation write-off—other receivables— stakeholders	( 38,046 )
Total amount of non-current assets-for-sale	<u>\$ 52,064</u>
Other payables	\$ 365
Other current liabilities	9,298
	( 9,298 )
Liabilities directly associated with non-current assets held for sale	<u>\$ 365</u>
Less: consolidation write-off — other current liabilities—stakeholders	
Equity directly relating to non-current assets held for sale	( <u>\$ 18,731</u> )

- (II) The Company's management resolved in December 2018 to dispose of a portion of equity of WeBIM Services Co., Ltd. (WeBIM) at NT\$10 per share. Therefore, all assets and liabilities previously presented under WeBIM were transferred to the disposal group held for sale and complete the disposal procedure on January 22, 2019. Please refer to note 25 for further information.

Assets and liabilities classified as the disposal group held for sale is as follows:

	31 December, 2018
Cash	\$ 16,204
Accounts receivable	6,146
Property, plant and equipment	328
Deferred income tax assets	283
Other non-current assets	577
Total amount of non-current assets-for-sale	<u>\$ 23,538</u>
Other payables	\$ 4,562
Other current liabilities	103
deferred income tax liabilities	28
Less: Consolidation write-off — other payables — stakeholders	( 123 )
Equity directly relating to non-current assets held for sale	<u>\$ 4,570</u>

## XV. Property, Plant and Equipment

	March 31, 2019	December 31, 2018	March 31, 2018
Land	\$ 15,742	\$ 15,742	\$ 15,742
Buildings	58,671	60,753	78,769
Equipment	43,792	44,165	51,116
Transportation Equipment	8,321	8,201	8,862
Office Equipment	2,731	2,937	3,453
Leasehold Improvements	12,513	13,298	15,301
Miscellaneous Equipment	47,772	45,970	57,449
	<u>\$ 189,542</u>	<u>\$ 191,066</u>	<u>\$ 230,692</u>

Except for the recognition of depreciation expenses and reclassification to non-current assets held for sale, there was no material purchase, disposal or impairment of the Company's property, plant and equipment for the three-month periods ended March 31, 2019 and 2018.

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

Buildings	
Main plant structure	61 years
Roof construction	22 years
Dock construction	22 years
Others	22 years
Leasehold improvements	2~6 years
Equipment	4~12 years
Transportation Equipment	4~12 years
Office Equipment	4~7 year(s)
Miscellaneous Equipment	5~22 years

The amount of property, plant and equipment pledged as collateral and for acceptance is provided in Note 29.

## XVI. Lease Agreement

### (I) Right-of-use asset—2019

	March 31, 2019
Carrying amount of right-of-use asset	
Land	\$ 198,463
Buildings	49,518
Transportation Equipment	3,738
	<u>\$ 251,719</u>
	January 1 to March 31, 2019
Adding on right-of-use asset	<u>\$ 591</u>
Depreciation expense of right-of-use	
Land	\$ 847

	January 1 to March 31, 2019
Buildings	2,970
Transportation Equipment	399
	<u>\$ 4,216</u>

(II) Lease liabilities — 2019

	March 31, 2019
Carrying amount of lease liabilities	
Current ( Listed as other current liabilities )	<u>\$ 13,747</u>
Non-current	<u>\$ 90,360</u>

Discount rate of lease liabilities is as follows:

	March 31, 2019
Land	1.65%
Buildings	1.65%
Transportation Equipment	3.00%

(III) Other information of lease  
2019

	January 1 to March 31, 2019
Short-term lease expenses	<u>\$ 1,107</u>
Total cash outflow on lease	<u>\$ 1,107</u>

2018

The lowest amount of not cancellable operation lease is as follows:

	December 31, 2018	March 31, 2018
Less than 1 year	\$ 16,671	\$ 15,377
1~5 years	49,404	57,659
More than 5 years	79,121	81,010
	<u>\$ 145,196</u>	<u>\$ 154,046</u>

XVII. Investment Property

	March 31, 2019	December 31, 2018	March 31, 2018
Land	\$ 168,257	\$ 168,257	\$ 131,188
Buildings	43,766	44,094	35,525
Parking space	4,032	4,053	3,425
Uncompleted construction	280	280	722
	<u>\$ 216,335</u>	<u>\$ 216,684</u>	<u>\$ 170,860</u>
Fair value	<u>\$ 238,182</u>	<u>\$ 238,182</u>	<u>\$ 182,136</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.

The amount of investment property pledged as collateral is provided in Note 29.

## XVIII. Loans

### (I) Short-term notes and bills payable

March 31, 2018

Guarantee/ Accepting Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
<u>Commercial papers payable</u>					
Shanghai Commercial and Savings Bank	\$ 150,000	( \$ 197 )	\$ 149,803	1.290%	None

### (II) Long-term loans

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Secured loans (Note 29)</u>			
Syndicated loans (1)	\$ 300,000	\$ 450,000	\$ 900,000
Bank loans (2)	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
	650,000	800,000	1,250,000
Less: listed due within 1 year	( <u>300,000</u> )	( <u>450,000</u> )	( <u>600,000</u> )
Sub-total	<u>350,000</u>	<u>350,000</u>	<u>650,000</u>
<u>Unsecured loans</u>			
Long-term commercial papers payables(3)	450,000	450,000	-
Less: discount on commercial papers payables	( <u>869</u> )	( <u>869</u> )	-
Sub-total	<u>449,131</u>	<u>449,131</u>	-
Long-term loans	<u>\$ 799,131</u>	<u>\$ 799,131</u>	<u>\$ 650,000</u>
Annual interest rate	1.60%~2.26%	1.60%~2.38%	1.60%~2.38%

- To repay the existing liabilities and increase the medium-term revolving funds, the Company entered into the syndicated loan contract with Bank of Taiwan and other banks in September 2014. The total amount of the syndicated loans was less than NT\$2.4 billion, with a term of 5 years from the date of the first drawdown. The syndicated loans were secured by the land and buildings in Hsinchu and the shares of Taiwan Cement Corporation held by the Company. The first supplementary contract entered into on February 7, 2017 stipulates the following:

- (1) The syndicated loans shall be secured by the land and buildings in Hsinchu and the certificate of deposits amounting to US\$6,000 thousand instead;
- (2) The current ratio and the debt ratio stated in the annual and semiannual consolidated financial statements of the Company shall not be less than 120% and 150%, respectively;
- (3) The interest coverage ratio (depreciation expenses + amortization expenses + interest expenses) shall be 200% or more; and
- (4) The tangible net worth shall be NT\$3.5 billion or more.

For the above long-term loans, interest accrues on a monthly basis. Starting from December 30, 2017, NT\$150,000 thousand should be repaid every quarter, and the final maturity date should be September 2019.

2. To obtain land held for construction, the Company entered into the medium and long-term loan contract with the bank in June 2017. The maturity date should be July 12, 2022. Interest should be paid monthly, and the principal should be repaid in full upon maturity. The land is pledged as collateral.
3. The long-term commercial promissory notes issued by the Company are issued cyclically according to the contract. Since the original contract period is more than 12 months and the Company intends to continue the long-term refinancing, it is classified as long-term commercial promissory note.

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

March 31, 2019

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

December 31, 2018

<u>Guarantee/Accepting Institution</u>	<u>Nominal Amount</u>	<u>Discounted Amount</u>	<u>Carrying Amount</u>	<u>Interest interval</u>	<u>Collateral</u>
The Shanghai Commercial & Savings Bank,	\$300,000	(\$ 572)	\$299,428	1.648%	None

Ltd. EnTie Commercial Bank	<u>150,000</u>	( <u>297</u> )	<u>149,703</u>	1.678%	None
	<u>\$450,000</u>	( <u>\$ 869</u> )	<u>\$449,131</u>		

# XIX. Accounts Payable

Accounts payable include construction retainage payable for construction contracts. Construction retainage payable is not interest-bearing, and will be paid at the end of the retention period of each construction contract. The aforesaid retention period, usually more than one year, is the normal business cycle of the Company.

# XX. Equity

## (I) Capital stock

	March 31, 2019	December 31, 2018	March 31, 2018
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>334,300</u>	<u>334,300</u>	<u>337,900</u>
Issued capital	<u>\$ 3,343,001</u>	<u>\$ 3,343,001</u>	<u>\$ 3,379,001</u>

A holder of issued common stocks with par value of NT\$10/share is entitled to voting and receiving dividends.

## (II) Capital surplus

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Used to offset deficits, appropriated as cash dividends or transferred to capital stock (1)</u>			
Stock issuance premium	\$ 197,435	\$ 197,435	\$ 199,561
Treasury stock trading	3,914	3,914	623
<u>Used to offset deficits</u>			
Adjustment in capital surplus of subsidiaries using equity method	73	73	73
<u>Not be used for any purposes</u>			
Employee stock options	<u>205</u>	<u>205</u>	<u>205</u>
	<u>\$ 201,627</u>	<u>\$ 201,627</u>	<u>\$ 200,462</u>

(1) This type of capital stock may be used to offset deficits, if any, or to issue cash dividends or increase capital stock, but the increase in capital stock is restricted to a certain ratio of paid-in capital every year.

### (III) Retained earnings and dividend policy

According to the dividend policy under the Articles of Incorporation, if the Company makes a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, and then distributes in orders below:

1. setting aside as legal capital reserve 10% of the remaining profit,
2. setting aside or reversing special capital reserve in accordance with the laws and regulations, and then
3. any remaining profit together with any unappropriated retained earnings shall be used by the Board of Directors as the basis for proposing a plan for the appropriation of dividends and bonuses to shareholders, which should be resolved in the shareholders' meeting.

For the policies on the appropriation of employees' remuneration and directors and supervisors' remuneration under the Company's Articles of Incorporation, please refer to Note 22(6).

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

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special capital reserve by the Company. If other shareholders' equity deductions are reversed afterward, the reversal should be applicable to the appropriation of earnings.

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

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

	<u>Proposal of Earnings Appropriation</u>		<u>Dividends per Share (NT\$)</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Appropriated as legal capital reserve	\$ 20,567	\$ 17,118		
Appropriated as special	( 10,002 )	28,091		



	capital reserve			
Cash dividends	167,150	167,150	\$ 0.50	\$ 0.50

The appropriation of earnings for 2018 is subject to the resolution of the shareholders' meeting to be held on June 21, 2019.

(IV) Treasury stock

The Company purchased 3,600 thousand shares of treasury stock in 2015, which were redeemed for the purpose of transferring to employees. As of March 31, 2018, the number of treasury stock held by the Company remained the same. The Board resolved on August 9, 2018 to cancel the registration of shares, set the ex-dividend record date on October 6 2018 , and complete the share registration on October 29, 2018.

Treasury stock held by the Company shall not be pledged or assigned rights, such as appropriation of dividends and voting rights, in accordance with the Securities and Exchange Act.

XXI. Revenue

(I) Revenue from contracts with clients

	January 1 to March 31, 2019	January 1 to March 31, 2018
Revenue from construction	\$ 972,828	\$ 968,919
Revenue from the sale of goods	486,236	508,642
Revenue from other activities	<u>663</u>	<u>2,362</u>
	<u>\$ 1,459,727</u>	<u>\$ 1,479,923</u>

1. Revenue from construction

The real estate construction contracts of the construction department specify the adjustment of price index fluctuations, performance bonus and penalties for delay, and the Company estimates the transaction price by reference to the past contracts of similar conditions and scale.

2. Revenue from the sale of goods

Concrete is sold to builders at the price under on the contract.

(II) Contract balance

	March 31, 2019		December 31, 2018		March 31, 2018	
	Construction Segment	Concrete Segment	Construction Segment	Concrete Segment	Construction Segment	Concrete Segment
Accounts receivable (Note 10)	<u>\$ 273,795</u>	<u>\$1,964,715</u>	<u>\$ 284,011</u>	<u>\$2,325,958</u>	<u>\$ 498,060</u>	<u>\$1,832,329</u>
Contract assets						
Real estate construction	\$ 712,843	\$ -	\$ 875,462	\$ -	\$ 827,946	\$ -
Account receivable of construction projects	<u>517,399</u>	<u>-</u>	<u>455,753</u>	<u>-</u>	<u>334,309</u>	<u>-</u>
	<u>\$1,230,242</u>	<u>\$ -</u>	<u>\$1,331,215</u>	<u>\$ -</u>	<u>\$1,162,255</u>	<u>\$ -</u>
Contract liabilities						
Real estate construction	<u>\$ 71,886</u>	<u>\$ -</u>	<u>\$ 57,730</u>	<u>\$ -</u>	<u>\$ 252,595</u>	<u>\$ -</u>

XXII. Net Income

(I) Other revenue

	January 1 to March 31, 2019	January 1 to March 31, 2018
Interest revenue	<u>\$ 14,880</u>	<u>\$ 10,951</u>
Others	<u>1,568</u>	<u>3,368</u>
	<u>\$ 16,448</u>	<u>\$ 14,319</u>

(II) Other gains and losses

	January 1 to March 31, 2019	January 1 to March 31, 2018
Net profit of disposing subsidiaries (Note 25)	\$ 34,376	\$ -
Gain on financial instruments at fair value through profit or loss	8,659	5,907
Net profit on foreign currency exchange, net	2,736	( 6,702 )
Loss on disposal of property, plant and equipment, net	-	( 47 )
Others	( 4,637 )	( 1,100 )
	<u>\$ 41,134</u>	<u>( \$ 1,942 )</u>

(III) Finance costs

	January 1 to March 31, 2019	January 1 to March 31, 2018
Interest expenses		
Bank loans	\$ 5,005	\$ 7,751
Interest of lease liabilities	<u>444</u>	<u>-</u>
	<u>\$ 5,449</u>	<u>\$ 7,751</u>

(IV) Depreciation and amortization expenses

	January 1 to March 31, 2019	January 1 to March 31, 2018
Property, plant and equipment	\$ 5,927	\$ 6,617
Right-of-use assets	4,216	-
Investment property	349	299
Intangible assets	535	998
Total	<u>\$ 11,027</u>	<u>\$ 7,914</u>
Depreciation expenses summarized by functions		
Operating costs	\$ 5,588	\$ 4,804
Operating expenses	4,565	1,823
Other gains and losses	339	289
	<u>\$ 10,492</u>	<u>\$ 6,916</u>
Amortization expenses summarized by functions		
Operating costs	\$ -	\$ 251
Operating expenses	535	747
	<u>\$ 535</u>	<u>\$ 998</u>

(V) Employee benefits

	January 1 to March 31, 2019	January 1 to March 31, 2018
Short-term employee benefits	\$ 123,701	\$ 120,213
Post-employment benefits		
Defined contribution plans	7,738	6,361
Defined benefit plans	190	139
Termination benefits	813	527
	<u>\$ 132,442</u>	<u>\$ 127,240</u>
Summarized by functions		
Operating costs	\$ 68,128	\$ 69,312
Operating expenses	64,314	57,928
	<u>\$ 132,442</u>	<u>\$ 127,240</u>

(VI) Employees' remuneration and directors and supervisors' remuneration

According to the Articles of Incorporation, the Company sets aside employees' remuneration and directors and supervisors' remuneration at the rates between 0.1%~3% and no higher than 3% of profit before tax, respectively. For January 1 to March 31, 2019 and January 1 to March 31, 2018 employees' remuneration and directors and supervisors' remuneration are as follows:

	January 1, 2018 to March 31, 2019		January 1, 2017 to March 31, 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Employees' Remuneration	<u>\$ 2,264</u>	3%	<u>\$ 2,734</u>	1.3%
Directors and Supervisors' Remuneration	<u>\$ 2,264</u>	3%	<u>\$ 2,734</u>	1.3%

If the amount keeps changing after publishing of annual consolidated financial statement, it will record as accounting estimates and adjust in the next year.

The appropriation of employees' remuneration and directors and supervisors' remuneration resolved by the Board of Directors is as follows:

	2018		2017	
	Cash	Percentage (%)	Cash	Percentage (%)
Employees' Remuneration	\$ 9,200	3%	\$ 6,417	3%
Directors and Supervisors' Remuneration	<u>9,200</u>	3%	<u>6,417</u>	3%
	<u>\$ 18,400</u>		<u>\$ 12,834</u>	

There no difference in the amounts of distribution on employees' remuneration and directors and supervisors' remuneration for 2018 and 2017 and authorized annual consolidated financial statements of 2018 and 2017.

Information on the employees' remuneration and directors and supervisors' remuneration resolved by the Board of Directors in 2019 is available on the Market Observation Post System of TWSE.

### XXIII. Income Tax

#### (I) Income tax recognized in profit or loss

Major components of income tax expenses are as follows:

	January 1, 2019 to March 31, 2019	January 1, 2018 to March 31, 2018
Current income tax		
Income tax expenses recognized in the period	<u>\$ 17,288</u>	<u>\$ 23,581</u>
Deferred income tax		
Income tax expenses recognized in the period	14,395	17,482
Changes in tax rates	<u>-</u>	<u>27,356</u>
	<u>14,395</u>	<u>44,838</u>
Income tax expenses recognized in profit or loss	<u>\$ 31,683</u>	<u>\$ 68,419</u>

The Income Tax Act of the Republic of China was amended in 2018 and the profit-seeking enterprise income tax rate was adjusted from 17% to 20% effective from 2018. The effect of the change in the tax rate on deferred income tax expenses to be recognized in profit or loss has been recognized in full in the period in which the change in the tax rate occurs. In addition, the tax rate applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

(II) Income tax recognized in other comprehensive income

	January 1, 2019 to March 31, 2019	January 1, 2018 to March 31, 2018
<u>Deferred income tax</u>		
Changes in tax rates	\$ -	\$ 5,262
Income tax expenses recognized in the period		
— Exchange differences arising from translation of foreign operations	<u>17,757</u>	<u>1,396</u>
	<u>\$ 17,757</u>	<u>\$ 6,658</u>

(IV) Income tax assessments

The tax authorities have assessed the profit-seeking enterprise income tax returns of the Company and domestic subsidiaries through 2016.

<u>Company Name</u>	<u>Year</u>
The Company	2017
Chien Kuo Development Co., Ltd.	2017
Shun Long International Electrical Engineering Co., Ltd.	2016
Anping Real Estate Co., Ltd.	2017

XXIV. Earnings per Share

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
		Unit: NT\$1/share
Basic earnings per share	<u>\$ 0.17</u>	<u>\$ 0.12</u>
Diluted earnings per share	<u>\$ 0.17</u>	<u>\$ 0.12</u>

Net income and the weighted average number of common stocks used for the calculation of earnings per share are as follows:

Net income

	January 1, 2019 to March 31, 2019	January 1, 2018 to March 31, 2018
Net income attributable to shareholders of the parent	<u>\$ 56,659</u>	<u>\$ 41,222</u>

Number of shares

	January 1, 2019 to March 31, 2019	Unit: 1,000 shares January 1, 2018 to March 31, 2018
Weighted average number of common stocks used for the calculation of basic earnings per share	334,300	334,300
Effect of dilutive potential common stocks:		
Employees' remuneration	<u>1,111</u>	<u>809</u>
Weighted average number of common stocks used for the calculation of diluted earnings per share	<u>335,411</u>	<u>335,109</u>

Since the Company is allowed to settle employees' remuneration by cash or stock, whenever applicable, the Company assumes that the entire amount of employees' remuneration will be settled by stock. As the effect of the resulting potential common stocks is dilutive, these stocks are included in the weighted average number of common stocks outstanding used for the calculation of diluted earnings per share. This dilutive effect of potential common stocks is included in the calculation of diluted earnings per share when the following year's shareholders' meeting resolves the number of shares to be appropriated to employees.

## XXV. Disposal of subsidiaries

The Company sold total share of Nantong Chein Cheng and partial share of WeBIM on 7 January, 2019 and 22 January, 2019 respectively, and has lost the control of its subsidiaries. The disposal amount of Nantong Chein Cheng and WeBIM are NT\$132,696 (RMB\$29,500) thousand and NT\$5,500 thousand.

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

	Chein Cheng	WeBIM
Current assets		
Cash and cash equivalents	\$ 2,280	\$ 16,204
Payment receivables	9,332	6,146
Other receivables	38,519	-
Stock	253	-
Prepaid items	291	-

Other current assets	266	-
Non-current assets		
Property, plants and equipment	27,376	328
Deferred tax assets	-	283
Other non-current assets	12,402	577
Current liabilities		
Other receivable	( 2,076 )	( 4,562 )
Deferred tax liabilities	-	( 28 )
Other current liabilities	( 9,344 )	( 103 )
Net disposal assets	<u>\$ 79,299</u>	<u>\$ 18,845</u>

## (II) Gain(loss) on disposal of subsidiary

	<u>Chein Cheng</u>	<u>WeBIM</u>
Collective consideration	\$ 132,696	\$ 5,500
Net disposal assets (100% as Chein Cheng; 76.5% as WeBIM)	( 79,299 )	( 14,417 )
Fair value of the rest shares transfer to investments accounted for using equity method (49%)	-	8,546
Accumulated exchange difference from equity reclassified to profit/loss due to losing control of net assets of subsidiary	( 18,650 )	-
Gain(loss) of disposal	<u>\$ 34,747</u>	<u>( \$ 371 )</u>

## (III) Net cash flow on disposal of subsidiary

	<u>Chein Cheng</u>	<u>WeBIM</u>
Collective consideration on cash and cash equivalents	\$ 132,696	\$ 5,500
Less: receipts in advance	( 132,696 )	-
Less: balance on disposal of cash and cash equivalents	( 2,280 )	( 16,204 )
	<u>( \$ 2,280 )</u>	<u>( \$ 10,704 )</u>

## XXVI. Capital Risk Management

The objective of the Company's capital management is to ensure that the Company can continue as a going concern, that an optimal capital structure is maintained to lower the cost of capital, and that returns are provided to shareholders. To maintain or adjust the capital structure, the Company may adjust dividends paid to shareholders, refund capital to shareholders or issue new shares to lower its debts.

## XXVII. 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 Company believes that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values, so their carrying amounts recognized in the consolidated balance sheets are used as a reasonable basis for estimating their fair values.

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

1. Fair value level

March 31, 2019

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

December 31, 2018

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



### March 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value</u> <u>through profit or loss</u>				
Foreign funds	\$ 310,943	\$ -	\$ -	\$ 310,943
Private funds			81,763	81,763
Structured deposits	-	251,752	-	251,752
Total	<u>\$ 310,943</u>	<u>\$ 251,752</u>	<u>\$ 81,763</u>	<u>\$ 644,458</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value</u> <u>through other</u> <u>comprehensive income</u>				
Equity instrument investment				
Domestic listed stocks	\$ 299,803	\$ -	\$ -	\$ 299,803
Liability instrument investment				
Investments in foreign bonds	-	138,674	-	138,674
Total	<u>\$ 610,746</u>	<u>\$ 390,426</u>	<u>\$ 81,763</u>	<u>\$1,082,935</u>

There was no transfer of fair values between Level 1 and Level 2 for the three-month periods ended March 31, 2019 and 2018.

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Investments in foreign bonds	The fair values of foreign bonds are based on quoted prices or final prices of participants in stock exchange markets.
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

The fair values of private funds are measured using the asset approach.

The asset approach evaluates the fair value based on the net worth of assets provided by a fund company. The unobservable inputs used by the Company as of March 31, 2019, December 31 and March 31, 2018 were discounted by 10% for liquidity and minority interests respectively. When other inputs stay the same, the fair value will decrease \$536, 927 and 909 thousands respectively, while discounted by 1% for liquidity and minority interests.

### (III) Category of financial instruments

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets</u>			
Measured at fair value through profit or loss			
Compulsorily measured at fair value through profit or loss	\$ 298,085	\$ 254,331	\$ 644,458
Financial assets at amortized cost (Note 1)	\$ 4,905,345	\$ 5,190,167	\$ 5,104,826
Financial assets at fair value through other comprehensive income			
Investments in equity instruments	376,837	330,698	299,803
Investments in debt instruments	57,091	57,060	138,674
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (Note 2)	2,991,042	3,552,931	3,886,801

Note 1. The balance includes cash and cash equivalents, notes and accounts receivable and other receivables.

Note 2. The balance includes financial liabilities at amortized cost, which comprise short-term notes and bills payable, notes payable, accounts payable, other payables and short-term loans and long-term loans.

### (IV) Financial risk management objectives and policies

The daily operations of the Company are subject to a number of financial risks, including market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The overall risk management policy of the Company focuses on the uncertainties in the financial market to reduce the potentially adverse effects on the financial position and performance of the Company.

The risk management is carried out by the finance department of the Company based on the policies approved by the Board of Directors. Through cooperation with the Company's operating units, the finance department is responsible for identifying, evaluating and hedging financial risks. With respect to the overall risk management, the Board of Directors has established principles and policies in writing concerning the specified scope and matters, such as exchange risk, credit risk, utilization of derivatives and non-derivatives and investment of remaining liquidity.

#### 1. Market risk

(1) Foreign exchange risk

The carrying amounts of monetary assets and monetary liabilities denominated in foreign currencies on the balance sheet date are provided in Note 31.

Sensitivity analysis

The Company is mainly exposed to RMB and USD fluctuations.

The following table details the Company's sensitivity to a 1% increase or decrease in New Taiwan Dollars against the relevant foreign currency. The rate of 1% is the sensitivity rate used when reporting foreign currency risk internally to the key management, and represents the management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts the translation at the end of the period to a 1% change in the exchange rate. The number below indicates an increase/decrease in profit before tax where the functional currency weakens 1% against the relevant currency.

	Effect on Profit or Loss	
	January 1 to March 31, 2019	January 1 to March 31, 2018
RMB	\$ 188	\$ 23
USD	4	1,412

(2) Interest rate risk

The interest rate risk of the Company comes from cash and cash equivalents. Cash and cash equivalents held at floating rates expose the Company to the cash flow interest rate risk. Part of such risk is offset by loans made at floating rates. Cash and cash equivalents held at fixed rates and loans made expose the Company to the fair value interest rate risk. The policy of the Company is to adjust the ratio of fixed interest rates and floating interest rates based on the overall trend of interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates on the balance sheet date are as follows.

	March 31, 2019	December 31, 2018	March 31, 2018
Fair value interest rate risk			
— Financial assets	\$ 1,436,362	\$ 1,674,294	\$ 1,811,621
— Financial liabilities	749,131	899,131	900,000
Cash flow interest rate risk			
— Financial assets	942,785	760,458	696,598
— Financial liabilities	350,000	350,000	499,803

### Sensitivity analysis

The sensitivity analysis below is based on the Company's exposure to interest rates for both derivative and non-derivative instruments on the balance sheet date. For liabilities at floating rates, the analysis assumes them to be in circulation on the balance sheet date (that is, to be in circulation throughout the reporting period). A 100 basis point increase or decrease is used when reporting the interest rate risk internally to the key management, and represents the management's assessment of the reasonably possible changes in interest rates.

If the interest rate is 100 basis points higher/lower and all other variables are held constant, the Company's profit before tax should increase/decrease by NT\$1,482 thousand and by NT\$492 thousand for the three-month periods ended March 31, 2019 and 2018, respectively.

### (3) Other price risk

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

### Sensitivity analysis

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

If the equity price is 10% higher/lower, profit or loss before tax for the three-month period ended March 31, 2019 should increase/decrease by NT\$5,065 thousand as a result of the gain or loss on equity instruments at fair value through profit or loss, and other comprehensive income before tax for the three-month period ended March 31, 2019

should increase/decrease by NT\$37,684 thousand as a result of the increase/decrease in the fair value of financial assets at fair value through other comprehensive income.

If the equity price is 10% higher/lower, profit or loss before tax for the three-month period ended March 31, 2018 should increase/decrease by NT\$39,271 thousand as a result of the increase/decrease in the fair value of financial assets at fair value through profit or loss, and other comprehensive income before tax for the three-month period ended March 31, 2018 should increase/decrease by NT\$29,980 thousand as a result of 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 Company arising from default by customers or counterparties of financial instruments on the contractual obligations. The Company has established a specific internal credit policy, which requires all entities within the Company to manage and conduct a credit analysis on every new customer before stipulating the terms and conditions of payment and delivery. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.

As the customer base of the Company is vast and unrelated, the concentration of credit risk is low.

## 3. Liquidity risk

- (1) The cash flow forecast is performed by each operating entity of the Company and compiled by the finance department. The finance department monitors the cash forecast to ensure that the Company's funds are adequate to finance its operations.
- (2) The following tables detail the Company's non-derivative financial liabilities grouped by the maturity date. Non-derivative financial liabilities are analyzed based on the remaining contractual maturity. The

contractual cash flows disclosed below are undiscounted, including principals and interest.

March 31, 2019

	Less than 1 Year	1~2 Year(s)	2~5 Years	More than 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 information of analysis of due on lease liabilities is as follow:

	Less than 1 Year	1~2 Year(s)	2~5 Years	10~15 Years	15~ 20Years	More than 20 Years
Lease liabilities	<u>\$ 15,346</u>	<u>\$ 46,119</u>	<u>\$ 6,238</u>	<u>\$ 6,238</u>	<u>\$ 6,238</u>	<u>\$ 58,952</u>

December 31, 2018

	Less than 1 Year	1~2 Year(s)	2~5 Years
Non-interest bearing liabilities	\$ 2,174,679	\$ 109,949	\$ 19,172
Fixed interest rate instruments	450,000	-	449,131
Floating interest rate instruments	-	-	350,000
	<u>\$ 2,624,679</u>	<u>\$ 109,949</u>	<u>\$ 818,303</u>

March 31, 2018

	Less than 1 Year	1~2 Year(s)	2~5 Years
Non-interest bearing liabilities	\$ 2,412,500	\$ 63,449	\$ 11,049
Fixed interest rate instruments	600,000	300,000	-
Floating interest rate instruments	149,803	-	350,000
	<u>\$ 3,162,303</u>	<u>\$ 363,449</u>	<u>\$ 361,049</u>

The amounts of floating interest rate instruments under non-derivative financial assets and liabilities may change if the floating interest rate varies from the interest rate estimated on the balance sheet date.

### (3) Financing facilities

	March 31, 2019	December 31, 2018	March 31, 2018
Unsecured bank loan facilities			
— Amount used	\$ 450,000	\$ 450,000	\$ 150,000
— Amount unused	<u>1,640,072</u>	<u>1,299,495</u>	<u>1,354,660</u>
	<u>\$ 2,090,072</u>	<u>\$ 1,749,495</u>	<u>\$ 1,504,660</u>
Secured bank loan facilities			
— Amount used	\$ 650,000	\$ 800,000	\$ 1,250,000
— Amount unused	<u>100,000</u>	<u>100,000</u>	<u>219,495</u>
	<u>\$ 750,000</u>	<u>\$ 900,000</u>	<u>\$ 1,469,495</u>

### (V) Financial assets shifting

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

The maximum risk exposure of the Company's continuing involvement in the derecognized banker's acceptance is the carrying amount of the banker's acceptance that had been endorsed over but yet to be due, which totaled NT\$246,737 thousand, NT\$331,572 thousand, and NT\$176,119 thousand respectively as of March 31, 2019, December 31, 2018, and March 31, 2018, and will be due respectively within 11 months, 12 months, and 11 months after the balance sheet date. Having considered the credit risks of the derecognized banker's acceptance, the consolidated Company determines that the fair value of its continuing involvement is immaterial.

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

### XXVIII. Related Party Transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and thus are not disclosed in this note. In addition to those

disclosed in other notes, transactions between the Company and other related parties are as follows.

(I) Names and relationships of related parties

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
WeBIM Service co., LTD.	As affiliated company since January 22, 2019
Jianhui Investment Co., Ltd. (Jianhui Investment)	The Chairman of the Party is the Vice-chairman of the Company.
Chien Kuo Group Foundation For Arts And Culture	The Chairman of the Foundation is the Vice-chairman of the Company.
Lee, Meng-Chung	The Chairman of the WeBIM
Yang, Tzu-Chiang	Director of the Company
Yang, Pang-Yen	Director of the Company

(II) Other related party transactions

1. Construction cost

<u>Category/Name of Related Party</u>	<u>January 1 to March 31, 2019</u>	<u>January 1 to March 31, 2018</u>
Affiliated Company	\$ 1,073	Note

It refers to the cost that building information modeling service provided by affiliated company and transaction made according to the general condition.

Note : The affiliated company is a related party of the Company in the period from January 1 to March 31, 2018.

2. Lessee Agreement

The Company rents the office from other related party based on the local standards. The rent is paid on a monthly basis.

<u>Listed Items</u>	<u>Category of Related Party</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Lease liabilities	Other related party	\$ 25,785	\$ -	\$ -

3. Equity Transfer

The Company sold 27.5% shares of WeBIM to the Chairman of WeBIM on 22 January, 2019 and the disposal amount is NT\$5,500 thousand.

4. Acquisition of financial assets

In January 2018, the Company invested NT\$17,466 thousand (US\$600 thousand) in CSVI VENTURES, L.P. based on the decision made by the directors of the Company.



(III) Remuneration to key management

	January 1 to March 31, 2018	January 1 to March 31, 2017
Short-term employee benefits	\$ 25,412	\$ 21,422
Post-employment benefits	301	297
	<u>\$ 25,713</u>	<u>\$ 21,719</u>

XXIX. Pledged Assets

The following assets have been pledged as collateral for bank loans or lawsuits and as margins for the performance of construction contracts and acceptance:

	March 31, 2019	December 31, 2018	March 31, 2018
Land held for construction	\$ 463,577	\$ 463,577	\$ 463,577
Financial assets at fair value through profit or loss - current	-	123,289	251,752
Financial assets at fair value through other comprehensive income - non-current	108,445	94,555	23,300
Pledged certificate of deposit	206,489	205,844	265,577
Investment property	31,978	32,122	32,552
Property, plant and equipment	18,522	18,701	20,586
Right-of-use assets	4,807	-	-
Long-term prepaid rent	-	4,735	5,004
Other restricted assets	39,197	143,800	157,985
	<u>\$ 873,015</u>	<u>\$ 1,086,623</u>	<u>\$ 1,220,333</u>

XXX. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

- (I) Whereas, the construction of the National Kaohsiung Center for the Arts (Wei wuying) (hereinafter referred to as “the Project”) undertaken by the Company was completed on December 16, 2016, and the Ministry of Culture of the Republic of China (hereinafter referred to as “the Ministry”) began the initial acceptance inspection on February 20, 2017. During the acceptance process, the Company delivered the completed work in a gradual manner for users’ utilization as per the instruction of the Ministry when other interface projects were still undergoing construction using the space. The Ministry even opened some facilities for public use without turning on related equipment to maintain appropriate temperature and humidity, resulting in the Project having unexpected damage and non-conformities. The Ministry required the Company to repair the damaged part, which caused the Project’s failure to conform to the acceptance procedures within the time limit. The

Ministry even proposed to impose a penalty fine for delay on the Company. The Company believes such application of law wrong and in violation of the principles of fairness and reasonableness. Therefore, it filed a request for mediation to the Complaint Review Board for Government Procurement under the Public Construction Commission of the Executive Yuan on October 9, 2018. This case is still under mediation. On July 20, 2014, Shing Tzung Development Co., Ltd. (Shing Tzung) and its person in charge, Lu, Kuo-Feng performed the diaphragm wall construction for the building (5 floors underground and 26 floors above ground) at Lingzhou section land No. 537 in Kaohsiung City, which caused the severe tilts, wall cracks and subsidence of the buildings at Lane 187, Ziqiang 3rd Road. As the Company actively participated in repairs, 25 owners of the damaged buildings transferred some of their claims to the Company. The Company and the said owners have been granted by the court the approval of provisional attachment to Shing Tzung and its person in charge. The Company has requested Shing Tzung and its person in charge to pay NT\$25 million, jointly and severally, with interest accruing at 5% per annum from the date following the service of the indictment copy to the date of settlement. The initial verdict held that Shing Tzung had also paid related expenses for such an incident and thus agreed to that the expense contended to be paid by Shing Tzung should be offset against the credit rights to which the Company might be entitled. Therefore, the plaintiff's case was rejected. The Company has recognized the total amount of NT\$25 million that was previously presented under "payment on behalf of another party" as a loss based on the verdict.

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

- (II) As of March 31, 2019, the performance guarantee letters issued by the bank for construction projects amounted to NT\$1,519,593 thousand.
- (III) As of March 31, 2019, the guaranteed bills issued by the Company for business needs amounted to NT\$610,546 thousand.

#### XXXI. Significant Financial Assets and Liabilities Denominated in Foreign Currencies

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

Unit: Foreign currency/NT\$1,000

##### March 31, 2019

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

##### December 31, 2018

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
CNY	\$ 9,020	0.1485(CNY:USD)	\$ 40,374
USD	201	30.72 (USD:TWD)	6,175
			<u>\$ 46,549</u>

##### March 31, 2018

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 4,850	29.11 (USD:TWD)	\$ 141,184
CNY	500	0.1590 (CNY:USD)	2,315
			<u>\$ 143,499</u>

The unrealized gain or loss on foreign currency exchange of significance is as follows:

	January 1, 2018 to March 31, 2019		January 1, 2017 to March 31, 2018	
	Exchange Rate	Gain (Loss) on Foreign Currency Exchange, Net	Exchange Rate	Gain (Loss) on Foreign Currency Exchange, Net
<u>Financial assets</u>				
CNY	0.1485 (CNY:USD)	( \$ 3,730 )	0.1590 (CNY:USD)	\$ 6,230
USD	30.82 (USD:TWD)	- ( \$ 3,730 )	29.11 (USD:TWD)	( <u>4,728</u> ) <u>\$ 1,502</u>

### XXXII. Supplementary Disclosures

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

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

2. Any of the following significant transactions with invested companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms and unrealized gain or loss: None.
  - (1) Purchase amount and percentage, and the ending balance and percentage of payables.
  - (2) Sales amount and percentage, and the ending balance and percentage of receivables.
  - (3) Property transaction amount and the resulting gain or loss.
  - (4) Ending balance and purposes of endorsement/guarantee or collateral provided.
  - (5) The maximum balance, ending balance, interest rate and total amount of current interest of financing facilities.
  - (6) Other transactions having a significant impact on profit or loss or financial position for the period, such as provision or receipt of service.

### XXXIII. Segment Information

Information provided for the chief business decision maker to allocate resources and evaluate the performance of segments focuses on the category of products or service delivered or provided. The 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 results

The revenue and results of the Company is analyzed as follows (by reportable segments):

	Segment Revenue		Segment Profit or Loss	
	January 1, 2018 to March 31, 2019	January 1, 2017 to March 31, 2018	January 1, 2018 to March 31, 2019	January 1, 2017 to March 31, 2018
Construction Segment	\$ 973,491	\$ 971,281	\$ 30,206	\$ 42,439
Concrete Segment	<u>486,236</u>	<u>508,642</u>	<u>32,563</u>	<u>83,069</u>
Total revenue from continuing operations	<u>\$ 1,459,727</u>	<u>\$ 1,479,923</u>	62,769	125,508
Other revenues			16,448	14,319
Other gains and losses			41,134	( 1,942)
Headquarters management costs and directors' remuneration			( 25,470)	( 20,268)
Finance costs			( 5,449)	( 7,751)
Shares of loss from affiliated companies recognized by equity method			( 941)	-
Income before tax			<u>\$ 88,491</u>	<u>\$ 109,866</u>

Segment profit or loss represents profit or loss created by each segment without the allocation of headquarters management costs and directors' remuneration, share of joint venture profit or loss using equity method, other revenues, other gains and losses, finance costs and income tax expenses. Such measurement is provided for the chief business decision maker to allocate resources and evaluate the performance of segments.

Chien Kuo Construction Co., Ltd. and Subsidiaries

Financing Provided

January 1 to March 31, 2019

Appendix 1

Unit: NT\$1,000

No.	Financing Company	Counterparty	Financial Statement Account	Related Party (Y/N)	Maximum Balance	Ending Balance	Amount Actually Provided	Interest Rate	Nature of Financing (Note 1)	Amount of Transaction	Reason for Financing	Allowance for Bad Debts	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Ceiling	Note
													Item	Value			
0	Chien Kuo Construction Co., Ltd.	Chien Kuo Development Co., Ltd.	Other receivables	Yes	\$ 300,000	\$ 300,000	\$ -	1.2%	(1)	\$ -	Operating capital	\$ -	—	\$ -	20% of the parent's net worth \$ 979,043	40% of the parent's net worth \$ 1,958,087	

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

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

Note 2: For endorsements/guarantees denominated in foreign currencies, they were presented in NTD at the exchange rate of 1:4.577 (RMB:TWD) on March 31, 2019.

Chien Kuo Construction Co., Ltd. and Subsidiaries

Endorsements/Guarantees Provided

January 1 to March 31, 2019

Appendix 2

Unit: NT\$1,000

No.	Endorsement/Guarantee Provider Name	Guaranteed Party		Limit on Endorsements/Guarantees Provided for Each Guaranteed Party (Notes 1, 2 and 4)	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Amount Actually Provided (Note 1)	Amount of Endorsements/Guarantees Secured by Property	Ratio of Accumulated Endorsements/Guarantees to Net Equity in the Latest Financial Statements	Maximum Endorsement/Guarantee Amount Allowable (Notes 1, 3 and 4)	Endorsements/Guarantees Provided by Parent	Endorsements/Guarantees Provided by Subsidiary	Endorsements/Guarantees Provided for Subsidiary in Mainland China	Note
		Name	Relationship											
0	Chien Kuo Construction Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Sub-subsidiary	\$ 2,474,737	\$ 237,858	\$ 237,858	\$ 22,886	\$ -	4.81%	\$ 4,949,473	Y	N	Y	Financing endorsement/guarantee
		Wuxi Chien Bang Concrete Co., Ltd.	Sub-subsidiary	2,474,737	237,858	237,858	50,348	-	4.81%	4,949,473	Y	N	Y	Financing endorsement/guarantee
		Shun Long International Electrical Engineering Co., Ltd.	Sub-subsidiary	2,474,737	50,000	50,000	-	-	1.01%	4,949,473	Y	N	N	Financing endorsement/guarantee
1	Golden Canyon Limited	Chien Kuo Construction Co., Ltd.	parent company	11,026,387	184,920	184,920	184,920	184,920	6.71%	11,026,387	N	Y	N	Financing endorsement/guarantee

Disclosure:

Note 1: For endorsements/guarantees denominated in foreign currencies, they were presented in NTD at the exchange rate of 1:30.82 (USD:TWD) on March 31, 2019.

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

- (1) The limit on endorsements/guarantees made to the same trade should be 200% of net worth of shareholders' equity.
- (2) The limit on endorsements/guarantees made to other guaranteed parties should be 50% of net worth of shareholders' equity.

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

- (1) The maximum endorsement/guarantee amount allowable to the same trade should be 400% of net worth of shareholders' equity.
- (2) The maximum endorsement/guarantee amount allowable to other guaranteed parties should be 100% of net worth of shareholders' equity.

Note 4: The limit on endorsement and limit on endorsement and guarantee made by Golden Canyon Limited for a single entity are calculated as follows:

- (1) The limit on endorsements/guarantees made for a single entity should be 400% of net worth of shareholders' equity.
- (2) The limit on endorsements/guarantees made to other guaranteed parties should be 400% of net worth of shareholders' equity.



Chien Kuo Construction Co., Ltd. and Subsidiaries  
Marketable Securities Held  
March 31, 2019

Appendix 3

Unit: NT\$1,000

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2018				Note
				Number of Shares (in Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Chien Kuo Construction Co., Ltd.	<u>Shares</u>							
	Taiwan Cement Corporation	—	Financial assets at fair value through other comprehensive income - non-current	5,510	\$ 227,281	0.10	\$ 227,281	Note 4
	Chia Hsin Cement Corporation	—	Financial assets at fair value through other comprehensive income - non-current	6,853	104,165	0.88	104,165	Note 1
Golden Canyon Limited	Chia Hsin Cement Corporation	—	Financial assets at fair value through other comprehensive income - current	1,114	16,940	0.14	16,940	—
	<u>Funds</u>							
	YUANTA DIAMOND FUNDS SPC - YUANTA PRIVATE EQUITY FUND SP	—	Financial assets at fair value through profit or loss - non-current	Note 5	2,788	-	2,788	—
	PVG GNC VENTURES, L.P.	—	Financial assets at fair value through profit or loss - non-current	-	24,293	5.00	24,293	—
	CSVI VENTURES, L.P.	Note 3	Financial assets at fair value through profit or loss - non-current	-	23,572	5.13	23,572	—
	<u>Shares</u>							
	Chia Hsin Cement Corporation	—	Financial assets at fair value through other comprehensive income - current	175	2,664	0.02	2,664	—
Wuxi Chien Bang Concrete Co., Ltd.	<u>Bonds</u>							
	POLY REAL ESTATE GROUP CO. LTD	—	Financial assets at fair value through other comprehensive income - non-current	1,850	57,091	-	57,091	—
	<u>Shares</u>							
	China Mobile Communications Group Co.,Ltd	—	Financial assets at fair value through other comprehensive income - current	82	25,787	-	25,787	—

(Continued on next page)

(Continued from previous page)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2018				Note
				Number of Shares (in Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	<u>Structured deposits</u>							
	China Minsheng Bank Corp., Ltd.	—	Financial assets at fair value through other comprehensive income - current	-	\$ 82,414	-	\$ 82,414	—
Chien Ya (Nantong) Information Technology Consultant Co., Ltd.	<u>Structured deposits</u>							
	Bank of East Asia (China) Limited	—	Financial assets at fair value through profit or loss - current		165,018	-	165,018	—

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

Note 2: Please refer to Appendixes 7 and 8 for information on investments in subsidiaries.

Note 3: The chief decision makers of the fund are the directors of the Company.

Note 4: Among them, 1,892 thousand shares were pledged to the court as collateral against the litigation between the Company and Shing Tzung.

Note 5: 700 units held.

Chien Kuo Construction Co., Ltd. and Subsidiaries

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

March 31, 2019

Appendix 4

Unit: NT\$1,000, unless otherwise specified

Company name	Related Parties	Relationship	Trade information				Reasons different from general trade (note 1)		Note and account receivables(payables)		Note(note 2)
			Purchased /sold	Amount	Ratio of total purchase(sold)	Credit period	Unit price	Credit period	餘額	Ratio of total note and account receivables(pa yables)	
Chien Kuo Construction Co., Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiary	Purchased	\$ 109,134	12.10%	By contracts	-	-	(\$ 185,682)	( 15.97% )	
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co., Ltd.	Parant	Sold	( 109,134 )	( 92.86% )	By contracts	-	-	111,154	100.00%	

Note 1: Where the transaction terms for related parties are different from those of the arms-length transactions, the difference and the reason for it shall be stated in the columns titled “Unit price” and “Credit Period”.

Note 2: If payments are collected (paid) in advance, the reasons, contractual terms, amounts, and difference from arms-length transactions shall be stated in the column titled “Notes”.

Note 3: Paid-in capital refers to the paid-in capital of the parent. Where issuer’s shares have no par value or where the par value per share is not NT\$ 10, any calculations that involve paid-in capital ratio of 20% shall be replaced with the equity ratio of 10% attributable to the owners of the parent company as stated in the balance sheet.

Chien Kuo Construction Co., Ltd. and Subsidiaries

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

March 31, 2019

Appendix 5

Unit: NT\$1,000, unless otherwise specified

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue Receivables from Related Parties		Amount Received in Subsequent Period (Note 1)	Allowance for Bad Debts
					Amount	Action Taken		
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co., Ltd.	Parent	Accounts receivable \$ 111,154	13.40	\$ -	—	\$ 55,827	\$ -
Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	100% holding shares by the Company	Other receivables \$ 170,930		-	—		-

Note 1: Amount received as of April 30, 2019.

Chien Kuo Construction Co., Ltd. and Subsidiaries  
Inter-company Relationships and Significant Inter-company Transactions  
For the Three Months Ended March 31, 2019

Appendix 6

Unit: NT\$1,000

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Inter-company Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Revenue or Total Assets
0	Chien Kuo Construction Co., Ltd.	WeBIM Services Co., Ltd.	(1)	Miscellaneous revenue	\$ 26,508	Note 2	0.29%
		Shun Long International Electrical Engineering Co., Ltd.	(1)	Construction costs	109,134	Note 2	7.48%
			(1)	Construction contracts receivable	850,779	Note 2	9.41%
1	Chien Kuo Development Co., Ltd.	Anping Real Estate Co., Ltd.	(1)	Accounts payable	185,682	Note 2	2.05%
2	Chien Ya (Shanghai) Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	(3)	Other receivables	7,200	Note 3	0.08%
			(3)	Other receivables	82,388	Note 4	0.91%
3	Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	(3)	Interest income	1,164	Note 2	0.08%
			(3)	Other receivables	173,930	Note 4	1.92%
			(3)	Interest income	2,457	Note 2	0.17%

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: General conditions applied.

Note 3: Superficies transferred by Chien Kuo Development Co., Ltd. to Anping Real Estate Co., Ltd.

Note 4: Loan of funds

Chien Kuo Construction Co., Ltd. and Subsidiaries  
Information on Invested Companies  
For the Three Months Ended March 31, 2019

Appendix 7

Unit: NT\$1,000

Investor	Invested Company	Location	Principal Business Activities	Initial Investment Amount		Balance as of 31, 2018			Profit or Loss of Invested Company	Investment Profit or Loss	Note
				March 31, 2018	December 31, 2017	Number of Shares (in Thousands)	Percentage of Ownership (%)	Carrying Amount			
Chien Kuo Construction Co., Ltd.	Golden Canyon Limited	British Virgin Islands	Investment	\$ 315,189	\$ 491,804	10,088	100	\$ 2,655,464	\$ 38,796	\$ 38,796	Subsidiary
	Yin Ying Holding Limited	British Virgin Islands	Investment	842,503	1,065,645	25,854	100	2,047,027	34,226	34,226	Subsidiary
	Chien Kuo Development Co., Ltd.	Taiwan	Building construction commission; public housing lease	144,065	144,065	11,100	100	99,219	124	126	Subsidiary
	Shun Long International Electrical Engineering Co., Ltd.	Taiwan	Mechanical, electrical and plumbing engineering, undertaking and equipment/wholesale and retail	44,361	44,361	6,063	86.61	48,596	1,114	965	Subsidiary
	WeBIM Services Co., Ltd.	Taiwan	Construction technology	8,546	15,166	980	49	7,605	( 1,920 )	( 941 )	Associates
	Anping Real Estate Co., Ltd.	Taiwan	Housing and building development and lease	140,000	140,000	14,000	100	133,739	( 637 )	( 637 )	Subsidiary
Yin Ying Holding Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Investment	910,310	910,310	1,746	54.78	1,807,943	61,911	N/A	Sub-subsubsidiary
Golden Canyon Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Investment	810,433	810,433	1,441	45.22	1,492,427	61,911	N/A	Sub-subsubsidiary
Chien Kuo Asia Co., Ltd.	Shun Long (Hong Kong) Limited	Hong Kong	International trade	0.007794	0.007794	—	100	272	-	N/A	Sub-subsubsidiary

Note 1: For investments denominated in foreign currencies, profit or loss was presented in NTD at the average exchange rate of 1:30.83 (USD:TWD) for the three-month period ended March 31, 2019, while other amounts were presented in NTD at the exchange rate of 1:30.82 (USD:TWD) on March 31, 2019.

Note 2: Please refer to Appendix 8 for information on invested companies in mainland China.

Chien Kuo Construction Co., Ltd. and Subsidiaries  
Information on Investments in Mainland China  
For the Three Months Ended March 31, 2019

Appendix 8

Unit: NT\$1,000

Invested Company	Principal Business Activities	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flow		Accumulated Outflow of Investment from Taiwan as of March 31, 2018	Net Income of Invested Company	Percentage of Ownership (Direct or Indirect)	Investment Profit or Loss (Note 1)	Carrying Amount as of March 31, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of March 31, 2018	Note
					Outflow	Inflow							
Shanghai Chien Kuo Concrete Co., Ltd.	Production and sale of concrete and concrete products	\$ 154,470	Investment through a company founded in a third region	\$ 125,779	\$ -	\$ 109,634	\$ 16,145	\$ -	-	\$ -	\$ -	\$ -	Note 4
Jianya (Shanghai) Information Technology Co., Ltd.	Computer software technology development and consultation	110,952	Investment through a company founded in a third region	68,326	-	-	68,326	1,002	100%	1,002	157,742	-	
Suzhou Chien Hua Concrete Co., Ltd.	Production and sale of concrete and concrete products	423,005	Investment through a company founded in a third region	182,036	-	-	182,036	( 8,035)	100%	( 8,035)	576,066	-	
Kunshan Jianshan Concrete Co., Ltd.	Production and sale of concrete and concrete products	308,200	Investment through a company founded in a third region	230,025	-	227,634	2,391	-	-	-	-	-	Note 4
Wuxi Chien Bang Concrete Co., Ltd.	Production and sale of concrete and concrete products	439,956	Investment through a company founded in a third region	214,059	-	-	214,059	31,307	100%	31,307	1,624,801	-	
Changzhou Chien An Concrete Co., Ltd.	Production and sale of concrete and concrete products	77,050	Investment through a company founded in a third region	69,342	-	69,342	-	-	-	-	-	-	Note 4
Nantong Chien Cheng Concrete Co., Ltd.	Production and sale of concrete and concrete products	62,411	Investment through a company founded in a third region	244,471	-	-	244,471	-	-	-	-	-	
Chien Ya (Nantong) Information Technology Consultant Co., Ltd.	Computer software technology development and consultation	154,100	Investment through a company founded in a third region	-	-	-	-	1,334	100%	1,334	169,842	-	Note 5
Yangzhou Chien Yung Concrete Co., Ltd.	Production and sale of concrete and concrete products	61,640	Investment through a company founded in a third region	197,041	-	-	197,041	( 1,119)	100%	( 1,119)	36,512	-	
Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	Computer software technology development and consultation	249,642	Investment through a company founded in a third region	-	-	-	-	2,563	100%	2,563	263,091	-	Note 6
Shanghai Chien Chung Concrete Co., Ltd.	Production and sale of concrete and concrete products	77,050	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Kunshan Jindi Concrete Co., Ltd.	Production and sale of concrete and concrete products	43,148	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Zunyi Chien Bang Mining Co., Ltd.	Quarrying	160,199	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Changzhou Changlong Handling Co., Ltd.	Cargo handling	2,289	Investment through an existing company in a third region	-	-	-	-	( 9)	100%	( 9)	908	-	
Jiangsu Shili Construction Co., Ltd.	Construction consultation	64,722	Investment through a company founded in a third region and others	23,100	-	-	23,100	87	100%	87	76,432	-	

Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	Construction consultation	18,492	Investment through a company founded in a third region and others	-	-	-	-	13	100%	13	23,354	-	
Loudi Chien Kuo Mining Co., Ltd. and other six invested companies	Quarrying	1,227,252	Investment through an existing company in a third region and others	36,840	-	-	36,840	-	( Note 4 )	-	-	914,492	Note 4

Accumulated Investment in Mainland China Remitted from Taiwan as of March 31, 2018	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on Investment Amount under Regulations of Investment Commission, MOEA
\$ 1,014,087 ( Note 3 )	\$ 310,312 ( Note 2 )	\$ 3,073,705

Note 1: The amount was recognized based on the reviewed financial statements.

Note 2: The amount authorized by the Investment Commission, MOEA was NT\$1,318,735, of which NT\$1,008,423 originated from the surpluses of invested companies in mainland China remitted to the third regions, and was not included in the calculation of the limit on investment.

Note 3: The amount remitted from Taiwan was NT\$1,014,087, including the following expenses:

(1) Loss on investment:

Invested Company	Initial Investment Amount	Inward Investment Amount	Loss on Investment
Shanghai Chien Chung Concrete Co., Ltd.	\$ 33,553	\$ 14,058	\$ 19,495
Shanghai Ruihui Trading Co., Ltd.	9,210	916	8,294
Nanjing Jianxing Concrete Co., Ltd.	25,728	25,618	110
Jianxiang Management Consulting (Shanghai) Co., Ltd.	1,779	-	1,779

(2) NT\$184,675 originated from the funds of the third regions.

Note 4: The equity transaction with Changzhou Chien An Concrete Co., Ltd. was completed on October 31, 2013; the liquidation of Shanghai Chien Chung Concrete Co., Ltd. and Zunyi Chien Bang Mining Co., Ltd. was completed in 2015 and 2014, respectively; 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; the liquidation of Kunshan Jindi Concrete Co., Ltd. was completed on January 18, 2018; the equity transaction with Kunshan Jianshan Concrete Co., Ltd. was completed on August 23, 2017; the equity transaction with Guangxi Hefa Mining Co., Ltd. was completed on September 22, 2017.

Note 5: Divided from Nantong Chein Cheng and newly established.

Note 6: Divided from Yangzhou Chein Yung and newly established.