

**Chien Kuo Construction Co., Ltd.  
and Subsidiaries**

**Consolidated Financial Statements  
and Certified Public Accountants'  
Review Report  
for the Six-Month Periods Ended June 30,  
2019 and 2018**

*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.*

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## **Independent Auditors' Review Report**

To Chien Kuo Construction Co. Ltd.

### **Introduction**

We have reviewed the consolidated financial statements of Chien Kuo Construction Co. Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of June 30, 2019 and 2018, consolidated statements of comprehensive income for the three-month period and six-month period ended June 30, 2019 and 2018, consolidated statements of changes in equity and consolidated statements of cash flows for the six-month period ended June 30, 2019 and 2018, and notes to the consolidated financial statements (including summary of significant accounting policies). Management is responsible for the preparation of a set of fairly presented 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 12, the financial statements of the aforementioned insignificant subsidiaries being consolidated for the same periods were not reviewed by a certified public accountant, which statements reflect (a) total assets as at June 30, 2019 and 2018 in the amount of NT\$ 1,484,872 thousand and NT\$ 1,261,514 thousand, constituting 16.03% and 13.14% of

the total consolidated assets; (b) total liabilities as at June 30, 2019 and 2018 in the amount of NT\$ 278,930 thousand and NT\$ 186,627 thousand, constituting 6.59% and 4.00% of the total consolidated liabilities; (c) total comprehensive income as at the three-month periods ended June 30, 2019 and 2018 in the amount of NT\$ (3,994) thousand and NT\$ 5,186 thousand, constituting (5.6%) and 3.02% of the total consolidated comprehensive income; and (d) total comprehensive income for the six-month periods ended June 30, 2019 and 2018 in the amount of NT\$ 231 thousand and NT\$ 1,233 thousand, constituting 0.09% and 0.63% of the total consolidated comprehensive income.

### **Qualified Conclusion**

Based on our review results, except as stated in the paragraph titled “Basis for Qualified Conclusion” that there might be adjustments to the consolidated financial statements had the financial statements of the afore-mentioned insignificant subsidiaries been reviewed by a certified public accountant, nothing has come to our attention that caused us to believe that the afore-mentioned consolidated financial statements, in all material respects, do not fairly present Chien Kuo Construction Co. Ltd. and subsidiaries’ financial position as at June 30, 2019 and 2018, financial performance for the three-month periods and six-month periods ended June 30, 2019 and 2018, and the cash flows for the six-month periods ended June 30, 2019 and 2018 in accordance 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 Financial Supervisory Commission.

Deloitte & Touche Taiwan

CPA: I-Wen Wang

CPA: Yu-Wei Fan

Approval number by the Financial  
Supervisory Commission  
FSC - 0980032818

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

August 8, 2019

## Chien Kuo Construction Co., Ltd. and Subsidiaries

## Consolidated Balance Sheets

June 30, 2019, December 31, 2018 and June 30, 2018

Unit: In Thousands of New Taiwan Dollars

| Code | Assets  | June 30, 2019<br>(Reviewed) |            | December 31, 2018<br>(Audited) |              | June 30, 2018<br>(Reviewed) |            |
|------|---|-----------------------------|------------|--------------------------------|--------------|-----------------------------|------------|
|      |   | Amount                      | %          | Amount                         | %            | Amount                      | %          |
| 1100 | Current assets  |                             |            |                                |              |                             |            |
| 1100 | Cash and cash equivalents (Note 6)  | \$ 2,391,968                | 26         | \$ 2,437,312                   | 26           | \$ 2,021,820                | 21         |
| 1110 | Financial assets measured at FVTPL (Note 7 and 28)                              | 162,844                     | 2          | 159,157                        | 2            | 608,155                     | 6          |
| 1120 | Financial assets measured at FVTOCI (Note 8)                                    | 45,261                      | -          | 41,347                         | -            | 38,816                      | -          |
| 1140 | Contract assets (Note 20)   | 1,414,156                   | 15         | 1,331,215                      | 14           | 1,270,933                   | 13         |
| 1150 | Notes receivable (Note 9)   | 61,790                      | 1          | 111,011                        | 1            | 272,164                     | 3          |
| 1170 | Accounts receivable (Note 20)   | 2,322,851                   | 25         | 2,609,969                      | 28           | 2,658,787                   | 28         |
| 1200 | Other receivables   | 45,593                      | 1          | 31,875                         | -            | 14,869                      | -          |
| 1310 | Inventory   | 29,106                      | -          | 27,102                         | -            | 18,726                      | -          |
| 1323 | Land held for construction (Notes 10 and 28)                                    | 463,577                     | 5          | 463,577                        | 5            | 463,577                     | 5          |
| 1410 | Prepayments (Note 11)   | 502,001                     | 5          | 632,002                        | 7            | 635,045                     | 7          |
| 1460 | Non-current assets held for sale (Note 13)                                      | 336,115                     | 4          | 75,602                         | 1            | -                           | -          |
| 1470 | Other current assets (Note 28)  | 163,334                     | 2          | 191,253                        | 2            | 163,431                     | 2          |
| 11XX | Total current assets  | <u>7,938,596</u>            | <u>86</u>  | <u>8,111,422</u>               | <u>86</u>    | <u>8,166,323</u>            | <u>85</u>  |
| 1510 | Non-current assets  |                             |            |                                |              |                             |            |
| 1510 | Financial assets measured at FVTPL (Note 7)                                     | 65,868                      | 1          | 95,174                         | 1            | 99,333                      | 1          |
| 1517 | Financial assets measured at FVTOCI (Note 8 and 28)                             | 370,915                     | 4          | 346,411                        | 4            | 444,385                     | 5          |
| 1550 | Investment by equity method (Notes 12)  | 7,691                       | -          | -                              | -            | -                           | -          |
| 1600 | Property, plant and equipment (Notes 14 and 28)                                 | 133,008                     | 1          | 191,066                        | 2            | 224,907                     | 2          |
| 1755 | Right-to-use assets (Notes 15 and 28)   | 247,355                     | 3          | -                              | -            | -                           | -          |
| 1760 | Investment property (Note 16 and 28)  | 215,706                     | 2          | 216,684                        | 2            | 170,562                     | 2          |
| 1840 | Deferred income tax assets  | 74,211                      | 1          | 79,743                         | 1            | 75,864                      | 1          |
| 1980 | Pledged certificate of deposit (Note 28)  | 192,572                     | 2          | 205,844                        | 2            | 211,782                     | 2          |
| 1985 | Long-term prepaid rent (Note 28)  | -                           | -          | 148,101                        | 2            | 162,657                     | 2          |
| 1990 | Other non-current assets  | 18,590                      | -          | 19,018                         | -            | 44,150                      | -          |
| 15XX | Total noncurrent assets   | <u>1,325,916</u>            | <u>14</u>  | <u>1,302,041</u>               | <u>14</u>    | <u>1,433,640</u>            | <u>15</u>  |
| 1XXX | Total assets  | <u>\$ 9,264,512</u>         | <u>100</u> | <u>\$ 9,413,463</u>            | <u>100</u>   | <u>\$ 9,599,963</u>         | <u>100</u> |
| Code | Liabilities and Equity  |                             |            |                                |              |                             |            |
| 2100 | Current liabilities   |                             |            |                                |              |                             |            |
| 2110 | Short-term debt (Note 17)   | \$ 10,000                   | -          | \$ -                           | -            | \$ -                        | -          |
| 2110 | Short-term bills payables (Note 17)   | -                           | -          | -                              | -            | 149,803                     | 2          |
| 2126 | Financial liabilities for hedging purpose                                       | 2,157                       | -          | -                              | -            | -                           | -          |
| 2130 | Contract liabilities (Note 20)  | 80,159                      | 1          | 57,730                         | 1            | 156,218                     | 2          |
| 2150 | Notes payable   | 40,662                      | -          | 385,388                        | 4            | 456,104                     | 5          |
| 2170 | Accounts payable (Notes 18)   | 1,578,934                   | 17         | 1,701,653                      | 18           | 1,674,842                   | 17         |
| 2200 | Other payables  | 324,552                     | 4          | 216,759                        | 2            | 377,938                     | 4          |
| 2230 | Current income tax liabilities  | 10,927                      | -          | 13,316                         | -            | 20,822                      | -          |
| 2260 | Liabilities directly associated with non-current assets held for sale (Note 13) | 189,338                     | 2          | 4,935                          | -            | -                           | -          |
| 2320 | Long-term liabilities - current portion (Note 17)                               | 150,000                     | 2          | 450,000                        | 5            | 600,000                     | 6          |
| 2399 | Other current liabilities (Note 15)   | 112,554                     | 1          | 166,519                        | 2            | 100,769                     | 1          |
| 21XX | Total current liabilities   | <u>2,499,283</u>            | <u>27</u>  | <u>2,996,300</u>               | <u>32</u>    | <u>3,536,496</u>            | <u>37</u>  |
| 2540 | Non-current liabilities   |                             |            |                                |              |                             |            |
| 2540 | Long-term loans (Note 17)   | 948,909                     | 10         | 799,131                        | 8            | 500,000                     | 5          |
| 2570 | Deferred income tax liabilities   | 621,277                     | 7          | 583,786                        | 6            | 575,521                     | 6          |
| 2580 | Lease liabilities (Note 15)   | 86,932                      | 1          | -                              | -            | -                           | -          |
| 2600 | Other non-current liabilities   | 74,033                      | 1          | 72,981                         | 1            | 54,026                      | 1          |
| 25XX | Total noncurrent liabilities  | <u>1,731,151</u>            | <u>19</u>  | <u>1,455,898</u>               | <u>15</u>    | <u>1,129,547</u>            | <u>12</u>  |
| 2XXX | Total liabilities   | <u>4,230,434</u>            | <u>46</u>  | <u>4,452,198</u>               | <u>47</u>    | <u>4,666,043</u>            | <u>49</u>  |
| 3110 | Equity attributable to shareholders of the parent (Note 19)                     |                             |            |                                |              |                             |            |
| 3110 | Capital   |                             |            |                                |              |                             |            |
| 3110 | Capital of common shares  | <u>3,343,001</u>            | <u>36</u>  | <u>3,343,001</u>               | <u>36</u>    | <u>3,379,001</u>            | <u>35</u>  |
| 3200 | Capital Surplus   | <u>201,627</u>              | <u>2</u>   | <u>201,627</u>                 | <u>2</u>     | <u>200,462</u>              | <u>2</u>   |
| 3200 | Retained earnings   |                             |            |                                |              |                             |            |
| 3310 | Legal reserve   | 626,554                     | 7          | 605,987                        | 7            | 605,987                     | 6          |
| 3320 | Special reserve   | 55,455                      | -          | 67,179                         | 1            | 67,179                      | 1          |
| 3350 | Undistributed earnings  | 721,951                     | 8          | 788,857                        | 8            | 703,652                     | 7          |
| 3300 | Total retained earnings   | <u>1,403,960</u>            | <u>15</u>  | <u>1,462,023</u>               | <u>16</u>    | <u>1,376,818</u>            | <u>14</u>  |
| 3400 | Other equity  | <u>78,060</u>               | <u>1</u>   | <u>( 57,178 )</u>              | <u>( 1 )</u> | <u>2,087</u>                | <u>-</u>   |
| 3500 | Treasury shares   | -                           | -          | -                              | -            | <u>( 34,835 )</u>           | <u>-</u>   |
| 31XX | Total equity attributable to shareholders of the Group                          | <u>5,026,648</u>            | <u>54</u>  | <u>4,949,473</u>               | <u>53</u>    | <u>4,923,533</u>            | <u>51</u>  |
| 36XX | Non-controlling interest  | <u>7,430</u>                | <u>-</u>   | <u>11,792</u>                  | <u>-</u>     | <u>10,387</u>               | <u>-</u>   |
| 3XXX | Total equity  | <u>5,034,078</u>            | <u>54</u>  | <u>4,961,265</u>               | <u>53</u>    | <u>4,933,920</u>            | <u>51</u>  |
| 3XXX | Total liabilities and equity  | <u>\$ 9,264,512</u>         | <u>100</u> | <u>\$ 9,413,463</u>            | <u>100</u>   | <u>\$ 9,599,963</u>         | <u>100</u> |

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

(Please refer to the certified public accountant's review report of Deloitte &amp; Touche Taiwan as at August 8, 2019)

Chairperson: Chang-shiou Wu

Manager: Chang-shiou Wu

Accounting Manager: Shu-fen Yang

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

April 1 ~ June 30, 2019 and 2018 and January 1 ~ June 30, 2019 and 2018

(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

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

| Code | Description   | April 1, 2019 ~ June 30, 2018 |       | April 1, 2018 ~ June 30, 2018 |       | January 1, 2019 ~ June 30, 2019 |     | January 1, 2018 ~ June 30, 2018 |       |
|------|---|-------------------------------|-------|-------------------------------|-------|---------------------------------|-----|---------------------------------|-------|
|      |   | Amount                        | %     | Amount                        | %     | Amount                          | %   | Amount                          | %     |
| 4000 | Operational revenues (Note 20)                                  | \$ 1,754,161                  | 100   | \$ 1,866,759                  | 100   | \$ 3,213,888                    | 100 | \$ 3,346,682                    | 100   |
| 5000 | Operating costs (Note 21 and 27)                                | 1,587,155                     | 90    | 1,643,223                     | 88    | 2,929,222                       | 91  | 2,941,004                       | 88    |
| 5900 | Gross profit  | 167,006                       | 10    | 223,536                       | 12    | 284,666                         | 9   | 405,678                         | 12    |
|      | Operating expenses (Notes 21 and 27)                            |                               |       |                               |       |                                 |     |                                 |       |
| 6100 | Selling expense   | 6,783                         | -     | 9,013                         | 1     | 16,980                          | -   | 15,320                          | 1     |
| 6200 | Administrative expense  | 82,380                        | 5     | 78,563                        | 4     | 152,544                         | 5   | 149,158                         | 4     |
| 6000 | Total operating expenses  | 89,163                        | 5     | 87,576                        | 5     | 169,524                         | 5   | 164,478                         | 5     |
| 6900 | Operating Income  | 77,843                        | 5     | 135,960                       | 7     | 115,142                         | 4   | 241,200                         | 7     |
|      | Non-operating revenue and expenses (Note 21)                    |                               |       |                               |       |                                 |     |                                 |       |
| 7010 | Other income  | 15,224                        | 1     | 12,512                        | 1     | 31,672                          | 1   | 26,831                          | 1     |
| 7020 | Other gains and losses  | ( 3,987 )                     | ( 1 ) | ( 14,561 )                    | ( 1 ) | 37,147                          | 1   | ( 16,503 )                      | ( 1 ) |
| 7050 | Finance costs   | ( 3,677 )                     | -     | ( 6,797 )                     | -     | ( 9,126 )                       | -   | ( 14,548 )                      | -     |
| 7060 | Share of profit of associates accounted for using equity method | 86                            | -     | -                             | -     | ( 855 )                         | -   | -                               | -     |
| 7000 | Total non-operating income and expenses                         | 7,646                         | -     | ( 8,846 )                     | -     | 58,838                          | 2   | ( 4,220 )                       | -     |
| 7900 | Income before tax   | 85,489                        | 5     | 127,114                       | 7     | 173,980                         | 6   | 236,980                         | 7     |
| 7950 | Income tax expenses (Note 22)                                   | 32,863                        | 2     | 46,107                        | 3     | 64,546                          | 2   | 114,526                         | 3     |
| 8200 | Net income  | 52,626                        | 3     | 81,007                        | 4     | 109,434                         | 4   | 122,454                         | 4     |

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|      |  | April 1, 2019 ~ June 30,<br>2018 |                 | April 1, 2018 ~ June 30,<br>2018 |                 | January 1, 2019 ~ June 30,<br>2019 |                 | January 1, 2018 ~ June 30,<br>2018 |                 |
|------|--|----------------------------------|-----------------|----------------------------------|-----------------|------------------------------------|-----------------|------------------------------------|-----------------|
|      | Other comprehensive income   |                                  |                 |                                  |                 |                                    |                 |                                    |                 |
|      | Items that are not reclassified subsequently to profit or loss:                          |                                  |                 |                                  |                 |                                    |                 |                                    |                 |
| 8316 | Unrealized valuation gains and losses of equity instrument investment measured at FVTOCI | 39,536                           | 2               | 38,658                           | 2               | 85,217                             | 3               | 22,834                             | 1               |
| 8349 | income tax related to items that are not subsequently reclassified to profit or loss     | <u>39,536</u>                    | <u>2</u>        | <u>38,658</u>                    | <u>2</u>        | <u>85,217</u>                      | <u>3</u>        | <u>(136)</u>                       | <u>1</u>        |
| 8310 | Items that may be reclassified subsequently to profit or loss:                           |                                  |                 |                                  |                 |                                    |                 |                                    |                 |
| 8361 | Exchange differences on translation of foreign financial statements                      | (23,627)                         | (1)             | 64,939                           | 4               | 65,158                             | 2               | 71,919                             | 2               |
| 8368 | Profit or loss of hedge instrument   | (2,151)                          | -               | -                                | -               | (2,151)                            | -               | -                                  | -               |
| 8367 | Unrealized valuation loss on investments in debt instruments at FVTOCI                   | 46                               | -               | (43)                             | -               | 46                                 | -               | (491)                              | -               |
| 8399 | Income tax relating to items that may be reclassified (Note 22)                          | <u>4,725</u>                     | <u>-</u>        | <u>(12,988)</u>                  | <u>(1)</u>      | <u>(13,032)</u>                    | <u>(1)</u>      | <u>(19,510)</u>                    | <u>(1)</u>      |
| 8360 |  | <u>(21,007)</u>                  | <u>(1)</u>      | <u>51,908</u>                    | <u>3</u>        | <u>50,021</u>                      | <u>1</u>        | <u>51,918</u>                      | <u>1</u>        |
| 8300 | Other comprehensive income (net value after tax) for the period                          | <u>18,529</u>                    | <u>1</u>        | <u>90,566</u>                    | <u>5</u>        | <u>135,238</u>                     | <u>4</u>        | <u>74,616</u>                      | <u>2</u>        |
| 8500 | Total comprehensive income for the period  | <u><u>\$ 71,155</u></u>          | <u><u>4</u></u> | <u><u>\$ 171,573</u></u>         | <u><u>9</u></u> | <u><u>\$ 244,672</u></u>           | <u><u>8</u></u> | <u><u>\$ 197,070</u></u>           | <u><u>6</u></u> |
|      | Net income attributable to:  |                                  |                 |                                  |                 |                                    |                 |                                    |                 |
| 8610 | Shareholders of the Group  | \$ 52,428                        | 3               | \$ 80,600                        | 4               | \$ 109,087                         | 4               | \$ 121,822                         | 4               |
| 8620 | Non-controlling interest   | <u>198</u>                       | <u>-</u>        | <u>407</u>                       | <u>-</u>        | <u>347</u>                         | <u>-</u>        | <u>632</u>                         | <u>-</u>        |
| 8600 |  | <u><u>\$ 52,626</u></u>          | <u><u>3</u></u> | <u><u>\$ 81,007</u></u>          | <u><u>4</u></u> | <u><u>\$ 109,434</u></u>           | <u><u>4</u></u> | <u><u>\$ 122,454</u></u>           | <u><u>4</u></u> |
|      | Total comprehensive income attributable to:  |                                  |                 |                                  |                 |                                    |                 |                                    |                 |
| 8710 | Shareholders of the Group  | \$ 70,957                        | 4               | \$ 171,166                       | 9               | \$ 244,325                         | 8               | \$ 196,438                         | 6               |
| 8720 | Non-controlling interest   | <u>198</u>                       | <u>-</u>        | <u>407</u>                       | <u>-</u>        | <u>347</u>                         | <u>-</u>        | <u>632</u>                         | <u>-</u>        |
| 8700 |  | <u><u>\$ 71,155</u></u>          | <u><u>4</u></u> | <u><u>\$ 171,573</u></u>         | <u><u>9</u></u> | <u><u>\$ 244,672</u></u>           | <u><u>8</u></u> | <u><u>\$ 197,070</u></u>           | <u><u>6</u></u> |
|      | Earnings per share (Note 23)   |                                  |                 |                                  |                 |                                    |                 |                                    |                 |
| 9750 | Basic  | <u><u>\$ 0.16</u></u>            |                 | <u><u>\$ 0.24</u></u>            |                 | <u><u>\$ 0.33</u></u>              |                 | <u><u>\$ 0.36</u></u>              |                 |
| 9850 | Diluted  | <u><u>\$ 0.16</u></u>            |                 | <u><u>\$ 0.24</u></u>            |                 | <u><u>\$ 0.33</u></u>              |                 | <u><u>\$ 0.36</u></u>              |                 |

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

(Please refer to the independent auditor's review report of Deloitte & Touche Taiwan as at August 8, 2019)

Chairperson: Chang-shiou Wu

Manager: Chang-shiou Wu

Accounting Manager: Shu-fen Yang

Chien Kuo Construction Co., Ltd. and Subsidiaries  
 Consolidated Statements of Changes in Equity  
 January 1 ~ June 30, 2019 and 2018  
 (Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

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

| Code |   | Equity attributable to shareholders of the Group |                 |               |                 |                        |   |   |   |                                   |                 |              |                          |              |
|------|---|--|-----------------|---------------|-----------------|------------------------|---|---|---|-----------------------------------|-----------------|--------------|--------------------------|--------------|
|      |   | Retained earnings                                |                 |               |                 |                        |   | Other equity items  |   |                                   |                 |              |                          |              |
|      |   | Capital Stock                                    | Capital Surplus | Legal reserve | Special reserve | Undistributed earnings | Exchange Differences arising from translation of foreign financial statements | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Unrealized valuation gains or losses on financial assets measured at FVTOCI | Gain of loss of hedge instruments | Treasury shares | Total        | Non-controlling interest | Total Equity |
| 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 restatement           | -  | -               | -             | -               | 4,514                  | -   | ( 41,961)   | 36,475  | -                                 | -               | ( 972)       | -                        | ( 972)       |
| A5   | Restated 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    |
|      | Earnings appropriation and allocation for 2018                              |  |                 |               |                 |                        |   |   |   |                                   |                 |              |                          |              |
| B1   | Provision of legal reserve  | -  | -               | 17,118        | -               | ( 17,118)              | -   | -   | -   | -                                 | -               | -            | -                        | -            |
| B3   | Provision of special reserve  | -  | -               | -             | 28,091          | ( 28,091)              | -   | -   | -   | -                                 | -               | -            | -                        | -            |
| B5   | Cash dividend for shareholders of the Group - NT\$ 0.50 per share           | -  | -               | -             | -               | ( 167,150)             | -   | -   | -   | -                                 | ( 167,150)      | -            | -                        | ( 167,150)   |
| O1   | Cash dividends for shareholders of subsidiaries                             | -  | -               | -             | -               | -                      | -   | -   | -   | -                                 | -               | -            | ( 600)                   | ( 600)       |
| D1   | Net income at January 1, 2018 ~ June 30, 2018                               | -  | -               | -             | -               | 121,822                | -   | -   | -   | -                                 | -               | 121,822      | 632                      | 122,454      |
| D3   | Other comprehensive income after tax, January 1, 2018 ~ June 30, 2018       | -  | -               | -             | -               | ( 136)                 | 52,409  | -   | 22,343  | -                                 | -               | 74,616       | -                        | 74,616       |
| D5   | Total comprehensive income, January 1, 2018 ~ June 30, 2018                 | -  | -               | -             | -               | 121,686                | 52,409  | -   | 22,343  | -                                 | -               | 196,438      | 632                      | 197,070      |
| Z1   | Balance as of June 30, 2018   | \$ 3,379,001                                     | \$ 200,462      | \$ 605,987    | \$ 67,179       | \$ 703,652             | (\$ 56,731)   | \$ 58,818   | \$ -  | (\$ 34,835)                       | \$ 4,923,533    | \$ 10,387    | \$ 4,933,920             |              |
| 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             |              |
|      | Earnings appropriation and allocation for 2018                              |  |                 |               |                 |                        |   |   |   |                                   |                 |              |                          |              |
| B1   | Provision of legal reserve  | -  | -               | 20,567        | -               | ( 20,567)              | -   | -   | -   | -                                 | -               | -            | -                        | -            |
| B3   | Provision of special reserve  | -  | -               | -             | ( 10,002)       | 10,002                 | -   | -   | -   | -                                 | -               | -            | -                        | -            |
| B5   | Cash dividend for shareholders of the Group - NT\$ 0.50 per share           | -  | -               | -             | -               | ( 167,150)             | -   | -   | -   | -                                 | ( 167,150)      | -            | -                        | ( 167,150)   |
| B17  | Reversal listed special reserve due to deposit of subsidiary                | -  | -               | -             | ( 1,722)        | 1,722                  | -   | -   | -   | -                                 | -               | -            | -                        | -            |
| O1   | Cash dividends for shareholders of subsidiaries                             | -  | -               | -             | -               | -                      | -   | -   | -   | -                                 | -               | -            | ( 281)                   | ( 281)       |
| D1   | Net income at January 1, 2019 ~ June 30, 2019                               | -  | -               | -             | -               | 109,087                | -   | -   | -   | -                                 | -               | 109,087      | 347                      | 109,434      |
| D3   | Total other comprehensive income after tax, January 1, 2019 ~ June 30, 2019 | -  | -               | -             | -               | 52,126                 | -   | 85,263  | ( 2,151)  | -                                 | -               | 135,238      | -                        | 135,238      |
| D5   | Total comprehensive income, January 1, 2019 ~ June 30, 2019                 | -  | -               | -             | -               | 109,087                | 52,126  | -   | 85,263  | ( 2,151)                          | -               | 244,325      | 347                      | 244,672      |
| M7   | Changes in ownership interests in subsidiaries                              | -  | -               | -             | -               | -                      | -   | -   | -   | -                                 | -               | -            | ( 4,428)                 | ( 4,428)     |
| Z1   | Balance as of June 30, 2019   | \$ 3,343,001                                     | \$ 201,627      | \$ 626,554    | \$ 55,455       | \$ 721,951             | (\$ 56,877)   | \$ 137,088  | (\$ 2,151)  | \$ -                              | \$ 5,026,648    | \$ 7,430     | \$ 5,034,078             |              |

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

(Please refer to the independent auditor's review report of Deloitte & Touche Taiwan as at August 8, 2019)

Chien Kuo Construction Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 ~ June 30, 2019 and 2018

(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in  
the Republic of China)

Unit: In Thousands of New Taiwan Dollars

| Code   |   | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|--------|---|-------------------------------------|-------------------------------------|
|        | Cash flows from operating activities  |                                     |                                     |
| A10000 | Income before tax   | \$ 173,980                          | \$ 236,980                          |
| A20010 | Income and expense item:  |                                     |                                     |
| A29900 | Net income of deposit subsidiary  | ( 34,545 )                          | - -                                 |
| A21200 | Interest revenue  | ( 27,989 )                          | ( 22,736 )                          |
| A20100 | Depreciation  | 21,001                              | 13,793                              |
| A20900 | Finance costs   | 9,126                               | 14,548                              |
| A20300 | Expected credit (reversal revenue)<br>impairment loss                           | ( 4,874 )                           | 13,190                              |
| A24100 | Foreign exchange ( loss ) gain  | 3,740                               | ( 5,847 )                           |
| A20200 | Amortization  | 1,044                               | 1,960                               |
| A22300 | Share of loss due to recognized of<br>deposit of associates by equity<br>method | 855                                 | - -                                 |
| A22500 | Net loss from disposal of property,<br>plant, and equipment                     | 675                                 | 225                                 |
| A29900 | Investment property listed as other expense                                     | 280                                 |                                     |
| A23100 | Disposal of investment profit   | ( 39 )                              |                                     |
| A30000 | Changes in operating assets and liabilities, net                                |                                     |                                     |
| A31115 | Financial instruments measured at<br>FVTPL                                      | ( 3,227 )                           | 198,192                             |
| A31125 | Contract assets   | ( 82,941 )                          | 75,655                              |
| A31130 | Notes receivable  | ( 715 )                             | ( 65,836 )                          |
| A31150 | Accounts receivable   | 161,139                             | ( 577,280 )                         |
| A31180 | Other receivables   | 6,392                               | 1,442                               |
| A31200 | Inventory   | ( 1,769 )                           | ( 3,703 )                           |
| A31230 | Prepayments   | 136,470                             | 46,545                              |
| A31240 | Other current assets  | ( 6,693 )                           | 44,325                              |
| A31990 | Other non-current assets  | ( 644 )                             | 21                                  |
| A32125 | Contract liability  | 22,429                              | ( 55,491 )                          |
| A32130 | Notes payable   | ( 318,507 )                         | 64,387                              |
| A32150 | Accounts payable  | ( 10,150 )                          | ( 154,324 )                         |

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| Code                                 |  | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|--------------------------------------|--|-------------------------------------|-------------------------------------|
| A32180                               | Other amount payables  | (\$ 31,054)                         | (\$ 31,054)                         |
| A32230                               | Other current liabilities                                      | ( 8,276)                            | \$ 29,035                           |
| A32990                               | Others   | ( 4,834)                            | 406                                 |
| A33000                               | Cash provided used in (by) operating activities                | 874                                 | ( 171,252)                          |
| A33100                               | Interest received  | 31,441                              | 34,768                              |
| A33300                               | Interest paid  | ( 8,280)                            | ( 14,620)                           |
| A33500                               | Income tax paid  | ( 39,494)                           | ( 70,469)                           |
| AAAA                                 | Net cash provided used in(by) operating activities             | ( 15,459)                           | ( 221,573)                          |
| Cash flows from investing activities |  |                                     |                                     |
| B00020                               | Disposal of financial asset measured at FVTOCI                 | 57,313                              | ( 299,744)                          |
| B00100                               | Gain of financial asset measured at FVTPL                      | ( 18,588)                           |                                     |
| B00200                               | Disposal of financial asset measured at FVTPL                  | 24,731                              |                                     |
| B02300                               | Net outflow by deposit of subsidiary                           | ( 13,002)                           |                                     |
| B02700                               | Acquisition of property, plant and equipment                   | ( 9,334)                            | ( 4,744)                            |
| B02900                               | Advanced receivable of disposal of subsidiaries                | 40,662                              | -                                   |
| B02800                               | Proceeds from disposal of property, plant, and equipment       | 255                                 | 723                                 |
| B03800                               | Decrease in refundable deposits                                | 218                                 | 446                                 |
| B04500                               | Purchase of intangible assets                                  | ( 190)                              | -                                   |
| B06700                               | Decrease in pledged certificate of deposit                     | 55,211                              | 146,617                             |
| BBBB                                 | Net cash provided by investing activities                      | <u>137,276</u>                      | <u>143,042</u>                      |
| Cash flows from financing activities |  |                                     |                                     |
| C00200                               | Decrease in short-term loans                                   | 10,000                              | ( 220,000)                          |
| C00500                               | Increase in short-term bills payables                          | -                                   | 69,855                              |
| C01600                               | Long-term debt   | 149,778                             | -                                   |
| C01700                               | Repayment of long-term debt                                    | ( 300,000)                          | ( 300,000)                          |
| C03000                               | Increase in guarantee deposits                                 | 5,423                               | 4,305                               |
| C04020                               | Repayment of lease principal                                   | ( 7,639)                            | -                                   |
| CCCC                                 | Net cash used in financing activities                          | ( 142,438)                          | ( 445,840)                          |
| DDDD                                 | Effect of exchange rate changes on cash and cash equivalents   | <u>18,908</u>                       | <u>27,894</u>                       |
| EEEE                                 | Increase in cash and cash equivalents for the period           | (\$ 1,713)                          | (\$ 496,477)                        |
| E00100                               | Balance of cash and cash equivalents - beginning of the period | <u>2,455,785</u>                    | <u>2,518,297</u>                    |
| E00200                               | Balance of cash and cash equivalents - end of the period       | <u>\$ 2,454,072</u>                 | <u>\$ 2,021,820</u>                 |

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Reconciliation of cash and cash equivalents at the end of the period

| Code   |  | June 30, 2019       | June 30, 2018       |
|--------|--|---------------------|---------------------|
| E00210 | Cash and cash equivalents recognized on the balance sheet              | \$ 2,391,968        | \$ 2,021,820        |
| E00240 | Cash and cash equivalents included in the held-for-sale disposal group | 62,104              | -                   |
| E00200 | Balance of cash and cash equivalents - end of the period               | <u>\$ 2,454,072</u> | <u>\$ 2,021,820</u> |

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

(Please refer to the independent auditor's review report of Deloitte & Touche Taiwan as at

August 8, 2018)

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

Chien Kuo Construction Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

January 1 ~ June 30, 2019 and 2018

(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

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

**I. Group History**

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

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

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

The consolidated financial statements were approved on August 8, 2019 by the Board of Directors.

**III. Application of New and Amended Standards and Interpretations**

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

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

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

The Group 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 accrued on the lease liability, which interest is calculated using the effective interest rate method. Payments for the principal amount of lease liabilities are presented as financing activities on the consolidated statements of cash flows, 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 Group adjusted 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 treated as operating leases under IAS 17, the lease liability as at January 1, 2019 was measured at the remaining lease payments over the lease term, discounted at the incremental borrowing rate of the lessee; all right-of-use assets are measured at the amount of lease liabilities on such date. IAS 36 will be applicable to impairment assessment on all right-of-use assets recognized.

The Group adopts the following expedients:

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

- (2) Leases to be expired prior to December 31, 2019 are accounted for as short-term leases.
- (3) Excluding the initial direct costs from the measurement of the right-of-use assets on January 1, 2019.
- (4) Using hindsight to determine the lease term when measuring lease liabilities.
- (5) The range of incremental borrowing rate applicable to the Group'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                                | ( 1,702 )         |
| 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 Group as lessor

The leases to which the Group is a lessor are not adjusted in the transition period, and to apply IFRS 16 beginning on 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<br>on 31 December,<br>2018 | Adjustment after<br>first adoption | Carrying amount<br>after adjusted on<br>1 January, 2019 |
|------------------------------------|--|------------------------------------|---|
| <u>Non-current assets</u>          |  |                                    |   |
| Long-term prepaid lease            | \$ 148,101                                 | ( \$ 148,101 )                     | \$ -  |
| Right-to-use assets                | -  | <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<br/>liabilities</u> |  |                                    |   |
| Lease liabilities                  | -  | <u>93,412</u>                      | <u>93,412</u>   |
| Impact on liabilities              | <u>\$ -</u>                                | <u>\$ 106,874</u>                  | <u>\$ 106,874</u>                                       |

#### (II) The IFRSs recognized by the FSC in 2019

| <u>New Standards, Interpretations and Amendments</u>       | <u>Effective Date Issued by</u> |
|--|---------------------------------|
| Amendments to IFRS 3 " Definition "                        | IASB (Note 1)                   |
| Amendments to IAS 1 and IAS 8 "Definition of materiality " | January 1, 2020 (Note 2)        |

Note1: 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.

Note2: Such an amendment is prospectively applicable to annual periods beginning on and after January 1, 2020.

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

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

| <u>New, Revised, Amended Standards and Interpretations</u>   | <u>Effective Date Issued by</u> |
|--|---------------------------------|
| Amendment to IFRS10 and IAS 28 - "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | IASB (Note 1)                   |
| IFRS 17 "Insurance Contracts"  | Not yet decided                 |

January 1, 2021

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

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

#### **IV. Summary of Significant Accounting Policies**

##### **(I) Statement of Compliance**

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

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 at present value of defined benefit obligations minus fair value of plan assets.

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

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

## (III) Basis for Consolidation

The consolidated financial statements comprise the financial statements of the Group and the financial statements of entities controlled by the Group. The statements of comprehensive income have covered the operating gains and losses of the acquired or disposed subsidiaries either until the disposal date or since the acquisition date for the current year. The financial statements of subsidiaries have been adjusted in order to align their accounting policies with those of the Group. In preparing the consolidated financial statements, all transactions, balances, income and expenses between the entities have been eliminated in full. Subsidiaries attribute their total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Group.

When the Group 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 Group 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 Group.

The Group 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.

Please refer to Note 12, Appendix Table 7 and 8 for details, shareholding percentage, and operating items of subsidiaries.

#### (IV) Summary of Other Significant Accounting Policies

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

##### 1. The Lease

###### 2019

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

###### The Group 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.

###### The Group 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 Group as lessor

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

### (2) The Group as lessee

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

## 2. Hedge accounting

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

### Cash Flow Hedges

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

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

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

## 3. Post-employment benefits

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.

## 4. Income Tax

Income tax expenses are the sum of current income tax and deferred income tax. The income tax expenses for an interim period are accrued 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. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

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

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

### (I) Estimated impairment of accounts receivable

The estimated impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on its past history, existing market conditions and forward-looking estimates. For critical assumptions adopted, please refer to Note 9. If 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

|  | June 30, 2019                           | December 31, 2018                       | June 30, 2018                           |
|--|---|---|---|
| Cash on hand and revolving funds   | \$ 2,313                                | \$ 2,560                                | \$ 2,907                                |
| Bank checks and demand deposits  | 856,031                                 | 760,458                                 | 651,346                                 |
| Cash equivalents (time deposits with original maturity date within 6 months) | <u>1,533,624</u><br><u>\$ 2,391,968</u> | <u>1,674,294</u><br><u>\$ 2,437,312</u> | <u>1,367,567</u><br><u>\$ 2,021,820</u> |

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

| June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---------------|-------------------|---------------|
| 0.13%~3.03%   | 0.13%~3.48%       | 0.13%~2.80%   |

#### VII. Financial Instruments Measured at FVTPL

|                                 | June 30, 2019                       | December 31, 2018                   | June 30, 2018                       |
|---------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <u>Current</u>                  |                                     |                                     |                                     |
| Mandatorily measured at FVTPL   |                                     |                                     |                                     |
| Non-derivative financial assets |                                     |                                     |                                     |
| - Fund beneficiary certificate  | \$ -                                | \$ -                                | \$ 279,487                          |
| Hybrid financial assets         |                                     |                                     |                                     |
| - Structured deposits           | <u>162,844</u><br><u>\$ 162,844</u> | <u>159,157</u><br><u>\$ 159,157</u> | <u>328,668</u><br><u>\$ 608,155</u> |
| <u>Non-current</u>              |                                     |                                     |                                     |
| Mandatorily measured at FVTPL   |                                     |                                     |                                     |
| Non-derivative financial assets |                                     |                                     |                                     |
| - Fund beneficiary certificate  | <u>\$ 65,868</u>                    | <u>\$ 95,174</u>                    | <u>\$ 99,333</u>                    |

Details of financial instruments pledged at fair value through profit or loss are provided in Note 28.

### VIII. Financial assets measured at FVTOCI

|   | 108年6月30日                     | 107年12月31日                   | 107年6月30日                    |
|---|-------------------------------|------------------------------|------------------------------|
| <u>Current</u>                                      |                               |                              |                              |
| Investment in equity instruments measured at FVTOCI | \$ 45,261                     | \$ 41,347                    | \$ 38,816                    |
| <u>Non-current</u>                                  |                               |                              |                              |
| Investment in equity instruments measured at FVTOCI | \$ 370,915                    | \$ 289,351                   | \$ 300,190                   |
| Investment in debt instruments measured at FVTOCI   | <u>57,060</u><br>\$ 370,915 - | <u>346,411</u><br>\$ 346,411 | <u>144,195</u><br>\$ 444,385 |
|   | December 31,<br>June 30, 2019 | 2018                         | June 30, 2018                |
| <u>Current</u>                                      |                               |                              |                              |
| Investment in equity instruments measured at FVTOCI | \$ 45,261                     | \$ 41,347                    | \$ 38,816                    |
| <u>Non-current</u>                                  |                               |                              |                              |
| Investment in equity instruments measured at FVTOCI | \$ 370,915                    | \$ 289,351                   | \$ 300,190                   |
| Investment in debt instruments measured at FVTOCI   | <u>57,060</u><br>\$ 370,915 - | <u>346,411</u><br>\$ 346,411 | <u>144,195</u><br>\$ 444,385 |

Details of pledges measured at FVTOCI are provided in Note 28.

### IX. Notes and Accounts Receivable

|                            | June 30, 2019       | December 31,<br>2018 | June 30, 2018       |
|----------------------------|---------------------|----------------------|---------------------|
| Notes receivable           | <u>\$ 61,790</u>    | <u>\$ 111,011</u>    | <u>\$ 272,164</u>   |
| <u>Accounts receivable</u> |                     |                      |                     |
| Measured at amortized cost |                     |                      |                     |
| Total Carrying Amount      | \$ 2,423,117        | \$ 2,714,164         | \$ 2,747,168        |
| Less: Allowance for loss   | ( 100,266 )         | ( 104,195 )          | ( 88,381 )          |
|                            | <u>\$ 2,322,851</u> | <u>\$ 2,609,969</u>  | <u>\$ 2,658,787</u> |

#### Notes Receivable

The credit policy of the Group is mainly based on the contract, and the notes and accounts receivable are not interest-bearing. To minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals

and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual account receivable on the balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk has been significantly reduced.

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

The aging analysis of the Group's notes receivables is as follows:

|                             | June 30, 2019           | December 31,<br>2018     | June 30, 2018            |
|-----------------------------|-------------------------|--------------------------|--------------------------|
| Not overdue                 | \$ 61,790               | \$ 111,011               | \$ 271,342               |
| Less than 180 days past due | -                       | -                        | 822                      |
| <b>Total</b>                | <b><u>\$ 61,790</u></b> | <b><u>\$ 111,011</u></b> | <b><u>\$ 272,164</u></b> |
|                             | June 30, 2019           | December 31,<br>2018     | June 30, 2018            |
| Not overdue                 | \$ 61,790               | \$ 111,011               | \$ 271,342               |
| Less than 180 days past due | -                       | -                        | 822                      |
| <b>Total</b>                | <b><u>\$ 61,790</u></b> | <b><u>\$ 111,011</u></b> | <b><u>\$ 272,164</u></b> |

The aging analysis of the Group's accounts receivables is as follows:

|                             | June 30, 2019              | December 31,<br>2018       | June 30, 2018              |
|-----------------------------|----------------------------|----------------------------|----------------------------|
| Not overdue                 | \$ 1,911,424               | \$ 2,142,266               | \$ 2,215,864               |
| Less than 180 days past due | 367,327                    | 399,995                    | 352,208                    |
| 181~360 days past due       | 75,577                     | 65,358                     | 75,085                     |
| More than 361 days past due | 68,789                     | 106,545                    | 104,011                    |
| <b>Total</b>                | <b><u>\$ 2,423,117</u></b> | <b><u>\$ 2,714,164</u></b> | <b><u>\$ 2,747,168</u></b> |

Changes in loss allowance for accounts receivable are as follows:

|                   | 1 January-June 30,<br>2019 | 1 January-June 30,<br>2018 |
|-------------------|----------------------------|----------------------------|
| Beginning balance | \$ 104,195                 | \$ 88,175                  |

|   |                          |                         |
|---|--------------------------|-------------------------|
| Less: Reversal of impairment loss for<br>the period | ( 4,874 )                | ( 749 )                 |
| Exchange difference                                 | <u> 945</u>              | <u> 955</u>             |
| Total   | <u><u>\$ 100,266</u></u> | <u><u>\$ 88,381</u></u> |

**X. Land Held for Construction**

The Group acquired the land sitting at the northern part of the industrial zone in Xinzhuang Dist. in July 2017. The purpose of holding such land is to construct buildings for sale. The land is also pledged to the financial institution for loans. Please refer to Notes 17 and 28.

**XI. Prepayments**

|                                    | June 30, 2019     | December 31, 2018 | June 30, 2018     |
|------------------------------------|-------------------|-------------------|-------------------|
| Prepayment for purchases           | \$ 413,075        | \$ 539,487        | \$ 544,196        |
| Prepayments construction contracts | 69,719            | 71,428            | 68,017            |
| Prepaid insurance premium          | 6,211             | 9,263             | 9,494             |
| Tax overpaid retained              | 8,485             | 7,890             | 8,334             |
| Others                             | 4,511             | 3,934             | 5,004             |
|                                    | <u>\$ 502,001</u> | <u>\$ 632,002</u> | <u>\$ 635,045</u> |

## XII. 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   | Shareholding percentage |                     |                 | Descripti<br>on                |
|-------------------------------------|---|---|-------------------------|---------------------|-----------------|--------------------------------|
|                                     |   |   | June 30<br>2019         | December 31<br>2018 | June 30<br>2018 |                                |
| The Group                           | Jin Gu Limited (Jin Gu)   | Reinvestment  | 100%                    | 100%                | 100%            | Please refer to Note 13 and 24 |
|                                     | Yin Ying Holding Limited (Yin Ying)   | Reinvestment  | 100%                    | 100%                | 100%            |                                |
|                                     | Shun Long International Electrical Engineering Co., Ltd. (Shun Long)                      | Mechanical, electrical and plumbing engineering, undertaking and equipment/wholesale and retail | 86.61%                  | 86.61%              | 86.61%          |                                |
|                                     | Chien Kuo Development Co., Ltd. (Chien Kuo Development)                                   | Building construction commission; public housing lease  | 100%                    | 100%                | 100%            |                                |
| Subsidiaries of Jin Gu and Yin Ying | WeBIM Services Co., Ltd. (WeBIM Services)   | Construction technology   | (Note 2)                | 76.5%               | 76.5%           | Please refer to Note 13 and 24 |
|                                     | 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)   | Reinvestment  | 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%            | Please refer to Note 13        |
|                                     | 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%            |                                |
|                                     | Changzhou Changlong Handling Co., Ltd. (Changzhou Changlong)                              | Cargo handling  | 100%                    | 100%                | 100%            | Please refer to Note 13 and 24 |
|                                     | Jianya (Nantong) Information Technology Co., Ltd. (Jianya Nantong)                        | Computer software technology development and consultation                                       | 100%                    | 100%                | 100%            |                                |
|                                     | Jianya (Yangzhou) Technology Consultant Co., Ltd. (Jianya Yangzhou)                       | Computer software technology development and consultation                                       | 100%                    | 100%                | 100%            |                                |

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

- (1) Insignificant subsidiaries not reviewed by an certified public accountant on June 30, 2019 include Shun Long, Chien Kuo Development, Anping Real Estate, and Jin Gu. Insignificant subsidiaries not reviewed by an independent auditor on June

30, 2018 include Shun Long, Chien Kuo Development, WeBIM Services, Anping Real Estate, and Jin Gu.

(2) The Group loss the control of WeBIM since January 22, 2019 and change the measurement by equity method.

(II) Subsidiaries Not Consolidated Into the Consolidated Financial Statements: None.

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

(I) Board of Directors of the Group resolved on August 9, 2018 to dispose all shares of Nantong Chien Cheng Concrete Co., Ltd. (Nantong Chien Cheng) to Zhongying Building Materials Co., Ltd. (hereinafter referred to as Zhongying) and Nantong Sheny Building Materials Co., Ltd. (hereinafter referred to as Sheny). The company registration was completed as at January 7, 2019 and further information please refer to note 24.

01 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 Sheny on the Company Registration Portal.

02 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.

03 Chien Cheng's accounts receivables and debts incurred prior to the equity transfer date are to be collected and paid by the Group.

04 Profit or loss existing prior to the equity transfer date is assumed by the Group. 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 Sheny shall, within 15 days after the termination of this contract, return all the property, plant and equipment for the Group's check and acceptance, and then the Group shall refund the collected proceeds without deducting any interest therefrom.

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

|  | December 31, 2018 |
|--|-------------------|
| Cash                                       | \$ 2,269          |
| Notes Receivables and Accounts Receivables | 9,286             |
| Other receivables                          | 38,330            |
| Inventory                                  | 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—<br>stakeholders         | ( 38,046 )          |
| Total amount of non-current assets-for-sale                              | <u>\$ 52,064</u>    |
|  |                     |
| Other payables   | \$ 365              |
| Other current liabilities  | 9,298               |
| Less: consolidation write-off—other current<br>liabilities—stakeholders  | ( 9,298 )           |
| Liabilities directly associated with non-current assets<br>held for sale | <u>\$ 365</u>       |
|  |                     |
| Equity directly relating to non-current assets held for<br>sale          | <u>(\$ 18,731 )</u> |

(II) The Management of the Group resolved in December, 2018 to dispose of partial shares 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 24 for further information.

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

|  | December 31, 2018 |
|--|-------------------|
| Cash   | \$ 16,204         |
| Accounts receivables   | 6,146             |
| Property, plant and equipment  | 328               |
| Deferred income tax assets   | 283               |
| Other non-current assets   | 577               |
| Total non-current assets held for sale   | \$ 23,538         |
|  |                   |
| Other payables   | \$ 4,562          |
| Other current liabilities  | 103               |
| Deferred income tax liabilities  | 28                |
| Less: Consolidation write-off—other payables—<br>stakeholders                  | ( 123 )           |
| Total liabilities directly associated with non-current assets<br>held for sale | \$ 4,570          |

(III) The Board of Directors of the Group resolved on June 11, 2019 to sell Suzhou Chien Hua Concrete Co., Ltd. ("Chien Hua" hereinafter) to Kunshan Shen Kun Concrete Co., Ltd. ("Shen Kun" hereinafter). The two parties executed an equity transfer agreement in June 2019. As of June 30, 2019, the advance receipts for the first phase amounted to NT\$ 40,662 thousand (RMB 9,000 thousand). Such disposal is tentatively expected to be completed on January 23, 2020. The main terms of the equity transfer agreement are as follows:

1. The asset transfer date is set on July 19, 2019. The equity transfer date is the date when the registered shareholders of Chien Hua have been replaced with those of Shen Kun on the Company Registration Portal and the changed business license has been delivered.
2. The total price of the equity transfer, including the plant, machinery, and the remaining realizable assets of Chien Hua, is currently estimated to be approximately NT\$ 293,670 thousand (RMB 65,000 thousand). Since the amount of the remaining realizable assets is subject to change, the actual amount, which is to be determined through the calculation conducted before the equity transfer date, will be explicitly stated on the supplementary agreement executed between the two parties.
3. Any account receivables and debt incurred to Chien Hua prior to the asset transfer date are to be settled by Chien Hua before the equity transfer date.
4. The business transfer date is June 12, 2019, before which any profit and loss incurred is attributable to Chien Hua.
5. In the event of force majeure that leads to the non-performance of the equity transfer contract after the date of asset transfer, within 15 days after the termination of the contract, Shen Kun shall return all property, plant, and equipment in exchange for the return of the proceeds it has paid, without any interest accrued and net of the usage fee of RMB 2,000 thousand per annum.

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

|   | June 30, 2019     |
|---|-------------------|
| Cash  | \$ 62,105         |
| Notes receivable                            | 60,636            |
| Accounts receivable                         | 156,957           |
| Property, plant and equipment               | <u>56,417</u>     |
| Total amount of non-current assets-for-sale | <u>\$ 336,115</u> |
|   |                   |
| Note payables                               | \$ 33,659         |

|   |                   |
|---|-------------------|
| Account payables  | 120,675           |
| Other payables  | 28,410            |
| Income tax liability for current period                         | 407               |
| Other current liabilities                                       | <u>6,187</u>      |
| Liability directly relating to non-current assets held for sale | <u>\$ 189,338</u> |

Equity directly relating to non-current assets held for sale (\$ 54,232)

The group of disposal is not recognized as impairment loss.

#### XIV. Property, Plant and Equipment

|                          | June 30, 2019     | December 31, 2018 | June 30, 2018     |
|--------------------------|-------------------|-------------------|-------------------|
| Land                     | \$ 15,742         | \$ 15,742         | \$ 15,742         |
| Buildings                | 43,603            | 60,753            | 76,628            |
| Machinery                | 24,982            | 44,165            | 49,961            |
| Transportation equipment | 4,902             | 8,201             | 8,135             |
| Office equipment         | 1,640             | 2,937             | 3,115             |
| Leasehold Improvements   | 11,728            | 13,298            | 14,550            |
| Other Equipment          | <u>30,411</u>     | <u>45,970</u>     | <u>56,776</u>     |
|                          | <u>\$ 133,008</u> | <u>\$ 191,066</u> | <u>\$ 224,907</u> |

Other than recognizing depreciation and being reclassified to non-current assets held for sale, the Group's property, plant and equipment did not incur any material addition, disposal, and impairment for the six-month periods ended June 30, 2019 and 2018.

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

|                          |             |
|--------------------------|-------------|
| Buildings                |             |
| Main building for plants | 61 years    |
| Rooftop construction     | 22 years    |
| Yard construction        | 22 years    |
| Others                   | 22 years    |
| Leasehold Improvements   | 2~6 years   |
| Machinery                | 4~12 years  |
| Transportation equipment | 6~12 years  |
| Office equipment         | 4~7 year(s) |
| Other Equipment          | 5~22 years  |

The amount of property, plant and equipment pledged as collateral and for acceptance is provided in Note 28.

**XV. Lease Agreement**

**(I) Right-of-use asset-2019**

|   | <u>June 30, 2019</u>                |                                     |
|---|-------------------------------------|-------------------------------------|
| Carrying amount of right-of-use assets      |                                     |                                     |
| Land  | \$197,501                           |                                     |
| Buildings                                   | 46,548                              |                                     |
| Transportation equipment                    | <u>3,306</u>                        |                                     |
|   | <u>\$247,355</u>                    |                                     |
|   | <u>April 1, 2019 ~June 30, 2019</u> | <u>January 1, 2019~June 30, 219</u> |
| Increase of right-of-use assets             | <u>\$ -</u>                         | <u>\$ 591</u>                       |
| Depreciation expense of right-of-use assets |                                     |                                     |
| Land  | \$ 749                              | \$ 1,596                            |
| Buildings                                   | 2,970                               | 5,940                               |
| Transportation equipment                    | <u>432</u>                          | <u>831</u>                          |
|   | <u>\$ 4,151</u>                     | <u>\$ 8,367</u>                     |

**(II) Lease liabilities-2019**

|   | <u>June 30, 2019</u> |  |
|---|----------------------|--|
| Carrying amount of lease liabilities            |                      |  |
| Current ( listed as other current liabilities ) | <u>\$ 13,769</u>     |  |
| Non-current                                     | <u>\$ 86,932</u>     |  |

Discount rates of lease liabilities are as follow:

|                          | <u>June 30, 2019</u> |  |
|--------------------------|----------------------|--|
| Land                     | 1.65%                |  |
| Buildings                | 1.65%                |  |
| Transportation equipment | 3.00%                |  |

**(III) Other lease information**

| <u>2019</u>                               | <u>April 1, 2019 ~June 30, 2019</u> | <u>January 1, 2019~June 30, 219</u> |
|---|-------------------------------------|-------------------------------------|
| Short-term lease expense                  | <u>\$ 1,532</u>                     | <u>\$ 2,639</u>                     |
| Total amount of flow-out of cash on lease | <u>\$ 1,532</u>                     | <u>\$ 2,639</u>                     |

## 2018

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

|                   | December 31, 2018       | June 30, 2018           |
|-------------------|-------------------------|-------------------------|
| Less than a year  | \$ 16,671               | \$ 15,020               |
| 1~5 years         | 49,404                  | 55,256                  |
| More than 5 years | <u>79,121</u>           | <u>79,745</u>           |
|                   | <u><u>\$145,196</u></u> | <u><u>\$150,021</u></u> |

## XVI. Investment Property

|                          | June 30, 2019            | December 31, 2018        | June 30, 2018            |
|--------------------------|--------------------------|--------------------------|--------------------------|
| Land                     | \$ 168,258               | \$ 168,257               | \$ 131,188               |
| Buildings                | 43,438                   | 44,094                   | 35,245                   |
| Parking space            | 4,010                    | 4,053                    | 3,407                    |
| Construction in progress | <u>-</u>                 | <u>280</u>               | <u>722</u>               |
|                          | <u><u>\$ 215,706</u></u> | <u><u>\$ 216,684</u></u> | <u><u>\$ 170,562</u></u> |
| Fair value               | <u><u>\$ 235,371</u></u> | <u><u>\$ 238,182</u></u> | <u><u>\$ 182,136</u></u> |

Depreciation expenses of investment property are provided using the straight-line method over 3~50 years of useful 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 28.

## XVII. Loans

### (I) Short-term loans

|                        | June 30, 2019    | December 31, 2018 | June 30, 2018 |
|------------------------|------------------|-------------------|---------------|
| <u>Unsecured loans</u> |                  |                   |               |
| Credit loans           | <u>\$ 10,000</u> | <u>\$ -</u>       | <u>\$ -</u>   |
| Annual interest rate   | 1.6%             | -                 | -             |

### (II) Short-term Bills Payables

June 30, 2018

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

(III) Long-term loans

|  | June 30, 2019     | December 31, 2018 | June 30, 2018     |
|--|-------------------|-------------------|-------------------|
| <b><u>Secured loans (Note 28)</u></b>        |                   |                   |                   |
| Syndicated loans (1)                         | \$ 150,000        | \$ 450,000        | \$ 750,000        |
| Bank loans (2)                               | <u>350,000</u>    | <u>350,000</u>    | <u>350,000</u>    |
|  | 500,000           | 800,000           | 1,100,000         |
| Less listed due within 1 year                | ( 150,000)        | ( 450,000)        | ( 600,000)        |
| Sub-total                                    | <u>350,000</u>    | <u>350,000</u>    | <u>500,000</u>    |
| <b><u>Non- Secured loans</u></b>             |                   |                   |                   |
| Long-term commercial papers payables(3)      | \$ 600,000        | \$ 450,000        | \$ -              |
| Less: discount on commercial papers payables | ( 1,091)          | ( 869)            | -                 |
| Sub-total                                    | <u>598,909</u>    | <u>449,131</u>    | <u>-</u>          |
| Long-term loans                              | <u>\$ 948,909</u> | <u>\$ 799,131</u> | <u>\$ 500,000</u> |
| Annual interest rate                         | 1.49%~2.26%       | 1.60%~2.38%       | 1.60%~2.38%       |

1. To repay the existing liabilities and increase the medium-term revolving funds, the Group entered into the syndicated loan contract with Bank of Taiwan and other banks in September 2014. The total amount of the syndicated loans was less than NT\$2.4 billion, with a term of 5 years from the date of the first drawdown.

The syndicated loans were secured by the land and buildings in Hsinchu and the shares of Taiwan Cement Corporation held by the Group. The first supplementary contract entered into on February 7, 2017 stipulates the following:

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

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

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

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

June 30, 2019

| Guarantee/Accepting Institution              | Nominal Amount           | Discounted Amount        | Carrying Amount          | Interest interval | Collateral |
|--|--------------------------|--------------------------|--------------------------|-------------------|------------|
| The Shanghai Commercial & Savings Bank, Ltd. | \$ 300,000               | (\$ 566)                 | \$ 299,434               | 1.648%            | None       |
| EnTie Commercial Bank                        | 150,000                  | ( 293)                   | 149,707                  | 1.678%            | None       |
| Mega Bank                                    | <u>150,000</u>           | <u>( 232)</u>            | <u>149,768</u>           | 1.487%            | None       |
|  | <u><u>\$ 600,000</u></u> | <u><u>(\$ 1,091)</u></u> | <u><u>\$ 598,909</u></u> |                   |            |

December 31, 2018

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

## XVIII. Accounts Payables

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

## XIX. Equity

### (I) Capital

|  | June 30, 2019       | December 31, 2018   | June 30, 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.

In order to adjust the capital structure and increase return on shareholders' equity, Annual Shareholders' Meeting on 21 June, 2019 resolved the proposal of capital reduction. The total amount of capital reduction is NT\$668,600,260, with cancelling 66,860,026 issued shares, and after 20% of capital reduction, the capital will be 267,440,105 shares.

### (II) Capital surplus

|  | June 30, 2019     | December 31, 2018 | June 30, 2018     |
|--|-------------------|-------------------|-------------------|
| <u>Used to offset deficits, appropriated as cash dividends or transferred to capital stock (1)</u> |                   |                   |                   |
| Share premium  | \$ 197,435        | \$ 197,435        | \$ 199,561        |
| Treasury stock transaction   | 3,914             | 3,914             | 623               |
| <u>Used to offset deficits</u>   |                   |                   |                   |
| Adjustment in capital surplus of subsidiaries accounted for 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 surplus may be used to offset deficits, if any, or to issue cash dividends, or replenish the capital stock on the condition that the increase in capital stock is restricted to a certain ratio of paid-in capital every year.

### (III) Retained Earnings and Dividend Policy

According to the earnings appropriation policy set forth in the Group's Articles of Incorporation, the annual net income, if any, should be used to pay off all the taxes and duties, as well as to compensate prior deficits. The remaining amount, if any, should be appropriated in the following order of presentation: (1) legal reserve; (2) set aside or reverse a certain amount as or of special reserve according to operating needs

or laws or regulations; (3) the remaining net income plus unappropriated earnings from prior years may be used as dividends or bonus for shareholders after proposed by the Board of Directors and resolved by the shareholders meeting. For appropriation policy regarding compensation to employees and remuneration to supervisors and directors as set forth in the Group's Articles of Incorporation, please refer to Note 21 (6).

The Group'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 Group. If other shareholders' equity deductions are reversed afterward, the reversal should be applicable to the appropriation of earnings.

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

The proposals to appropriate earnings for the years ended December 31, 2018 and 2017 are as follows:

|                          | Earnings appropriation proposal |           | Dividends per Share (NT\$) |         |
|--------------------------|---------------------------------|-----------|----------------------------|---------|
|                          | 2018                            | 2017      | 2018                       | 2017    |
| Legal reserve            | \$ 20,567                       | \$ 17,118 |                            |         |
| (Reverse)Special reserve | ( 10,002 )                      | 28,091    |                            |         |
| Cash Dividend            | 167,150                         | 167,150   | \$ 0.50                    | \$ 0.50 |

## XX. Revenue

### (I) Revenue from contracts with customers

|                      | April 1, 2019<br>to June 30, 2019 | April 1, 2018<br>to June 30, 2018 | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|----------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Construction revenue | \$ 1,202,368                      | \$ 1,056,496                      | \$ 2,175,196                        | \$ 2,025,415                        |
| Sales revenue        | 551,131                           | 804,298                           | 1,037,367                           | 1,312,940                           |
| Others               | 662                               | 5,965                             | 1,325                               | 8,327                               |
|                      | <u>\$ 1,754,161</u>               | <u>\$ 1,866,759</u>               | <u>\$ 3,213,888</u>                 | <u>\$ 3,346,682</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 Group estimates the transaction price by reference to the past contracts of similar conditions and scale.

## 2. Revenue from the sale of goods

Such revenue is derived from selling concrete to builders at the contractual price.

## (II) Contract balance

|                                    | June 30, 2019             |                    | December 31, 2018         |                    | June 30, 2018             |                    |
|------------------------------------|---------------------------|--------------------|---------------------------|--------------------|---------------------------|--------------------|
|                                    | Construction Segment      | Concrete Segment   | Construction Segment      | Concrete Segment   | Construction Segment      | Concrete Segment   |
| Accounts receivable (Note 9)       | <u>\$ 439,695</u>         | <u>\$1,883,156</u> | <u>\$ 284,011</u>         | <u>\$2,325,958</u> | <u>\$ 462,963</u>         | <u>\$2,195,824</u> |
| Contract assets                    |                           |                    |                           |                    |                           |                    |
| Real estate construction           | \$ 849,744                | \$ -               | \$ 875,462                | \$ -               | \$ 908,760                | \$ -               |
| Construction retainage receivables | <u>564,412</u>            | <u>\$ -</u>        | <u>455,753</u>            | <u>\$ -</u>        | <u>362,173</u>            | <u>\$ -</u>        |
|                                    | <u><u>\$1,414,156</u></u> | <u><u>\$ -</u></u> | <u><u>\$1,331,215</u></u> | <u><u>\$ -</u></u> | <u><u>\$1,270,933</u></u> | <u><u>\$ -</u></u> |
| Contract liability                 |                           |                    |                           |                    |                           |                    |
| Real estate construction           | <u>\$ 80,159</u>          | <u>\$ -</u>        | <u>\$ 57,730</u>          | <u>\$ -</u>        | <u>\$ 156,218</u>         | <u>\$ -</u>        |

## XXI. Net Income

### (I) Other revenue

|                  | April 1, 2019<br>to June 30, 2019 | April 1, 2018<br>to June 30, 2018 | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
|                  | \$ 12,750                         | \$ 11,785                         | \$ 27,630                           | \$ 22,736                           |
| Interest revenue |                                   |                                   |                                     |                                     |
| Others           | <u>2,474</u>                      | <u>727</u>                        | <u>4,042</u>                        | <u>4,095</u>                        |
|                  | <u><u>\$ 15,224</u></u>           | <u><u>\$ 12,512</u></u>           | <u><u>\$ 31,672</u></u>             | <u><u>\$ 26,831</u></u>             |

### (II) Other Gains and Losses

|   | April 1, 2019<br>to June 30, 2019 | April 1, 2018<br>to June 30, 2018 | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
|   | \$ -                              | ( \$ 13,939 )                     | \$ -                                | ( \$ 13,939 )                       |
| Expected credit impairment loss                       | \$ -                              | ( \$ 13,939 )                     | \$ -                                | ( \$ 13,939 )                       |
| Net gain from disposal of subsidiaries                | -                                 | -                                 | 34,545                              | -                                   |
| Valuation gains (losses) on financial assets at FVTPL | ( 4,370 )                         | 6,168                             | 4,289                               | 12,075                              |
| Net exchange gain (loss)                              | ( 619 )                           | 475                               | 2,117                               | ( 6,227 )                           |
| Net loss from disposal of property, plant and         | ( 675 )                           | ( 178 )                           | ( 675 )                             | ( 225 )                             |

|           |                    |                     |                  |                     |
|-----------|--------------------|---------------------|------------------|---------------------|
| equipment |                    |                     |                  |                     |
| Others    | 1,677              | ( 7,087 )           | ( 3,129 )        | ( 8,187 )           |
|           | <u>(\$ 3,987 )</u> | <u>(\$ 14,561 )</u> | <u>\$ 37,147</u> | <u>(\$ 16,503 )</u> |

**(III) Finance Costs**

|                               | April 1, 2019<br>to June 30, 2019 | April 1, 2018<br>to June 30, 2018 | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|-------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Interest expense              |                                   |                                   |                                     |                                     |
| Bank loans                    | \$ 3,246                          | \$ 6,797                          | \$ 8,251                            | \$ 14,548                           |
| Interest of lease liabilities | <u>431</u>                        | <u>-</u>                          | <u>875</u>                          | <u>-</u>                            |
|                               | <u>\$ 3,677</u>                   | <u>\$ 6,797</u>                   | <u>\$ 9,126</u>                     | <u>\$ 14,548</u>                    |

**(IV) Depreciation and Amortization**

|   | April 1, 2019<br>to June 30, 2019 | April 1, 2018<br>to June 30, 2018 | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Property, plant and equipment                 | \$ 6,009                          | \$ 6,579                          | \$ 11,936                           | \$ 13,196                           |
| Right of use assets                           | 4,151                             | -                                 | 8,367                               | -                                   |
| Investment property                           | 349                               | 298                               | 698                                 | 597                                 |
| Intangible assets                             | <u>509</u>                        | <u>962</u>                        | <u>1,044</u>                        | <u>1,960</u>                        |
| Total   | <u>\$ 11,018</u>                  | <u>\$ 7,839</u>                   | <u>\$ 22,045</u>                    | <u>\$ 15,753</u>                    |
| Depreciation expenses summarized by functions |                                   |                                   |                                     |                                     |
| Operating costs                               | \$ 4,099                          | \$ 4,822                          | \$ 9,687                            | \$ 9,626                            |
| Operating Expenses                            | 6,070                             | 1,766                             | 10,635                              | 3,589                               |
| Other gains and losses                        | <u>340</u>                        | <u>289</u>                        | <u>679</u>                          | <u>578</u>                          |
|   | <u>\$ 10,509</u>                  | <u>\$ 6,877</u>                   | <u>\$ 21,001</u>                    | <u>\$ 13,793</u>                    |
| Depreciation expenses summarized by functions |                                   |                                   |                                     |                                     |
| Operating costs                               | \$ -                              | \$ 291                            | \$ -                                | \$ 542                              |
| Operating Expenses                            | <u>509</u>                        | <u>671</u>                        | <u>1,044</u>                        | <u>1,418</u>                        |
|   | <u>\$ 509</u>                     | <u>\$ 962</u>                     | <u>\$ 1,044</u>                     | <u>\$ 1,960</u>                     |

**(V) Employee Benefit Expense**

|                              | April 1, 2019<br>to June 30, 2019 | April 1, 2018<br>to June 30, 2018 | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Short-term employee benefits | \$ 125,364                        | \$ 121,004                        | \$ 249,065                          | \$ 241,217                          |
| Post-employment benefits     |                                   |                                   |                                     |                                     |
| Defined contribution plan    | 6,572                             | 6,641                             | 14,310                              | 13,002                              |
| Defined benefit plans        | 186                               | 103                               | 376                                 | 242                                 |
| Termination benefits         | <u>163</u>                        | <u>413</u>                        | <u>976</u>                          | <u>940</u>                          |
|                              | <u>\$ 132,285</u>                 | <u>\$ 128,161</u>                 | <u>\$ 264,727</u>                   | <u>\$ 255,401</u>                   |
| Summary by function          |                                   |                                   |                                     |                                     |
| Operating costs              | \$ 72,963                         | \$ 68,273                         | \$ 141,091                          | \$ 137,585                          |
| Operating Expenses           | <u>59,322</u>                     | <u>59,888</u>                     | <u>123,636</u>                      | <u>117,816</u>                      |
|                              | <u>\$ 132,285</u>                 | <u>\$ 128,161</u>                 | <u>\$ 264,727</u>                   | <u>\$ 255,401</u>                   |

## (VI) Compensation to Employees and Remuneration to Directors

Pursuant to the Articles of Incorporation, the Group appropriates 0.1% - 3% of its pre-tax income (before compensations to employees and remunerations to directors are deducted from) as employee compensations, and less than 3% of such pre-tax income as remuneration to directors and supervisors. Compensations to employees and remunerations to directors and supervisors for the three-month and six-month periods ended June 30, 2019 and 2018 are stated as follows:

|   | April 1, 2019 ~ June 30, 2019   |                | April 1, 2018 ~ June 30, 2018   |                |
|---|---------------------------------|----------------|---------------------------------|----------------|
|   | Amount                          | Percentage (%) | Amount                          | Percentage (%) |
| Employee compensation                         | \$ 2,166                        | 3%             | \$ 3,28€                        | 3%             |
| Directors' Remuneration                       | \$ 2,166                        | 3%             | \$ 3,28€                        | 3%             |
|   |                                 |                |                                 |                |
|   | January 1, 2019 ~ June 30, 2019 |                | January 1, 2018 ~ June 30, 2018 |                |
|   | Amount                          | Percentage (%) | Amount                          | Percentage (%) |
| Employee compensation                         | \$ 4,430                        | 3%             | \$ 6,023                        | 3%             |
| Directors and<br>Supervisors'<br>Remuneration | \$ 4,430                        | 3%             | \$ 6,023                        | 3%             |

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

The Group's compensations to employees and remunerations to directors approved by the Board of Directors are stated as follows:

|   | 2018                  |                | 2017                  |                |
|---|-----------------------|----------------|-----------------------|----------------|
|   | Cash                  | Percentage (%) | Cash                  | Percentage (%) |
| Employee<br>compensation                      | \$ 9,200              | 3%             | \$ 6,417              | 3%             |
| Directors and<br>Supervisors'<br>Remuneration | \$ 9,200<br>\$ 18,400 | 3%             | \$ 6,417<br>\$ 12,834 | 3%             |

There is no discrepancy between the real distributed amount of compensations to employees and remunerations to directors for 2018 and 2017 and the recognized amount on the consolidated financial statements for 2018 and 2017.

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

## XXII. Income Tax

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

Major components of income tax expenses are as follows:

|  | April 1, 2019<br>to June 30, 2019 | April 1, 2018<br>to June 30, 2018 | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Current income tax                                     |                                   |                                   |                                     |                                     |
| Income tax expenses<br>recognized in the period        | \$ 17,838                         | \$ 23,844                         | \$ 35,126                           | \$ 47,425                           |
| Tax on undistributed<br>earnings                       | 1,459                             | -                                 | 1,459                               | -                                   |
| Adjustments for prior<br>years                         | (1,840)                           | (973)                             | (1,840)                             | (973)                               |
|  | <u>17,457</u>                     | <u>22,871</u>                     | <u>34,745</u>                       | <u>46,452</u>                       |
| Deferred income tax                                    |                                   |                                   |                                     |                                     |
| Income tax expenses<br>recognized in the period        | 15,406                            | 23,236                            | 29,801                              | 40,718                              |
| Changes in tax rates                                   | <u>-</u>                          | <u>-</u>                          | <u>-</u>                            | <u>27,356</u>                       |
|  | <u>15,406</u>                     | <u>23,236</u>                     | <u>29,801</u>                       | <u>68,074</u>                       |
| Income tax expenses<br>recognized in profit or<br>loss | \$ 32,863                         | \$ 46,107                         | \$ 64,546                           | \$ 114,526                          |

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

|   | April 1, 2019<br>to June 30, 2019 | April 1, 2018<br>to June 30, 2018 | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| <u>Deferred income tax</u>  |                                   |                                   |                                     |                                     |
| Changes in tax rates  | \$ -                              | \$ -                              | \$ -                                | \$ 5,262                            |
| Income tax expenses<br>recognized in the period                             |                                   |                                   |                                     |                                     |
| - Exchange differences on<br>translation of foreign<br>financial statements | (4,725)                           | 12,988                            | 13,032                              | 14,384                              |
|   | <u>(\$ 4,725)</u>                 | <u>\$ 12,988</u>                  | <u>\$ 13,032</u>                    | <u>\$ 19,646</u>                    |

## (III) Income Tax Approval Status

The profit-seeking enterprise income tax returns filed by the Group and entities operating within the territory of R.O.C. are approved by the taxation authority. The approved years are stated as follows:

| Company Name  | Approval year |
|---|---------------|
| The Group   | 2017          |
| Chien Kuo Development Co., Ltd.                             | 2017          |
| Shun Long International Electrical<br>Engineering Co., Ltd. | 2016          |
| Anping Real Estate Co., Ltd.                                | 2017          |

### XXIII. Earnings per Share

Unit: NT\$ per Share

|                            | April 1, 2019<br>to June 30, 2019 | April 1, 2018<br>to June 30, 2018 | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|----------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Basic earnings per share   | \$ 0.16                           | \$ 0.24                           | \$ 0.33                             | \$ 0.36                             |
| Diluted earnings per share | \$ 0.16                           | \$ 0.24                           | \$ 0.33                             | \$ 0.36                             |

Earnings used for calculation of EPS and weighted average number of shares are stated as follows:

#### Net income

|  | April 1, 2019<br>to June 30, 2019 | April 1, 2018<br>to June 30, 2018 | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Net income attributable to shareholders of the Group | \$ 52,428                         | \$ 80,600                         | \$ 109,087                          | \$ 121,822                          |

#### Number of shares

Unit: In 1,000 Shares

|   | April 1, 2019<br>to June 30, 2019 | April 1, 2018<br>to June 30, 2018 | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Weighted average number of common stocks used for the calculation of basic earnings per share   | 334,300                           | 334,300                           | 334,300                             | 334,300                             |
| Effect of dilutive potential common stocks:   |                                   |                                   |                                     |                                     |
| Employee compensation   | 207                               | 506                               | 864                                 | 787                                 |
| Weighted average number of common stocks used for the calculation of diluted earnings per share | <u>334,507</u>                    | <u>334,806</u>                    | <u>335,164</u>                      | <u>335,087</u>                      |

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

### XXIV. Disposal of subsidiaries

The Group 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      | \$ 2,298         | \$ 16,204        |
| Payment receivables            | 9,405            | 6,146            |
| Other receivables              | 38,819           | -                |
| Stock                          | 255              | -                |
| Prepaid items                  | 294              | -                |
| Other current assets           | 268              | -                |
| Non-current assets             |                  |                  |
| Property, plants and equipment | 27,589           | 328              |
| Deferred tax assets            | -                | 283              |
| Other non-current assets       | 12,499           | 577              |
| Current liabilities            |                  |                  |
| Other receivable               | ( 2,092)         | ( 4,562)         |
| Deferred tax liabilities       | -                | ( 28)            |
| Other current liabilities      | ( 9,416)         | ( 103)           |
| Net disposal assets            | <u>\$ 79,919</u> | <u>\$ 18,845</u> |

(II) Gain(loss) on disposal of subsidiary

|   | Chein Cheng      | WeBIM             |
|---|------------------|-------------------|
| Collective consideration  | \$133,729        | \$ 5,500          |
| Net disposal assets (100% as Chein Cheng; 76.5% as WeBIM)   | ( 79,919)        | ( 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 | ( 18,894)        | -                 |
| Gain(loss) of disposal  | <u>\$ 34,916</u> | <u>( \$ 371 )</u> |

(III) Net cash flow on disposal of subsidiary

|  | Chein Cheng         | WeBIM                |
|--|---------------------|----------------------|
| Collective consideration on cash and cash equivalents  | \$133,729           | \$ 5,500             |
| Less: receipts in advance                              | ( 133,729)          | -                    |
| Less: balance on disposal of cash and cash equivalents | ( 2,298)            | ( 16,204)            |
|  | <u>( \$ 2,298 )</u> | <u>( \$ 10,704 )</u> |

## XXV. Capital Risk Management

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

## XXVI. Financial Instruments

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

Please refer to the information stated in the consolidated balance sheets. The management of the Group believes that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values, so their carrying amounts recognized in the consolidated balance sheets are used as a reasonable basis for estimating their fair values.

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

#### 1. Fair value hierarchy

##### June 30, 2019

|  | Level 1           | Level 2           | Level 3          | Total             |
|--|-------------------|-------------------|------------------|-------------------|
| <u>Financial assets at FVTPL</u>           |                   |                   |                  |                   |
| Private funds                              | \$ -              | \$ -              | \$ 65,868        | \$ 65,868         |
| Structured deposits                        | -                 | <u>162,844</u>    | -                | <u>162,844</u>    |
| Total                                      | <u>\$ -</u>       | <u>\$ 162,844</u> | <u>\$ 65,868</u> | <u>\$ 228,712</u> |
| <u>Financial assets measured at FVTOCI</u> |                   |                   |                  |                   |
| Domestic and foreign listed stocks         | <u>\$ 416,176</u> | <u>\$ -</u>       | <u>\$ -</u>      | <u>\$ 416,176</u> |
| <u>Financial liabilities for hedge</u>     |                   |                   |                  |                   |
| Forward exchange contracts                 | <u>\$ -</u>       | <u>\$ 2,157</u>   | <u>\$ -</u>      | <u>\$ 2,157</u>   |

##### June 30, 2018

|  | Level 1           | Level 2           | Level 3          | Total             |
|--|-------------------|-------------------|------------------|-------------------|
| <u>Financial assets measured at FVTPL</u>  |                   |                   |                  |                   |
| Foreign Funds                              | \$ 293,265        | \$ -              | \$ -             | \$ 293,265        |
| Private Funds                              | -                 | -                 | 85,555           | 85,555            |
| Structure deposits                         | -                 | <u>328,668</u>    | -                | <u>328,668</u>    |
| Total                                      | <u>\$ 293,265</u> | <u>\$ 328,668</u> | <u>\$ 85,555</u> | <u>\$ 707,488</u> |
| <u>Financial assets measured at FVTOCI</u> |                   |                   |                  |                   |
| Domestic listed stocks                     | \$ 339,006        | \$ -              | \$ -             | \$ 339,006        |
| Investments in foreign bonds               | -                 | <u>144,195</u>    | -                | <u>144,195</u>    |
| Total                                      | <u>\$ 339,006</u> | <u>\$ 144,195</u> | <u>\$ -</u>      | <u>\$ 483,201</u> |

There was no fair value measurement that was transferred between Level 1 and Level 2 for the six-month periods ended June 30, 2019 and 2018.

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

| Types of Financial instruments | Valuation Techniques and Inputs  |
|--------------------------------|--|
| Investments in foreign bonds   | The fair values of foreign bonds are based on quoted prices or final prices of participants in stock exchange markets.   |
| Forward exchange contracts     | Discounted cash flow methods: Future cash flows are estimated based on observable forward exchange and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. |
| Structured deposits            | The fair values of structured deposits are measured at the rates of return derived from the structure of deposit principals and derivatives.   |

3. Valuation techniques and inputs applied to Level 3 fair value measurement

Fair value of private placement is measured by using the asset-based approach.

The asset-based approach is used to assess the fair value by reference to the net asset value provided by the fund companies. The unobservable inputs employed by the Group as at June 30, 2019, December 31, 2018 and June 30 2018 were liquidity and minority interest, each reduced by 10%. When other inputs are held constant, if liquidity or minority interest reduces by 1%, the fair value will decrease by NT\$ 705 thousand, NT\$927 thousand and NT\$951 thousand respectively.

(III) Types of Financial Instruments

|   | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---------------|-------------------|---------------|
| <b><u>Financial assets</u></b>              |               |                   |               |
| Measured at FVTPL                           |               |                   |               |
| Mandatorily measured at FVTPL               | \$ 228,712    | \$ 254,331        | \$ 707,488    |
| Financial assets at amortized cost (Note 1) | 4,822,202     | 5,190,167         | 4,967,640     |
| Financial assets measured at FVTOCI         |               |                   |               |
| Investment in an equity instrument          | 416,176       | 330,698           | 339,006       |
| Investment in a debt instrument             | -             | 57,060            | 144,195       |
| <b><u>Financial liabilities</u></b>         |               |                   |               |
| Financial liabilities for hedge             | 2,157         | -                 | -             |
| Measured at amortized cost (Note 2)         | 3,053,057     | 3,552,931         | 3,758,687     |

Note 1: Balance is the balance of the financial assets measured at amortized cost, including cash and cash equivalents, notes receivable, 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 Group are subject to a number of financial risks, including market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The overall risk management policy of the Group focuses on the uncertainties in the financial market to reduce the potentially adverse effects on the financial position and performance of the Group.

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

##### 1. Market risk

###### (1) Foreign exchange rate risk

For the carrying amount of foreign currency monetary assets and foreign currency monetary liabilities that were significant on the balance sheet date, please refer to Note 30.

###### Sensitivity Analysis

The Group is mainly exposed to RMB and USD fluctuations.

The following table details the Group's sensitivity to a 1% increase or decrease in New Taiwan Dollars against the relevant foreign currency. The rate of 1% is the sensitivity rate used when reporting foreign currency risk internally to the key management, and represents the management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts the translation at the end of the 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, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|     | \$ 186                              | \$ 1,350                            |
| RMB |                                     |                                     |
| USD | 4                                   | 3                                   |

### Hedge accounting

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

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

Hedge for exchange risk of the Group are listed as follow:

#### June 30, 2019

| Hedge instrument           | Currency   | Amount of contract | Due period | Balance sheet Item              | Unit: NT\$1,000 |                              |
|----------------------------|------------|--------------------|------------|---------------------------------|-----------------|------------------------------|
|                            |            |                    |            |                                 | Asset           | Carrying amount<br>Liability |
| Cash flow for hedge        |            |                    |            |                                 |                 |                              |
| Forward exchange contracts | RMB to USD | RMB60,000/USD8,617 | June 2020  | Financial liabilities for hedge | \$ -            | \$ 2,157                     |

Total amount of NT\$2,157 thousand was recognized as hedge loss of other comprehensive loss owing to forward exchange contract, mentioned above as hedge instrument for cash flow hedge at April 1 to June 30, 2019 and January 1 to June 30, 2019 respectively.

#### (2) Interest rate risk

The interest rate risk of the Group comes from cash and cash equivalents. Cash and cash equivalents held at floating rates expose the Group to the cash flow interest rate risk. Part of such risk is offset by loans

made at floating rates. Cash and cash equivalents held at fixed rates and loans made expose the Group to the fair value interest rate risk. The policy of the Group is to adjust the ratio of fixed interest rates and floating interest rates based on the overall trend of interest rates.

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

|                                    | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|------------------------------------|---------------|-------------------|---------------|
| With fair value interest rate risk |               |                   |               |
| - Financial assets                 | \$ 1,825,477  | \$ 2,021,358      | \$ 1,698,720  |
| - Financial liabilities:           | 859,610       | 899,131           | 750,000       |
| With cash flow interest rate risk  |               |                   |               |
| - Financial assets                 | 856,031       | 760,458           | 651,346       |
| - Financial liabilities:           | 350,000       | 350,000           | 499,803       |

#### Sensitivity Analysis

The sensitivity analysis below is based on the Group's exposure to interest rates for both derivative and non-derivative instruments on the balance sheet date. For liabilities at floating rates, the analysis assumes them to be in circulation on the balance sheet date (that is, to be in circulation throughout the reporting period). The rate of 1% is the sensitivity rate used when reporting foreign currency risk internally to the key management, and represents the management's assessment of the reasonably possible changes in foreign exchange rates.

If interest rate increases/decreases by 100 basis points, held other variables constant, the Group's income before tax will increase/decrease by NT\$ 2,530 thousand and NT\$ 758 thousand, respectively for the six-month periods ended June 30, 2019 and 2018.

#### (3) Other price risk

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

### Sensitivity Analysis

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

If the price of equity increases/decreases by 10%, the income before tax for the six-month period ended June 30, 2019 will, as a result of the gains of losses from equity instruments measured at FVTPL, increase/decrease by NT\$ 6,587 thousand, while the shareholders' equity will, due to gains or losses from equity instruments classified as available-for-sale, increase/decrease by 41,618 thousand.

If equity prices rise/fall by 10%, the pre-tax income for the six-month period ended June 30, 2018 will increase/decrease by NT\$ 37,882 thousand due to the rise/fall of the fair value of financial assets measured at FVTPL., while the pre-tax other comprehensive income for the six-month period ended June 30, 2018 will increase/decrease by NT\$ 33,901 thousand due to the rise/fall of the fair value of financial assets measured at FVTOCI.

## 2. Credit risk

Credit risk refers to the risk of financial loss of the Group arising from default by customers or counterparties of financial instruments on the contractual obligations. Credit risk policies of the Group are as follow:

### The Client

The Group has established a specific internal credit policy, which requires all entities within the Group to manage and conduct a credit analysis on every new customer before stipulating the terms and conditions of payment and delivery. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.

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

### Liabilities Instruments

The policy which the Group implements is to invest only in debt instruments with credit ratings above. The aforesaid credit ratings are provided by independent rating agencies. The Group continued to track external rating information to monitor changes in credit risk of the investments in debt instruments and to review other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investments has increased significantly since the original recognition.

The Group measures the 12-month ECL or full lifetime ECL of investment in debt instruments by taking into account the historical default loss rate by class provided by independent rating agencies, and the present financial position of the debtor and the prospect forecast of the industry to which they belong.

### 3. Liquidity risk

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

June 30, 2019

|  | Less than 1<br>Year | 1~2 Year(s)       | 2~5 Years         | More than 5<br>Years |
|--|---------------------|-------------------|-------------------|----------------------|
| Non-interest<br>bearing<br>liabilities   | \$ 1,779,003        | \$ 126,096        | \$ 39,049         | \$ -                 |
| Lease<br>liabilities                     | 15,338              | 14,132            | 28,470            | 77,354               |
| Fixed-rate<br>instruments:               | 160,000             | -                 | 600,000           | -                    |
| Floating<br>interest rate<br>instruments | <u>\$ 1,954,341</u> | <u>\$ 140,228</u> | <u>\$ 350,000</u> | <u>\$ 77,354</u>     |

(3) The further analytics of lease liabilities is as follow:

|                      | Less than<br>1 Year | 1~5<br>Year(s)   | 5~10<br>Years   | 10~15<br>Years  | 1~5<br>20 Years | ~ than<br>Years  | More<br>20 |
|----------------------|---------------------|------------------|-----------------|-----------------|-----------------|------------------|------------|
| Lease<br>liabilities | <u>\$ 15,338</u>    | <u>\$ 42,602</u> | <u>\$ 6,238</u> | <u>\$ 6,238</u> | <u>\$ 6,238</u> | <u>\$ 58,640</u> |            |

December 31, 2018

|                                    | <u>Less than 1 Year</u> | <u>1~2 Year(s)</u> | <u>2~5 Years</u>  |
|------------------------------------|-------------------------|--------------------|-------------------|
| Non-interest bearing liabilities   | \$ 2,174,679            | \$ 109,949         | \$ 19,172         |
| Fixed-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> |

June 30, 2018

|                                    | <u>Less than 1 Year</u> | <u>1~2 Year(s)</u> | <u>2~5 Years</u>  |
|------------------------------------|-------------------------|--------------------|-------------------|
| Non-interest bearing liabilities   | \$ 2,416,267            | \$ 76,581          | \$ 16,036         |
| Fixed-rate instruments:            | 600,000                 | 150,000            | -                 |
| Floating interest rate instruments | 149,803                 | -                  | 350,000           |
|                                    | <u>\$ 3,166,070</u>     | <u>\$ 226,581</u>  | <u>\$ 366,036</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.

(4) Line of credit

|                                    | <u>June 30, 2019</u> | <u>December 31, 2018</u> | <u>June 30, 2018</u> |
|------------------------------------|----------------------|--------------------------|----------------------|
| credit line of unsecured bank loan |                      |                          |                      |
| — Amount used                      | \$ 610,000           | \$ 450,000               | \$ 150,000           |
| — Amount unused                    | <u>1,433,261</u>     | <u>1,299,495</u>         | <u>2,132,255</u>     |
|                                    | <u>\$ 2,043,261</u>  | <u>\$ 1,749,495</u>      | <u>\$ 2,282,255</u>  |
| credit line of secured bank loan   |                      |                          |                      |
| — Amount used                      | \$ 500,000           | \$ 800,000               | \$ 1,100,000         |
| — Amount unused                    | <u>200,000</u>       | <u>100,000</u>           | <u>100,000</u>       |
|                                    | <u>\$ 700,000</u>    | <u>\$ 900,000</u>        | <u>\$ 1,200,000</u>  |

(5) Financial assets shifting

The Group has endorsed a part of its banker's acceptance in Mainland China over to suppliers for the purpose of paying off its accounts payables. Since the risks and rewards of such 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 Group. Therefore, the Group still has continuing involvement in the notes.

The maximum risk exposure of the Group'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\$355,959 thousand, NT\$331,572 thousand, and NT\$298,376 thousand respectively as of June 30, 2019, December 31, 2018, and June 30, 2018, and will be due respectively within 11 months, 12 months, and 8 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 June 3, 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.

## **XXVII. Related Party Transactions**

In preparing the consolidated financial statements, all transactions, balances, income and expenses between the entities have been eliminated in full. In addition to those disclosed in other notes, transactions between the Group and other related parties are as follows.

### **(I) Names and relationships of related parties**

| <b>Name of related party</b>                      | <b>Relations with the Group</b>                               |
|---|---|
| WeBIM Service co., LTD.                           | As affiliated company since January 22, 2019                  |
| Jianhui Investment Co., Ltd. (Jianhui Investment) | The company's board chairman is the Group's vice chairman.    |
| Chien Kuo Foundation For Arts and Culture         | The foundation's board chairman is the Group's vice chairman. |
| Lee, Meng-Chung                                   | The Chairman of the WeBIM                                     |
| Yang, Tzu-Chiang                                  | Director of the Group   |
| Yang, Pang-Yen                                    | Director of the Group   |

### **(II) Other related party transactions**

#### **1. Construction Cost**

| <b>Category of Related Party</b> | <b>April 1, 2019<br/>to June 30, 2019</b> | <b>April 1, 2018<br/>to June 30, 2018</b> | <b>January 1, 2019<br/>to June 30, 2019</b> | <b>January 1, 2018<br/>to June 30, 2018</b> |
|----------------------------------|---|---|---|---|
| Related Party                    | \$ 500                                    | Note                                      | \$ 1,573                                    | 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 Group in the period from January 1 to June 30, 2018.

## 2. Rental Agreements

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

| Listed Items              | Category of related party      | December 31,                   |                                  | June 30, 2018                    |
|---------------------------|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
|                           |                                | June 30, 2019                  | 2018                             |                                  |
| Lease liabilities         | Other related parties          | \$ 24,478                      | \$ -                             | \$ -                             |
|                           |                                |                                |                                  |                                  |
| Category of related party | April 1, 2019 to June 30, 2019 | April 1, 2018 to June 30, 2018 | January 1, 2019 to June 30, 2019 | January 1, 2018 to June 30, 2018 |
| <u>Interests expense</u>  |                                |                                |                                  |                                  |
| Other related parties     | \$ 103                         | \$ -                           | \$ 211                           | \$ -                             |
| <u>Rental expense</u>     |                                |                                |                                  |                                  |
| Other related parties     | \$ 18                          | \$ 1,437                       | \$ 36                            | \$ 2,874                         |

## 3. Equity Transfer

The Group 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. Donation expenditure

The Group's Board of Directors resolved on March 29, 2018 to donate to Chien Kuo Foundation for Arts and Culture a supporting fee for its broadcast production. Such donation was recognized in the second quarter of 2018 as a donation expense in the amount of NT\$ 1,620 thousand.

## 5. Acquisition of financial assets

In April 2019 and January 2018, the Group invested in CSVI VENTURES, L.P. with NT\$ 18,636 thousand (US\$ 600 thousand) and NT\$18,276 thousand(US\$ 600 thousand) respectively. The chief decision maker of the fund is the Group's director.

## (III) Remuneration to key management

|                              | April 1, 2019<br>to June 30, 2019 | April 1, 2018<br>to June 30, 2018 | January 1, 2019<br>to June 30, 2019 | January 1, 2018<br>to June 30, 2018 |
|------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Short-term employee benefits | \$ 8,917                          | \$ 7,361                          | \$ 34,329                           | \$ 28,783                           |
| Post-employment benefits     | \$ 302                            | \$ 282                            | \$ 603                              | \$ 579                              |
|                              | <u>\$ 9,219</u>                   | <u>\$ 7,643</u>                   | <u>\$ 34,932</u>                    | <u>\$ 29,362</u>                    |

## XXVIII. Mortgaged Assets and Pledged Assets

The Group's assets listed below were provided as collateral against bank loans, collateral against litigations, deposits for construction performance obligation, scope of hedging and deposits for bills acceptance:

|   | June 30, 2019     | December 31, 2018   | June 30, 2018       |
|---|-------------------|---------------------|---------------------|
| Land awaiting development                       | \$ 463,577        | \$ 463,577          | \$ 463,577          |
| Financial assets at FVTPL - current             | -                 | 123,289             | 254,453             |
| Financial assets measured at FVTOCI-non current | 121,327           | 94,555              | 98,542              |
| Pledged certificate of deposit                  | 291,853           | 347,064             | 331,153             |
| Investment property                             | 31,835            | 32,122              | 32,408              |
| Property, plant and equipment                   | 17,911            | 18,701              | 20,043              |
| Right-of-use assets                             | 4,710             | -                   | -                   |
| Long-term prepaid rent                          | -                 | 4,735               | 4,941               |
| Other restricted assets                         | 2,580             | 2,580               | -                   |
|   | <u>\$ 933,793</u> | <u>\$ 1,086,623</u> | <u>\$ 1,205,117</u> |

## XXIX. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

- (I) The construction of the National Kaohsiung Center for the Arts (Weiuying) (hereinafter referred to as “the Project”) undertaken by the Group 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 Group 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 Group 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 Group. The Group 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.

(II) Shing Tzung Development Co., Ltd (“Shing Tzung” hereinafter) and its responsible person, Lu,Kuo-Feng, were building a commercial-residential hybrid complex that has 5 floors below ground and 26 floors above ground located at Land No. 537, Zhangzhou Section, Kaohsiung City when the diaphragm wall construction, due to poor construction, damaged the neighbors’ houses on July 20, 2014. Such incident (“Incident” hereinafter) had caused the houses located at 187th lane, Ziqiang 3rd Road, Kaohsiung City to tilt largely, to sink, and to depict cracked walls. Due to the Group’s active participation in the repair work, a total of 25 house owners transferred a certain amount of their creditors’ rights to the Group, by which the Group had petitioned the court for a provisional attachment against Shing Tzung and its responsible person, and for a claim of NT\$ 25 million plus the statutory delay interest accrued thereon from them. The initial verdict rejected the Group’s petition in 2018, and held that Shing Tzung had also paid related expenses for such an incident and thus agreed to that the expense contended to be paid by Shing Tzung should be offset against the credit rights to which the Group might be entitled. Therefore, the plaintiff’s case was rejected. The Group has recognized the total amount of NT\$25 million that was previously presented under “payment on behalf of another party” as a loss based on the verdict.

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

(III) As of June 30, 2019, the letters of performance guarantee issued by banks for the Group for undertaking construction amounted to NT\$ 1,545, 301 thousand.

(IV) As of June 30, 2019, the guarantee notes in deposit issued by banks for the Group for business purposes amounted to NT\$ 605,096 thousand.

**XXX. Information on Foreign Currency Assets and Liabilities Wielding Significant Influence**

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

Unit: Foreign currency/NT\$1,000

June 30, 2019

|                         | Amount in Foreign<br>Currency | Exchange rate     | Carrying Amount  |
|-------------------------|-------------------------------|-------------------|------------------|
| <b>Financial assets</b> |                               |                   |                  |
| <b>Monetary items</b>   |                               |                   |                  |
| RMB                     | \$ 4,108                      | 0.1455 (RMB: USD) | \$ 18,560        |
| USD                     | 13                            | 31.06 (USD: NTD)  | 404              |
|                         |                               |                   | <u>\$ 18,964</u> |

December 31, 2018

|                         | Amount in Foreign<br>Currency | Exchange rate     | Carrying Amount  |
|-------------------------|-------------------------------|-------------------|------------------|
| <b>Financial assets</b> |                               |                   |                  |
| <b>Monetary items</b>   |                               |                   |                  |
| RMB                     | \$ 9,020                      | 0.1455 (RMB: USD) | \$ 40,374        |
| USD                     | 201                           | 30.72 (USD: NTD)  | 6,175            |
|                         |                               |                   | <u>\$ 46,549</u> |

June 30, 2018

|                         | Amount in Foreign<br>Currency | Exchange rate     | Carrying Amount   |
|-------------------------|-------------------------------|-------------------|-------------------|
| <b>Financial assets</b> |                               |                   |                   |
| <b>Monetary items</b>   |                               |                   |                   |
| RMB                     | \$ 29,332                     | 0.1511 (RMB: USD) | \$ 135,033        |
| USD                     | 10                            | 30.46 (USD: NTD)  | 305               |
|                         |                               |                   | <u>\$ 135,338</u> |

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

|                         | April 1, 2019 ~ June 30, 2019 |                             | April 1, 2018 ~ June 30, 2018 |                             |
|-------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
|                         | Exchange rate                 | Net exchange<br>gain (loss) | Exchange rate                 | Net exchange<br>gain (loss) |
|                         |                               |                             |                               |                             |
| <b>Financial assets</b> |                               |                             |                               |                             |
| RMB                     | 0.1455 (RMB: USD)             | (\$ 638)                    | 0.1511 (RMB: USD)             | (\$ 4,951)                  |
| USD                     | 31.06 (USD: NTD)              | -                           | 30.46 (USD: NTD)              | 4,728                       |
|                         |                               | <u>(\$ 638)</u>             |                               | <u>\$ 233</u>               |

| Financial assets | January 1, 2019 ~ June 30, 2019 |                             | January 1, 2018 ~ June 30, 2018 |                            |
|------------------|---------------------------------|-----------------------------|---------------------------------|----------------------------|
|                  | Exchange rate                   | Foreign exchange gains, net | Exchange rate                   | Foreign exchange loss, net |
|                  |                                 | (RMB: USD)                  |                                 | (RMB: USD)                 |
| RMB              | 0.1455<br>(RMB: USD)            | \$ 4,368                    | 0.1511<br>(RMB: USD)            | \$ 1,279                   |

## XXXI. Additional Disclosures

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

1. Loans to others: (Appendix Table 1)
2. Endorsements and Guarantees (Appendix Table 2)
3. Marketable Securities Held at the End of the Period (Excluding Equity in Subsidiaries, Associates and Joint Ventures) (Appendix Table 3)
4. Aggregate trading value on the same securities (including purchase and sales) reaching NT\$300 million or 20 percent of the paid-in capital or more: (None)
5. Acquisition of Property Amounting to At Least NT\$ 300 Million or Exceeding 20% of Paid-in Capital: (None)
6. Disposal of real estate at costs of at least NT\$300 million or 20% of the paid-in capital: (None)
7. Purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: (Appendix Table 4)
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: (Appendix Table 5)
9. Derivatives trading Please refer to Notes 26.
10. Others: Inter-company Relationships and Significant Inter-company Transactions (Appendix Table 6)
11. Information on invested companies: (Appendix Table 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: (Appendix Table 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.

## XXXII. Segment Information

Information provided for the chief business decision maker to allocate resources and evaluate the performance of segments focuses on the category of products or service delivered or provided. The Group's reportable segments are as follows:

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

Production and sale of concrete and concrete products

### Segment revenue and results

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

|  | Segment Revenue            |                            | Segment income (loss) |                   |
|--|----------------------------|----------------------------|-----------------------|-------------------|
|  | January 1, 2019            | April 1, 2019              | January 1, 2019       | April 1, 2019     |
|  | to June 30, 2019           | to June 30, 2019           | to June 30, 2019      | to June 30, 2019  |
| Construction Segment   | \$ 1,203,030               | \$ 2,176,521               | \$ 35,637             | \$ 65,843         |
| Concrete Segment   | <u>551,131</u>             | <u>1,037,367</u>           | <u>66,693</u>         | <u>99,256</u>     |
| Total revenue from continuing operations                             | <u><u>\$ 1,754,161</u></u> | <u><u>\$ 3,213,888</u></u> | 102,330               | 165,099           |
| Other income   |                            |                            | 15,224                | 31,672            |
| Other gains and losses   |                            |                            | ( 3,987)              | 37,147            |
| Headquarters management costs and directors' remuneration            |                            |                            | ( 24,487)             | ( 49,957)         |
| Finance costs  |                            |                            | ( 3,677)              | ( 9,126)          |
| Share of profit loss of associates accounted for using equity method |                            |                            | <u>86</u>             | <u>( 855)</u>     |
| Income before tax  |                            |                            | <u>\$ 85,489</u>      | <u>\$ 173,980</u> |

|   | Segment Revenue                     |                                   | Segment income (loss)               |                                |
|---|-------------------------------------|-----------------------------------|-------------------------------------|--------------------------------|
|   | January 1, 2018<br>to June 30, 2018 | April 1, 2018<br>to June 30, 2018 | January 1, 2018<br>to June 30, 2018 | April 1, 2018<br>June 30, 2018 |
|   | \$ 1,062,461                        | \$ 2,033,742                      | \$ 54,528                           | \$ 96,967                      |
| Construction Segment                                      | <u>804,298</u>                      | <u>1,312,940</u>                  | <u>103,214</u>                      | <u>186,283</u>                 |
| Total revenue from continuing operations                  | <u><u>\$ 1,866,759</u></u>          | <u><u>\$ 3,346,682</u></u>        | 157,742                             | 283,250                        |
| Other income  |                                     |                                   | 12,512                              | 26,831                         |
| Other gains and losses                                    |                                     |                                   | ( 14,561)                           | ( 16,503)                      |
| Headquarters management costs and directors' remuneration |                                     |                                   | ( 21,782)                           | ( 42,050)                      |
| Finance costs   |                                     |                                   | ( 6,797)                            | ( 14,548)                      |
| Income before tax   |                                     |                                   | <u><u>\$ 127,114</u></u>            | <u><u>\$ 236,980</u></u>       |

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

Chien Kuo Construction Co., Ltd. and Subsidiaries

Loans to Others

January 1, 2019 ~ June 30, 2019

Appendix Table 1

Unit: In Thousands of New Taiwan Dollars

| No. | Company as creditor  | Company as debtor                   | Financial Statement Account | Whether a Related Party | Maximum Balance | Ending Balance | Actual Amount Used | Interest Rate Interval | Nature of Loans (Note 1) | Amount arising from ordinary course of business | Reason for short-term financing | Allowance for doubtful debts | Collateral |       | Limit of loans to a single entity             | Limit of total loans                          | Note |
|-----|--|-------------------------------------|-----------------------------|-------------------------|-----------------|----------------|--------------------|------------------------|--------------------------|---|---------------------------------|------------------------------|------------|-------|---|---|------|
|     |  |                                     |                             |                         |                 |                |                    |                        |                          |   |                                 |                              | Item       | Value |   |   |      |
| 0   | Chien Kuo Construction Co., Ltd.                               | Chien Kuo Development Co., Ltd.     | Other receivables           | Yes                     | \$ 300,000      | \$ 300,000     | \$ -               | 1.2%                   | (1)                      | \$ -  | Operating capital               | \$ -                         | —          | \$ -  | 20% of the parent's net worth<br>\$ 1,024,568 | 20% of the parent's net worth<br>\$ 2,049,136 |      |
| 1   | Jianya (Shanghai) Information Technology Consultant Co., Ltd.  | Suzhou Chien Hua Concrete Co., Ltd. | Other receivables           | Yes                     | 82,843          | 81,324         | 81,324             | 6.0%                   | (1)                      | -   | Operating capital               | -                            | —          | -     | 100% of the company's net worth<br>154,714    | 100% of the company's net worth<br>154,714    |      |
| 2   | Chien Ya (Nantong) Information Technology Consultant Co., Ltd. | Suzhou Chien Hua Concrete Co., Ltd. | Other receivables           | Yes                     | 165,686         | -              | -                  | 6.0%                   | (1)                      | -   | Operating capital               | -                            | —          | -     | 100% of the company's net worth<br>166,329    | 100% of the company's net worth<br>166,329    |      |
| 3   | Chien Ya (Yangzhou) Technology Consultant Co., Ltd.            | Wuxi Chien Bang Concrete Co., Ltd.  | Other receivables           | Yes                     | 82,843          | -              | -                  | 6.0%                   | (1)                      | -   | Operating capital               | -                            | —          | -     | 100% of the company's net worth<br>257,158    | 100% of the company's net worth<br>257,158    |      |
| 4   | Chien Ya (Yangzhou) Technology Consultant Co., Ltd.            | Suzhou Chien Hua Concrete Co., Ltd. | Other receivables           | Yes                     | 174,891         | 171,684        | 171,684            | 6.0%                   | (1)                      | -   | Operating capital               | -                            | —          | -     | 100% of the company's net worth<br>257,158    | 100% of the company's net worth<br>257,158    |      |

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

1. For the purpose of short-term financing.

Note 2: Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as at June 30, 2019 (RMB\$1=NT\$ 4.518).

Chien Kuo Construction Co., Ltd. and Subsidiaries

Endorsements and Guarantees

January 1, 2019 ~ June 30, 2019

Appendix Table 2

Unit: In Thousands of New Taiwan Dollars

| No. | Endorsement/Guarantee Provider Company Name | Parties Being Guaranteed                                 |                | Limit of endorsement/guarantee for a single entity (Note 1, 2, 4) | Highest balance Up to the Current Month (Note 1) | Outstanding endorsement/guarantee - ending (Note 1) | Actual Amount Used (Note 1) | Endorsement/Guarantee secured with collateral | Ratio of cumulative endorsement/guarantee to the net worth stated in the latest financial statements | Limit of endorsement/guarantee (Notes 1, 3 and 4) | Endorsement/Guarantee provided by parent for subsidiary | Endorsement/Guarantee provided by subsidiary for parent | Endorsement/Guarantee for entities in China | Note                            |
|-----|---|--|----------------|---|--|---|-----------------------------|---|--|---|---|---|---|---------------------------------|
|     |   | Company Name   | Relationship   |   |  |   |                             |   |  |   |   |   |   |                                 |
| 0   | Jin Gu Co., Ltd.                            | Suzhou Chien Hua Concrete Co., Ltd.                      | Sub-subsidiary | \$ 2,561,421  | \$ 239,689                                       | \$ 236,063  | \$ 33,659                   | \$ -  | 4.61%  | \$ 5,122,841                                      | Y   | N   | Y   | Financing endorsement/guarantee |
|     |   | Wuxi Chien Bang Concrete Co., Ltd.                       | Sub-subsidiary | 2,561,421   | 239,689  | 236,063   | 40,662                      | -   | 4.61%  | 5,122,841   | Y   | N   | Y   | Financing endorsement/guarantee |
|     |   | Shun Long International Electrical Engineering Co., Ltd. | Subsidiaries   | 2,561,421   | 50,000   | 50,000  | 10,000                      | -   | 0.98%  | 5,122,841   | Y   | N   | N   | Financing endorsement/guarantee |
| 1   | Jin Gu Co., Ltd.                            | Chien Kuo Construction Co. Ltd.                          | Parent company | 11,112,251  | 189,720  | 186,360   | 186,360                     | 186,360                                       | 6.71%  | 11,112,251  | N   | Y   | N   | Financing endorsement/guarantee |

Disclosure:

Note 1: Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as at June 30, 2019 (US\$1=NT\$ 31.06; RMB\$1=NT\$4.518).

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

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

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

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

Note 4: The limit on endorsement and limit on endorsement and guarantee made by Jin Gu Co., Ltd. for a single entity are calculated as follows:

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

Chien Kuo Construction Co., Ltd. and Subsidiaries  
Marketable Securities Held by the End of the Period  
June 30, 2019

Appendix Table 3

Unit: In Thousands of New Taiwan Dollars

| Holder Company  | Type and Name of Marketable Securities                                      | Relationship with the marketable security issuer | Financial Statement Account                      | Ending                          |                 |                             |            | Note   |
|---|---|--|--|---------------------------------|-----------------|-----------------------------|------------|--------|
|   |   |  |  | Number of Shares (in Thousands) | Carrying Amount | Shareholding Percentage (%) | Fair value |        |
| Chien Kuo Construction Co. Ltd.                               | <u>Stock</u><br>Taiwan Cement Corporation                                   | —  | Financial assets measured at FVTOCI - noncurrent | 5,510                           | \$ 253,729      | 0.10                        | \$ 253,729 | Note 5 |
|   | Chia Hsin Cement Corporation  |  | Financial assets measured at FVTOCI - noncurrent | 6,853                           | 117,186         | 0.88                        | 117,186    |        |
|   | Chia Hsin Cement Corporation  |  | Financial assets measured at FVTOCI - current    | 1,114                           | 19,058          | 0.14                        | 19,058     |        |
|   | <u>Funds</u><br>Wan Chan Venture Capital Co. Ltd.                           |  | Prepaid investment expense                       | 900                             | 9,000           | -                           | -          |        |
|   | <u>Funds</u><br>YUANTA DIAMOND FUNDS SPC<br>— YUANTA PRIVATE EQUITY FUND SP | —  | Financial assets at FVTPL - noncurrent           | Note 4                          | 2,810           | -                           | 2,810      | —      |
|   | PVG GNC VENTURES, L.P.  |  | Financial assets at FVTPL - noncurrent           |                                 | -               | 24,482                      | 5.00       |        |
|   | CSVI VENTURES, L.P.   |  | Financial assets at FVTPL - noncurrent           |                                 | -               | 38,576                      | 5.13       |        |
|   | <u>Stock</u><br>Chia Hsin Cement Corporation                                | —  | Financial assets measured at FVTOCI - current    | 175                             | 2,996           | 0.02                        | 2,996      | —      |
|   | <u>Stock</u><br>China Mobile Communications Group Co.,Ltd                   |  | Financial assets measured at FVTOCI - current    | 82                              | 23,207          | -                           | 23,207     |        |
| Chien Ya (Nantong) Information Technology Consultant Co., Ltd | <u>Structured deposits</u><br>Bank of East Asia (China) Limited             | —  | Financial assets measured at FVTPL - current     | -                               | \$ 162,844      | -                           | \$ 162,844 | —      |

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

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

Note 3: Among them 1,892 thousand shares are pledged to the Court as collateral against the litigation between the Group and Shing Tzung.

Note 4: 700 units held.

Note 5: The incorporation procedures of the Company have not finished as June 30, 2019.

Note 6: The information regarding investment of subsidiaries please refer to Appendix Table7 and Appendix Table8.

Chien Kuo Construction Co., Ltd. and Subsidiaries

Purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital:

January 1, 2019 ~ June 30, 2019

Appendix Table 4

Unit: Amount in Thousand of New Taiwan Dollars,  
Unless Otherwise Stated

| Purchaser (Seller)                                       | Counter-party  | Relationship   | Transaction Amount |            |                                |                           | Description of and Reasons for the Differences in Transaction Terms as Compared to the Arms-Length Transactions |               | Notes or accounts receivable (payable) | Note (Note 2) |
|--|--|----------------|--------------------|------------|--------------------------------|---------------------------|---|---------------|--|---------------|
|  |  |                | Purchase (Sell)    | Amount     | Ratio to Total purchase (sell) | Credit Period             | Unit Price  | Credit Period | Balance                                |               |
| Chien Kuo Construction Co. Ltd.                          | Shun Long International Electrical Engineering Co., Ltd. | Subsidiaries   | Purchase           | \$ 271,830 | 13.38%                         | Pursuant to the agreement | -   | -             | (\$ 272,269)                           | ( 20.51%)     |
| Shun Long International Electrical Engineering Co., Ltd. | Chien Kuo Construction Co. Ltd.                          | Parent company | Purchase           | ( 271,830) | ( 95.59%)                      | Pursuant to the agreement | -   | -             | 166,736                                | 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:

June 30, 2019

Appendix Table 5

Unit: Amount in Thousands of New Taiwan Dollars  
, Unless Otherwise Stated

| Company to which the accounts receivable is due          | Counter-party                       | Relationship   | Balance due from related party   | Turnover Rate | Overdue Receivables from Related Parties |              | Subsequent recovered amount from related party (Note 1) | Loss allowance provided |
|--|-------------------------------------|--|----------------------------------|---------------|--|--------------|---|-------------------------|
|  |                                     |  |                                  |               | Amount                                   | Action Taken |   |                         |
| Shun Long International Electrical Engineering Co., Ltd. | Chien Kuo Construction Co. Ltd.     | Parent company   | Account receivables<br>\$166,736 | 6.97          | \$ -                                     | —            | \$ 4,251  | \$ -                    |
| Chien Ya (Yangzhou) Technology Consultant Co., Ltd.      | Suzhou Chien Hua Concrete Co., Ltd. | Direct or indirect invested subsidiaries of parent company | Other receivables<br>\$171,684   | -             | -  | —            | -   | -                       |

Note 1: Recovered amount as of July 23, 2018.

Chien Kuo Construction Co., Ltd. and Subsidiaries  
 Inter-company Relationships and Significant Inter-company Transactions  
 January 1, 2019 ~ June 30, 2019

Appendix Table 6

Unit: In Thousands of New Taiwan Dollars

| No. | Company name   | Counter-party  | Nature of Relationship<br>(Note 1) | Transaction details              |           |                   |  |
|-----|--|--|------------------------------------|----------------------------------|-----------|-------------------|--|
|     |  |  |                                    | Financial Statement Account      | Amount    | Transaction Terms | Ratio to total revenue or total assets |
| 0   | Chien Kuo Construction Co. Ltd.                      | WeBIM Services Co., Ltd.<br>Shun Long International Electrical Engineering Co., Ltd. | (1)                                | Miscellaneous income             | \$ 37,539 | Note 2            | 0.41%                                  |
|     |  |  | (1)                                | Construction costs               | 271,830   | Note 4            | 8.46%                                  |
|     |  |  | (1)                                | Construction contract receivable | 1,013,006 | Note 4            | 10.93%                                 |
|     |  |  | (1)                                | Accounts payable                 | 272,269   | Note 4            | 2.94%                                  |
| 1   | Chien Kuo Development Co., Ltd.                      | Anping Real Estate Co., Ltd.   | (3)                                | Other receivables                | 7,200     | Note 5            | 0.08%                                  |
|     |  |  | (3)                                | Other receivables                | 81,324    | Note 4            | 0.88%                                  |
|     |  |  | (3)                                | Interest income                  | 2,490     | Note 2            | 0.08%                                  |
| 2   | Chien Ya (Shanghai) Information Technology Co., Ltd. | Suzhou Chien Hua Concrete Co., Ltd.  | (3)                                | Other receivables                | 171,684   | Note 4            | 1.85%                                  |
|     |  |  | (3)                                | Interest income                  | 5,574     | Note 2            | 0.17%                                  |
| 3   | Chien Ya (Yangzhou) Technology Consultant Co., Ltd.  | Suzhou Chien Hua Concrete Co., Ltd.  |                                    |                                  |           |                   |  |

Note 1: The nature of relationship is divided into the following three categories:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 2: Conducted in line with ordinary terms.

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

Note 4: Loan funds

Chien Kuo Construction Co., Ltd. and Subsidiaries

Information on Investees and their locations

January 1, 2019 ~ June 30, 2019

Appendix Table 7

Unit: In Thousands of New Taiwan Dollars

| Investor                         | Name of Investee   | Location               | Main businesses   | Original Investment Amount |                       | Balance-ending                     |           |                 | Gains (Losses) of the Investee | Investment gain (loss) recognized for the current period | Note           |
|----------------------------------|--|------------------------|---|----------------------------|-----------------------|------------------------------------|-----------|-----------------|--------------------------------|--|----------------|
|                                  |  |                        |   | End of Current Period      | End of the Prior Year | Number of shares (in 1,000 shares) | Ratio (%) | Carrying Amount |                                |  |                |
| Chien Kuo Construction Co., Ltd. | Jin Gu Limited   | British Virgin Islands | Reinvestment  | \$ 315,189                 | \$ 491,804            | 10,088                             | 100       | \$ 2,676,608    | \$ 68,762                      | \$ 68,762  | Subsidiary     |
|                                  | Yin Ying Holding Limited                                 | British Virgin Islands | Reinvestment  | 842,503                    | 1,065,645             | 25,854                             | 100       | 2,062,015       | 68,175                         | 68,175   | Subsidiary     |
|                                  | Chien Kuo Development Co., Ltd.                          | Taiwan                 | Building construction commission; public housing lease  | 144,065                    | 144,065               | 11,100                             | 100       | 99,348          | 251                            | 255  | 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     | 48,062          | 2,598                          | 2,250  | Subsidiary     |
|                                  | WeBIM Services Co., Ltd.                                 | Taiwan                 | Construction technology   | 8,546                      | 15,166                | 980                                | 49        | 7,691           | ( 1,745 )                      | ( 855 )  | Subsidiary     |
| Yin Ying Holding Limited         | Anping Real Estate Co., Ltd.                             | Taiwan                 | Housing and building development and lease  | 140,000                    | 140,000               | 14,000                             | 100       | 132,969         | ( 1,407 )                      | ( 1,407 )  | Subsidiary     |
|                                  | Chien Kuo Asia Co., Ltd.                                 | British Virgin Islands | Reinvestment  | 910,310                    | 910,310               | 1,746                              | 54.78     | 1,794,089       | 120,913                        | Not applicable   | Sub-subsidiary |
|                                  | Chien Kuo Asia Co., Ltd.                                 | British Virgin Islands | Reinvestment  | 810,433                    | 810,433               | 1,441                              | 45.22     | 1,480,991       | 120,913                        | Not applicable   | Sub-subsidiary |
| Chien Kuo Asia Co., Ltd.         | Shun Long (Hong Kong) Limited                            | Hong Kong              | International trade   | 0.007794                   | 0.007794              | -                                  | 100       | 236             | ( 38 )                         | Not applicable   | Sub-subsidiary |

Note 1: Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate for the six-month period ended June 30, 2019 (US\$1=NT\$ 30.98), except for profit or loss items, which are translated into New Taiwan Dollars by using the exchange rate on June 30, 2019 (US\$1=NT\$ 31.06).

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

Chien Kuo Construction Co., Ltd. and Subsidiaries

Investments in Mainland China

January 1, 2019 ~ June 30, 2019

Appendix Table 8

Unit: In Thousands of New Taiwan Dollars

| Investee in Mainland China                         | Main businesses   | Paid-in Capital | Manner of investment                                     | Cumulative investment amount remitted from Taiwan - Beginning of the period | Investment amount remitted or received for the current period |            | Cumulative investment amount remitted from Taiwan - end of the period | Profit or loss of investees for the current period | Percentage of Ownership (Direct or Indirect) | Investment gains (losses) recognized for the current period (Note 1) | Carrying amount of investment - end of the period (Note 1) | Accumulated repatriation of investment income as of the end of the period. | Note   |
|--|---|-----------------|--|---|---|------------|---|--|--|--|--|--|--------|
|  |   |                 |  |   | Remitted  | Received   |   |  |  |  |  |  |        |
| Shanghai Chien Kuo Concrete Co., Ltd.              | Production and sale of concrete and concrete products     | \$ 155,673      | 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 | 111,816         | Investment through a company founded in a third region   | 68,326  | -   | -          | 68,326  | 1,283  | 100%   | 1,283  | 155,984  | -  |        |
| Suzhou Chien Hua Concrete Co., Ltd.                | Production and sale of concrete and concrete products     | 124,240         | Investment through a company founded in a third region   | 182,036   | -   | -          | 182,036   | 4,316  | 100%   | 4,316  | 580,843  | -  |        |
| Kunshan Jianshan Concrete Co., Ltd.                | Production and sale of concrete and concrete products     | 310,600         | 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     | 155,300         | Investment through a company founded in a third region   | 214,059   | -   | -          | 214,059   | 70,516   | 100%   | 70,516   | 1,640,364  | -  |        |
| Changzhou Chien An Concrete Co., Ltd.              | Production and sale of concrete and concrete products     | 77,650          | 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     | 62,897          | Investment through a company founded in a third region   | 244,471   | -   | -          | 244,471   | -  | -  | -  | -  | -  |        |
| Jianya (Nantong) Information Technology Co., Ltd.  | Computer software technology development and consultation | 155,300         | Investment through a company founded in a third region   | -   | -   | -          | -   | 2,622  | 100%   | 2,622  | 168,923  | -  | Note 5 |
| Yangzhou Chien Yung Concrete Co., Ltd.             | Production and sale of concrete and concrete products     | 62,120          | Investment through a company founded in a third region   | 197,041   | -   | -          | 197,041   | 228  | 100%   | 228  | 37,373   | -  |        |
| Jianya (Yangzhou) Technology Consultant Co., Ltd.  | Computer software technology development and consultation | 251,586         | Investment through a company founded in a third region   | -   | -   | -          | -   | 4,922  | 100%   | 4,922  | 262,027  | -  | Note 6 |
| Shanghai Chien Chung Concrete Co., Ltd.            | Production and sale of concrete and concrete products     | 77,650          | Investment through an existing company in a third region | -   | -   | -          | -   | -  | -  | -  | -  | -  | Note 4 |
| Kunshan Jindi Concrete Co., Ltd.                   | Production and sale of concrete and concrete products     | 43,484          | Investment through an existing company in a third region | -   | -   | -          | -   | -  | -  | -  | -  | -  | Note 4 |
| Zunyi Chien Bang Mining Co., Ltd.                  | Quarrying   | 158,130         | Investment through an existing company in a third region | -   | -   | -          | -   | -  | -  | -  | -  | -  | Note 4 |
| Changzhou Changlong Handling Co., Ltd.             | Cargo handling  | 2,259           | Investment through an existing company in a third region | -   | -   | -          | -   | ( 22 )   | 100%   | ( 22 )   | 883  | -  |        |
| Jiangsu Shili Construction                         | Construction  | 65,226          | Investment through a                                     | 23,100  | -   | -          | 23,100  | ( 369 )  | 100%   | ( 369 )  | 74,995   | -  |        |

|   |                           |           |   |        |   |   |        |   |       |      |    |        |         |        |  |
|---|---------------------------|-----------|---|--------|---|---|--------|---|-------|------|----|--------|---------|--------|--|
| Co., Ltd.   | consultation              |           | company founded in a third region and others                        |        |   |   |        |   |       |      |    |        |         |        |  |
| Chien Kuo Construction Consultant (Kunshan) Co., Ltd.             | Construction consultation | 18,636    | Investment through a company founded in a third region and others   | -      | - | - | -      | - | 27    | 100% | 27 | 23,066 | -       |        |  |
| Loudi Chien Kuo Mining Co., Ltd. and other six invested companies | Quarrying                 | 1,236,809 | Investment through an existing company in a third region and others | 36,840 | - | - | 36,840 | - | (註 4) | -    | -  | -      | 914,492 | Note 4 |  |

| Accumulated investment amount remitted from Taiwan to China as at end of current period | Investment amount approved by the Investment Commission, MOEA | Ceilings on investment in Mainland China imposed by the Investment Commission, MOEA |
|---|---|---|
| \$ 1,014,087 (Note 3)   | \$ 182,580 (Note 2)   | \$ 3,015,989  |

Note 1: The amount was recognized based on the financial statements of investees for the same period that had been reviewed by an independent auditor.

Note 2: The amount authorized by the Investment Commission, MOEA was NT\$1,191,003, of which NT\$1,008,423 originated from the surpluses of invested companies in mainland China remitted to the third regions, and was not included in the calculation of the limit on investment.

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

(1) Loss on investment:

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

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

Note 4: Changzhou Chien An Concrete Co., Ltd. was disposed of and the equity transfer was completed as at October 31, 2013. Shanghai Chien Chung Concrete Co., Ltd. and Zunyi Chien Bang Mining Co., Ltd. had been liquidated in 2015 and 2013, respectively. Loudi Chien Kuo Mining Co., Ltd. had been liquidated on August 15, 2016. Shanghai Chien Kuo Concrete Co., Ltd. had been liquidated on December 9, 2016. Kunshan Jianshan Concrete Co., Ltd. was disposed of and the equity transfer had been completed as at August 23, 2017. Guangxi Hefa Mining Co., Ltd. was disposed of and the equity transfer had been completed as at September 22, 2017. Kunshan Jindi Concrete Co., Ltd. had been liquidated on January 18, 2018

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

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