

Chien Kuo Construction Co., Ltd.  
and Subsidiaries

Consolidated Financial Statements  
for the Nine Months Ended  
September 30, 2019 and 2018 and  
Certified Public Accountants' Review Report

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**

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

### **Introduction**

We have reviewed the consolidated balance sheets of Chien Kuo Construction Co., Ltd. and its subsidiaries (hereafter 'the Company') as of September 30, 2019 and 2018, the consolidated statements of comprehensive income for the three-month and nine-month periods ended on September 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the nine-month periods ended on September 30, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion", we conducted our reviews in 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 of the consolidated financial statements, the financial statements of the insignificant subsidiaries incorporated into the aforementioned consolidated financial

statements for the same periods have not been reviewed by us. The total assets as of September 30, 2019 and 2018 amounted to NT\$1,247,231 thousand and NT\$1,453,059 thousand, respectively, accounting for 13.63% and 15.21% of the consolidated total assets, respectively. The total liabilities as of September 30, 2019 and 2018 amounted to NT\$267,469 thousand and NT\$169,628 thousand, respectively, accounting for 5.57% and 3.66% of the consolidated total liabilities, respectively. The comprehensive income for the three-month and nine-month periods ended on September 30, 2019 and 2018 amounted to NT\$(6,188) thousand, NT\$7,397 thousand, NT\$(5,957) thousand, and NT\$8,630 thousand, respectively, accounting for 35.34%, (58.75%), (2.62%) and 4.68% of the consolidated comprehensive income, respectively.

### **Qualified Conclusion**

Based on our reviews, except for the effects as stated in the paragraph titled "Basis for Qualified Conclusion" that there would have been adjustments in the consolidated financial statements of the said insignificant subsidiaries if they had been reviewed by us, nothing has come to our attention that caused us to believe that the consolidated financial statements do not present fairly, in all material aspects the financial position of the entity as of September 30, 2019 and 2018, of its consolidated financial performance for the three-month periods then ended, and of its consolidated financial performance and consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche Taiwan

Independent Auditor Wang, Yi-Wen

Independent Auditor Fan, Yu-Wei

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

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

November 14, 2019

Chien Kuo Construction Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
September 30, 2019, December 31, 2018 and September 30, 2018

Unit: NT\$1,000

Code	Assets	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)	
		Amount	%	Amount	%	Amount	%
	Current assets						
1100	Cash and cash equivalents (Note 6)	\$ 2,644,494	29	\$ 2,437,312	26	\$ 2,214,384	23
1110	Financial assets at fair value through profit or loss (Notes 7 and 28)	-	-	159,157	2	161,466	2
1120	Financial assets at fair value through other comprehensive income (Note 8)	44,752	1	41,347	-	42,623	-
1135	避險之衍生金融資產	7,080	-	-	-	-	-
1140	Contract assets (Note 20)	1,409,235	15	1,331,215	14	1,421,366	15
1150	Notes receivable (Note 9)	188,300	2	111,011	1	138,341	1
1170	Accounts receivable (Notes 9 and 20)	2,160,117	24	2,609,969	28	2,566,704	27
1200	Other receivables	152,605	2	31,875	-	17,339	-
1310	Inventories	24,379	-	27,102	-	17,575	-
1323	Land held for construction (Notes 14 and 31)	463,577	5	463,577	5	463,577	5
1410	Prepayments (Note 15)	588,136	7	632,002	7	926,235	10
1460	Non-current assets held for sale (Note 17)	225,697	2	75,602	1	73,592	1
1470	Other current assets (Note 31)	192,030	2	191,253	2	202,587	2
11XX	Total current assets	8,100,402	89	8,111,422	86	8,245,789	86
	Non-current assets						
1510	Financial assets at fair value through profit or loss (Notes 7 )	74,461	1	95,174	1	99,082	1
1520	Financial assets at fair value through other comprehensive income (Notes 8 and 28)	358,849	4	346,411	4	378,528	4
1550	Investment by equity method (Notes 12)	9,203	-	-	-	-	-
1600	Property, plant and equipment (Notes 14 and 28)	127,464	1	191,066	2	189,299	2
1755	Right-to-use asset (Notes 15 and 28)	63,379	1	-	-	-	-
1760	Investment property (Notes 16 and 28)	174,639	2	216,684	2	170,263	2
1840	Deferred income tax assets	24,509	-	79,743	1	79,386	1
1980	Pledged certificate of deposit (Note 28)	192,448	2	205,844	2	212,251	2
1985	Long-term prepaid rent (Note 28)	-	-	148,101	2	148,568	2
1990	Other non-current assets	26,202	-	19,018	-	32,409	-
15XX	Total non-current assets	1,051,154	11	1,302,041	14	1,309,786	14
1XXX	Total assets	\$ 9,151,556	100	\$ 9,413,463	100	\$ 9,555,575	100
	Liabilities and Equity						
	Current liabilities						
2100	Short-term loans (Note 17)	\$ 30,000	-	\$ -	-	\$ 100,000	1
2110	Short-term notes and bills payable (Note 17)	-	-	-	-	299,410	3
2130	Contract liabilities (Note 20)	158,609	2	72,742	1	150,057	1
2150	Notes payable	149,518	2	385,388	4	421,505	5
2170	Accounts payable (Notes 18)	1,625,668	18	1,701,653	18	1,726,757	18
2200	Other payables (Note 19)	838,504	9	216,759	2	217,470	2
2230	Current income tax liabilities	5,583	-	13,316	-	13,094	-
2260	Liabilities directly associated with non-current assets held for sale (Note 13)	84,880	1	4,935	-	1,746	-
2320	Long-term liabilities - current portion (Note 17)	150,000	2	450,000	5	600,000	6
2399	Other current liabilities (Note 15)	189,647	2	151,507	2	121,750	2
21XX	Total current liabilities	3,232,409	36	2,996,300	32	3,651,789	38
	Non-current liabilities						
2540	Long-term loans (Note 20)	948,965	10	799,131	8	350,000	3
2570	Deferred income tax liabilities	516,314	6	583,786	6	565,146	6
2580	Lease liability (Note 15)	34,430	-	-	-	-	-
2600	Other non-current liabilities	71,472	1	72,981	1	67,310	1
25XX	Total non-current liabilities	1,571,181	17	1,455,898	15	982,456	10
2XXX	Total liabilities	4,803,590	53	4,452,198	47	4,634,245	48
	Equity attributable to shareholders of the parent (Note 19)						
	Capital stock						
3110	Capital from common stock	2,674,401	29	3,343,001	36	3,379,001	35
3200	Capital surplus	201,627	2	201,627	2	200,462	2
	Retained earnings						
3310	Appropriated as legal capital reserve	626,554	7	605,987	7	605,987	6
3320	Appropriated as special capital reserve	55,455	1	67,179	1	67,179	1
3350	Unappropriated earnings	767,430	8	788,857	8	745,562	8
3300	Total retained earnings	1,449,439	16	1,462,023	16	1,418,728	15
3400	Others	16,056	-	( 57,178)	( 1)	( 52,703)	-
3500	Treasury stock	-	-	-	-	( 34,835)	-
31XX	Total equity attributable to shareholders of the parent	4,341,523	47	4,949,473	53	4,910,653	52
36XX	Non-controlling interests	6,443	-	11,792	-	10,677	-
3XXX	Total equity	4,347,966	47	4,961,265	53	4,921,330	52
	Total liabilities and equity	\$ 9,151,556	100	\$ 9,413,463	100	\$ 9,555,575	100

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

(Please refer to the Certified Public Accountants' Review Report of Deloitte & Touche Taiwan on November 14, 2019.)

Chairman: Wu, Chang-Shiou

President: Wu, Chang-Shiou

Accounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co., Ltd. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the Three-month and Nine-month Periods Ended September 30, 2019 and 2018  
(Reviewed but Not Audited)

Unit: NT\$1,000  
(Except the unit of earnings per share is NT\$1)

代 碼		Three Months Ended September 30, 2019		Three Months Ended September 30, 2018		Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2018	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operational revenues (Note 2)	\$ 1,409,459	100	\$ 1,654,220	100	\$ 4,623,347	100	\$ 5,000,902	100
5000	Operating costs (Note 21 and 27)	<u>1,286,691</u>	<u>91</u>	<u>1,493,584</u>	<u>90</u>	<u>4,215,913</u>	<u>92</u>	<u>4,434,588</u>	<u>89</u>
5900	Gross profit	<u>122,768</u>	<u>9</u>	<u>160,636</u>	<u>10</u>	<u>407,434</u>	<u>8</u>	<u>566,314</u>	<u>11</u>
	Operating expenses (Notes 21 and 27)								
6100	Marketing expenses	13,604	1	10,117	1	30,584	1	25,437	-
6200	General and administrative expenses	<u>87,711</u>	<u>6</u>	<u>79,890</u>	<u>5</u>	<u>240,255</u>	<u>5</u>	<u>229,048</u>	<u>5</u>
6000	Total operating expenses	<u>101,315</u>	<u>7</u>	<u>90,007</u>	<u>6</u>	<u>270,839</u>	<u>6</u>	<u>254,485</u>	<u>5</u>
6900	Net operating income	<u>21,453</u>	<u>2</u>	<u>70,629</u>	<u>4</u>	<u>136,595</u>	<u>2</u>	<u>311,829</u>	<u>6</u>
	Non-operating revenue and expenses (Note 21)								
7010	Other revenues	44,718	2	26,586	1	76,390	2	53,417	1
7020	Other gains and losses	( 4,072)	-	( 22,323)	( 1)	33,075	1	( 38,826)	( 1)
7050	Finance costs	( 5,080)	-	( 6,276)	-	( 14,206)	-	( 20,824)	-
7060	Share of profit or loss of associates and joint ventures accounted for using the equity method (applicable to consolidated and individual statements)	<u>1,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657</u>	<u>-</u>	<u>-</u>	<u>-</u>
7000	Total non-operating revenue and expenses	<u>37,078</u>	<u>2</u>	<u>( 2,013)</u>	<u>-</u>	<u>95,916</u>	<u>3</u>	<u>( 6,233)</u>	<u>-</u>
7900	Income before tax	58,531	4	68,616	4	232,511	5	305,596	6
7950	Income tax expenses (Note 22)	<u>14,039</u>	<u>1</u>	<u>26,416</u>	<u>2</u>	<u>78,585</u>	<u>2</u>	<u>140,942</u>	<u>3</u>
8200	Net income	<u>44,492</u>	<u>3</u>	<u>42,200</u>	<u>2</u>	<u>153,926</u>	<u>3</u>	<u>164,654</u>	<u>3</u>
	Other comprehensive income								
	Items that will not be reclassified to profit or loss:								
8316	Unrealized valuation gain on investments in equity instruments at fair value through other comprehensive income	( 11,944)	( 1)	26,742	2	73,273	2	49,576	1
8349	Income tax relating to items that will not be reclassified	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 136)</u>	<u>-</u>
8310		<u>( 11,944)</u>	<u>( 1)</u>	<u>26,742</u>	<u>2</u>	<u>73,273</u>	<u>2</u>	<u>49,440</u>	<u>1</u>
	Items that may be reclassified to profit or loss:								
8361	Exchange differences arising from translation of foreign operations	( 74,121)	( 5)	( 102,499)	( 6)	( 8,963)	-	( 30,580)	-
8367	Unrealized valuation loss on investments in debt instruments at fair value through other comprehensive income	-	-	467	-	46	-	( 24)	-
8368	Losses of hedge instruments	9,236	1	-	-	7,085	-	-	-
8399	Income tax relating to items that may be reclassified (Note 22)	<u>14,825</u>	<u>1</u>	<u>20,500</u>	<u>1</u>	<u>1,793</u>	<u>-</u>	<u>990</u>	<u>-</u>
8360		<u>( 50,060)</u>	<u>( 3)</u>	<u>( 81,532)</u>	<u>( 5)</u>	<u>( 39)</u>	<u>-</u>	<u>( 29,614)</u>	<u>-</u>
8300	Other comprehensive income (net value after tax) for the period	<u>( 62,004)</u>	<u>( 4)</u>	<u>( 54,790)</u>	<u>( 3)</u>	<u>73,234</u>	<u>2</u>	<u>19,826</u>	<u>1</u>
8500	Total comprehensive income for the period	<u>(\$ 17,512)</u>	<u>( 1)</u>	<u>(\$ 12,590)</u>	<u>( 1)</u>	<u>\$ 227,160</u>	<u>5</u>	<u>\$ 184,480</u>	<u>4</u>
	Net profit (loss) attributable to:								
8610	Shareholders of the parent	\$ 45,479	3	\$ 41,910	2	\$ 154,566	3	\$ 163,732	3
8620	Non-controlling interests	<u>( 987)</u>	<u>-</u>	<u>290</u>	<u>-</u>	<u>( 640)</u>	<u>-</u>	<u>922</u>	<u>-</u>
8600		<u>\$ 44,492</u>	<u>3</u>	<u>\$ 42,200</u>	<u>2</u>	<u>\$ 153,926</u>	<u>3</u>	<u>\$ 164,654</u>	<u>3</u>
	Total comprehensive income attributable to:								
8710	Shareholders of the parent	(\$ 16,525)	( 1)	(\$ 12,880)	( 1)	\$ 227,800	5	\$ 183,558	4
8720	Non-controlling interests	<u>( 987)</u>	<u>-</u>	<u>290</u>	<u>-</u>	<u>( 640)</u>	<u>-</u>	<u>922</u>	<u>-</u>
8700		<u>(\$ 17,512)</u>	<u>( 1)</u>	<u>(\$ 12,590)</u>	<u>( 1)</u>	<u>\$ 227,160</u>	<u>5</u>	<u>\$ 184,480</u>	<u>4</u>
	Earnings per share (Note 23)								
9750	Basic earnings per share	<u>\$ 0.14</u>		<u>\$ 0.13</u>		<u>\$ 0.47</u>		<u>\$ 0.49</u>	
9850	Diluted earnings per share	<u>\$ 0.14</u>		<u>\$ 0.13</u>		<u>\$ 0.46</u>		<u>\$ 0.49</u>	

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to the Independent Auditors' Review Report of Deloitte & Touche Taiwan on November 14, 2019.)

Chairman: Wu, Chang-Shiou

President: Wu, Chang-Shiou

Accounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co., Ltd. and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the Nine-month Periods Ended September 30, 2019 and 2018  
(Reviewed but Not Audited)

Unit: NT\$1,000  
(Except for dividends per share which are in NT\$1)

		Equity Attributable to Shareholders of the Parent												
		Retained Earnings					Others							
Code		Capital Stock	Capital Surplus	Appropriated as Legal Capital Reserve	Appropriated as Special Capital Reserve	Unappropriated Earnings	Exchange Differences Arising from Translation of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Cash Flow Hedges	Treasury Stock	Total	Non-controlling Interests	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 adjustment	-	-	-	-	4,514	-	( 41,961)	36,475	-	-	( 972)	-	( 972)
A5	Adjusted balance as of January 1, 2018	3,379,001	200,462	588,869	39,088	794,325	( 109,140)	-	36,475	-	( 34,835)	4,894,245	10,355	4,904,600
	Appropriation and distribution of retained earnings for the year ended December 31, 2017													
B1	Legal capital reserve	-	-	17,118	-	( 17,118)	-	-	-	-	-	-	-	-
B3	Special capital reserve	-	-	-	28,091	( 28,091)	-	-	-	-	-	-	-	-
B5	Cash dividends appropriated to shareholders - NT\$0.50 per share	-	-	-	-	( 167,150)	-	-	-	-	-	( 167,150)	-	( 167,150)
O1	Cash dividends appropriated to shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	( 600)	( 600)
D1	Net profit for the nine-month period ended September 30, 2018	-	-	-	-	163,732	-	-	-	-	-	163,732	922	164,654
D3	Other comprehensive income for the nine-month period ended September 30, 2018	-	-	-	-	( 136)	( 29,590)	-	49,552	-	-	19,826	-	19,826
D5	Total comprehensive income for the nine-month period ended September 30, 2018	-	-	-	-	163,596	( 29,590)	-	49,552	-	-	183,558	922	184,480
Z1	Balance as of September 30, 2018	\$ 3,379,001	\$ 200,462	\$ 605,987	\$ 67,179	\$ 745,562	(\$ 138,730)	\$ -	\$ 86,027	\$ -	(\$ 34,835)	\$ 4,910,653	\$ 10,677	\$ 4,921,330
A1	Balance as of January 1, 2019	\$ 3,343,001	\$ 201,627	\$ 605,987	\$ 67,179	\$ 788,857	(\$ 109,000)	\$ -	\$ 51,800	\$ -	\$ -	\$ 4,949,473	\$ 11,792	\$ 4,961,265
	Appropriation and distribution of retained earnings for the year ended December 31, 2018													
B1	Legal capital reserve	-	-	20,567	-	( 20,567)	-	-	-	-	-	-	-	-
B3	Appropriated as special capital reserve	-	-	-	( 10,002)	10,002	-	-	-	-	-	-	-	-
B5	Cash dividends appropriated to shareholders - NT\$0.50 per share	-	-	-	-	( 167,150)	-	-	-	-	-	( 167,150)	-	( 167,150)
B17	Reversal of special capital reserve due to disposal of subsidiaries and branches	-	-	-	( 1,722)	1,722	-	-	-	-	-	-	-	-
E1	Capital reduction	( 668,600)	-	-	-	-	-	-	-	-	-	( 668,600)	-	( 668,600)
O1	Cash dividends by its subsidiary	-	-	-	-	-	-	-	-	-	-	-	( 281)	( 281)
D1	Net profit for the nine-month period ended September 30, 2017	-	-	-	-	154,566	-	-	-	-	-	154,566	( 640)	153,926
D3	Other comprehensive income after tax for the nine-month period ended September 30, 2017	-	-	-	-	-	( 7,17)	-	73,3	7,08	-	73,234	-	73,234
D5	Total comprehensive income for the nine-month period ended September 30, 2017	-	-	-	-	154,566	( 7,17)	-	73,3	7,08	-	227,800	( 640)	227,160
O1	Non-controlling changes in equity	-	-	-	-	-	-	-	-	-	-	-	( 4,428)	( 4,428)
Z1	Balance as of September 30, 2017	\$ 2,674,401	\$ 201,627	\$ 626,554	\$ 55,455	\$ 767,430	(\$ 116,170)	\$ -	\$ 125,100	\$ 7,08	\$ -	4,341,523	\$ 6,443	\$ 4,347,966

The accompanying notes are an integral part of the consolidated financial statements.  
(Please refer to the Independent Auditors' Review Report of Deloitte & Touche Taiwan on November 14, 2019.)

Chairman: Wu, Chang-Shiou

President: Wu, Chang-Shiou

Accounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co., Ltd.  
Consolidated Statements of Cash Flows  
For the Nine-month Periods Ended September 30, 2019 and 2018  
(Reviewed but Not Audited)

Unit: NT\$1,000

Code		Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
	Cash flows from operating activities		
A10000	Income before tax	\$ 232,511	\$ 305,596
A20010	Gains and Losses:		
A24100	Loss on foreign currency exchange	42,685	26,796
A21200	Interest revenue	( 38,922)	( 35,833)
A29900	Net gain on disposal of subsidiaries	( 34,635)	-
A20100	Depreciation	28,933	20,469
A21300	Dividend income	( 26,178)	( 12,853)
A20900	Finance costs	14,206	20,824
A20300	Expected credit losses (Reversed gains)	( 9,563)	14,543
A22500	Net (gain) loss of deposit of property, plant and equipment	( 4,121)	802
A20200	Amortization expenses	1,408	2,918
A22700	Loss on disposal of investment property	1,146	-
A22300	Shares of profits of associates accounted for using the equity method	( 657)	-
A29900	Other expenses transferred from investment property	280	-
A29900	Gains on lease modification	( 198)	-
A23100	Gains on disposal of investments	( 39)	-
A29900	Litigation compensations	-	11,109
A23100	Loss on disposal of financial assets	-	1,063
A30000	Changes in operating assets and liabilities, net		
A31115	Financial instruments measured at fair value through profit or loss	160,524	656,933
A31125	Contract assets	( 78,020)	( 179,830)
A31130	Notes receivable	( 71,931)	65,546
A31150	Accounts receivable	433,919	( 476,481)
A31180	Other receivables	1,105	( 13,598)
A31200	Inventories	2,266	( 2,828)
A31230	Prepayments	34,411	( 259,342)

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<u>C o d e</u>		<u>Nine Months Ended September 30, 2019</u>	<u>Nine Months Ended September 30, 2018</u>
A31240	Other current liabilities	(\$ 20,395)	\$ 29,996
A31990	Other non-current liabilities	( 8,591)	( 431)
A32125	Contract liabilities	85,867	( 94,935)
A32130	Notes payable	( 221,095)	44,925
A32150	Accounts payable	( 22,174)	( 100,056)
A32180	Other payables	( 47,283)	( 19,083)
A32230	Other current liabilities	4,338	8,740
A32990	Other non-current liabilities	( 4,837)	5
A33000	Cash generated from operating activities	454,960	14,995
A33100	Interest received	42,580	47,791
A33300	Interest paid	( 12,789)	( 20,873)
A33500	Income tax paid	( 53,718)	( 112,407)
AAAA	Net cash generated from (used in ) operating activities	<u>431,033</u>	<u>( 70,494)</u>
Cash flows from investing activities			
B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	57,461	85,583
B00100	Acquisition of financial assets at fair value through profit or loss	( 27,636)	( 18,318)
B00200	Disposal of financial assets measured at fair value through profit or loss	50,017	-
B02300	Net cash flow out from deposit of the subsidiaries	( 13,000)	-
B02700	Purchase of property, plant and equipment	( 11,801)	( 14,585)
B02800	Amount of deposit of property, plant and equipment	5,373	909
B03800	Decrease in refundable deposits	239	2,549
B04500	Purchase of intangible asset	( 240)	-
B05500	Proceeds from disposal of property	39,621	-
B06700	Decrease (Increase) in pledged certificate of deposit	( 11,517)	113,854
B07600	Cash dividends received	26,178	12,853
B09900	Prepayment of deposit of the subsidiaries	<u>118,492</u>	<u>74,559</u>
BBBB	Net cash generated from investing activities	<u>233,187</u>	<u>257,404</u>

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Code		Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
	Cash flows from financing activities		
C00200	Increase (decrease) in short-term loan	30,000	( 120,000)
C00500	Increase in short-term notes and bills payable	-	219,462
C01600	Increase in long-term loans	149,834	-
C01700	Repayment of long-term loans	( 300,000)	( 450,000)
C03000	Increase in guarantee deposits received	2,866	17,990
C04200	Repayment of lease principal	(\$ 11,313)	\$ -
C04500	Cash dividends paid	( 167,150)	( 167,150)
C05800	Cash dividends for shareholders of subsidiaries	( 281)	( 600)
CCCC	Net cash used in financing activities	( 296,044)	( 500,298)
DDDD	Effect of exchange rate changes on cash and cash equivalents	( 6,815)	25,843
EEEE	Increase (decrease) in cash and cash equivalents for the period	361,361	( 287,545)
E00100	Balance of cash and cash equivalents - beginning of the period	2,455,785	2,518,297
E00200	Balance of cash and cash equivalents - end of the period	\$ 2,817,146	\$ 2,230,752

Reconciliation of cash and cash equivalents, end of period

Code		September 30, 2019	September 30, 2018
E00210	Cash and cash equivalents recognized on the balance sheet	\$ 2,644,494	\$ 2,214,384
E00240	Cash and cash equivalents included in the held-for-sale disposal group	172,652	16,368
E00200	Cash and cash equivalents, end of period	\$ 2,817,146	\$ 2,230,752

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

(Please refer to the Independent Auditors' Review Report of Deloitte & Touche Taiwan on November 14, 2019.)

Chairman: Wu, Chang-Shiou

President: Wu, Chang-Shiou

Accounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co., Ltd. and Subsidiaries  
Notes to the Consolidated Financial Statements  
For the Nine-month Periods Ended September 30, 2019 and 2018  
(Reviewed but Not Audited)

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company History

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

These consolidated financial statements are presented in the Company’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 November 14, 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 Company 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 Company as lessee

A right-of-use asset and a lease liability are recognized on the consolidated balance sheet for all leases, except for leases with low-value underlying assets and short-term leases, for which an expense is recognized on a straight-line basis. The consolidated statements of comprehensive income states clearly and respectively the depreciation expense of the right-of-use assets, as well as the interest expense 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 Company 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 Company 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 Company's lease liabilities as at January 1, 2019 was between 1.65% and 3.00%. The difference between such lease liabilities and the future minimum lease payments for non-cancellable operating leases as at December 31, 2018 is stated as follows:

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

#### The Company as lessee

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

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

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

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 Company had been continuously assessing the effects from the amendments to other standards and interpretations on the financial position and financial performance. Related effects will be disclosed once the assessment is completed.

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

<u>New, Revised, Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Amendment to IFRS 9, IAS 39 and IFRS 7 “Inter Bank Offered Rate”	January 1, 2020
Amendment to IFRS10 and IAS 28 - “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Not yet decided
IFRS 17 “Insurance Contracts”	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 Company had been continuously assessing the effects from the amendments to other standards and interpretations on the financial position and financial performance. Related effects will be disclosed once the assessment is completed.

#### IV. Summary of Significant Accounting Policies

##### (I) Statement of Compliance

The 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 Company and the financial statements of entities controlled by the Company. The statements of comprehensive income have covered the operating gains and losses of the acquired or disposed subsidiaries either until the disposal date or since the acquisition date for the current year. The financial statements of subsidiaries have been adjusted in order to align their accounting policies with those of the Company. 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 Company over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company 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 Company.

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

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

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

###### The Company as lessor

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

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

###### The Company as lessee

A right-of-use asset and a lease liability are recognized for all leases at the inception date of such leases, except for leases qualified for recognition exemption, e.g. leases with low-value underlying assets and short-term leases, for which an expense is recognized on a straight-line basis over the lease term.

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

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

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

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

## 2018

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

### (1) The Company as lessor

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

### (2) The Company as lessee

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

## 2. Hedge accounting

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

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

(I) Estimated impairment of accounts receivable

The estimated impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses 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

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand and revolving funds	\$ 2,192	\$ 2,560	\$ 2,835
Bank checks and demand deposits	1,513,999	760,458	556,498
Cash equivalents (time deposits with original maturity date within 6 months)	<u>1,128,303</u>	<u>1,674,294</u>	<u>1,655,051</u>
	<u>\$ 2,644,494</u>	<u>\$ 2,437,312</u>	<u>\$ 2,214,384</u>

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

September 30, 2019	December 31, 2018	September 30, 2018
0.13% ~ 2.85%	0.13% ~ 3.48%	0.13% ~ 3.02%

VII. Financial Instruments Measured at FVTPL

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Mandatorily measured at FVTPL			
Non-derivative financial assets			
- Fund beneficiary certificate	\$ -	\$ -	\$ 21,622
Hybrid financial assets			
- Structured deposits	<u>-</u>	<u>159,157</u>	<u>139,844</u>
	<u>\$ -</u>	<u>\$ 159,157</u>	<u>\$ 161,466</u>

Non-current

Mandatorily measured at FVTPL

Non-derivative financial assets

- Fund beneficiary certificate \$ 74,461 \$ 95,174 \$ 99,082

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

### VIII. Financial assets measured at FVTOCI

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Investment in equity instruments measured at FVTOCI	\$ 44,752	\$ 41,347	\$ 42,623
<u>Non-current</u>			
Investment in equity instruments measured at FVTOCI	\$ 358,849	\$ 289,351	\$ 321,712
Investment in debt instruments measured at FVTOCI	-	57,060	56,816
	\$ 358,849	\$ 346,411	\$ 378,528

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

### IX. Notes and Accounts Receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	\$ 188,300	\$ 111,011	\$ 138,341
<u>Accounts receivable</u>			
Measured at amortized cost			
Total Carrying Amount	\$ 2,253,194	\$ 2,714,164	\$ 2,652,486
Less: Allowance for loss	( 93,077)	( 104,195)	( 85,782)
	\$ 2,160,117	\$ 2,609,969	\$ 2,566,704

#### Notes Receivable

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

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

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

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

	September 30, 2019	December 31, 2018	September 30, 2018
Not overdue	\$ 188,300	\$ 111,011	\$ 137,010
Less than 180 days past due	-	-	1,331
Total	<u>\$ 188,300</u>	<u>\$ 111,011</u>	<u>\$ 138,341</u>

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

	September 30, 2019	December 31, 2018	September 30, 2018
Not overdue	\$ 1,724,943	\$ 2,142,266	\$ 2,118,576
Less than 180 days past due	339,389	399,995	366,750
181~360 days past due	124,420	65,358	69,005
More than 361 days past due	64,442	106,545	98,155
Total	<u>\$ 2,253,194</u>	<u>\$ 2,714,164</u>	<u>\$ 2,652,486</u>

Changes in loss allowance for accounts receivable are as follows:

	1 January-September 30, 2019	1 January-September 30, 2018
Beginning balance	\$ 104,195	\$ 88,175
Add: Impairment loss provided (reversed) for the period	( 9,563)	714
Less: Reversal of impairment loss for the period	-	( 827)
Exchange difference	( 1,555)	( 2,280)
Total	<u>\$ 93,077</u>	<u>\$ 85,782</u>

X. Land Held for Construction

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

XI. Prepayments

	September 30, 2019	December 31, 2018	September 30, 2018
Prepayment for purchases	\$ 497,903	\$ 539,487	\$ 812,105
Prepayments construction contracts	66,759	71,428	82,091
Retained for future tax payable	11,090	9,263	9,030
Prepayment for insurance fee	5,517	7,890	8,523
Prepayment for income tax	-	-	7,990
Others	6,867	3,934	6,496
	<u>\$ 588,136</u>	<u>\$ 632,002</u>	<u>\$ 926,235</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			Description
			September 30 2019	December 31 2018	September 30 2018	
The Company	Jin Gu Limited (Jin Gu)	Reinvestment	100%	100%	100%	
	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%	
	WeBIM Services Co., Ltd. (WeBIM Services)	Construction technology	(Note 2)	76.5%	76.5%	Please refer to Note 13 and 24
Subsidiaries of Jin Gu and Yin Ying	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	(Note 3)	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%	Please refer to Note 13 and 24
	Changzhou Changlong Handling Co., Ltd. (Changzhou Changlong)	Cargo handling	100%	100%	100%	
	Jianya (Nantong) Information Technology Co., Ltd. (Jianya Nantong)	Computer software technology development and consultation	100%	100%	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 September 30, 2019 include Shun Long, Chien Kuo Development, Anping Real Estate, and Jin Gu. Insignificant subsidiaries not reviewed by an independent

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

- (2) The Company loss the control of WeBIM since January 22, 2019 and change the measurement by equity method.
- (3) The liquidations of Jiangsu Shili was completed on July 24, 2019.
- (4) The liquidations of Changzhou Changlong was completed on July 12, 2019.

(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 Company 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 Shenye Building Materials Co., Ltd. (hereinafter referred to as Shenye). The company registration was completed as at January 7, 2019 and further information please refer to note 24.

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

	<u>December 31, 2018</u>
Cash	\$ 2,269
Notes Receivables and Accounts Receivables	9,286
Other receivables	284
Inventory	252
Prepayments	126
Other current assets	265
Property, plant and equipment	27,241
Other non-current assets	12,341
Total amount of non-current assets-for-sale	<u>\$ 52,064</u>
Other payables	<u>\$ 365</u>
Other current liabilities	-
Liabilities directly associated with non-current assets held for sale	<u>\$ 365</u>
Equity directly relating to non-current assets held for sale	( <u>\$ 18,731</u> )

- (II) The Management of the Company 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	\$ 4,439
Other current liabilities	103
Deferred income tax liabilities	28
Total liabilities directly associated with non-current assets held for sale	\$ 4,570

(III) The Board of Directors of the Company resolved on June 11, 2019 to sell Suzhou Chien Hua Concrete Co., Ltd. ("Chien Hua" hereinafter) to Kunshan Shen Kun Concrete Co., Ltd. ("Shen Kun" hereinafter). The two parties executed an equity transfer agreement in June 2019. As of September 30, 2019, the advance receipts amounted to NT\$ 118,492 thousand (RMB 27,000 thousand) and NT\$ 78,995 thousand (RMB 18,000 thousand) for guarantee notes of final payment. 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\$ 285,258 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:

	September 30, 2019
Cash	\$ 172,652
Property, plant and equipment	53,045
Total amount of non-current assets-for-sale	<u>\$ 225,697</u>
Note payables	\$ 15,141
Account payables	60,058
Other payables	4,041
Other current liabilities	5,640
Liability directly relating to non-current assets held for sale	<u>\$ 84,880</u>
Equity directly relating to non-current assets held for sale	(\$ <u>64,783</u> )

The Company of disposal is not recognized as impairment loss.

#### XIV. Property, Plant and Equipment

	September 30, 2019	December 31, 2018	September 30, 2018
Land	\$ 15,742	\$ 15,742	\$ 15,742
Buildings	41,375	60,753	57,319
Machinery	24,475	44,165	43,485
Transportation equipment	4,429	8,201	8,805
Office equipment	1,453	2,937	3,475
Leasehold Improvements	11,044	13,298	13,798
Other Equipment	28,946	45,970	46,675
	<u>\$ 127,464</u>	<u>\$ 191,066</u>	<u>\$ 189,299</u>

Other than recognizing depreciation and being reclassified to non-current assets held for sale, the Company's property, plant and equipment did not incur any material addition, disposal, and impairment for the nine-month periods ended September 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	5~12 years
Transportation equipment	6~7 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>September 30, 2019</u>
Carrying amount of right-of-use assets		
Land		\$ 15,714
Buildings		43,725
Transportation equipment		<u>3,940</u>
		<u>\$ 63,379</u>
	July 1, 2019 ~September 30, 2019	January 1, 2019~September 30, 2019
Increase of right-of-use assets	<u>\$ 1,256</u>	<u>\$ 1,847</u>
Depreciation expense of right-of-use assets		
Land	\$ 262	\$ 1,858
Buildings	2,977	8,917
Transportation equipment	<u>468</u>	<u>1,299</u>
	<u>\$ 3,707</u>	<u>\$ 12,074</u>

In May 2019, the Group applied to the National Property Administration of the Ministry of Finance for termination of the superficies for the land located in Miao Shou Section, Anping District, Tainan City. Such superficies had been terminated and acknowledged in August 2019. The right of use assets of NT\$181,607 thousand had been derecognized and a gain on lease modification of NT\$198 thousand recognized. The Group had received the refunded right-of-use consideration of NT\$130,660 thousand on October 16, 2019.

### (II) Lease liabilities-2019

	<u>September 30, 2019</u>
Carrying amount of lease liabilities	
Current (listed as other current liabilities)	<u>\$ 13,537</u>
Non-current	<u>\$ 34,430</u>

Discount rates of lease liabilities are as follow:

	<u>September 30, 2019</u>
Land	1.65%
Buildings	1.65%
Transportation equipment	3.00%

(III) Other lease information

2019

	<u>July 1, 2019 ~ September 30, 2019</u>	<u>January 1, 2019~ September 30, 2019</u>
Short-term lease expense	\$ <u>853</u>	\$ <u>3,492</u>
Total amount of flow-out of cash on lease	\$ <u>853</u>	\$ <u>3,492</u>

2018

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

	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Less than a year	\$ 16,671	\$ 17,316
1~5 years	49,404	51,506
More than 5 years	79,121	78,289
	<u>\$145,196</u>	<u>\$ 147,111</u>

XVI. Investment Property

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Land	\$ 139,130	\$ 168,257	\$ 131,188
Buildings	32,625	44,094	34,964
Parking space	2,884	4,053	3,389
Construction in progress	-	280	722
	<u>\$ 174,639</u>	<u>\$ 216,684</u>	<u>\$ 170,263</u>
Fair value	<u>\$ 194,531</u>	<u>\$ 238,182</u>	<u>\$ 182,136</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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Unsecured loans</u>			

Credit loans	\$ <u>30,000</u>	\$ <u>-</u>	\$ <u>100,000</u>
Annual interest rate	1.70%	-	1.02%

(II) Short-term Bills Payables

September 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	\$ 150,000	(\$ 290)	\$ 149,710	1.648%	
EnTie Commercial Bank	<u>150,000</u>	( <u>300</u> )	<u>149,700</u>	1.678%	None.
	<u>\$ 300,000</u>	( <u>\$ 590</u> )	<u>\$ 299,410</u>		None.

(III) Long-term loans

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Secured loans (Note 28)</u>			
Syndicated loans (1)	\$ 150,000	\$ 450,000	\$ 600,000
Bank loans (2)	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
	500,000	800,000	950,000
Less due within 1 year	( <u>150,000</u> )	( <u>450,000</u> )	( <u>600,000</u> )
Sub-total	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
<u>Non- Secured loans</u>			
Long-term commercial papers payables(3)	\$ 600,000	\$ 450,000	-
Less: discount on commercial papers payables	( <u>1,035</u> )	( <u>869</u> )	-
Sub-total	<u>598,965</u>	<u>449,131</u>	-
Long-term loans	<u>\$ 948,965</u>	<u>\$ 799,131</u>	<u>\$ 350,000</u>
	September 30, 2019	December 31, 2018	September 30, 2018
Annual interest rate	1.49%~2.26%	1.60%~2.38%	1.60%~2.38%

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

- (1) The syndicated loans shall be secured by the land and buildings in Hsinchu and the certificate of deposits amounting to US\$6,000 thousand instead;
- (2) The current ratio and the debt ratio stated in the annual and semiannual consolidated financial statements of the Company shall not be less than 120% and 150%, respectively;
- (3) The interest coverage ratio (depreciation, 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 30, 2019. The payment is postponed and completed on October 1, 2019 due to a typhoon day.

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

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

September 30, 2019

<u>Guarantee/Accepting Institution</u>	<u>Nominal Amount</u>	<u>Discounted Amount</u>	<u>Carrying Amount</u>	<u>Interest interval</u>	<u>Collateral</u>
The Shanghai Commercial & Savings Bank, Ltd.	\$ 300,000	(\$ 539)	\$ 299,461	1.648%	None
EnTie Commercial Bank	150,000	( 280)	149,720	1.678%	None
Mega Bank	<u>150,000</u>	<u>( 216)</u>	<u>149,784</u>	1.488%	None
	<u>\$ 600,000</u>	<u>(\$ 1,035)</u>	<u>\$ 598,965</u>		

December 31, 2018

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

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

#### 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 Company.

#### XIX. Equity

##### (I) Capital

	September 30, 2019	December 31, 2018	September 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>267,440</u>	<u>334,300</u>	<u>337,900</u>
Issued capital	<u>\$ 2,674,401</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. The aforementioned capital reduction, after being approved and put into effect by the Financial Supervisory Commission on September 4, 2019, had its record date set on September 23, 2019 and had completed registration modification on October 8, 2019. The amount of the aforementioned capital reduction in cash of NT\$668,600 thousand (stated as "Other Payables") is expected to be returned to shareholders on December 11, 2019.

##### (II) Capital surplus

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Used to offset deficits,</u> <u>appropriated as cash</u> <u>dividends or transferred to</u>			

<u>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	205	205	205
	<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 Company'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 Company's Articles of Incorporation, please refer to Note 21 (6).

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

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

The Company shall also set aside a legal reserve until it equals the Company's paid-in capital. Such legal reserve may be used to offset the deficit. If the Company

has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The proposals to appropriate earnings for the years 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

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Construction revenue	\$ 1,155,711	\$ 939,819	\$ 3,330,907	\$ 2,965,234
Sales revenue	253,657	710,740	1,291,024	2,023,680
Others	91	3,661	1,416	11,988
	<u>\$ 1,409,459</u>	<u>\$ 1,654,220</u>	<u>\$ 4,623,347</u>	<u>\$ 5,000,902</u>

#### 1. Revenue from construction

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

#### 2. Revenue from the sale of goods

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

### (II) Contract balance

	September 30, 2019		December 31, 2018		September 30, 2018	
	Construction Segment	Concrete Segment	Construction Segment	Concrete Segment	Construction Segment	Concrete Segment
Accounts receivable (Note 9)	<u>\$ 434,858</u>	<u>\$ 1,725,259</u>	<u>\$ 284,011</u>	<u>\$ 2,325,958</u>	<u>\$ 376,589</u>	<u>\$ 2,190,115</u>
Contract assets						
Real estate construction	\$ 810,799	\$ -	\$ 875,462	\$ -	\$ 1,014,748	\$ -
Construction retainage receivables	<u>598,436</u>	<u>-</u>	<u>455,753</u>	<u>-</u>	<u>406,618</u>	<u>-</u>
	<u>\$ 1,409,235</u>	<u>\$ -</u>	<u>\$ 1,331,215</u>	<u>\$ -</u>	<u>\$ 1,421,366</u>	<u>\$ -</u>
Contract liability						

Real estate construction	\$ 148,061	\$ -	\$ 57,730	\$ -	\$ 116,774	\$ -
Cash with order	-	10,548	-	15,012	-	33,283
	<u>\$ 148,061</u>	<u>\$ 10,548</u>	<u>\$ 57,730</u>	<u>\$ 15,012</u>	<u>\$ 116,774</u>	<u>\$ 33,283</u>

## XXI. Net Income

### (I) Other revenue

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Interest revenue	\$ 11,292	\$ 13,097	\$ 38,922	\$ 35,833
Dividen	26,178	12,853	26,178	12,853
Others	7,248	636	11,290	4,731
	<u>\$ 44,718</u>	<u>\$ 26,586</u>	<u>\$ 76,390</u>	<u>\$ 53,417</u>

### (II) Other Gains and Losses

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Net losses of foreign currency exchange	(\$ 8,774)	(\$ 4,660)	(\$ 6,657)	(\$ 10,887)
Net gain (loss) of deposit of property, plant and equipment	4,797	( 577)	4,121	( 802)
Losses from deposit of invested property	( 1,146)	-	( 1,146)	-
Valuation gain on financial investments at FVTPL	999	2,266	5,288	14,341
Net gain generated form deposit of the subsidiaries	-	-	34,635	-
Reversal (losses) of expected credit losses	-	110	-	( 13,829)
Litigation compensations	-	( 11,109)	-	( 11,109)
Losses from deposit of financial asset	-	( 1,063)	-	( 1,063)
Others	52	( 7,290)	( 3,166)	( 15,477)
	<u>(\$ 4,072)</u>	<u>(\$ 22,323)</u>	<u>\$ 33,075</u>	<u>(\$ 38,826)</u>

### (III) Finance Costs

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Interest expense				
Bank loans	\$ 4,798	\$ 6,276	\$ 13,049	\$ 20,824
Interest of lease liabilities	282	-	1,157	-
	<u>\$ 5,080</u>	<u>\$ 6,276</u>	<u>\$ 14,206</u>	<u>\$ 20,824</u>

### (IV) Depreciation and Amortization

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
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	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Property, plant and equipment	\$ 3,925	\$ 6,377	\$ 15,861	\$ 19,573
Right of use assets	3,707	-	12,074	-
Investment property	300	299	998	896
Intangible assets	<u>364</u>	<u>958</u>	<u>1,408</u>	<u>2,918</u>
Total	<u>\$ 8,296</u>	<u>\$ 7,634</u>	<u>\$ 30,341</u>	<u>\$ 23,387</u>
Depreciation expenses summarized by functions				
Operating costs	\$ 2,630	\$ 4,510	\$ 12,317	\$ 14,136
Operating Expenses	5,011	1,877	15,646	5,466
Other gains and losses	<u>291</u>	<u>289</u>	<u>970</u>	<u>867</u>
	<u>\$ 7,932</u>	<u>\$ 6,676</u>	<u>\$ 28,933</u>	<u>\$ 20,469</u>
Depreciation expenses summarized by functions				
Operating costs	\$ -	\$ 275	\$ -	\$ 817
Operating Expenses	<u>364</u>	<u>683</u>	<u>1,408</u>	<u>2,101</u>
	<u>\$ 364</u>	<u>\$ 958</u>	<u>\$ 1,408</u>	<u>\$ 2,918</u>

(V) Employee Benefit Expense

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Short-term employee benefits	\$ 120,227	\$ 122,509	\$ 369,292	\$ 363,726
Post-employment benefits				
Defined contribution plan	5,606	6,782	19,916	19,784
Defined benefit plans	177	105	553	347
Termination benefits	<u>26,714</u>	<u>161</u>	<u>27,690</u>	<u>1,101</u>
	<u>\$ 152,724</u>	<u>\$ 129,557</u>	<u>\$ 417,451</u>	<u>\$ 384,958</u>
Summary by function				
Operating costs	\$ 76,633	\$ 69,589	\$ 217,724	\$ 207,174
Operating Expenses	<u>76,091</u>	<u>59,968</u>	<u>199,727</u>	<u>177,784</u>
	<u>\$ 152,724</u>	<u>\$ 129,557</u>	<u>\$ 417,451</u>	<u>\$ 384,958</u>

(VI) Compensation to Employees and Remuneration to Directors

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

	July 1, 2019 ~ September 30, 2019		July 1, 2018 ~ September 30, 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Employee compensation	<u>\$ 1,687</u>	3%	<u>\$ 1,567</u>	3%

Directors' Remuneration	<u>\$ 1,687</u>	3%	<u>\$ 1,567</u>	3%
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	July 1, 2019 ~ September 30, 2019		July 1, 2018 ~ September 30, 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Employee compensation	<u>\$ 6,117</u>	3%	<u>\$ 7,590</u>	3%
Directors and Supervisors' Remuneration	<u>\$ 6,117</u>	3%	<u>\$ 7,590</u>	3%

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

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

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

There 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:

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Current income tax				
Income tax expenses recognized in the period	\$ 53,183	\$ 19,813	\$ 88,295	\$ 67,238
Tax on undistributed earnings	-	-	1,459	-
Adjustments for prior years	<u>-</u>	<u>-</u>	<u>(1,826)</u>	<u>(973)</u>
	<u>53,183</u>	<u>19,813</u>	<u>87,928</u>	<u>66,265</u>
Deferred income tax				
Income tax expenses recognized in the period	( 39,144)	6,603	( 9,343)	47,321

Changes in tax rates	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,356</u>
	( 39,144)	6,603	( 9,343)	74,677
Income tax expenses recognized in profit or loss	<u>\$ 14,039</u>	<u>\$ 26,416</u>	<u>\$ 78,585</u>	<u>\$ 140,942</u>

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

In July 2019 the President put into effect the modified Statute for Industrial Innovation, stipulating that any undistributed earnings since 2018, if taken for investment on specific assets or technologies and exceed certain amount, can be listed as a deduction to the calculation of undistributed earnings. Nonetheless, the details of which still await the instructions to be made by the Ministry of Finance. Therefore, the Company is unable to estimate its effects on income tax for the current period.

## (II) Income Tax Recognized in Other Comprehensive Income

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
<u>Deferred income tax</u>				
Changes in tax rates	\$ -	\$ -	\$ -	\$ 5,262
Income tax expenses recognized in the period				
- Exchange differences on translation of foreign financial statements	( 14,825)	( 20,500)	( 1,793)	( 6,116)
	<u>( \$ 14,825)</u>	<u>( \$ 20,500)</u>	<u>( \$ 1,793)</u>	<u>( \$ 854)</u>

## (III) Income Tax Approval Status

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

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

### XXIII. Earnings per Share

	Unit: NT\$ per Share			
	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Basic earnings per share	<u>\$ 0.14</u>	<u>\$ 0.13</u>	<u>\$ 0.47</u>	<u>\$ 0.49</u>
Diluted earnings per share	<u>\$ 0.14</u>	<u>\$ 0.13</u>	<u>\$ 0.46</u>	<u>\$ 0.49</u>

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

#### Net income

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Net income attributable to shareholders of the Company	<u>\$ 45,479</u>	<u>\$ 41,910</u>	<u>\$ 154,566</u>	<u>\$ 163,732</u>

#### Number of shares

	Unit: In 1,000 Shares			
	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Weighted average number of common stocks used for the calculation of basic earnings per share	328,486	334,300	332,341	334,300
Effect of dilutive potential common stocks:				
Employee compensation	<u>612</u>	<u>649</u>	<u>903</u>	<u>835</u>
Weighted average number of common stocks used for the calculation of diluted earnings per share	<u>329,098</u>	<u>334,949</u>	<u>333,244</u>	<u>335,135</u>

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

### XXIV. Disposal of subsidiaries

The Company sold total share of Nantong Chein Cheng and partial share of WeBIM on 7 January, 2019 and 22 January, 2019 respectively, and has lost the control of its subsidiaries. The disposal amount of Nantong Chein Cheng and WeBIM are NT\$133,643 (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	\$ 2,296	\$ 16,204
Payment receivables	9,399	6,146
Other receivables	38,794	-
Stock	255	-
Prepaid items	293	-
Other current assets	268	-
Non-current assets		
Property, plants and equipment	27,571	328
Deferred tax assets	-	283
Other non-current assets	12,491	577
Current liabilities		
Other receivable	( 2,090)	( 4,562)
Deferred tax liabilities	-	( 28)
Other current liabilities	( 9,410)	( 103)
Net disposal assets	<u>\$ 79,867</u>	<u>\$ 18,845</u>

(II) Gain(loss) on disposal of subsidiary

	Chein Cheng	WeBIM
Collective consideration	\$ 133,643	\$ 5,500
Net disposal assets (100% as Chein Cheng; 76.5% as WeBIM)	( 79,867)	( 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	( 18,770)	-
Gain(loss) of disposal	<u>\$ 35,006</u>	<u>( \$ 371 )</u>

(III) Net cash flow on disposal of subsidiary

	Chein Cheng	WeBIM
Collective consideration on cash and cash equivalents	\$ 133,643	\$ 5,500
Less: receipts in advance	( 133,643)	-
Less: balance on disposal of cash and cash equivalents	( 2,296)	( 16,204)
	<u>( \$ 2,296)</u>	<u>( \$ 10,704)</u>

XXV. Capital Risk Management

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

capital structure, the Company may adjust dividends paid to shareholders, refund capital to shareholders or issue new shares to lower its debts.

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

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

#### 1. Fair value hierarchy

##### September 30, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Private funds	\$ -	\$ -	\$ 74,461	\$ 74,461
<u>Financial assets measured at FVTOCI</u>				
Domestic and foreign listed stocks	\$ 403,601	\$ -	\$ -	\$ 403,601
<u>Financial liabilities for hedge</u>				
Forward exchange contracts	\$ -	\$ 7,080	\$ -	\$ 7,080

##### December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign funds	\$ 11,736	\$ -	\$ -	\$ 11,736
Private funds	-	-	83,438	83,438
Structured deposit	-	159,157	-	159,157
Total	\$ 11,736	\$ 159,157	\$ 83,438	\$ 254,331
<u>Financial assets at FVTOCI</u>				
Equity instrument investment				
Domestic and foreign listed stocks	\$ 330,698	\$ -	\$ -	\$ 330,698
Debt instrument investment				
Foreign corporate bonds investment	-	57,060	-	57,060
Total	\$ 330,698	\$ 57,060	\$ -	\$ 387,758

##### September 30, 2018

Level 1	Level 2	Level 3	Total
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<u>Financial assets measured at</u>				
<u>FVTPL</u>				
Foreign Funds	\$ 34,952	\$ -	\$ -	\$ 34,952
Private Funds	-	-	85,752	85,752
Structure deposits	-	139,844	-	139,844
Total	<u>\$ 34,952</u>	<u>\$ 139,844</u>	<u>\$ 85,752</u>	<u>\$ 260,548</u>
<u>Financial assets measured at</u>				
<u>FVTOCI</u>				
Domestic listed stocks	\$ 364,335	\$ -	\$ -	\$ 364,335
Investments in foreign bonds	-	56,816	-	56,816
Total	<u>\$ 364,335</u>	<u>\$ 56,816</u>	<u>\$ -</u>	<u>\$ 421,151</u>

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

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

<u>Types of Financial instruments</u>	<u>Valuation Techniques and Inputs</u>
Investments in foreign bonds	The fair values of foreign bonds are based on quoted prices or final prices of participants in stock exchange markets.
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 Company as at September 30, 2019, December 31, 2018 and September 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\$ 790 thousand, NT\$927 thousand and NT\$952 thousand respectively.

(III) Types of Financial Instruments

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial assets</u>			
<u>Measured at FVTPL</u>			
<u>Mandatorily measured at</u>			
FVTPL	\$ 74,461	\$ 254,331	\$ 260,548
Financial assets for hedge	7,080	-	-
Financial assets at amortized cost (Note 1)	5,145,516	5,190,167	4,936,768
<u>Financial assets measured at FVTOCI</u>			

Investment in an equity instrument	403,601	330,698	364,335
Investment in a debt instrument	-	57,060	56,816
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	3,742,655	3,552,931	3,715,142

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

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

##### 1. Market risk

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

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

###### Sensitivity Analysis

The Company is mainly exposed to RMB and USD fluctuations.

The following table details the Company's sensitivity to a 1% increase or decrease in New Taiwan Dollars against the relevant foreign currency. The rate of 1% is the sensitivity rate used when reporting foreign currency

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

	Effect on Profit or Loss	
	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
RMB	\$ 1,679	\$ 793
USD	1,403	61

### Hedge accounting

In order to reduce the cash flow exposure to proceeds derived from disposal of subsidiaries, the Company entered into forward exchange contracts to hedge against the exchange rate risk of the foreign currency firm commitment. The Company 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 Company 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 Company are listed as follow:

### September 30, 2019

Hedge instrument	Currency	Amount of contract	Due period	Balance sheet Item	Unit: NT\$1,000	
					Carrying amount Asset	Liability
Cash flow for hedge						
Forward exchange contracts	RMB to USD	RMB60,000/USD8,617	June 2020	Financial liabilities for hedge	\$ 7,080	\$ -

Total amount of NT\$9,236 thousand and NT\$7,085 thousand were recognized as profit of hedge of other comprehensive loss owing to forward exchange contract, mentioned above as hedge instrument for cash flow

hedge at July 1 to September 30, 2019 and January 1 to September 30, 2019 respectively.

(2) Interest rate risk

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

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

	September 30, 2019	December 31, 2018	September 30, 2018
With fair value interest rate risk			
- Financial assets	\$ 1,486,883	\$ 2,021,358	\$ 2,018,372
- Financial liabilities:	647,148	899,131	999,410
With cash flow interest rate risk			
- Financial assets	1,513,999	760,458	556,498
- Financial liabilities:	529,784	350,000	350,000

Sensitivity Analysis

The sensitivity analysis below is based on the Company's exposure to interest rates for both derivative and non-derivative instruments on the balance sheet date. For liabilities at floating rates, the analysis assumes them to be in circulation on the balance sheet date (that is, to be in circulation throughout the reporting period). 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 Company's income before tax will increase/decrease by NT\$ 7,382 thousand and NT\$ 1,549 thousand, respectively for the nine-month periods ended September 30, 2019 and 2018.

(3) Other price risk

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

#### Sensitivity Analysis

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

If the price of equity increases/decreases by 10%, the income before tax for the nine-month period ended September 30, 2019 will, as a result of the gains of losses from equity instruments measured at FVTPL, increase/decrease by NT\$ 7,446 thousand, while the shareholders' equity will, due to gains or losses from equity instruments classified as available-for-sale, increase/decrease by 40,360 thousand.

If equity prices rise/fall by 10%, the pre-tax income for the nine-month period ended September 30, 2018 will increase/decrease by NT\$ 12,07 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 nine-month period ended September 30, 2018 will increase/decrease by NT\$ 36,434 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 Company arising from default by customers or counterparties of financial instruments on the contractual obligations. Credit risk policies of the Company are as follow:

#### The Client

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

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

#### Liabilities Instruments

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

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

#### September 30, 2019

	<u>Less than 1 Year</u>	<u>1~2 Year(s)</u>	<u>2~5 Years</u>
Non-interest bearing liabilities	\$ 2,507,036	\$ 97,878	\$ 8,776
Lease liabilities	14,245	12,716	22,323
Fixed-rate instruments:	150,000	149,720	299,461
Floating interest rate instruments	<u>30,000</u>	<u>-</u>	<u>499,784</u>

\$ 2,701,281      \$ 260,314      \$ 830,344

	Less than 1 Year	1 ~ 5 years
Leasing liabilities	\$ <u>14,245</u>	\$ <u>35,039</u>

#### December 31, 2018

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

#### September 30, 2018

	Less than 1 Year	1~2 Year(s)	2~5 Years
Non-interest bearing liabilities	\$ 2,293,749	\$ 61,621	\$ 10,362
Fixed-rate instruments:	999,410	-	-
Floating interest rate instruments	-	-	350,000
	\$ <u>3,293,159</u>	\$ <u>61,621</u>	\$ <u>360,362</u>

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

#### (3) Line of credit

	September 30, 2019	December 31, 2018	September 30, 2018
credit line of unsecured bank loan			
— Amount used	\$ 630,000	\$ 450,000	\$ 400,000
— Amount unused	<u>1,518,261</u>	<u>1,299,495</u>	<u>1,491,085</u>
	\$ <u>2,148,261</u>	\$ <u>1,749,495</u>	\$ <u>1,891,085</u>
credit line of secured bank loan			
— Amount used	\$ 500,000	\$ 800,000	\$ 950,000
— Amount unused	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
	\$ <u>600,000</u>	\$ <u>900,000</u>	\$ <u>1,050,000</u>

#### (V) Financial assets shifting

The Company has endorsed a part of its banker's acceptance in Mainland China over to suppliers for the purpose of paying off its accounts payables. Since the risks and rewards of such banker's acceptance have been substantially transferred, the

consolidated company has derecognized the banker's acceptance and the corresponding accounts payables. Provided, however, that if the derecognized banker's acceptance fail to be accepted by banks when due, the suppliers are entitled to demand for a settlement made by the Company. Therefore, the Company still has continuing involvement in the notes.

The maximum risk exposure of the Company's continuing involvement in the derecognized banker's acceptance is the carrying amount of the banker's acceptance that had been endorsed over but yet to be due, which totaled NT\$244,205 thousand, NT\$331,572 thousand, and NT\$262,276 thousand respectively as of September 30, 2019, December 31, 2018, and September 30, 2018, and will be due respectively within 10 months, 12 months, and 12 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 September 30, 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 Company and other related parties are as follows.

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

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

### (II) Other related party transactions

#### 1. Construction Cost

<u>Category of Related Party</u>	<u>July 1, 2019 to September 30, 2019</u>	<u>July 1, 2018 to September 30, 2018</u>	<u>January 1, 2019 to September 30, 2019</u>	<u>January 1, 2018 to September 30, 2018</u>
Related Party	<u>\$</u>	Note	<u>\$ 1,573</u>	Note

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

Note : The affiliated company is a related party of the Company in the period from January 1 to September 30, 2018.

## 2. Rental Agreements

The Company 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	September 30, 2019	December 31, 2018	September 30, 2018
Lease liabilities	Other related parties	\$ 23,165	\$ -	\$ -

  

Category of related party	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
<u>Interests expense</u>				
Other related parties	\$ 97	\$ -	\$ 308	\$ -
<u>Rental expense</u>				
Other related parties	\$ 18	\$ 1,437	\$ 54	\$ 4,311

## 3. Equity Transfer

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

## 4. Donation expenditure

The Company's Board of Directors resolved on March 29, 2018 and August 8, 2019 to donate to Chien Kuo Foundation for Arts and Culture a supporting fee for its broadcast production. Such donation was recognized in the third quarter of 2019 and second quarter of 2018 as a donation expense in the amount of NT\$ 1,800 thousand and NT\$ 1,620 thousand.

## 5. Acquisition of financial assets

In April 2019 and January 2018, the Company invested in CSVI VENTURES, L.P. with NT\$ 18,624 thousand (US\$ 600 thousand) and NT\$ 18,318 thousand (US\$ 600 thousand) respectively. The chief decision maker of the fund is the Company's director.

## (III) Remuneration to key management

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Short-term employee	\$ 8,499	\$ 9,102	\$ 42,828	\$ 37,885

benefits				
Post-employment benefits	<u>286</u>	<u>315</u>	<u>889</u>	<u>894</u>
	<u>\$ 8,785</u>	<u>\$ 9,417</u>	<u>\$ 43,717</u>	<u>\$ 38,779</u>

## XXVIII. Mortgaged Assets and Pledged Assets

The Company'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:

	September 30, 2019	December 31, 2018	September 30, 2018
Land awaiting development	\$ 463,577	\$ 463,577	\$ 463,577
Financial assets at FVTPL - current	-	123,289	139,844
Financail assets measured at FVTOCI-non current	116,777	94,555	105,561
Pledged certificate of deposit	358,58	347,064	363,321
Investment property	31,691	32,122	32,265
Property, plant and equipment	17,033	18,701	19,040
Right-of-use assets	4,541	-	-
Long-term prepaid rent	-	4,735	4,729
Other restricted assets	<u>8,833</u>	<u>2,580</u>	<u>-</u>
	<u>\$ 1,001,032</u>	<u>\$ 1,086,623</u>	<u>\$ 1,128,337</u>

## XXIX. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

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

reasonableness. Therefore, it filed a request for mediation to the Complaint Review Board for Government Procurement under the Public Construction Commission of the Executive Yuan on October 9, 2018. This case is still under mediation.

- (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 Company’s active participation in the repair work, a total of 25 house owners transferred a certain amount of their creditors’ rights to the Company, by which the Company had petitioned the court for a provisional attachment against Shing Tzung and its responsible person, and for a claim of NT\$ 25 million plus the statutory delay interest accrued thereon from them. The initial verdict rejected the Company’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 Company might be entitled. Therefore, the plaintiff’s case was rejected. The Company has recognized the total amount of NT\$25 million that was previously presented under “payment on behalf of another party” as a loss based on the verdict.

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

- (III) On March 15, 2013, the Group and Kingland Property Corporation Ltd. (formerly known as DSG Technology Inc., hereinafter referred to as “Kingland”) signed a construction contract, under which two parties covenanted to contract the Group for the construction project named “Fu-yi River Residential Construction Project” on Land No. 440, Zhuangjing Section, Xindian District, New Taipei City. The Group had completed the various stages of work as defined by the contract and, together with Kingland, completed the acceptance of the residential units and inspection of communal facilities. Due to a large portion of the residential units being unsold and thus the condominium management committee failed to be established, Kingland, by putting up various excuses, refused to make progress with any follow-up inspections or acceptance, nor the remaining contract payments and additional payments due to the Group. As a consequence, on October 22, 2019, The Group then submitted a request for arbitration, demanding Kingland pay the payables due to the Group. As of September 30, 2019, the guarantee notes in deposit issued by banks for the Company for business purposes amounted to NT\$ 1,697,449 thousand.
- (IV) As of September 30, 2019, the guarantee notes submitted by the Company for business purposes amounted to NT\$579,228 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

September 30, 2019

	Amount in Foreign Currency	Exchange rate	Carrying Amount
Financial assets			
<u>Monetary items</u>			
RMB	\$ 38,264	0.1414 (RMB: USD)	\$ 167,925
USD	4,520	31.04 (USD: NTD)	140,301
			<u>\$ 308,226</u>

December 31, 2018

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

## September 30, 2018

	Amount in Foreign Currency	Exchange rate	Carrying Amount
Financial assets			
<u>Monetary items</u>			
RMB	\$ 17,871	0.1545 (RMB: USD)	\$ 79,311
USD	200	30.53 (USD: NTD)	6,106
			<u>\$ 85,417</u>

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

	July 1, 2019 ~ September 30, 2019		July 1, 2018 ~ September 30, 2018	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
Financial assets				
RMB	0.1459 (RMB: USD)	(\$ 5,478)	0.1536 (RMB: USD)	(\$ 4,390)
USD	31.06 (USD: NTD)	(1,281)	29.91 (USD: NTD)	101
		<u>(\$ 6,759)</u>		<u>(\$ 4,289)</u>
	January 1, 2019 ~ September 30, 2019		January 1, 2018 ~ September 30, 2018	
	Exchange rate	Foreign exchange gains, net	Exchange rate	Foreign exchange loss, net
Financial assets				
RMB	0.1459 (RMB: USD)	(\$ 9,846)	0.1536 (RMB: USD)	(\$ 3,111)
USD	31.06 (USD: NTD)	(1,281)	29.91 (USD: NTD)	101
		<u>(\$ 11,127)</u>		<u>(\$ 3,010)</u>

## 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 Company'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 Company is analyzed as follows (by reportable segments):

	Segment Revenue		Segment income (loss)	
	July 1, 2019 to September 30, 2019	January 1, 2019 to September 30, 2019	July 1, 2019 to September 30, 2019	January 1, 2019 to September 30, 2019
Construction Segment	\$ 1,155,802	\$ 3,332,323	\$ 48,083	\$ 113,926
Concrete Segment	<u>253,657</u>	<u>1,291,024</u>	<u>( 699)</u>	<u>98,557</u>
Total revenue from continuing operations	<u>\$ 1,409,459</u>	<u>\$ 4,623,347</u>	47,384	212,483
Other income			44,718	76,390
Other gains and losses			( 4,072)	33,075
Headquarters management costs and directors' remuneration			( 25,931)	( 75,888)
Finance costs			( 5,080)	( 14,206)
Share of profit gain of associates accounted for using equity method			<u>1,512</u>	<u>657</u>
Income before tax			<u>\$ 58,531</u>	<u>\$ 232,511</u>

	Segment Revenue		Segment income (loss)	
	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2018	July 1, 2018 to September 30, 2018	January 1, 2018 to September 30, 2018
Construction Segment	\$ 943,480	\$ 2,977,222	\$ 26,068	\$ 123,035
Concrete Segment	<u>710,740</u>	<u>2,023,680</u>	<u>65,129</u>	<u>251,412</u>
Total revenue from continuing operations	<u>\$ 1,654,220</u>	<u>\$ 5,000,902</u>	91,197	374,447
Other income			26,586	53,417
Other gains and losses			( 22,323)	( 38,826)
Headquarters management costs and directors' remuneration			( 20,568)	( 62,618)
Finance costs			( 6,276)	( 20,824)
Income before tax			<u>\$ 68,616</u>	<u>\$ 305,596</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 ~ September 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 for current period	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 \$ 1,005,330	40% of the parent's net worth \$ 2,010,659	
1	Jianya (Shanghai) Information Technology Consultant Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	82,843	78,995	78,995	6.0%	(1)	-	Operating capital	-	—	-	100% of the company's net worth 150,283	100% of the company's net worth 150,283	
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 161,565	100% of the company's net worth 161,565	
3	Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Other receivables	Yes	174,891	-	-	6.0%	(1)	-	Operating capital	-	—	-	100% of the company's net worth 249,792	100% of the company's net worth 249,792	
4	Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	284,007	245,762	245,762	5.0%	(1)	-	Operating capital	-	—	-	100% of the company's net worth 249,792	100% of the company's net worth 249,792	

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

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 September 30, 2019 (RMB\$1=NT\$ 4.389).

Chien Kuo Construction Co., Ltd. and Subsidiaries

Endorsements and Guarantees

January 1, 2019 ~ September 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	Chien Kuo Construction Co. Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Sub-subsidiary	\$ 2,513,324	\$ 239,689	\$ -	\$ -	\$ -	-	\$ 5,026,648	Y	N	Y	Financing endorsement/guarantee
		Wuxi Chien Bang Concrete Co., Ltd.	Sub-subsidiary	2,513,324	454,720	450,471	111,909	-	8.96%	5,026,648	Y	N	Y	Financing endorsement/guarantee
		Shun Long International Electrical Engineering Co., Ltd.	Subsidiaries	2,513,324	80,000	80,000	30,000	-	1.59%	5,026,648	Y	N	N	Financing endorsement/guarantee
1	Jin Gu Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent company	11,105,096	189,720	186,240	186,240	186,240	6.71%	11,105,096	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 September 30, 2019 (US\$1 = NT\$ 31.04).

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  
September 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>							
	Taiwan Cement Corporation	—	Financial assets measured at FVTOCI - noncurrent	5,896	\$ 233,782	0.10	\$233,782	Note 3
	Chia Hsin Cement Corporation	—	Financial assets measured at FVTOCI - noncurrent	6,853	125,067	0.88	125,067	Note 1
	Chia Hsin Cement Corporation	—	Financial assets measured at FVTOCI - current	1,114	20,339	0.14	20,339	—
	<u>Funds</u>							
Jin Gu Limited	Wan Chan Venture Capital Co. Ltd.	—	Financial assets at FVTPL - noncurrent	900	9,000	0.02	9,000	Note 5
	<u>Funds</u>							
	YUANTA DIAMOND FUNDS SPC — YUANTA PRIVATE EQUITY FUND SP	—	Financial assets at FVTPL - noncurrent	(註 4)	2,536	-	2,536	—
	PVG GNC VENTURES, L.P.	—	Financial assets at FVTPL - noncurrent	-	24,289	5.00	24,289	—
	CSVV VENTURES, L.P.	Note 2	Financial assets at FVTPL - noncurrent	-	38,636	5.13	38,636	—
Wuxi Chien Bang Concrete Co., Ltd.	<u>Stock</u>							
	Chia Hsin Cement Corporation	—	Financial assets measured at FVTOCI - current	175	3,198	0.02	3,198	—
	<u>Stock</u>							
	China Mobile Communications Group Co.,Ltd	—	Financial assets measured at FVTOCI - current	82	21,215	-	21,215	—

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

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

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

Note 4: 700 units held.

Note 5: 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 ~ September 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	Ratio to total notes or accounts receivable (payable)	
Chien Kuo Construction Co. Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiaries	Purchase	\$ 428,862	13.89%	Pursuant to the agreement	-	-	(\$ 316,204)	( 22.06% )	
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent company	Purchase	( 428,862 )	( 96.03% )	Pursuant to the agreement	-	-	239,640	100%	

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:  
September 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 \$239,640	3	\$ -	—	\$ 72,546	\$ -
Chien Ya (Yangzhou) Technology Consultant Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Direct or indirect invested subsidiaries of parent company	Other receivables \$245,762	-	-	—	-	-

Note 1: Recovered amount as of October 31, 2019.

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

Appendix Table 6

Unit: In Thousands of New Taiwan Dollars

No.	Company name	Counter-party	Nature of Relationship (Note 1)	Transaction details			
				Financial Statement Account	Amount	Transaction Terms	Ratio to total revenue or total assets
1	Chien Kuo Construction Co. Ltd.	WeBIM Services Co., Ltd.	(1)	Miscellaneous income	\$ 50,226	Note 2	0.55%
		Shun Long International Electrical Engineering Co., Ltd.	(1)	Construction costs	428,862	Note 2	9.28%
			(1)	Construction contract receivable	1,169,164	Note 2	12.78%
	Chien Kuo Development Co., Ltd.	Anping Real Estate Co., Ltd.	(1)	Accounts payable	316,204	Note 2	3.46%
		Chien Ya (Shanghai) Information Technology Co., Ltd.	(3)	Other receivables	7,200	Note 3	0.08%
		Suzhou Chien Hua Concrete Co., Ltd.	(3)	Other receivables	78,995	Note 4	0.86%
	Chien Ya (Yangzhou) Technology Consultant Co., Ltd.		(3)	Interest income	3,515	Note 2	0.07%
		Wuxi Chien Bang Concrete Co., Ltd.	(3)	Other receivables	245,762	Note 4	2.69%
			(3)	Interest income	2,901	Note 2	0.06%
		Suzhou Chien Hua Concrete Co., Ltd.	(3)	Interest income	5,886	Note 2	0.13%

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 ~ September 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	\$ 272,267	\$ 491,804	8,714	100	\$ 2,402,622	\$ 72,053	\$ 72,053	Subsidiary
	Yin Ying Holding Limited	British Virgin Islands	Reinvestment	815,907	1,065,645	25,038	100	1,751,229	70,412	70,412	Subsidiary
	Chien Kuo Development Co., Ltd.	Taiwan	Building construction commission; public housing lease	144,065	144,065	11,100	100	100,015	370	922	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	41,675	( 4,774)	( 4,134)	Subsidiary
	WeBIM Services Co., Ltd.	Taiwan	Construction technology	8,546	15,166	980	49.00	9,203	1,342	657	Subsidiary
	Anping Real Estate Co., Ltd.	Taiwan	Housing and building development and lease	140,000	140,000	14,000	100	132,374	( 2,002)	( 2,002)	Subsidiary
Yin Ying Holding Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Reinvestment	910,310	910,310	1,746	54.78	1,732,882	124,375	Not applicable	Sub-subsubsidiary
Jin Gu Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Reinvestment	810,433	810,433	1,441	45.22	1,430,477	124,375	Not applicable	Sub-subsubsidiary
Chien Kuo Asia Co., Ltd.	Shun Long (Hong Kong) Limited	Hong Kong	International trade	0.007794	0.007794	-	100	236	( 38)	Not applicable	Sub-subsubsidiary

Note 1: Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate for the nine-month period ended September 30, 2019 (US\$1 = NT\$ 31.04), except for profit or loss items, which are translated into New Taiwan Dollars by using the exchange rate on September 30, 2019 (US\$1 = NT\$ 31.06).

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

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	\$ 155,572	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	111,744	Investment through a company founded in a third region	68,326	-	-	68,326	1,769	100%	1,769	151,995	-	
Suzhou Chien Hua Concrete Co., Ltd.	Production and sale of concrete and concrete products	124,160	Investment through a company founded in a third region	182,036	-	-	182,036	( 21,576)	100%	( 21,576)	370,564	-	Note 7
Kunshan Jianshan Concrete Co., Ltd.	Production and sale of concrete and concrete products	310,400	Investment through a company founded in a third region	230,025	-	227,634	2,391	-	-	-	-	34,177	Note 4
Wuxi Chien Bang Concrete Co., Ltd.	Production and sale of concrete and concrete products	155,200	Investment through a company founded in a third region	214,059	-	-	214,059	100,735	100%	100,735	1,621,820	32,445	Note 8
Changzhou Chien An Concrete Co., Ltd.	Production and sale of concrete and concrete products	77,600	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	62,856	Investment through a company founded in a third region	244,471	-	48,299	196,172	-	-	-	-	181,997	
Jianya (Nantong) Information Technology Co., Ltd.	Computer software technology development and consultation	155,200	Investment through a company founded in a third region	-	-	-	-	3,455	100%	3,455	164,909	-	Note 5
Yangzhou Chien Yung Concrete Co., Ltd.	Production and sale of concrete and concrete products	62,080	Investment through a company founded in a third region	197,041	-	-	197,041	( 787)	100%	( 787)	35,322	161,613	
Jianya (Yangzhou) Technology Consultant Co., Ltd.	Computer software technology development and consultation	251,424	Investment through a company founded in a third region	-	-	-	-	7,005	100%	7,005	256,574	-	Note 6
Shanghai Chien Chung Concrete Co., Ltd.	Production and sale of concrete and concrete products	77,600	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Kunshan Jindi Concrete Co., Ltd.	Production and sale of concrete and concrete products	43,456	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Zunyi Chien Bang Mining Co., Ltd.	Quarrying	153,601	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Changzhou Changlong Handling Co., Ltd.	Cargo handling	2,194	Investment through an existing company in a third region	-	-	-	-	( 22)	-	( 22)	-	-	Note 4
Jiangsu Shili Construction Co., Ltd.	Construction consultation	65,184	Investment through a company founded in a third region and others	23,100	-	23,100	-	( 366)	-	( 366)	-	-	Note 4
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	Construction consultation	18,624	Investment through a company founded in a third region and others	-	-	-	-	37	100%	37	22,415	-	
Loudi Chien Kuo Mining Co., Ltd. and other six invested companies	Quarrying	1,236,013	Investment through an existing company in a third region and others	36,840	-	-	36,840	-	-	-	-	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
\$ 942,688 (Note 3)	\$ 114,490 (Note 2)	\$2,604,914

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\$1,122,913, of which NT\$1,008,423 originated from the surpluses of invested companies in mainland China remitted to the third regions, and was not included in the calculation of the limit on investment.

Note 3: The amount remitted from Taiwan was NT\$942,688, including the following expenses:

(1) Loss on investment:

Investee in Mainland China	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. Changzhou Changlong Handling Co., Ltd. had been liquidated on July 12, 2019. Jiangsu Shili Construction Co., Ltd. had been liquidated on July 24, 2019.

Note 5: New shares divided from Nantong Chein Cheng.

Note 6: New shares divided from Yangzhou Chein Yung.

Note 7: The paid-in capital of Suzhou Chien Hwa was NT\$426,024 thousand (US\$13,725 thousand). Due to the need for a split-up, an approval to invest in mainland China has been obtained from the Ministry of Economic Affairs Investment Commission and a local business registration modification is under progress. The paid-in capital of Suzhou Chien Hwa after the split-up will be NT\$124,160 thousand (US\$4,000 thousand).

Note 8: The paid-in capital of Wuxi Chien Bang was NT\$443,096 thousand (US\$14,275 thousand). Due to the need for a split-up, an approval to invest in mainland China has been obtained from the Ministry of Economic Affairs Investment Commission and a local business registration modification is under progress. The paid-in capital of Wuxi Chien Bang after the split-up will be NT\$155,200 thousand (US\$5,000 thousand).