

Chien Kuo Construction Co.  
Ltd.

Individual Financial Statements  
and Independent Auditors'  
Report

For the Years Ended December 31, 2019  
and 2018

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## **Independent Auditors' Report**

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

### **Audit Opinions**

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

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

### **Basis for Audit Opinion**

We conducted our audits of the financial statements as of and for the year ended December 31, 2019 in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants," Order No. 1090360805 issued by the Financial Supervisory Commission on February 25, 2020 and the auditing standards generally accepted in the Republic of China. Our responsibility under the above mentioned regulations will be further explained in the section titled "The Accountants' Responsibility in Auditing the Individual Financial Statements." We have stayed independent from Chien Kuo Construction Co. Ltd. as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the norm. We believe that we have obtained sufficient and appropriate audit evidence to serve as a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 individual financial statements of Chien Kuo Construction Co. Ltd. These matters were addressed in the context of our audit of the Individual financial statements as a whole and, in forming our opinion thereon, we do not provide an Individual opinion on these matters.

Key Audit Matters for the individual financial statements of Chien Kuo Construction Co. Ltd. for 2019 are stated as follows:

Construction contracts

The operating revenue of Chien Kuo Construction Co. Ltd. is primarily derived from construction revenue, which is recognized in cost-based input method by the management in accordance with IFRS 15 Revenue from Contracts with Customers. Since the percentage of completion is calculated at the ratio of costs input to the total estimated contract costs, the total estimated construction contract costs are a key factor in calculating the percentage of cost input. Since the estimates of total costs are made by the management's judgment on the types, periods, execution, and techniques of construction, and are prone to influence from changes in commodity prices, labor prices and construction items, any significant changes in estimates, once occurred, may lead to a revenue recognized in accordance with the percentage of completion method either consisting of errors, or having significant influence on the misstatement of the financial statements. Consequently, the estimates of the total costs of the construction contract are deemed a key audit matter.

Our audit procedures included, among others, understanding the procedures by which the management estimates the total costs of long-term construction contracts; assessing on the management estimates the total costs of long-term construction contracts; examining the accompanying construction documents to assess comprehensively the completeness and reasonableness of the estimates of total costs of long-term construction contracts; and assessing the important changes in the cost of construction contracts after the completion of construction projects. For information about construction contracts, please refer to Note 18.

### **Responsibility of the Management and the Governing Body for the Individual Financial Statements**

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

In preparing the Individual Financial Statements, the responsibility of management includes assessing the ability of Chien Kuo Construction Co. Ltd. to continue as a going concern, disclosing going concern matters, as well as adopting going concern accounting, unless the management intends to liquidate Chien Kuo Construction Co. Ltd. or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

The governing bodies of Chien Kuo Construction Co. Ltd. (including the Audit Committee) have the responsibility to oversee the process by which the financial statements are prepared.

### **The Accountants' Responsibility in Auditing the Individual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements may result from fraud or errors. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the parent financial statements, they shall be deemed as material.

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

1. Identified and assessed the risks of material misstatement within the Individual financial statements, whether due to fraud or error; design and execute counter-measures in response to those risks; and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. As fraud may involve collusion, forgery, deliberate omissions, false statements, or overrides of internal controls, the risk of an undetected material misstatement due to fraud is greater than that due to errors.
2. Acquired necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate under the circumstances. Nevertheless, the purpose of such understanding is not to provide any opinion on the effectiveness of the internal controls of Chien Kuo Construction Co. Ltd.
3. Assessed the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of going concern basis of accounting, and determined whether a material uncertainty exists within events or conditions that might cast significant doubt on the ability of Chien Kuo Construction Co. Ltd. to continue as a going concern. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the Individual Financial Statements in our audit report of the relevant disclosures therein, or to amend our audit opinion in the event that any inappropriate disclosure was found. Our conclusion is based on the audit evidence obtained as of the date of the audit report. However, future events or conditions may cause Chien Kuo Construction Co. Ltd. to cease to continue as a going concern.
5. Assessed the overall presentation, structure and content of the Individual Financial Statements (including the related notes), and determined whether the Individual Financial Statements present fairly the related transactions and events.

6. Obtained sufficient and appropriate audit evidence regarding financial information of entities within Chien Kuo Construction Co. Ltd. in order to express opinions on the Individual Financial Statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion on Chien Kuo Construction Co. Ltd.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with those charged with governance, we determine the key audit matters of the 2019 individual financial statements of Chien Kuo Construction Co. Ltd. Such matters have been explicitly stated in our audit report, unless laws or regulations prevent their disclosures, or, in extremely rare cases, we decide not to communicate such matters in our audit report in consideration that the adverse impacts of such communication could be reasonably expected to be greater than the public interest it would promote.

Deloitte Taiwan CPA: I-wen Wang Approval number by the Financial Supervisory Commission FSC - 0980032818

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

March 27, 2020

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

Unit: NT\$ Thousand

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

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

Chairperson: Chang-shiou Wu

Manager: Chang-shiou Wu

Accounting Manager: Shu-fen Yang

Chien Kuo Construction Co. Ltd.

Individual Statements of Comprehensive Income  
From January 1 to December 31, 2019 and 2018

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

Code	2019		2018	
	Amount	%	Amount	%
4000 Operating Revenue (Note 18)	\$ 4,756,126	100	\$ 3,932,756	100
5000 Operating cost (Notes 19 and 24)	4,440,872	93	3,632,074	93
5900 Gross profit	315,254	7	300,682	7
Operating Expenses				
6200 General and administrative expenses (Note 19 and 24)	242,905	5	240,531	6
6900 Net operating income	72,349	2	60,151	1
Non-operating income and expenses				
7010 Other income (Note 19 and 24)	41,290	-	18,156	1
7020 Other gains and losses (Note 19)	( 10,827)	-	( 41,841)	( 1)
7050 Financial costs (Note 19)	( 15,448)	-	( 26,360)	( 1)
7060 Share of profits (losses) of subsidiaries associates accounted for using the equity method (Note 11)	157,599	3	280,306	7
7000 Total non-operating revenue and expenses	172,614	3	230,261	6
7900 Income before income tax	244,963	5	290,412	7
7950 Income tax expense (Note 20)	65,328	1	84,741	2
8200 Net income	179,635	4	205,671	5

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

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

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

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

Unit: NT\$ Thousand

Code		Others									
		Retained earnings				Exchange differences arising from translation of financial statements of foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Financial assets at fair value through other comprehensive income on financial assets measured	Profit or loss of hedging instrument		
		Appropriated as legal capital reserve	Appropriated as special capital reserve	Unappropriated earnings	Foreign Currency Translations				Treasury stock	Total equity	
		\$ 3,379,001	\$ 200,462	\$ 588,869	\$ 39,088	\$ 794,325	(\$ 109,140)	\$ 36,475	\$ 34,835	\$ 4,894,245	
A1	Balance as of January 1, 2018										
	Appropriation and distribution of retained earnings for 2017										
B1	Appropriated as legal capital reserve	-	-	17,118	-	( 17,118)	-	-	-	-	-
B3	Special capital reserve	-	-	-	28,091	( 28,091)	-	-	-	-	-
B5	Cash dividends - NT\$0.50 per share	-	-	-	-	( 167,150)	-	-	-	-	( 167,150)
D1	Net profit for 2018	-	-	-	-	205,671	-	-	-	-	205,671
D3	Other comprehensive income (loss) (net of tax) for 2018	-	-	-	-	1,220	137	-	15,350	-	16,707
D5	Total comprehensive income (loss) in 2018	-	-	-	-	206,891	137	-	15,350	-	222,378
L3	Retirement of treasury shares	( 36,000)	1,165	-	-	-	-	-	-	34,835	-
Z1	Balance, December 31, 2018	3,343,001	201,627	605,987	67,179	788,857	( 109,003)	-	51,825	-	4,949,473
	Appropriations and distribution of retained earnings for 2018										
B1	Appropriated as legal capital reserve	-	-	20,567	-	( 20,567)	-	-	-	-	-
B3	Special capital reserve	-	-	-	( 10,002)	10,002	-	-	-	-	-
B5	Cash dividends - NT\$0.50 per share	-	-	-	-	( 167,150)	-	-	-	-	( 167,150)
B17	Reversal of special capital reserve due to disposal of subsidiaries and branches	-	-	-	( 7,176)	7,176	-	-	-	-	-
E1	Cash capital reduction	( 668,600)	-	-	-	-	-	-	-	-	( 668,600)
D1	Net profit for 2019	-	-	-	-	179,635	-	-	-	-	179,635
D3	Other comprehensive income (net of tax) for 2019	-	-	-	-	2,293	( 78,659)	-	130,706	1,042	-
D5	Total comprehensive income in 2019	-	-	-	-	181,928	( 78,659)	-	130,706	1,042	-
Z1	Balance, December 31, 2019	\$ 2,674,401	\$ 201,627	\$ 626,554	\$ 50,001	\$ 800,246	(\$ 187,662)	\$ 182,531	\$ 1,042	\$ -	\$ 4,348,740

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

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

Unit: NT\$ Thousand

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

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

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

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

Chien Kuo Construction Co. Ltd.

Notes to Individual Financial Statements

From January 1 to December 31, 2019 and 2018

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

I. Company History

Chien Kuo Construction Co. Ltd. (hereinafter "the Company"), founded in November 1950, mainly engages in business relating to design, supervision of modification, and construction of various construction projects of different size, as well as trading of construction materials; the Company's stocks, which had been traded on Taipei Exchange since February 1, 1999, turned to Taiwan Stock Exchange for listings and trading in October 2003.

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

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

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

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

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

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

IFRS 16 "Leases"

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

Definition of "Leases"

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

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### The Company is the lessee

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

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

For agreements currently treated as operating leases under IAS 17, the lease liability as of January 1, 2019 is measured at the remaining lease payments over the lease term, discounted at the incremental borrowing rate of the lessee, whereas all right-of-use assets are measured at the amount of lease liabilities on such date. IAS 36 will be applicable to impairment assessment of all right-of-use assets recognized.

The Company plans to adopt the following expedients:

- (1) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics in measuring the lease liability.
- (2) Leases to be expired prior to December 31, 2019 are accounted for as short-term leases.
- (3) Excluding the initial direct costs from the measurement of the right-of-use assets on January 1, 2019.
- (4) Using hindsight to determine the lease term when measuring lease liabilities.

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

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

The Company is the lessee

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

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

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

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

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

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

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

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

As of the date the individual financial statements were authorized for issue, the Company is continuously assessing the effects from the amendments to other standards and interpretations on the financial position and financial performance. Related effects will be disclosed once the assessment is completed.

(III) IFRSs issued by the IASB but yet to be approved by the FSC and have entered into effect

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

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

As of the date the individual financial statements were authorized for issue, the Company is continuously assessing the effects from the amendments to other standards and interpretations on the financial position and financial performance. Related effects will be disclosed once the assessment is completed.

#### IV. Summary of Significant Accounting Policies

##### (I) Statement of compliance

The Individual financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

##### (II) Basis of preparation

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

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

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

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

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

(III) Criteria for Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets that are expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents, excluding those that are restricted for being used to exchange or settle liabilities at beyond 12 months after the balance sheet date.

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities that are expected to be settled within 12 months after the balance sheet date; and
3. Liabilities for which the repayment date cannot be deferred unconditionally beyond 12 months after the balance sheet date.

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

(IV) Foreign currencies

When preparing the Individual financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are converted into functional currency at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences arising on the settlement of monetary items or on translating monetary items are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For

items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

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

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

Upon disposal of its ownership interests in a foreign operation and cause losing control of its foreign operation, all cumulative exchange differences that are attributable to owners of the Company and relating to such foreign operation are to be reclassified to profit or loss.

**(V) Investment on Subsidiaries**

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

Subsidiaries are entities controlled by the Company.

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

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

**(VI) Property, Plant and Equipment**

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

The depreciation of PP&E in its useful life is considered on straight-line basis and each major part/component will be shown independently. The Company reviews the useful lives, residual value and depreciation methods at least once at each financial year-end and prospectively applies the effects of changes in accounting estimates.

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

(VII) **Investment Property**

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

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

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

(VIII) **Impairment of Tangible and Intangible Assets**

On each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication that an asset may be impaired, the Group then estimates the recoverable amount of such asset. If it is not possible to determine the recoverable amount for an individual asset, the Company shall determine the recoverable amount of the asset's cash generating unit.

The recoverable amount is the fair value minus cost of sales or its value in use, whichever is higher. If the carrying amount of an individual asset or a cash generating unit is less than its recoverable amount, the carrying amount of which is reduced to its recoverable amount, with impairment loss recognized in profit or loss.

If the impairment loss is reversed subsequently, the carrying amount of the asset or cash-generating unit is raised to its recoverable amount, provided, however, that the increased carrying amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversal of impairment loss is recognized in profit or loss.

(IX) **Non-current Assets Held for Sale**

Non-current assets are classified as held for sale if the carrying amounts are expected to be recovered mainly through sale rather than by way of continuous usage. Non-current assets qualified for such classification must be available for immediate sale in their present condition and its sale must be highly probable. A sale is considered highly probable if management at an appropriate level commits to a plan to sell and such sale is expected to be completed within 12 months after the classification date.

If the sale will result in a loss of control over a subsidiary, all assets and liabilities of such subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after such sale.

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated.

**(X) Financial Instruments**

Financial assets and financial liabilities shall be recognized in the Individual Balance Sheets when the Company becomes a party of the financial instrument contract.

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

**1. Financial assets**

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

**(1) Types of measurement**

Financial assets held by the Company comprise financial assets measured at fair value through profit or loss (FVTPL), financial assets at amortized cost, investments in debt instruments measured at fair value through other comprehensive income (FVTOCI), and investments in equity instruments measured at FVTOCI.

**A. Financial assets measured at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets forcibly measured at fair value through profit or loss.

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

**B. Financial assets measured at amortized cost**

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

- a. Held under a business model whose purpose of holding such financial assets is to collect the contractual cash flows; and,
- b. The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets measured at amortized cost (including cash and cash equivalents, receivables, accounts receivables and other receivables that are measured at amortized cost) are measured at the amortized cost equal to the gross carrying amount as determined using the effective interest method less any impairment loss; any foreign exchange gain or loss arising therefrom is recognized in profit or loss.

Except for the following two circumstances, interest revenue is calculated at the value of effective interest rate times the gross carrying amount of financial assets:

- a. In the case of purchased or originated credit-impaired financial assets, interest revenue is always recognized by applying the credit-adjusted effective interest rate to the amortized cost carrying amount.
- b. In the case of a financial asset that is not a purchased or originated credit-impaired financial asset but subsequently has become credit-impaired, interest revenue is calculated by applying the effective interest rate to the amortized cost balance.

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

Cash equivalents comprise time deposits that will mature within 6 months after the acquisition date, that are highly liquid and readily convertible to known amount of cash, and that are subject to an insignificant risk of changes in value. Cash equivalents are used to satisfy the short-term cash commitments.

C. Investment in debt instruments measured at fair value through other comprehensive income (FVTOCI)

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

Investments in an equity instrument measured at FVTOCI are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss upon the disposal of the equity investments. Instead, they will be transferred to retained earnings.

Dividends of investments in equity instruments measured at FVTOCI are recognized in profit or loss when the Company's right to receive payment is established unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets and contract assets

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

Accounts receivable and contract asset shall be recognized as allowance loss against the lifetime expected credit losses during the term of duration. For all other financial instruments, the Group recognizes lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk of the financial instruments has not increased significantly since initial recognition, the Group measures the loss allowance for the financial instruments at an amount equal to 12-month expected credit losses.

The expected credit loss is the weighted average credit loss determined by the risk of default. The 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date, whereas the lifetime

ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument."

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

(3) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. On derecognition of debt instruments measured at fair value through other comprehensive income in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of equity instruments measured at fair value through other comprehensive income in its entirety, the accumulated profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

The repurchase of equity instruments issued by the Company is recognized in equity as a deduction. The purchase, sale, issue or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liabilities

All financial liabilities of the Company are subsequently measured at amortized cost using the effective interest method.

When a financial liability is derecognized, the difference between the carrying amount and the consideration paid (including any non-cash asset transferred or liability assumed) is recognized in profit or loss.

After identifying the performance obligations of contracts with the customers, the Company allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are met.

Revenue from construction contracts

For real estate construction contracts, the Company recognizes revenue over the construction period and measures the progress on the basis of costs incurred relative to the total expected costs. A contract asset is recognized during the construction and is reclassified to accounts receivable at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognized to date, the Company recognizes a contract liability for the difference. Certain payments retained by the customer as specified in the contract is intended to ensure that the Company adequately completes all its contractual obligations. Such retention receivables are recognized as contract assets until the Company satisfies its performance.

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

**(XII) Leases**

2019

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

1. Company as the Lessor

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

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

2. Company as the lessee

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

Right-of-use assets are initially measured at cost (including the initially measured amount of lease liabilities, the lease payments paid before the lease start date less the lease incentives received, the initial direct cost, and the estimated cost of restoring underlying assets), and subsequently measured at cost

less the amount after deducting accumulated depreciation and accumulated impairment losses, while adjusting the re-measurement of lease liabilities. A right-of-use asset is separately presented on the individual balance sheets.

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

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

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

## 2018

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

### 1. The Group as lessor

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

### 2. The Group as lessee

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

## (XIII) Employee benefits

### 1. Short-term employee benefits

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

### 2. Post-employment benefits

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

The defined cost of benefits under the defined benefit retirement plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method. The cost of services (including the cost of services of the current period and the cost of services of the previous period, and repayment of profit and loss) and the net interest of the net defined benefit liability (asset) are recognized as employee benefit expenses as they occur. Remeasurement (comprising actuarial gains and losses, and return on plan assets netting interests) is recognized in other comprehensive income and listed under retained earnings, and is not recycled to profit or loss in subsequent periods.

The net defined benefit liabilities (assets) are the shortfall (surplus) of the defined benefit retirement plan. A net defined benefit asset shall not exceed the contribution refunded from the plan, or the present value of reductions in future contributions.

### 3. Termination benefits

The Company will recognize the termination benefits liability when it is no longer able to revoke the termination benefits offer or recognize the related restructuring costs (whichever is earlier).

## (XIV) Income tax

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

### 1. Current Income tax

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

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

### 2. Deferred income tax

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

Deferred tax liabilities are mostly recognized based on taxable temporary differences. Deferred tax assets are recognized to the extent that it is most

probable that those deductible temporary differences and loss credits can be applied to produce taxable profits.

Taxable temporary differences from investment subsidiaries are recognized under deferred tax liabilities, except when the Company is able to control reversal of temporary difference which is likely to not reverse in the foreseeable future. For deductible temporary differences associated with such investment and equity, when it is probable that sufficient taxable income will be available to realize such temporary difference, a deferred tax asset is recognized, but only to the extent of the amount that is expected to be reversed in the foreseeable future. The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. The carrying amount of items that were not previously recognized as a deferred tax asset is also reviewed at each balance sheet date. The Company raises the carrying amount of such item when it becomes probable that sufficient taxable profit will be available in the future to recover all or part of the asset.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected realization of assets or repayment of liabilities. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. Measurement of deferred income tax liabilities and assets is a reflection of the tax consequences resulting from the means by which the Company expects to recover or settle the carrying amount of its assets and liabilities at the balance sheet date.

### 3. Current and deferred taxes for the year

Current income tax and deferred income tax are recognized in profit or loss, except that they are recognized in other comprehensive gains and losses or are directly recognized in the current and deferred income tax related to the equity item separately as other comprehensive gains and losses or directly calculated as equity.

## V. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

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

The management shall continue to review the estimates and basic assumptions. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Construction contracts

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

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

VI. Cash and Cash Equivalents

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

VII. Financial Instruments at Fair Value through Profit or Loss

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

VIII. Financial assets at fair value through other comprehensive income

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Investment in equity instruments		
measured at fair value through other comprehensive income		
Investments in domestic listed stocks		
Common stock of Chia Hsin Cement Corporation	<u>\$ 24,909</u>	<u>\$ 15,157</u>

Non-current

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

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

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

#### IX. Notes Receivables and Accounts Receivables

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

#### Accounts receivable

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

The Company writes off accounts receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivables. For accounts receivable that have been written off, the Company

continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

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

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

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

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

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

#### X. Land Held for Construction

The Company acquired the land sitting at the northern part of the industrial zone in Xinzhuang Dist. in July 2017. . The purpose of holding such land is to construct commercial buildings for sale. The land is also pledged to the financial institution for loans. Please refer to Notes 14 and 25.

#### XI. Investments by equity method

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Investment in subsidiary companies	<u>\$ 4,352,596</u>	<u>\$ 5,205,419</u>
Investment in affiliate enterprises	<u>9,652</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 4,362,248</u></b>	<b><u>\$ 5,205,419</u></b>

##### (I) Investment in subsidiary companies

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

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

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

Note 1: The Company's management resolved in December 2018 to dispose of a portion of equity of WeBIM Services Co., Ltd. Therefore, all account previously presented under WeBIM were transferred to the non-assets at investments accounted for using equity method. The Company sold 27.5% of the equity of WEBIM Services on January 22, 2019 and the proceed of disposal was NT\$5,000 thousand. The disposal proceed is lower than the net value recognized and the disposal loss is NT\$371 thousand. After disposal, the Company lost the control of WeBIM Services.

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

(II) Investments in affiliated corporates

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Associates not individually significant</u>		
WeBIM Services Co., Ltd.	\$ 9,652	\$ -

Summary Information on Affiliated Enterprises Not Individually Significant

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

XII. Lease Agreements

(I) Right-of-use assets - 2019

	<u>December 31, 2019</u>
Carrying amount of right-of-use assets	
Buildings	\$ 28,724
Transportation equipment	<u>3,454</u>
	<u><u>\$ 32,178</u></u>

	2019
Increase in right-of-use assets	<u><u>\$ 1,847</u></u>
Depreciation expense of right-of-use assets	
Buildings	\$ 8,940
Transportation equipment	<u>1,786</u>
	<u><u>\$ 10,726</u></u>

(II) Lease liabilities - 2019

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

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

(III) Other lease information

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

2018

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

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

XIII. Investment Property

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

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

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

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

XIV. Long-term Loans

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

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

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

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

For the above long-term loans, interest is paid monthly. Starting from December 30, 2017, NT\$150,000 thousand should be repaid every quarter, and the payments were fully repaid on October 1, 2019.

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

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

December 31, 2019

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

December 31, 2018

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

XV. Accounts Payables

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

XVI. Benefit plan after retirement

(I) Defined Contribution Plan

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

(II) Defined Benefit Plans

The Company's pension system under the "Labor Standards Act" is a defined benefit pension plan managed by the government. Payment of pension is calculated based on the seniority and the average wages of the last 6 months prior to retirement of an employee. The Company contributes 2% of the total monthly wages of employees to the Supervisory Committee of Labor Retirement Reserve's dedicated account in the Bank of Taiwan as pension reserve funds. Before the end of each year, if the balance in the account is inadequate to pay pensions of laborers who are expected to reach retirement conditions in the following year, the Company shall make up the difference in one appropriation before the end of March in the following year. The Bureau of Labor Funds, Ministry of Labor is assigned to administer the account. The Company retains no rights that may influence its investment and administration strategies.

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

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

Changes in net defined benefit liabilities were as follows:

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

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

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

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

1. Investment risks: The Bureau of Labor Funds of the Ministry of Labor invests the labor pension fund in equity securities, debt securities, and bank deposits in domestic (foreign) banks through independent implementation and commissioned operations. However, the distributed amount from the plan assets received by the Company shall not be lower than interest on a two-year time deposit at a local bank.
2. Interest rate risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation. However, the return on the debt investments of the plan assets will also increase. Those two will partially offset each other.
3. Payroll risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will raise the present value of the defined benefit obligation.

The net present value of the defined benefit obligations held by the Company is evaluated by certified actuaries and the major assumptions made on the assessment date are as follows:

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

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

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

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

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

## XVII. Equity

### (I) Capital stock

#### Common stock

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

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

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

(II) Capital surplus

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

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

(III) Retained earnings and dividend policy

According to the earnings appropriation policy set forth in the Articles of Incorporation of the Company, the annual net income, if any, should be used to pay off all the taxes and duties, as well as to compensate prior deficits. The remaining amount, if any, should be appropriated in the following order of presentation:

1. Provide legal reserve pursuant to laws and regulations.
2. Provide (or reversed) special reserves pursuant to laws and regulations or as operating necessities.
3. The remaining balance, along with undistributed earnings of prior years, shall be proposed by the Board of Directors for earnings distribution, which shall then be resolved by the Shareholders' Meeting.

Please refer to Note 19(6) - "Employee Bonus and Bonus to Directors" for the policy of employee and Director bonus distribution stipulated in the Articles of Incorporation. The Company's dividend policy takes into account the environment and growth of the industry, long-term financial plans and optimization of shareholders' equity. Cash dividends to be appropriated should not be less than 10% of the total dividends to be appropriated for the year.

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

deductions are reversed afterward, the reversal should be applicable to the appropriation of earnings.

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

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

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

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

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

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

#### (IV) Treasury stock

The 3,600 thousand shares of treasury stocks purchased by the Company was repurchased for the purpose of transfer to employees. However, Due to that such shares had not been transferred in 3 years, the Company's Board of Directors resolved on August 9, 2018 to cancel the registration of such shares. The recorded capital reduction date was set on October 6, 2018. Such a change in share capital registration was completed on October 29, 2018.

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

## XVIII. Revenue

### (I) Revenue from contracts with customers

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

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

### (II) Contract balance

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

## XIX. Net Income for the Current Year

Net income for the current year comprises the following items:

### (I) Other revenue

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

### (II) Other gains and losses

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

	2019	2018
Loss on valuation of financial assets at fair value through profit or loss	( 900)	-
Loss on disposal of subsidiaries	( 371)	-
Gain (Loss) on disposal of property, plant and equipment, net	(\$ 131)	\$ 29
Expected credit impairment loss (Note 26)	-	( 16,291)
Loss on disposal of financial assets (Note 26)	-	( 15,959)
Others	( 5,862)	( 4,008)
	<u><u>(\$ 10,827)</u></u>	<u><u>(\$ 41,841)</u></u>

(III) Finance costs

	2019	2018
Interest expenses		
Bank loan	\$ 14,799	\$ 26,360
Interest on lease liabilities	<u>649</u>	<u>-</u>
	<u><u>\$ 15,448</u></u>	<u><u>\$ 26,360</u></u>

(IV) Depreciation and amortization expenses

	2019	2018
Property, plant and equipment	\$ 4,474	\$ 4,358
Right-of-use assets	10,727	-
Investment property	1,247	1,155
Intangible assets	<u>1,741</u>	<u>2,765</u>
	<u><u>\$ 18,189</u></u>	<u><u>\$ 8,278</u></u>
Depreciation expenses summarized by functions		
Operating costs	\$ 653	\$ 703
Operating expenses	14,548	3,655
Other gains and losses	<u>1,247</u>	<u>1,155</u>
	<u><u>\$ 16,448</u></u>	<u><u>\$ 5,513</u></u>
Amortization expenses summarized by functions		
Operating costs	\$ -	\$ 45
Operating Expenses	<u>1,741</u>	<u>2,720</u>
	<u><u>\$ 1,741</u></u>	<u><u>\$ 2,765</u></u>

(V) Employee benefits

	2019	2018
Short-term employee benefits	\$ 360,119	\$ 341,024
Post-employment benefits		
Defined contribution plans	14,370	13,271
Defined benefit plans (Note 16)	( 388)	556
Termination benefits	<u><u>1,855</u></u>	<u><u>1,081</u></u>

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

(VI) Remuneration for Employees and Directors

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

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

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

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

XX. Income tax

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

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

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

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

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

The amended Income Tax Act of the Republic of China was amended in February 2018, which raised the profit-seeking enterprise income tax from 17% and 20% (to be implemented from 2018 on). In addition, the tax rate applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

(II) Income tax recognized in other comprehensive income

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

(III) Deferred Income Tax Assets and Liabilities

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

2019

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

### 2018

	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Changes in tax rates	Balance - end of year
<b>Deferred income tax assets</b>					
Warranty Cost	\$ 2,929	\$ 60	\$ -	\$ 517	\$ 3,506
Construction proceeds temporarily estimated	2,376	(881)	-	419	1,914
Unrealized construction loss	3,141	(2,023)	-	554	1,672
Defined benefit pension plan	1,479	1	(475)	397	1,402
Impairment loss	4,084	(100)	-	721	4,705
Unrealized exchange losses	8,467	(9,962)	-	1,495	-
Loss carryforwards	44,372	11,826	-	7,830	64,028
Expected credit losses	-	1,145	-	-	1,145
	<u>\$ 66,848</u>	<u>\$ 66</u>	<u>(\$ 475)</u>	<u>\$ 11,933</u>	<u>\$ 78,372</u>
<b>Deferred income tax liabilities</b>					
Gains or losses from investment accounted for using equity method	\$ 441,026	\$ 54,860	\$ -	\$ 37,752	\$ 533,638
Exchange differences on translation of foreign operations	29,050	-	6,442	-	35,492
Reserve for Land Revaluation					
Increment Tax	9,192	-	-	1,622	10,814
Unrealized exchange gains	-	2,927	-	-	2,927
Others	778	-	-	137	915
	<u>\$ 480,046</u>	<u>\$ 57,787</u>	<u>\$ 6,442</u>	<u>\$ 39,511</u>	<u>\$ 583,786</u>

### (IV) Income Tax Approval

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

XXI. Earnings per Share

Unit: NT\$1/share

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

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

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

If the Company can choose between stocks and cash for the appropriation of employee compensation, it shall assume the employee compensation would be appropriated in stocks for the calculation of diluted EPS. The dilutive potential common stocks shall be incorporated in the weighted average number of stocks outstanding when calculating the diluted EPS. This dilutive effect of potential common stocks is included in the calculation of diluted earnings per share when the following year's shareholders' meeting resolves the number of shares to be appropriated to employees.

XXII. Capital Risk Management

The Company's objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to maintain optimal capital structure in order to minimize the cost of funding and to provide remuneration for its shareholders. To maintain or adjust the capital structure, the Company may adjust dividends paid to shareholders, refund capital to shareholders or issue new shares to lower its debts.

## XXIII. Financial Instruments

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

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

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

#### 1. Fair value level

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value through profit or loss</u>				
Private equity funds	\$ _____ -	\$ _____ -	\$ 8,100	\$ 8,100

  

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value through other comprehensive income</u>				
Domestic public stocks	\$ 435,735	\$ _____ -	\$ _____ -	\$ 435,735

December 31, 2018

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

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

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

Fair value of private placement is measured by using the asset-based approach. The asset-based approach is used to assess the fair value by reference to the net asset value provided by the fund companies. The unobservable inputs employed by the Company as of December 31, 2019 and 2018 were liquidity and minority interest, each reduced by 10%. When other inputs are held constant, if liquidity or minority interest reduces by 1%, the fair value will decrease by NT\$90 thousand.

### (III) Category of financial instruments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	\$ 8,100	\$ -

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

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

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

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

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

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

##### 1. Market risk

###### (1) Interest rate risk

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fair value interest rate risk		
- Financial assets	\$ 16,500	\$ 7,700
- Financial liabilities	481,655	899,131
Cash flow interest rate risk		
- Financial assets	378,915	199,756
- Financial liabilities	499,790	350,000

Sensitivity analysis

The sensitivity analysis below is prepared based on the risk exposure of derivative and non-derivative instruments to the interest rates on balance sheet date.

If interest rate increases/decreases by 100 basis points, held other variables constant, the Company's income before tax will decrease/increase by NT\$ ,1209 thousand and NT\$1,50,25 thousand, respectively for 2019 and 2018.

(2) Other price risk

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

Sensitivity analysis

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

If equity prices rise/fall by 10%, the pre-tax income for the annual period ended December 31, 2019 while the pre-tax other comprehensive income for the annual period ended December 31, 2019 will increase/decrease by NT\$ 810 thousand due to the rise/fall of the fair value of financial assets measured at FVTOCI.

If the price of equity increases/decreases by 10%, other comprehensive income for the annual period ended December 31, 2019 and 2018 will increase/decrease by NT\$ 43,571 thousand and NT\$ 30,451 thousand respectively due to the rise/fall of the fair value of financial assets measured at FVTOCI.

2. Credit risk

Credit risk refers to the risk of financial loss of the Company arising from default by customers or counterparties of financial instruments on the contractual obligations. The Company is required to conduct management and credit risk analysis for each of its new customers before the terms and conditions of the payment and delivery are established in accordance with the internal credit policy. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored.

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

### 3. Liquidity risk

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

December 31, 2019

	Less than 1 Year	1~2 Year(s)	2~5 Years
Non-interest bearing liabilities	\$ 1,618,998	\$ 70,174	\$ 5,901
Lease liabilities	10,619	9,265	13,301
Fixed interest rate instruments	-	299,474	149,727
Floating interest rate instruments	-	-	499,790
	<u>\$ 1,629,617</u>	<u>\$ 378,913</u>	<u>\$ 668,719</u>

Lease liabilities  
December 31, 2018

	Within 1 year	1~5 years	
	Less than 1 Year	1~2 Year(s)	2~5 Years
Non-interest bearing liabilities	\$ 10,619	\$ 22,566	
Fixed interest rate instruments	\$ 1,152,916	\$ 109,949	\$ 19,172
	450,000	-	449,131

	Less than 1 Year	1~2 Year(s)	2~5 Years
Floating interest rate instruments	<u>-</u> <u>\$ 1,602,916</u>	<u>-</u> <u>\$ 109,949</u>	<u>350,000</u> <u>\$ 818,303</u>

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

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

### (3) Financing facilities

	December 31, 2019	December 31, 2018
Unsecured bank loan facilities		
- amount used	\$ 600,000	\$ 450,000
- amount unused	<u>1,489,817</u>	<u>1,299,495</u>
	<u>\$ 2,089,817</u>	<u>\$ 1,749,495</u>
Credit line of secured bank loan		
- amount used	\$ 350,000	\$ 800,000
- amount unused	<u>100,000</u>	<u>100,000</u>
	<u>\$ 450,000</u>	<u>\$ 900,000</u>

## XXIV. Related party transactions

In addition to those disclosed in other notes, material transactions between the Company and other related parties are as follows.

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

Name of Related Party	Relations with the company
Shun Long International Electrical Engineering Co., Ltd. (Shun Long)	Subsidiary
Jin Gu Limited (Jin Gu)	Subsidiary
Chien Kuo Asia Co., Ltd. (Chien Kuo Asia)	Sub-subsidiary
Suzhou Chien Hua Concrete Co., Ltd. (Suzhou Chien Hua)	Sub-subsidiary
Wuxi Chien Bang Concrete Co., Ltd. (Wuxi Chien Bang)	Sub-subsidiary
WeBIM Services Co., Ltd. (WeBIM Services)	It became an associate of the Company since January 22, 2019.

Jianhui Investment Co., Ltd. (Jianhui Investment)	The chairperson of Jianhui Investment is the vice chairperson of the Company.
Chien Kuo Foundation for Arts and Culture	The chairperson of the foundation is the vice chairperson of the Company.
Mark Lee	Chairman of WeBIM Services
Tzu-chiang Yang	Director of WeBIM Services
Pang-yen Yang	Director of WeBIM Services

## (II) Outsourced Construction

Category/Name of Related Party	No. of Contract	Contract total value	Recognized as contract cost for current year	Accumulated as recognized contract cost	Accounts payable
<u>2019</u>					
Shun Long	101C1502	\$ 419,685	\$ 4,821	\$ 404,463	\$ 43,798
	101C1504	234,813	101,511	192,097	41,052
	101C1603	77,424	40,684	72,203	12,728
	101C1605	269,210	129,889	231,060	35,949
	101C1702	297,919	84,742	97,824	59,096
	101C1703	553,935	198,093	245,130	113,448
	101C1707	420,042	50,526	52,906	31,201
	101C1701	109,339	41,719	50,408	19,352
	101C1802	\$ 426,440	\$ 5,754	\$ 6,158	\$ 6,158
	101C1803	198,302	4,705	4,965	4,312
	101C1901	251,995	1,706	1,706	1,706
	101C1902	273,116	66	66	66
	101C1903	97,857	66	66	66
	101C1503	50,892	3,042	50,892	542
		<u>\$ 3,680,969</u>	<u>\$ 667,324</u>	<u>\$ 1,409,944</u>	<u>\$ 369,474</u>
<u>2018</u>					
Shun Long	101C1503	\$ 49,556	\$ 11,913	\$ 47,850	\$ 730
	101C1502	431,047	52,808	399,643	43,753
	101C1504	234,480	73,118	90,586	17,167
	101C1603	75,335	25,364	31,519	11,874
	101C1605	268,458	89,403	101,171	52,512
	101C1702	287,919	11,079	13,083	10,773
	101C1703	551,658	44,863	47,037	35,717
	101C1707	400,493	2,380	2,380	2,380
	101C1701	112,760	9,588	8,688	3,696
	101C1802	472,939	405	405	405
	101C1803	203,000	260	260	260
	101C1604	3,750	1,800	3,300	158
	101C1705	8,304	3,718	3,718	277
		<u>\$ 3,099,699</u>	<u>\$ 326,699</u>	<u>\$ 751,215</u>	<u>\$ 179,702</u>

The contract price and payment terms of the construction contract between the Company and the related parties are equivalent to those of the non-related person.

(III) Business Transaction

Accounting subject	Category of related parties	2019	2018
Construction costs	Associates	\$ 2,045	\$ 2,513
Operating Expenses	Associates	\$ 520	\$ 660
Other revenues	Associates	\$ 1,093	\$ -

(IV) Other related party transactions

1. Lease agreements

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

Accounting subject	Category of related parties	December 31, 2019	December 31, 2018
Lease liabilities	Other related parties	\$ 10,087	\$ -

Accounting subject	Category of related parties	2019	2018
Interest expenses	Associates	\$ 185	\$ -
Rental Expenses	Associates	\$ -	\$ 5,604

2. Equity transactions

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

3. Donation expenditure

The Company's Board of Directors resolved on August 8, 2019 and March 29, 2018 to donate to Chien Kuo Foundation for Arts and Culture a supporting fee for its broadcast production. Such donation was recognized for the annual period ended December 31, 2019 and 2018 as a donation expense in the amount of NT\$1,800 thousand and NT\$1,620 thousand respectively.

(V) Endorsements/guarantees

Endorsements/guarantees Provided

Category/Name of Related Party	December 31, 2019	December 31, 2018
Shun Long	\$ 80,000	\$ 50,000
Suzhou Chien Hua	-	172,326
Wuxi Chien Bang	440,289	172,326
	<u>\$ 520,289</u>	<u>\$ 394,652</u>

Endorsements/guarantees Obtained

Category/Name of Related Party	December 31, 2019	December 31, 2018
Jin Gu	\$ -	\$ 184,320

(VI) Remuneration to key management

	2019	2018
Short-term employee benefits	\$ 44,867	\$ 40,293
Termination benefits	280	-
Post-employment benefits	1,196	1,205
	<u>\$ 46,343</u>	<u>\$ 41,498</u>

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

XXV. Pledged assets

The Company's assets listed below were provided as bank loans, collateral against litigations, deposits for construction performance obligation:

	December 31, 2019	December 31, 2018
Land held for construction	\$ 463,577	\$ 463,577
Financial assets at fair value through other comprehensive income -		
non-current	133,177	94,555
Investment property	31,548	32,122
Pledged certificate of deposit (recognized in other current assets)	16,500	7,700
Other restricted assets	8,833	2,580
Property, plant and equipment	6,264	6,312
	<u>\$ 659,899</u>	<u>\$ 606,846</u>

XXVI. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

(I) The construction of the National Kaohsiung Center for the Arts (Weiwing) (hereinafter referred to as "the Project") undertaken by the Company was completed on December 16, 2016, and the Ministry of Culture of the Republic of China (hereinafter referred to as "the Ministry") began the initial acceptance inspection on February 20, 2017. During the acceptance process, the Company delivered the completed work in a gradual manner for users' utilization as per the instruction of the Ministry when other interface projects were still undergoing construction using the space. The Ministry even opened some facilities for public use without turning on

related equipment to maintain appropriate temperature and humidity, resulting in the Project having unexpected damage and non-conformities. The Ministry required the Company to repair the damaged part, which caused the Project's failure to conform to the acceptance procedures within the time limit. The Ministry even proposed to impose a penalty fine for delay on the Company. The Company believes such application of law wrong and in violation of the principles of fairness and reasonableness. Therefore, it filed a request for mediation to the Complaint Review Board for Government Procurement under the Public Construction Commission of the Executive Yuan on October 9, 2018. This case is still under mediation. The mediation suggestion made by the mediation committee was overdue default penalty fee of NTS8,286,572. The Group has agreed to accept within the deadline, but the ministry has to yet to respond.

- (II) On July 20, 2014, Shing Tzung Development Co., Ltd. (Shing Tzung) and its person in charge, Kuo-feng Lu performed the diaphragm wall construction for the building (3 floors underground and 26 floors above ground) at Lingzhou section land No. 537 in Kaohsiung City, which caused the severe tilts, wall cracks and subsidence of the buildings at Lane 187, Ziqiang 3rd Road. Due to the Company's active participation in the repair work, a total of 25 house owners transferred a certain amount of their creditors' rights to the Company, by which the Company had petitioned the court for a provisional attachment against Shing Tzung and its responsible person, and for a claim of NT\$ 25 million plus the statutory delay interest accrued thereon from them. The initial verdict held that Shing Tzung had also paid related expenses for such an incident and thus agreed to that the expense contended to be paid by Shing Tzung should be offset against the credit rights to which the Group might be entitled. Therefore, the plaintiff's case was rejected. The Company has recognized the total amount of NT\$25 million that was previously presented under "payment on behalf of another party" as a loss based on the verdict.
- (III) In addition, Shing Tzung claimed that it had suffered loss from the Incident, in which case it shall have demanded compensation from the subcontractor responsible for constructing the diaphragm wall. To the contrary, in the face of the insufficient capital stock of the subcontractor, Shing Tzung turned to the Company for compensation for the Incident. The Company had also suffered loss from such Incident. Consequently, the Company filed a claim against Shing Tzung for compensation (including expenses incurred by the Company's participation in the repair work) and demanded that Shing Tzung return the promissory notes of performance guarantee to the Company. The two

lawsuits were jointly tried by the Kaohsiung Qiaotou District Court. The court currently entrusted the Kaohsiung Association of Civil Engineering Technician and the Kaohsiung Association of Geotechnical Engineers to conduct a joint appraisal.

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

- (IV) As of December 31, 2019, the performance guarantee letters issued by the bank for construction projects amounted to NT\$1,904,671 thousand.
- (V) As of December 31, 2019, the guaranteed bills issued by the Company for business needs amounted to NT\$575,683 thousand.

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

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. Information regarding the significant assets and liabilities denominated in foreign currencies of the Company is listed below:

Unit: Foreign currency/NT\$1,000

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Non-monetary items</u>			
USD	\$ 135,913	29.98 (USD: New Taiwan Dollars)	\$ 4,074,676

December 31, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Non-monetary items</u>			
USD	\$ 160,390	30.72 (USD: New Taiwan Dollars)	\$ 4,924,319

## XXVIII. Supplementary Disclosures

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

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

### (III) Information on investments in Mainland China

1. **Information on invested companies in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss on investments, carrying amount of investment at the end of the period, gain on repatriated investment and ceiling of investments in mainland China:** Please refer to Appendix 7.
2. **Any of the following significant transactions with invested companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms and unrealized gain or loss:** None.

- (1) Purchase amount and percentage, and the ending balance and percentage of payables.
- (2) Sales amount and percentage, and the ending balance and percentage of receivables.
- (3) Property transaction amount and the resulting gain or loss.
- (4) Ending balance and purposes of endorsement/guarantee or collateral provided.
- (5) The maximum balance, ending balance, interest rate and total amount of current interest of financing facilities.
- (6) Other transactions having a significant impact on profit or loss or financial position for the period, such as provision or receipt of service.

Chien Kuo Construction Co. Ltd.

Loaning to Others

From January 1 to December 31, 2019

Appendix 1

Unit: NT\$ Thousand

No.	Financing Company	Counterparty	Financial Statement Account	Related Party (Y/N)	Highest balance in the current year	Balance - end of year	Amount Actually Provided	Interest interval	Nature of loan (Note 1)	Amount of Transaction	Reason for short-term financing	Allowance for Bad Debts	Collateral		Limit on loans granted to a single party	Total limit amount of loans	Note	
													Item	Value				
0	Chien Kuo Construction Co. Ltd.	Chien Kuo Development Co., Ltd.	Other receivables	Yes	\$ 300,000	\$ 300,000	\$ -	1.2%	(1)	\$ -	Operating capital	\$ -	-	-	\$ -	20% of the parent's net worth \$ 868,305	40% of the parent's net worth \$ 1,736,609	
1	Jianya (Shanghai) Information Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	82,843	-	-	6.0%	(1)	-	Operating capital	-	-	-	-	100% of the company 147,163	100% of the company 147,163	
2	Jianya (Nantong) Information Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	165,686	-	-	6.0%	(1)	-	Operating capital	-	-	-	-	100% of the company 158,211	100% of the company 158,211	Note 3
3	Jianya (Yangzhou) Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	174,891	-	-	6.0%	(1)	-	Operating capital	-	-	-	-	100% of the company 244,607	100% of the company 244,607	
3	Jianya (Yangzhou) Technology Consulting Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Other receivables	Yes	248,007	240,660	240,660	5.0%	(1)	-	Operating capital	-	-	-	-	100% of the company 244,607	100% of the company 244,607	Note 3
3	Chien Kuo Development Co., Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Other receivables	Yes	20,000	20,000	20,000	1.7%	(1)	-	Operating capital	-	-	-	-	100% of the company 20,003	100% of the company 40,006	

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

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

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

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

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

Appendix 2

Unit: NT\$ Thousand

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

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

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

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

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

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

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

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

Chien Kuo Construction Co. Ltd.

Marketable Securities Held at the End of the Period

As of December 31, 2019

Appendix 3

Unit: NT\$ Thousand

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

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

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

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

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

Chien Kuo Construction Co., Ltd.

Purchases From or Sales to Related Parties of at Least NT\$100 million or 20% of the Paid-in Capital

From January 1 to December 31, 2019

Appendix 4

Unit: NT\$ Thousand

Company Name	Related Party	Relationship	Transaction				Unusual trade conditions status and reasons (Note 1)		Notes and Accounts Receivable (Payable)		Note (Note 2)
			Purchases/Sales	Amount	Ratio to total purchase (sell)	Credit Period	Unit Price	Credit Period	Ending Balance	Ratio to total notes or accounts receivable (payable)	
Chien Kuo Construction Co. Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiary	Purchases	\$ 670,171	15.09%	Subject to the agreement	-	-	(\$ 369,891)	23.87%	
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent	Sales	670,171	97.76%	Subject to the agreement	-	-	270,260	96.56%	

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

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

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

Chien Kuo Construction Co., Ltd.

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

From January 1 to December 31, 2019

Appendix 5

Unit: NT\$ Thousand, unless otherwise specified.

Company Name	Counter-Party	Relationship	Balance dues from related parties	Turnover Rate	Overdue Receivables from Related Parties		Subsequently recovered amount from related party (Note 1)	Listed allowances for losses
					Amount	Action Taken		
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent	Accounts receivable \$ 270,260	3.22	\$ -	\$ -	\$ 126,143	\$ -
Jianya (Yangzhou) Technology Consulting Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Direct or indirect investment by the Company	Other receivables \$ 240,660	-	-	-	-	-

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

Chien Kuo Construction Co., Ltd.

Information on Invested Companies and Their Locations, etc.

From January 1 to December 31, 2019

Appendix 6

Unit: NT\$ Thousand

Investor	Invested Company	Location	Principal Business Activities	Initial Investment Amount		End of the Current Period			Gains (Losses) of the Investee	Investment gains (losses) recognized for the current period	Note
				September 30, 2018	December 31, 2017	Shares	Ratio (%)	Carrying Amount			
Chien Kuo Construction Co. Ltd.	Jin Gu Limited	British Virgin Islands	Investment	\$ 272,267	\$ 491,804	8,714	100.00	\$ 2,356,663	\$ 86,453	\$ 86,453	Subsidiary
	Yin Ying Holding Limited	British Virgin Islands	Investment	815,907	1,065,645	25,038	100.00	1,718,013	71,401	71,401	Subsidiary
	Chien Kuo Development Co., Ltd.	Taiwan	Building construction commission; public housing lease	144,065	144,065	11,100	100.00	100,135	490	1,042	Subsidiary
	Shun Long International Electrical Engineering Co., Ltd.	Taiwan	Mechanical, electrical and plumbing engineering, undertaking and equipment/wholesale and retail	44,361	44,361	6,063	86.61	45,354	( 529)	( 458)	Subsidiary
	WeBIM Services Co., Ltd.	Taiwan	Construction technology	8,546	15,166	980	49.00	9,652	2,258	1,106	Associates
	Anping Real Estate Co., Ltd.	Taiwan	Housing and building development and lease	140,000	140,000	14,000	100.00	132,431	( 1,945)	( 1,945)	Subsidiary
Yin Ying Holding Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Investment	878,510	910,310	1,685	54.78	1,700,218	126,060	Not applicable.	Sub-subsidiary
Jin Gu Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Investment	782,106	810,433	1,391	45.22	1,403,513	126,060	Not applicable.	Sub-subsidiary
Chien Kuo Asia Co., Ltd.	Shun Long (Hong Kong) Limited	Hong Kong	International trade	-	0.007794	-	-	-	( 38)	Not applicable.	Sub-subsidiary

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

Note 2. Please refer to Appendix 7 for information on invested companies in mainland China.

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

Appendix 7

Unit: NT\$ Thousand, unless otherwise specified.

Investee in Mainland China	Principal Business Activities	Paid-in Capital	Method of Investment	Cumulative investment amount remitted from Taiwan - Beginning of the period	Investment amount remitted or received for the current period		Ending balance of accumulated outflow of investment from Taiwan	Profit or Loss of Invested Company	Percentage of Ownership (Direct or Indirect)	Investment gains (losses) recognized in the current period (Note 1)	Carrying amount - end of the period (Note 1)	Accumulated Repatriation of Investment Income as of September 30, 2018	Note
					Remitted	Received							
Shanghai Chien Kuo Concrete Co., Ltd.	Production and sale of concrete and concrete products	\$ 150,260	Investment through a company founded in a third region	\$ 125,779	\$ -	\$ 109,634	\$ 16,145	\$ -	-	\$ -	\$ -	\$ -	Note 4
Jianya (Shanghai) Information Technology Co., Ltd.	Computer software technology development and consultation	107,928	Investment through a company founded in a third region	68,326	-	-	68,326	1,971	100%	1,971	149,052	-	
Suzhou Chien Hua Concrete Co., Ltd.	Production and sale of concrete and concrete products	119,920	Investment through a company founded in a third region	182,036	-	-	182,036	34,543	100%	34,543	160,873	-	Note 7
Jianya (Suzhou) Information Technology Consulting Co., Ltd	Computer software technology development and consultation	291,556	Investment through a company founded in a third region	-	-	-	-	( 42,428)	100%	( 42,428)	253,300	-	
Kunshan Jianshan Concrete Co., Ltd.	Production and sale of concrete and concrete products	299,800	Investment through a company founded in a third region	230,025	-	227,634	2,391	-	-	-	-	34,177	Note 4
Wuxi Chien Bang Concrete Co., Ltd.	Production and sale of concrete and concrete products	149,900	Investment through a company founded in a third region	214,059	-	-	214,059	105,115	100%	105,115	1,593,415	32,445	Note 8
Changzhou Chien An Concrete Co., Ltd.	Production and sale of concrete and concrete products	74,950	Investment through a company founded in a third region	69,342	-	69,342	-	-	-	-	-	-	Note 4
Nantong Chien Cheng Concrete Co., Ltd.	Production and sale of concrete and concrete products	60,710	Investment through a company founded in a third region	244,471	-	48,299	196,172	-	-	-	-	181,997	
Jianya (Nantong) Information Technology Consulting Co., Ltd.	Computer software technology development and consultation	149,900	Investment through a company founded in a third region	-	-	-	-	( 3,771)	-	( 3,771)	-	-	Note 5
Yangzhou Chien Yung Concrete Co., Ltd.	Production and sale of concrete and concrete products	59,960	Investment through a company founded in a third region	197,041	-	-	197,041	( 2,051)	100%	( 2,051)	33,368	161,613	
Jianya (Yangzhou) Technology Consulting Co., Ltd.	Computer software technology development and consultation	242,838	Investment through a company founded in a third region	-	-	-	-	9,097	100%	9,097	253,329	-	Note 6
Shanghai Chien Chung Concrete Co., Ltd.	Production and sale of concrete and concrete products	74,950	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Changzhou Changlong Handling Co., Ltd.	Cargo handling	2,194	Investment through an existing company in a third region	-	-	-	-	( 22)	-	( 22)	-	-	Note 4
Jiangsu Shili Construction Co., Ltd.	Construction consultation	62,958	Investment through a company founded in a third region and others	23,100	-	23,100	-	( 365)	-	( 365)	-	-	Note 4
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	Construction consultation	17,988	Investment through a company founded in a third region and others	-	-	-	-	27	100%	27	21,941	-	
Loudi Chien Kuo Mining Co., Ltd. and other six invested companies	Quarrying	1,193,804	Investment through an existing company in a third region and others	36,840	-	-	36,840	-	-	-	-	914,492	Note 4

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

Note 1. The amount was recognized based on the audited financial statements of investees in the same period.

Note 2. The amount authorized by the Investment Commission, MOEA was NT\$1,119,003, of which NT\$1,008,423 originated from the surpluses of invested companies in mainland China remitted to the third regions, and was not included in the calculation of the limit on investment.

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

(1) Loss on investment:

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

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

Note 4. Changzhou Chien An Concrete Co., Ltd. was disposed of and the equity transfer was completed as at October 31, 2013. Shanghai Chien Chung Concrete Co., Ltd. has been liquidated in 2015. Loudi Chien Kuo Mining Co., Ltd. had been liquidated on August 15, 2016. Shanghai Chien Kuo Concrete Co., Ltd. had been liquidated on December 9, 2016. Kunshan Jianshan Concrete Co., Ltd. was disposed of and the equity transfer had been completed as at August 23, 2017. Guangxi Hefa Mining Co., Ltd. was disposed of and the equity transfer had been completed as at September 22, 2017. Changzhou Changlong Handling Co., Ltd. had been liquidated on July 12, 2019. Jiangsu Shili Construction Co., Ltd. had been liquidated on July 24, 2019. Jianya (Nantong) Information Technology Consulting Co., Ltd. had been liquidated on December 6, 2019.

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

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

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

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

## Tables of Significant Accounting Items

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Chien Kuo Construction Co. Ltd  
Statement of Accounts Receivables  
As of December 31, 2019

Form of Statement I

Unit: NT\$ Thousand

Customers' Name	Amount
Client A	\$ 172,800
Client B	106,341
Client C	88,705
Client D	70,147
Client E	40,689
Client F	40,150
Client G	31,100
Client H	26,244
Other (Note)	<u>1,870</u>
	<u>\$ 578,046</u>

Note: The balance for each customer did not exceed 5% of the balance of this account.

Chien Kuo Construction Co., Ltd.  
 Statement of Changes in Contract Assets and Contract Liabilities for Property Construction  
 As of December 31, 2019

Form of Statement II

Unit: NT\$ Thousand

Project	Amount paid for this year				Amount received for this year					Contract assets	Contract liabilities
	Balance - beginning of year	Construction costs	Project completed and transferred	Balance - end of year	Balance - beginning of year	Increase This Year	Amount carried down upon completion	Balance - end of year			
101C0910	\$ 2,961,591	\$ 18,648	\$ -	\$ 2,980,239	\$ 2,982,301	\$ -	\$ -	\$ 2,982,301	\$ -	\$ -	\$ 2,062
101C1007	1,961,246	3,392	-	1,964,638	1,861,721	-	-	1,861,721	102,917	-	-
101C1301	442,493	( 10,273)	-	432,220	411,855	-	-	411,855	20,365	-	-
101C1305	476,616	5,371	481,987	-	416,923	65,063	481,986	-	-	-	-
101C1308	798,944	2,804	801,748	-	801,748	-	801,748	-	-	-	-
101C1401	489,735	52,408	542,143	-	493,800	48,343	542,143	-	-	-	-
101C1403	372,185	( 1,462)	-	370,723	361,428	11,014	-	372,442	-	1,719	-
101C1404	969,565	12,315	981,880	-	931,657	50,223	981,880	-	-	-	-
101C1405	160,937	1,874	-	162,811	161,905	1,799	-	163,704	-	893	-
101C1406	1,025,909	10,126	1,036,035	-	1,025,000	11,036	1,036,036	-	-	-	-
101C1502	2,109,067	91,615	-	2,200,682	2,000,298	226,667	-	2,226,965	-	26,283	-
101C1503	292,204	16,871	309,075	-	313,953	( 4,878)	309,075	-	-	-	-
101C1504	507,385	469,071	-	976,456	474,000	474,000	-	948,000	28,456	-	-
101C1601	713,705	84,959	-	798,664	635,558	194,362	-	829,920	-	31,256	-
101C1602	258,377	5,974	264,351	-	262,272	2,079	264,351	-	-	-	-
101C1603	287,506	142,801	-	430,307	242,482	192,996	-	435,478	-	5,171	-
101C1604	483,196	183,276	-	666,472	462,937	199,022	-	661,959	4,513	-	-
101C1605	595,108	423,442	-	1,018,550	508,450	467,044	-	975,494	43,056	-	-
101C1701	211,667	244,800	-	456,467	214,286	229,429	-	443,715	12,752	-	-
101C1702	262,296	405,059	-	667,355	232,283	343,796	-	576,079	91,276	-	-
101C1703	638,237	935,262	-	1,573,499	478,428	804,418	-	1,282,846	290,653	-	-
101C1705	745,366	540,885	-	1,286,251	746,286	532,343	-	1,278,629	7,622	-	-
101C1707	208,793	706,025	-	914,818	173,105	779,249	-	952,354	-	37,536	-
101C1802	10,235	239,809	-	250,044	1,211	201,384	-	202,595	47,449	-	-
101C1803	2,340	121,807	-	124,147	-	176,750	-	176,750	-	52,603	-
101C1901	-	32,920	-	32,920	-	121,093	-	121,093	-	88,173	-
101C1902	-	3,359	-	3,359	-	-	-	-	3,359	-	-
101C1903	-	1,053	-	1,053	-	-	-	-	1,053	-	-
101C1904	-	531	-	531	-	-	-	-	531	-	-
	\$ 16,984,703	\$ 4,744,722	\$ 4,417,219	\$ 17,312,206	\$ 16,193,887	\$ 5,127,232	\$ 4,417,219	\$ 16,903,900	\$ 654,002	\$ 245,696	

Chien Kuo Construction Co. Ltd.

Statement of Changes in Financial Assets Measured at Fair Value Through Other Comprehensive Income

From January 1 to December 31, 2019

Form of Statement III

Unit, thousand shares, Amount as NT\$ thousand

Invested Company	Balance - beginning of year		Increase This Year		Decrease This Year		Change in unrealized gain or loss on financial asset	Balance - end of year	
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount
<u>Current</u>									
Domestic listed companies									
Chia Hsin Cement Corporation	1,115	\$ 15,157	-	\$ -	-	\$ -	\$ 9,752	1,115	\$ 24,909
<u>Non-current</u>									
Domestic listed companies									
Taiwan Cement Corporation	5,510	\$ 196,150	386	\$ -	-	\$ -	\$ 61,511	5,896	\$ 257,661
Chia Hsin Cement Corporation	6,853	\$ 93,201	-	\$ -	-	\$ -	\$ 59,964	6,853	\$ 153,165
		\$ 289,351		\$ -		\$ -	\$ 121,475		\$ 410,826

Note 1. Par value per share: NT\$10.

Note 2. 2,000 shares of Chia Hsin Cement Corporation are pledged to the bank as collateral for the performance of construction contracts.

Note 3. Thousand shares of Taiwan Cement Corporation are pledged to the Court as collateral against the litigation between the Company and Shing Tzung.

Note 3: The increase in the current year is due to allotted stock dividend

Chien Kuo Construction Co. Ltd.

Statement of Changes in Investments Accounted for Using Equity Method

From January 1 to December 31, 2019

Form of Statement IV

Unit: NT\$ thousand, unless otherwise stated

Name of investee	Balance - beginning of year		Increase This Year		Decrease This Year		Investment Income (loss)	Exchange differences arising from translation of financial statements of foreign operations	Unrealized gains on financial assets (loss)	Cash Flow Hedges	Balance - end of year			Endorsements and guarantees provided	Note	
	Number of Shares (in Thousands)	Amount	Number of Shares (in Thousands)	Amount	Number of Shares (in Thousands)	Amount					Number of Shares (in Thousands)	Shareholding percentage %	Amount			
<b>Subsidiary</b>																
Unlisted companies																
Jin Gu Limited	15,740	\$ 2,747,651	-	\$ -	7,026	\$ 423,099	\$ 86,453	(\$ 55,501)	\$ 688	\$ 471	8,714	100	\$ 2,356,663	None	Note 2	
Yin Ying Holding Limited	32,701	2,176,668	-	-	7,664	486,595	71,401	(42,824)	(1,208)	571	25,037	100	1,718,013	None	Note 3	
Chien Kuo Development Co., Ltd.	11,100	99,093	-	-	-	-	1,042	-	-	-	11,100	100	100,135	None		
Shun Long International Electrical Engineering Co., Ltd.	6,063	47,631	-	-	-	1,819	(458)	-	-	-	6,063	87	45,354	None	Note 4	
WeBIM Services Co., Ltd.	1,530	14,417	-	-	1,530	14,417	-	-	-	-	-	-	-	None	Note 5	
Anping Real Estate Co., Ltd.	14,000	<u>134,376</u>	-	<u>-</u>	-	<u>-</u>	<u>(1,945)</u>	<u>-</u>	<u>-</u>	<u>-</u>	14,000	100	<u>132,431</u>	None		
		5,219,836		\$ -		\$ 925,930	\$ 156,493	(\$ 98,325)	(\$ 520)	\$ 1,042				4,352,596		
Less: Reclassification to non-current financial assets held for sale		(14,417)														
		<u>\$ 5,205,419</u>												<u>\$ 4,352,596</u>		
<b>Associates</b>																
Unlisted companies																
WeBIM Services Co., Ltd.	-	\$ -	980	\$ 8,546	-	\$ -	\$ 1,106	\$ -	\$ -	\$ -	980	49	\$ 9,652	None	Note 5	

Note 1. Except the par values of Jin Gu Limited and Yin Ying Holding Limited is US\$ 1 per share, and Shun Long has no par value, the par values of the remaining companies are NT\$ 10 per share.

Note 2. Decrease in the current year is due to capital reduction of NT\$ 216,974 thousand and appropriation of net income of NT\$ 206,125 thousand.

Note 3. Decrease in the current year is due to capital reduction of NT\$ 236,500 thousand and appropriation of net income of NT\$ 250,095 thousand.

Note 4. Decrease in the current year is due to cash dividend distribution of NT\$ 1,819 thousand.

Note 5. Change in the current year is because the Company's management resolved in December 2018 to dispose of 27.5% of the equity of WeBIM Services Co., Ltd. (equivalent to 550 thousand shares). After disposal, the Company lost the control of WeBIM Services and became the affiliate using equity method.

Chien Kuo Construction Co. Ltd.  
 Table of Long-term Borrowings  
 As of December 31, 2019

Form of Statement V

Unit: NT\$ Thousand

Creditor	Repayment method	Mature within one year	Mature after one year	Total	Term of the agreement	Interest Rate	Collaterals or guarantees
Secured loans from banks							
Land Bank of Taiwan	Interest should be paid monthly, and the principal should be repaid in full upon maturity	\$ -	\$ 350,000	\$ 350,000	July 13, 2017 - July 12, 2022	1.60%	Land held for construction
Long-term commercial paper payable							
Shanghai Commercial and Savings Bank	Interest is paid in the beginning of the period, and the principal should be repaid in full upon maturity(90 days) with revolving credit limit within the term of contract.	-	149,737	149,737	December 27, 2018 - December 26, 2021	1.65%	None
Shanghai Commercial and Savings Bank	Interest is paid in the beginning of the period, and the principal should be repaid in full upon maturity (90 days) with revolving credit limit within the term of contract.		149,737	149,737	March 29, 2018 - March 29, 2021	1.65%	None
Entie Commercial Bank	Interest is paid in the beginning of the period, and the principal should be repaid in full upon maturity (90 days) with revolving credit limit within the term of contract.	-	149,727	149,727	September 28, 2018 - September 27, 2022	1.68%	None
Mega International Commercial Bank	Interest is paid in the beginning of the period, and the principal should be repaid in full upon maturity(90 days) with revolving credit limit within the term of contract.	-	149,790	149,790	June 27, 2019 - June 26, 2022	1.49%	None
		-	598,991	598,991			
		\$ -	\$ 948,991	\$ 948,991			

Chien Kuo Construction Co. Ltd.  
Table of Accounts Payable  
As of December 31, 2019

Form of Statement VI

Unit: NT\$ Thousand

Customers' Name	Amount
A	\$ 369,891
B	92,840
Other (Note)	<u>1,086,992</u>
	<u>\$ 1,549,723</u>

Note: The balance for each customer did not exceed 5% of the balance of this account.

Chien Kuo Construction Co. Ltd.

Statement of Operating Revenue and Expense

As of December 31, 2019

Form of Statement VII

Unit: NT\$ Thousand

Construction item	Operating revenue	Operating costs	Gross profit
Residential construction	\$ 2,223,984	\$ 2,092,764	\$ 131,220
Public construction	1,127,681	1,040,806	86,875
Commercial Office, Factory Office and others	1,404,461	1,307,302	97,159
	<u>\$ 4,756,126</u>	<u>\$ 4,440,872</u>	<u>\$ 315,254</u>

Chien Kuo Construction Co. Ltd.  
Statement of Management Expense  
As of December 31, 2019

Form of Statement VIII

Unit: NT\$ Thousand

Item	Amount
Salary and Bonus	\$ 155,358
Depreciation	14,548
Other expense (Note)	<u>72,999</u>
	\$ <u>242,905</u>

Note: The balance for each customer did not exceed 5% of the balance of this account.

Chien Kuo Construction Co. Ltd.

Summary Table of Employee Benefit, Depreciation, Depletion and Amortization Expenses

For the Current Year for 2019 and 2018

Form of Statement IX

Unit: NT\$ Thousand

	2019				2018			
	Operating cost	Operating expense	Other gain and loss	Total	Operating cost	Operating expense	Other gain and loss	Total
Employee Benefits Expenses (Note)								
Salary expense	\$ 163,143	\$ 142,353	\$ -	\$ 305,496	\$ 157,395	\$ 133,866	\$ -	\$ 291,261
Labor Insurance and National Health Insurance expense	15,420	10,457	-	25,877	14,239	9,417	-	23,656
Pension expense	8,775	5,207	-	13,982	8,040	5,787	-	13,827
Remuneration to Directors	-	13,245	-	13,245	-	13,178	-	13,178
Other employee benefits expenses	8,999	8,357	-	17,356	8,280	5,730	-	14,010
	<u>\$ 196,337</u>	<u>\$ 179,619</u>	<u>\$ -</u>	<u>\$ 375,956</u>	<u>\$ 187,954</u>	<u>\$ 167,978</u>	<u>\$ -</u>	<u>\$ 355,932</u>
Depreciation	<u>\$ 653</u>	<u>\$ 14,548</u>	<u>\$ 1,247</u>	<u>\$ 16,448</u>	<u>\$ 703</u>	<u>\$ 3,655</u>	<u>\$ 1,155</u>	<u>\$ 5,513</u>
Amortization expenses	<u>\$ -</u>	<u>\$ 1,741</u>	<u>\$ -</u>	<u>\$ 1,741</u>	<u>\$ 45</u>	<u>\$ 2,720</u>	<u>\$ -</u>	<u>\$ 2,765</u>

Note 1. In 2019 and 2018, the average number of employees of the Company was 327 and 298 respectively, of which the number of directors who were not employees were 11 and 9 respectively.

Note 2. In 2019 and 2018, the average employee benefit expense were NT\$1,148 thousand and NT\$1,186 thousand.

Note 3. In 2019 and 2018, the average salary expense were NT\$967 thousand and NT\$1,008 thousand.