

Chien Kuo Construction Co. Ltd.

Parent Company Only Financial  
Statements and Certified Public  
Accountant Report  
for the years 2018 and 2017

Notice to readers

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

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## **Independent Auditors' Report**

To Chien Kuo Construction Co. Ltd.

### **Auditors' Opinions**

We have audited the Parent Company Only Balance Sheet of Chien Kuo Construction Co. Ltd. of December 31, 2018 and 2017, the Parent Company Only Statements of Comprehensive Income, Parent Company Only Statements of Changes in Equity, Parent Company Only Statements of Cash Flows, and Notes to Parent Company Only Financial Statements (including Summary of Significant Accounting Policies) for the annual period ended December 31, 2018 and 2017.

In our opinion, the afore-mentioned Parent Company Only Financial Statements present fairly, in all material respects, the parent company only financial position of Chien Kuo Construction Co. Ltd. as of December 31, 2018 and 2017, and its parent company only financial performance and parent company only cash flows for the annual periods ended December 31, 2018 and 2017 in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Audit Opinion**

We planned and conducted our audits in accordance with Rules Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards in the Republic of China. Our responsibility under the above mentioned regulations will be further explained in the section titled "Accountant's Responsibility in Auditing the Parent Company Only 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 refer to most vital matters in the process of auditing of 2018 Parent Company Only Financial Statements of Chien Kuo Construction Co. Ltd. based on our professional judgment. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters for the parent company only financial statements of Chien Kuo Construction Co. Ltd. for 2018 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 total costs of construction contracts 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 Parent Company Only Financial Statements**

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

In preparing the Parent Company Only 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 Parent Company Only Financial Statements**

The purpose of our audit is to provide reasonable assurance that the Parent Company Only Financial Statements as a whole contains no material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. "Reasonable assurance" refers to high level of assurance. Nevertheless, our audit, which was carried out according to GAAS, does not guarantee that a material misstatement(s) will be detected in the Parent Company Only Financial Statements. Misstatements may result from fraud or errors. The misstated amounts are material if they could, individually or collectively, be reasonably anticipated to influence the economic decisions of users taken on the basis of the consolidated financial statements.

We have exercised professional judgment and maintained professional skepticism while abiding by GAAS in our audit. We have also:

1. Identified and assessed the risks of a material misstatement(s) due to fraud or errors in the Parent Company Only Financial Statements; designed and carried out appropriate countermeasures against the assessed risks; and obtained sufficient and appropriate audit evidence to provide the basis for audit 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 Parent Company Only 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 Parent Company Only Financial Statements (including the related notes), and determined whether the Parent Company Only 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 Parent Company Only 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 are required to communicate with the governing body 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 are also required to provide the governing body with a statement 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 reasonably be thought to bear on our independence, and where applicable, related safeguards.

We have identified, from the matters communicated with the governing body, the key audit matters in the audit of the Parent Company Only Financial Statements of Chien Kuo Construction Co. Ltd for 2018. 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

CPA: Yu-Wei Fan

Approval number by the Financial  
Supervisory Commission  
FSC - 0980032818

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

March 28, 2019

Chien Kuo Construction Co. Ltd.  
Parent Company Only Balance Sheets  
for the Years Ended December 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	\$ 201,630	2	\$ 594,482	7
1110	Financial assets measured at FVTPL	-	-	14,878	-
1120	Financial assets measured at FVTOCI (Note 7)	15,157	-	-	-
1140	Contract asset (Note 18)	1,304,299	16	-	-
1150	Notes receivable (Note 9)	26,838	-	72,183	1
1170	Accounts receivable (Note 9 and Note 18)	260,971	3	501,507	6
1190	Construction contract receivable (Note 10)	-	-	969,685	11
1200	Other receivables	8,162	-	5,077	-
1323	Land awaiting development (Note 11 and Note 26)	463,577	6	463,577	5
1410	Advance payment (Note 15)	122,644	2	111,123	1
1460	Net of non-current assets held for sale (Note 12)	14,417	-	-	-
1470	Other current assets (Note 26)	5,946	-	32,402	1
11XX	Total current assets	<u>2,423,641</u>	<u>29</u>	<u>2,764,914</u>	<u>32</u>
	Non-current assets				
1517	FVTOCI (Note 8, Note 7 and Note 26)	289,351	4	-	-
1523	Available-for-sale financial assets (Note 8 and 26)	-	-	274,064	3
1550	Investments accounted for using equity method (Note 12)	5,205,419	63	5,091,347	58
1600	Property, plant and equipment (Note 26)	33,526	1	37,132	-
1760	Investment property (Note 13 and Note 26)	191,445	2	145,439	2
1840	Deferred tax assets (Note 20)	78,372	1	66,848	1
1980	Pledged certificate of deposit (Note 26)	7,700	-	358,760	4
1990	Other non-current assets (Note 26)	9,320	-	36,948	-
15XX	Total noncurrent assets	<u>5,815,133</u>	<u>71</u>	<u>6,010,538</u>	<u>68</u>
1XXX	Total assets	<u>\$ 8,238,774</u>	<u>100</u>	<u>\$ 8,775,452</u>	<u>100</u>
Code	Liabilities and Equity	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
	Current liabilities				
2100	Short-term debt (Note 14)	\$ -	-	\$ 220,000	3
2110	Short-term bills payables (Note 14)	-	-	79,948	1
2130	Contract liability (Note 18)	57,730	1	-	-
2150	Notes payable	-	-	100	-
2170	Accounts payable (Note 15 and Note 25)	1,163,348	14	1,284,030	15
2190	Construction contract payable (Note 10)	-	-	211,709	2
2200	Other payables	118,689	1	108,105	1
2230	Current income tax liabilities	-	-	9,340	-
2320	Long-term loans due within one year (Note 14 and Note 26)	450,000	5	600,000	7
2399	Other current liabilities	47,505	1	37,704	-
21XX	Total current liabilities	<u>1,837,272</u>	<u>22</u>	<u>2,550,936</u>	<u>29</u>
	Non-current liabilities				
2540	Long-term loans (Note 14 and Note 26)	799,131	10	800,000	9
2570	Deferred tax liabilities (Note 20)	583,786	7	480,046	5
2600	Other non-current liabilities (Note 16)	69,112	1	49,253	1
25XX	Total noncurrent liabilities	<u>1,452,029</u>	<u>18</u>	<u>1,329,299</u>	<u>15</u>
2XXX	Total liabilities	<u>3,289,301</u>	<u>40</u>	<u>3,880,235</u>	<u>44</u>
	Equity (Note 17)				
	Capital				
3110	Capital of common shares	3,343,001	41	3,379,001	39
3200	Capital reserves	201,627	2	200,462	2
	Retained earnings				
3310	Legal reserve	605,987	7	588,869	7
3320	Special reserve	67,179	1	39,088	-
3350	Undistributed earnings	788,857	10	789,811	9
3300	Total retained earnings	1,462,023	18	1,417,768	16
3400	Other equity	(57,178)	(1)	(67,179)	(1)
3500	Treasury shares	-	-	(34,835)	-
3XXX	Total equity	<u>4,949,473</u>	<u>60</u>	<u>4,895,217</u>	<u>56</u>
	Total liabilities and equity	<u>\$ 8,238,774</u>	<u>100</u>	<u>\$ 8,775,452</u>	<u>100</u>

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

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



Chien Kuo Construction Co. Ltd.  
Parent Company Only Statements of Comprehensive Income  
for the Years Ended December 31, 2018 and 2017

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

Code		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue (Note 18)	\$ 3,932,756	100	\$ 3,778,110	100
5000	Operating costs (Note 19 and 25)	<u>3,632,074</u>	<u>93</u>	<u>3,482,002</u>	<u>92</u>
5900	Gross profit	300,682	7	296,108	8
6200	Operating expenses Management expenses (Note 19 and 25)	<u>240,531</u>	<u>6</u>	<u>205,244</u>	<u>6</u>
6900	Operating Income	<u>60,151</u>	<u>1</u>	<u>90,864</u>	<u>2</u>
	Non-operating income and expenses (Note 25)				
7010	Other income(Note 19 and 25)	18,156	1	23,472	1
7020	Other gains and losses(Note 19)	( 41,841 )	( 1 )	( 46,390 )	( 1 )
7050	Finance cost(Note 19)	( 26,360 )	( 1 )	( 31,071 )	( 1 )
7060	Total non-operating income and expenses(Note 12)	<u>280,306</u>	<u>7</u>	<u>164,211</u>	<u>4</u>
7000	Income or loss from subsidiaries for using equity method	<u>230,261</u>	<u>6</u>	<u>110,222</u>	<u>3</u>
7900	Income before tax	290,412	7	201,086	5
7950	Income tax expense (Note 20)	<u>84,741</u>	<u>2</u>	<u>29,908</u>	<u>1</u>
8200	Net income	<u>205,671</u>	<u>5</u>	<u>171,178</u>	<u>4</u>

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Code		2018		2017	
		Amount	%	Amount	%
	Other comprehensive income				
	Items that are not reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 16)	\$ 1,69	-	(\$ 2,71	-
8316	Unrealized gain on valuation on Equity instrument at FVTOCI	19,78	1		-
8330	Income or loss from subsidiaries for using equity method	( 4,12			
8349	Income tax related to items that are not subsequently reclassified to profit or loss (Note 20)	( 47	-	46	-
8310		<u>16,88</u>	<u>1</u>	<u>( 2,25</u>	<u>-</u>
	Items that may be reclassified subsequently to profit or loss:			38,441	
8362	Unrealized valuation gains on available-for-sale financial assets		-	39,80	1
8380	Other income or loss from subsidiaries for using equity method	( 6,26	-	188,96	( 5)
8399	Income tax related to items that may be reclassified to profit or loss (Note 20)	( 6,44	-	31,06	1
8360		<u>( 17</u>	<u>-</u>	<u>( 119,45</u>	<u>( 3)</u>
8300	Annual other comprehensive income (net) - Total	<u>16,70</u>	<u>1</u>	<u>( 121,70</u>	<u>( 3)</u>
8500	Total comprehensive income	<u>\$ 222,37</u>	<u>6</u>	<u>\$ 49,47</u>	<u>1</u>
	Earnings per share (Note 21)				
9750	Basic	<u>\$ 0.6</u>		<u>\$ 0.5</u>	
9850	Diluted	<u>\$ 0.6</u>		<u>\$ 0.5</u>	

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

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

Chien Kuo Construction Co. Ltd.  
Parent Company Only Statements of Changes in Equity  
for the Years Ended December 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars

Code		Capital	Capital reserves	Retained earnings			Exchange differences on translation of foreign financial statements	Other equity items		Cash flow hedge	Treasury shares	Total Equity
				Legal reserve	Special reserve	Undistributed earnings		Unrealized valuation gains (losses) of available-for-sale financial assets	Financial assets at FVTOCI			
A1	Balance as of December January 31, 2017	\$ 3,379,001	\$ 200,557	\$ 584,661	\$ 48,403	\$ 783,675	\$ 42,552	\$ 2,161	\$ -	\$ 7,552	( \$ 34,835 )	\$ 5,013,734
B1	Earnings appropriation and allocation for 2016											
B1	Legal reserve	-	-	4,208	-	( 4,208 )	-	-	-	-	-	-
B5	Cash dividend for shareholders - NT\$ 0.50 per share	-	-	-	-	( 167,150 )	-	-	-	-	-	( 167,150 )
B17	Special reserve reversed due to disposal of subsidiaries	-	-	-	( 9,315 )	9,315	-	-	-	-	-	-
D1	Net income for 2017	-	-	-	-	171,178	-	-	-	-	-	171,178
D3	Other comprehensive income (net of tax) for 2017	-	-	-	-	( 2,255 )	( 151,692 )	39,800	-	( 7,552 )	-	( 121,706 )
D5	Total comprehensive income for 2017	-	-	-	-	168,923	( 151,692 )	39,800	-	( 7,552 )	-	49,472
T1	Changes in equity in subsidiaries	-	73	-	-	-	-	-	-	-	-	73
M7	Changes in ownership interests in subsidiaries	-	( 373 )	-	-	( 744 )	-	-	-	-	-	( 1,117 )
N1	Employee stock options issued by subsidiaries	-	205	-	-	-	-	-	-	-	-	205
Z1	Balance as of December 31, 2017	3,379,001	200,462	588,869	39,088	789,811	( 109,140 )	41,961	-	-	( 34,835 )	4,895,217
A3	Effect of retrospective application and retrospective restatement	-	-	-	-	4,514	-	( 41,961 )	36,475	-	-	( 972 )
A5	Balance as restatement after January 1, 2018	3,379,001	200,462	588,869	39,088	794,325	( 109,140 )	-	36,475	-	( 34,835 )	4,894,245
	Appropriation and distribution of retained earnings in 2017											
B1	Legal reserve	-	-	17,118	-	( 17,118 )	-	-	-	-	-	-
B3	Listed appropriated retained earnings	-	-	-	28,091	( 28,091 )	-	-	-	-	-	-
B5	Cash dividend for shareholders - NT\$ 0.50 per share	-	-	-	-	( 167,150 )	-	-	-	-	-	( 167,150 )
D1	Net income for 2018	-	-	-	-	205,671	-	-	-	-	-	205,671
D3	Other comprehensive income (net of tax) for 2018	-	-	-	-	1,220	137	-	15,350	-	-	16,707
D5	Total comprehensive income for 2018	-	-	-	-	206,891	137	-	15,350	-	-	222,378
L3	Treasury shares retired	( 36,000 )	1,165	-	-	-	-	-	-	-	34,835	-
Z1	Balance as of December 31, 2018	<u>\$ 3,343,001</u>	<u>\$ 201,627</u>	<u>\$ 605,987</u>	<u>\$ 67,179</u>	<u>\$ 788,857</u>	<u>( \$ 109,003 )</u>	<u>\$ -</u>	<u>\$ 51,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,949,473</u>

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Wu, Chang-Shiou

Manager: Wu, Chang-Shiou

Accounting Manager: Yang, Shu-Fen

Chien Kuo Construction Co. Ltd.  
Parent Company Only Statements of Cash Flows  
January 1 to December 31, 2018 and 201

Unit: In Thousands of New Taiwan Dollars

Code		2018	2017
	Cash flows from operating activities		
A10000	Income before tax	\$ 290,412	\$ 201,086
A20010	Income and expense item:		
A22400	Income or loss from subsidiaries		
	for using equity method	( 280,306)	( 164,211)
A20300	Expected credit impairment loss	26,891	-
A20900	Finance costs	26,360	31,071
A29900	Litigation damages	15,959	-
A21300	Dividends revenues	( 11,497)	( 8,856)
A24100	Net loss (gain) of exchange		
	foreign currency from		
	depositing property, plant and	( 7,836)	14,750
A20100	Amortization	5,513	3,841
A20200	Interest income	2,765	5,440
A21200	Net gain from deposit of		
	subsidiaries	( 2,758)	( 7,784)
A22500	Gain (loss) from deposit of		
	property, plant and equipment	( 29)	-
A21900	Compensation cost of employee		
	stock options	-	205
A30000	Net changes in operating assets		
	and liabilities		
A31110	Financial instruments held for		
	trading	-	( 5,149)
A31125	Contract assets	( 79,007)	-
A31130	Note receivable	45,345	28,834
A31150	Accounts receivable	( 25,671)	( 8,729)
A31170	Construction contract receivable	-	( 189,581)
A31180	Other receivables	240	305
A31200	Land to be built	-	( 463,577)
A31230	Prepayments	( 11,985)	( 37,257)
A31240	Other current assets	( 852)	2,072
A32125	Contract liability	( 153,979)	-
A32130	Bills payable	( 100)	( 150)
A32150	Accounts payable	( 120,682)	270,378
A32170	Construction contracts payable	-	( 131,368)
A32180	Other payable	10,660	20,151
A32230	Other current liabilities	9,801	12,984
A32990	Other non-current liabilities	<u>5</u>	( <u>8</u> )
A33000	Cash provided by (used in)		
	operating activities	( 260,751)	( 425,553)
A33100	Interest received	6,878	3,761
A33300	Interest paid	( 26,494)	( 30,832)
A33500	Income tax paid	( <u>16,227</u> )	( <u>12,661</u> )
AAAA	Net cash provided by (used in)		
	operating activities	( <u>296,594</u> )	( <u>465,285</u> )

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Code		2017	2016
	Cash flows from investing activities		
B06700	Decrease (Increase) in pledged certificate of deposit and reserve account	\$ 378,368	(\$ 197,368)
B02400	Share amount returned from capital reduction of subsidiaries	153,329	-
B05400	Acquisition of investment property	( 47,161)	-
B07600	Cash dividends received	12,796	653,471
B02700	Acquisition of property, plant and equipment	( 1,049)	( 20,931)
B02800	Proceeds from disposal of property, plant, and equipment	326	-
B03800	Decrease (Increase) in refundable deposits	507	( 165)
B04500	Acquisition of intangible assets	-	( 151)
B09900	Cash provided by subsidiaries	-	( 24,544)
B00300	Acquisition of available-for-sale financial assets	-	( 6,058)
BBBB	Net cash provided by investing activities	<u>497,116</u>	<u>404,254</u>
	Cash flows from financing activities:		
C01700	Repayment of long-term loans	( 600,000)	( 150,000)
C01600	Increase in long-term loans	449,189	350,000
C00100	Increase (decrease) in Short-term borrowings	( 220,000)	130,000
C04500	Distribution of cash dividends	( 167,150)	( 167,150)
C00500	Increase (decrease) in short-term bills payable	( 79,948)	79,948
C03000	Increase in guarantee deposits received	<u>16,699</u>	<u>9,833</u>
CCCC	Net cash provided by (used in) financing activities	( <u>601,210</u> )	<u>252,631</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>7,836</u>	( <u>14,750</u> )
EEEE	Increase (Decrease) in cash and cash equivalents	( 392,852)	176,850
E00100	Balance of cash and cash equivalents - beginning of the year	<u>594,482</u>	<u>417,632</u>
E00200	Balance of cash and cash equivalents - end of the year	<u>\$ 201,630</u>	<u>\$ 594,482</u>

The accompanying notes are an integral part of the Parent Company Only

Financial Statements.

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

Chien Kuo Construction Co. Ltd  
Notes to the Parent Company Only Financial Statements  
January 1 to December 31, 2018 and 2017  
(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.

These parent company only financial statements are presented in the Company’s functional currency, New Taiwan Dollars (NT\$).

II. Approval Date and Procedure of Financial Statements

The parent company only financial statements were released on March 28, 2019 after being approved by the Board of Directors.

III. Application of New and Amended Standards and Interpretations

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

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

1. IFRS 9 “Financial Instruments” and related amendments

IFRS 9 “Financial Instruments” supersedes IAS 39 “Financial Instruments: Recognition and Measurement” and is supplemented by various amendments either to IFRS 7 “Financial Instruments:

Disclosures” or to other standards. The new requirements of IFRS 9 cover classification, measurement and impairment of financial assets and general hedge accounting. Refer to Note 4 for related accounting policies.

Classification, measurement, and impairment of financial assets

The Company assessed the classification of existing financial assets based on the facts and circumstances existing on January 1, 2018, made a retrospective adjustment accordingly, and elected not to restate the comparative period. The measurement category, carrying amount and related reconciliation of each class of financial assets as determined by IAS 39 and IFRS 9 as of January 1, 2018 are detailed below:

The measurement category, carrying amount and related reconciliation of each class of financial assets as determined by IAS 39 and IFRS 9 as of January 1, 2018 are detailed below:

Class of Financial Assets	Measurement Category		Carrying Amount		Description
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and Cash Equivalents	Loans and Receivables	Measured at amortized cost	\$ 201,630	\$ 201,630	-
Investments in stocks	Financial assets held for trading	Investment in equity instruments measured at fair value through other comprehensive income	14,878	14,878	(1)
	Available-for-sale financial assets	Investment in equity instruments measured at fair value through other comprehensive income	274,064	274,064	-
	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassification	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained earnings as at January 1, 2018 Effects	Other equities as at January 1, 2018 Effects
Financial assets at fair value through profit or loss	\$ 14,878		\$ 14,878		
Less: Reclassification to financial assets measured at fair value through other comprehensive income-equity instruments (IFRS 9)	-	(\$ 14,878)	\$ -	( 14,878)	\$ 1,264
					\$ -
Financial assets measured at fair value through other comprehensive income	14,878	( 14,878)	-	-	1,264
- Equity instruments					
Add: Reclassification from those measured at fair value through profit or loss (IAS 39)	-	14,878	-	14,878	-
Add: Reclassification of available-for-sale financial assets (IAS 39)	-	274,064	-	274,064	-
	-	288,942	-	288,942	( 1,264)
Total effects of IFRS 9	\$ 14,878	\$ 274,064	\$ -	\$ 288,942	\$ 1,264
					( \$ 1,264)
	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassification	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained earnings as at January 1, 2018 Effects	Other equities as at January 1, 2018 Effects
Investment accounted for using equity method	\$ 5,091,347	\$ -	( \$ 972)	\$ 5,090,375	\$ 3,250
					( \$ 4,222)

(1) The Company elected to designate investments in stocks that were previously classified as financial assets held for trading under IAS 39 as measured at fair value through other comprehensive income under IFRS 9. As a result of retrospective application, as at January 1, 2018, retained earnings increased by NT\$1,264 thousand after adjustment, and unrealized gain or loss on financial assets measured at fair value through other comprehensive income decreased by NT\$1,264 thousand.



- (2) As a result of retrospective application, Investments Accounted for Using Equity Method decreased by NT\$972 thousand after adjustment, and other equity - unrealized gain (loss) on financial assets at fair value through other comprehensive income increasing by NT\$78,889 thousand, and retained earnings increased NT\$3,250 thousand after adjustment as of January 1, 2018.
2. IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes recognition principles for revenue arising from contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts", and related interpretations. For related accounting policies please refer to Note 4.

Construction retainage retained by customers according to contractual terms is to ensure that contractors fulfill all their contractual obligation. Therefore, judged from IFRS 15, such retainage is deemed as not having any significant financing component, and is recognized as a contract asset before all contractual obligation is fulfilled.

The net result of the recognized amount, the received amount, and the receivable amount is recognized as a contract asset (liability). Prior to application of IFRS 15, the net result of a construction contract's progress proceeds and recognized costs and profits (losses) were recognized as construction contract receivable (payable) under IAS 11.

Where there exists an onerous contract with customers, the Company, as required, recognizes either inventory impairment or provision for onerous contracts. Prior to application of IFRS 15, expected losses of construction contracts were measured as per IAS 11 and adjusted to construction contract receivable (payable).

The Company elects to retrospectively apply IFRS 15 only to contracts that are not yet complete as at January 1, 2018, with

related cumulative effects adjusted to the retained earnings on such date.

With regards to all contract modifications dated prior to December 31, 2017, the Group does not restate the treatment of such contracts, but to present it in a manner that best reflects the overall effects of such modifications, so as to identify the performance obligations, determine and allocate the transaction prices. This will not decrease the complication of retrospective application and the cost, and not influence on the applied financial information.

All assets and liabilities under IFRS 15 for the first time at 1 January, 2018 adjusted as follow:

	Before Adjustment on January 31, 2018Amount	Adjustment due to first-time adoption	After Adjustment on January 1, 2018Amount
<u>Current assets</u>			
Construction contract receivable	\$ 969,685	(\$ 969,685)	\$ -
Contract assets	257,121	( 257,121)	-
Effects on Assets	-	1,240,192	240,192
	<u>\$ 1,226,806</u>	<u>\$ 13,386</u>	<u>\$ 1,240,192</u>
<u>Current liability</u>			
Construction contract payable	\$ 211,709	(\$ 211,709)	\$ -
Contract liability	-	206,620	206,620
Allowance for doubtful accounts	-	18,475	18,475
Effects on Liabilities	<u>\$ 211,709</u>	<u>\$ 13,386</u>	<u>\$ 225,095</u>

The would-have-been information is listed below had the former statement (IAS 11 “Construction Contracts”) been adopted on December 31, 2018:

	December 31, 2018 (IFRS 15)	Effect resulting from IFRS 15	December 31, 2018 (IAS 11)
<u>Current assets</u>			
Construction contract receivable	\$ -	\$ 843,068	\$ 843,068
Accounts receivable	-	455,753	455,753
Contract assets	<u>1,304,299</u>	<u>( 1,304,299)</u>	<u>-</u>
Effects on Assets	<u>\$ 1,304,299</u>	<u>( \$ 5,478)</u>	<u>\$ 1,298,821</u>
<u>Current liability</u>			
Construction contract payable	\$ -	\$ 60,613	\$ 60,613
Contract liability	57,730	( 57,730)	-
Preparation on Liabilities	<u>8,361</u>	<u>( 8,361)</u>	<u>-</u>
Effects on Liabilities	<u>\$ 66,091</u>	<u>( \$ 5,478)</u>	<u>\$ 60,613</u>

(III) Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs that endorsed by Financial Supervisory Commissions (FSC) in 2019

"Annual Improvements to IFRSs 2015-2017 Cycle"	January 1, 2019
Amendments to IFRS 9, "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	Balance as of January 1, 2019
Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 - "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC allows that the Company can apply the amendment for annual periods beginning on or before January 1, 2018.

Note 3: The amendment is applicable to any plan amendment, curtailment or settlement that takes place on or after January 1, 2019.

#### IFRS 16 "Leases"

IFRS 16 governs the accounting treatments for leases and will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease" and related interpretations.

##### Definition of lease

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

##### The Company is a lessee

When IFRS 16 is applied and the Company is a lessee, the Group will recognize the consolidated balance sheets the right-of-use assets and lease liabilities for all leases, except for leases with low-value underlying assets and short-term leases, which may be accounted for using straight-line basis. The parent company only statements of comprehensive income will state clearly and respectively the depreciation expense of the right-of-use assets separately, as well as the interest expense accrued on the lease liability, which interest is calculated using the effective interest rate method. The repayment for the principal of a lease liability is presented under financing activities, whereas the repayment for the interest is expressed under operating activities on the parent company only statement of cash flows. Prior to application of IFRS 16, an expense was recognized on a straight-line basis for contracts classified as operating leases. Cash flows from operating leases are presented under operating activities on the parent company only statements of cash flows.

The Company may elect to apply such standard retrospectively to recognize the cumulative effects applied by

IFRS 16 on January 1, 2019 to retained earnings, instead of adjustment the comparative information.

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

2. For agreements currently treated as operating leases under IAS 17, the lease liability as at 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 Company is a lessor

The leases to which the Group is a lessor are not adjusted in the transition period, but will be applying IFRS 16 beginning on and after January 1, 2019.

#### Estimated effects on assets and liabilities on January 1, 2019

	December 31, 2018 Carrying mount	Adjustment due to first-time adoption	After Adjustment on January 1, 2018 Amount
<u>Non-current assets</u>			
Right-of-use asset	\$ -	\$ 41,454	\$ 41,454
Effects on assets	<u>\$ -</u>	<u>\$ 41,454</u>	<u>\$ 41,454</u>
<u>Current liability</u>			
Leased liability	\$ -	\$ 10,228	\$ 10,228
<u>Non-current liability</u>			

Leased liability	\$ -	\$ 31,226	\$ 31,226
Effects on liability	<u>\$ -</u>	<u>\$ 41,454</u>	<u>\$ 41,454</u>

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

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

New, Revised, Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendment to IFRS 3 "Definition of Business"	January 1, 2020 (Note 2)
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
Amendments to IAS 1 and IAS 8 "Definition of Materiality"	January 1, 2021 (Note 3)

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

Note 2: Such amendment is applicable to business combinations occurring on and after January 1, 2020, and acquisition of assets occurring after such date.

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

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

#### IV. Summary of Significant Accounting Policies

##### (I) Statement of Compliance

The parent company only financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## (II) Preparation Basis

Except for financial assets measured at fair value and for the defined benefit obligation deducted net on the defined benefit liability of financial asset measured at fair value, the parent company only financial statements were prepared on a historical cost convention.

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

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

The company adopted equity method on the invested subsidiaries, related bodies or joint ventures while preparing the parent company only financial statement. To make sure the profit and loss, other comprehensive gains and losses and interests of the year of the parent company only financial statement equivalent to the profit and loss, other comprehensive gains and losses and interests of the year of the consolidated financial statement, the accounting differences were adjusted by 'Investments Accounted for Using Equity Method', 'Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method', 'Other Comprehensive Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method' and associated 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.

Assets or liabilities not fall within the aforementioned categories are non-current.

### (IV) Foreign Currency

In preparing the parent company only financial statements, transactions denominated in a currency other than the entity's functional currency (i.e. foreign currency) are translated into the entity's functional currency by using the exchange rate at the date of the transaction before they are recorded by each entity.

Foreign currency monetary items are translated using the closing rate at each 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 that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined, with exchange differences arising therefrom recognized in current profit or loss, except when fair value changes are recognized in other comprehensive income, in which case the exchange differences are recognized in other comprehensive



income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

In preparing the parent company only financial statements, assets and liabilities of a foreign operation (i.e. a subsidiary of which the activities are based or conducted in a country or currency other than those of the Company) are translated into New Taiwan Dollars by using the exchange rates at each balance sheet date. Income and expense items are translated using the average exchange rates of the current period, with exchange differences arising therefrom recognized in other comprehensive.

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 adopted equity method for investment on subsidiaries.

The Subsidiaries means the Company have de facto control if it.

The investment is recognized by the costs, and the gain or loss of carrying amount is identified as the revenue distribution, income or loss, other comprehensive income or loss from subsidiaries for using equity method. In addition, the Company is obligated to the changes on the other equity from subsidiaries in proportion with percentage of holding shares.

It proceeds as equity transaction if the Company does not loss the control as the changes on the other equity of subsidiaries. It recognized as equity directly when carrying amount of investment and payment or receive has the difference at fair value.

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

Property, plant and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment.

Each significant part of property, plant and equipment is separately depreciated over their useful lives on a straight-line basis. The Company reviews the useful lives, residual value and depreciation methods at least once at each financial year-end.

Upon derecognition of property, plant and equipment, the difference between the proceeds from disposal and the carrying amount of such asset is recognized in profit or loss.

#### (VII) Investment Property

Investment property is property held to earn rentals or for capital appreciation or both.

An investment property is measured initially at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is provided by using the straight-line basis by the Company.

Upon derecognition of investment property, the difference between the proceeds from disposal and the carrying amount of such asset is recognized in profit or loss.

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

At the end of each balance sheet date, the Company assesses whether there is any indication that a tangible asset or an intangible asset is impaired. If there is an indication that an asset may be impaired, the Company then estimates the recoverable amount of such asset. If it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is defined as the higher of the 'fair value less costs to sell' and the value in use. 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.

The client contracts applied by IFRS15, inventory, property, plant and equipment and intangible assets are recognized as impairment base on inventory regulation. The amount deducted directly and recognized as the impairment of loss while the carrying amount of the assets under the contract cost exceeds the remaining price of relevant goods or services. The carrying amount of the assets under the contract cost is added to the cash-generated unit for impairment assessment of the cash-generated unit.

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) Financial Instruments

Financial assets and financial liabilities are recognized on the parent company only statements of balance sheets when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities not measured at FVTPL are, at their initial recognition, measured at the sum of fair value and transaction costs that could be directly attributed to issuance or acquisition of such financial assets or financial liabilities. Transaction costs that could be directly attributed to issuance or acquisition of financial assets or financial liabilities measured at FVTPL are immediately recognized in profit or loss.

##### 1. Financial assets

###### 2018

Financial assets held by the Company comprise financial assets measured at at fair value through other comprehensive income (FVTOCI).

Investment in equity instruments measured at FVTOCI

The Company may choose to designate an equity investment that is not held for trading to be measured at fair value through other comprehensive income upon initial recognition.

Investments in equity instruments at fair value through other comprehensive income are measured at fair value, and any subsequent changes in the fair value 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 at fair value through other comprehensive income are recognized in profit or loss when the Company's right to receive payments is established, unless such dividends clearly represent the recovery of a part of the investment cost.

#### 2017

A regular way purchase or sale of financial assets is recognised and derecognised using trade date accounting.

##### (1) Types of measurement

Financial assets held by the Group include financial assets measured at FVTPL, available-for-sale financial assets, and loans and receivables.

##### A. Financial assets measured at FVTPL

Financial assets measured at FVTPL are financial assets held for sale.

Financial assets measured at FVTPL are measured at fair value; any remeasurement gains (losses) of which are recognized in profit or loss.

##### B. Available-for-sale financial assets

Available-for-sale financial assets are either non-derivative financial assets designated as available for sale, or financial assets not classified as loans and receivables, held-to-maturity investment, or financial assets measured at FVTPL.

If an available-for-sale financial asset is attributable to an investment in equity instruments that do not have a

quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, it is subsequently measured at costs less impairment loss and be presented individually as “Financial Assets Carried at Cost”. Such financial asset is subsequently measured at fair value provided that its fair value could then be reliably measured; any difference between the carrying amount and fair value is recognized in other comprehensive income; in case any impairment occurs, it is recognized in profit or loss.

Dividends on an available-for-sale equity investment is recognized when the right of the Company to receive payment is established.

#### C. Loans and Receivables

Loans and receivables (including accounts receivables, cash and cash equivalents, and Investment in debt instruments for which no active markets exist) are measured at their amortized costs (net of any impairment loss) by using the effective interest method, except for short-term receivables of which the interest recognition does not wield significance.

Cash equivalents comprise time deposits that will mature within 3 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.

#### (2) Impairments of financial assets and contracts assets

##### 2018

The Company assesses the impairment loss of financial assets at amortized cost (including accounts receivable), and contract assets based on their expected credit losses on each balance sheet date.

The Group recognizes lifetime expected credit losses on accounts receivable and contract assets. 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.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 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 Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial assets.

#### 2017

Except for financial assets measured at FVTPL, the Company assesses at each balance sheet date as to whether there is any objective evidence indicating an impairment on other financial assets. A financial asset is deemed impaired when there is objective evidence indicating a detrimental loss on the asset's estimated future cash flows as a result of one or more events that have occurred after initial recognition.

The impairment loss of financial assets recognized at amortized cost is the difference between asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the impairment loss of a financial asset recognized at amortized cost is reduced subsequently, and such reduction can be objectively related to an event that have occurred after the recognition of such impairment, the impairment loss previously recognized is reversed to profit or loss either directly or through the use of an allowance account, provided, however, that the carrying amount of such asset after reversal does not exceed what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

A significant or prolonged decline in the fair value of an available-for-sale equity investment below its cost is also objective evidence of impairment.

When an available-for-sale financial asset is impaired, the cumulative impairment previously recognized in other comprehensive income is recycled to profit or loss.

Impairment loss of an available-for-sale equity instrument investment that had been recognized in profit or loss shall not be reversed through profit or loss. In case the fair value recovers after the recognition of impairment loss, such recovery amount is recognized in other comprehensive income.

The impairment loss of financial assets carried at cost is the difference between asset's carrying amount and the present value of estimated future cash flows discounted at the asset's prevailing market return rate. Such impairment loss shall not be reversed in subsequent periods.

The impairment loss of all financial assets is deducted directly from the the carrying amount of such financial asset, except for accounts receivables, of which the carrying

amount is reduced through the use of an allowance account. When an account receivable is judged to be unrecoverable, such amount is written off from the allowance account. Receivables that had previously been written off but later be recovered are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

### (3) Derecognition of financial assets

The Company derecognizes a financial asset only when its contractual rights to cash flows expire, or when such asset and substantially all risks and rewards of ownership of such asset have been transferred to other entities.

Before 2018, 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.

From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at fair value through other comprehensive income in its entirety, the difference between the 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 is recognized in profit or loss. On derecognition of an investment in an equity instrument at fair value through other comprehensive income in its entirety, the cumulative gain or loss is transferred directly to retained earnings without being reclassified to profit or loss

## 2. Equity instruments

Redemption of the Company's equity instruments is recognized in or deducted from equity. Purchase, sale, issuance, or



retirement 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.

### (X) Revenue Recognition

#### 2018

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.

When the outcome of a performance obligation cannot be measured reliably, revenue from construction contracts is recognized only to the extent of contract costs incurred for which it will be recoverable.

#### 2017

Revenue is measured at the net of fair value of the consideration received or receivable less the estimated customer sales returns, discounts and other similar allowances.

#### 1. Sales of goods

Sales revenue is recognized when the following conditions are met:

- (1) The Company has transferred to the buyer substantial risks and rewards of ownership of the goods;
- (2) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (3) Revenue amount can be reliably measured.
- (4) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- (5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 2. Construction Contracts

When the outcome of a construction contract can be estimated reliably, revenue is recognized in proportion to the work completed using the percentage of completion method over the duration of the contract. Contract costs are recognized as expenses when incurred. The percentage of completion is determined by reference to the ratio of contract costs incurred as at the balance sheet date to the total estimated contract costs. When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as expenses immediately.

When cumulative contract costs incurred to date plus recognized profit less recognized loss exceed the construction progress billings, the difference is recognized as construction contract receivable. When the construction progress billings exceed the cumulative contract costs incurred to date plus recognized profit less recognized loss, the difference is recognized as construction contract payable.

#### 3. Dividend income and interest income

Dividend income from investments is recognized when the shareholder's right to receive payments has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Interest income accrued on a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is recognized on an accrual basis over the passage of time by reference to the principal amount outstanding and the effective interest rate applicable.

#### (XI) Leases

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

##### 1. The Company as lessor

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

##### 2. The Company as lessee

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

#### (XIII) Employee Benefits

##### 1. Short-term employee benefits

Liabilities in relation to short-term employee benefits are measured at the undiscounted amount that is expected in exchange for services rendered by employees.

## 2. Post-employment benefits

Pensions under the defined contribution retirement plan are pensions contributable over the period for which employees render their services, and are recognized as current expense.

The defined benefit costs (including service cost, net interest, and remeasurement) under the defined benefit pension plan is an actuarial calculation using the projected unit credit method. Service cost (comprising current service cost and past service cost) and the net interest on the net defined benefit liability or asset are recognized as employee benefits expense upon their occurrence. 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.

Net defined benefit liabilities (assets) are the shortfall (excess) of the contribution made according to the defined benefit pension 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 recognizes termination benefit liability when it can no longer withdraw the offer of those benefits, or when it recognizes relevant restructuring cost (whichever comes earlier).

## (XIV) Income Tax

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

### 1. Current Income tax

The additional tax levied on undistributed earnings that are calculated as required by the Income Tax Act is presented for the year in which such tax is resolved and recognized by the Shareholders' Meeting.

Adjustments for Income tax payables for prior years are presented as income tax for the current period.

## 2. Deferred income tax

Deferred income tax is calculated at the temporary differences between the carrying amount of assets and liabilities and the tax base used to determine the taxable income.

Deferred income tax liabilities are recognized for all taxable temporary differences, whereas deferred income tax assets are recognized when it is probable that taxable profit will be available against which the deductible temporary difference or loss carryforward could be utilized.

The taxable temporary differences in relation to an investment in subsidiaries are recognized as deferred income tax liabilities, except for the case when the reversal timing of such temporary differences is controlled by the Company and it is probable that such temporary differences are not expected to be reversed 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 a deferred tax asset is reviewed at the end of each balance sheet date. The Group reduces the carrying amount of a deferred tax asset when it is no longer probable that sufficient taxable income will be available to recover all or part of the asset. The carrying amount of items that were not previously recognized as a deferred tax asset is also reviewed at each balance sheet date. The Group 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 tax assets and liabilities are measured by using the tax rates applicable to the period when the asset is expected to be realized or the liability is expected to be settled. Such tax rates are derived from the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. 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 income tax and deferred income tax

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 as other comprehensive gains and losses or directly calculated as equity.

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

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

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

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

## VI. Cash and Cash Equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand and revolving funds	\$ 1,874	\$ 2,126
Bank checks and demand deposits	199,756	199,524
Cash equivalents (time deposits with original maturity date within 6 months)		<u>392,832</u>
	<u>\$ 201,630</u>	<u>\$ 594,482</u>

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

<u>December 31, 2018</u>	<u>December 31, 2017</u>
	1.74%~1.85%

## VII. Financial assets at fair value through profit or loss - 2018

	<u>December 31, 2018</u>
<u>Current</u>	
Equity instruments investment at fair value through profit or loss	
Investment on domestic stock	
Chia Hsin Cement Group common stock	<u>\$ 15,157</u>
<u>Non-current</u>	
Equity instruments investment at fair value through profit or loss	
Investment on domestic stock	
Chia Hsin Cement Group common stock	\$ 93,201
Taiwan Cement Group common stock	<u>196,150</u>
Total	<u>\$289,351</u>

The Company invested in domestic common stock pursuant to its medium-term and long-term strategies for the purpose of making a profit. The management elected to designate these investments to be measured at fair value through other comprehensive income as they believed that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments were previously classified as financial assets at fair value through profit or loss and available-for-sale financial assets under IAS 39. Refer to Notes 8 for information relating to their reclassification and comparative information in 2017.

Details of financial instruments pledged at fair value through profit or loss are provided in Note 26.

#### VIII. Available-for-sale financial assets -2017

	<u>December 31, 2017</u>
Domestic stock	<u>\$ 274,064</u>
Information on available-for-sale financial assets pledge, please refer to Note 26.	

#### IX. Note Receivables and Account Receivables

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Note receivables	<u>\$ 26,838</u>	<u>\$ 72,183</u>
Account receivable		
Measured at amortised cost		
Total carrying amount	\$ 270,057	\$ 501,507
Less : Allowance losses	( <u>9,086</u> )	<u>-</u>
	<u>\$ 260,971</u>	<u>\$ 501,507</u>

#### 2018

The credit policy of the Company is mainly contract-based, and the notes receivable and accounts receivable are not interest-bearing. To minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual account receivable on the balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes that the Company's credit risk has been 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, 2018</u>
Not overdue	<u>\$ 26,838</u>

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

	<u>December 31, 2018</u>
Not overdue	\$ 250,005
Less than 180 days past due	-
181~360 days past due	-
More than 361 days past due	20,052
Total	<u>\$ 270,057</u>

Changes in allowance loss of notes receivable is stated as follows:

	<u>December 31, 2018</u>
Beginning balance (IAS 39)	\$ -
Add: Impairment loss provided for the current period	9,086
Total	<u>\$ 9,086</u>

## 2017

The credit policy of the Company is mainly based on the contractual terms. Notes and accounts receivables are not interest-bearing. The estimated unrecoverable amount for the allowance for doubtful accounts is determined by reference to the aging analysis of transactions, past default history, and the current financial position of customers.

With regards to the accounts receivables that were past due on the balance sheet date and for which the Company did not recognize an allowance, since the credit quality of which did not change significantly and management of the Company considered the amounts to be recoverable, the Company did not hold any collateral against or other credit enhancements for those accounts receivables.

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

	<u>December 31, 2017</u>
Not overdue	<u>\$ 72,183</u>

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

	<u>December 31, 2017</u>
Not overdue	\$ 471,358
Less than 180 days past due	4,205
181~360 days past due	<u>25,944</u>
Total	<u>\$ 501,507</u>

Aging analysis of financial assets that are past due but not impaired is as follows:

	<u>December 31, 2017</u>
Less than 180 days past due	\$ 4,205
181~360 days past due	<u>25,944</u>
Total	<u>\$ 30,149</u>

The above aging analysis is based on the number of days past due.

Accounts receivables include construction retainage receivables, which are not interest-bearing, and will be recovered at the end of the retention period of each construction contract. As of December 31, 2017, the amounts that had been more than 12 months past due but later collected were NT\$ 33,009 thousand. The aforesaid retention period, usually more than one year, is the normal business cycle of the Company.

X. Construction Contract Receivables (Payables)-2017

	<u>December 31, 2017</u>
Construction costs incurred plus recognized profit less recognized loss to date	\$ 14,321,616
Less: Construction progress billings	( <u>13,563,640</u> ) <u>\$ 757,976</u>
Presentation of parent company only balance sheets	
Construction contract receivable	\$ 969,685
Construction contract payable	( <u>211,709</u> ) <u>\$ 757,976</u>
Construction retainage receivable (Note 9)	<u>\$ 257,121</u>
Construction retainage payable (Note 15)	<u>\$ 556,862</u>

# XI. 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 26.

# XII. Investments Accounted for Using Equity Method

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Investment Subsidiary		
Jin Gu Limited (Jin Gu)	\$2,747,651	\$2,754,833
Yin Ying Holding Limited (Yin Ying)	2,176,668	2,043,131
Chien Kuo Development Co., Ltd. (Chien Kuo Development)	99,093	98,415
Shun Long International Electrical Engineering Co., Ltd. (Shun Long)	47,631	48,523
WeBIM Services Co., Ltd. (WeBIM Services)	14,417	9,288
Anping Real Estate Co., Ltd. (hereinafter referred to as Anping Real Estate)	<u>134,376</u>	<u>137,157</u>
	5,219,836	5,091,347
Less : Transfer to non-current assets held for sale	( <u>14,417</u> )	-
	<u><u>\$5,205,419</u></u>	<u><u>\$5,091,347</u></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, 2018</u>	<u>December 31, 2017</u>
Jin Gu Limited (Jin Gu)	100%	100%
Yin Ying Holding Limited (Yin Ying)	100%	100%
Chien Kuo Development Co., Ltd. (Chien Kuo Development)	100%	100%
Shun Long International Electrical Engineering Co., Ltd. (Shun Long)	86.61%	86.61%
WeBIM Services Co., Ltd. (WeBIM Services)	76.5%	76.5%
Anping Real Estate Co., Ltd. (hereinafter referred to as Anping Real Estate)	100%	100%

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 recognition of investment income or loss from investment accounted for using equity method in 2017 and 2018 is based on financial statements by certified public accountants of subsidiaries.

### XIII. Investment Property

	<u>202018</u>	<u>2017</u>
<u>Cost</u>		
Balance - beginning of year	\$185,876	\$185,876
Addition	<u>47,161</u>	<u>-</u>
Balance - end of year	<u>\$233,037</u>	<u>\$185,876</u>
<u>Accumulated depreciation</u>		
Balance - beginning of year	\$ 40,437	\$ 39,282
Depreciation	<u>1,155</u>	<u>1,155</u>
Balance - end of year	<u>\$ 41,592</u>	<u>\$ 40,437</u>
Net value - end of year	<u>\$191,445</u>	<u>\$145,439</u>
Fair value	<u>\$209,254</u>	<u>\$153,982</u>

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

Increase in investment property for 2018 is a result of purchasing real estates (including lands, buildings and parking lots) in Nei-hu for gaining lease or held for sale of NT\$ 47,161.

The fair value of the Company's investment property is derived by reference to the closing prices of properties sold in the latest period.

The amount of investment property pledged as collateral is provided in Note 26.

### XIV. Borrowings

#### (I) Short-term borrowing

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Unsecured loans</u>		
Credit loans	<u>\$ -</u>	<u>\$220,000</u>
Annual interest rate		0.96%~1.13%

#### (II) Short-term Bills Payables

The outstanding short-term bills payables as of the balance sheet date are as follows:

December 31, 2017

<u>Guarantee/Accepting Institution</u>	<u>Amount</u>	<u>Discount Amount</u>	<u>Carrying Amount</u>	<u>Interest Rate Range</u>	<u>Collateral</u>
<u>Commercial paper payable</u>					
Mega Bills	<u>\$ 80,000</u>	<u>(\$ 52)</u>	<u>\$ 79,948</u>	0.998%	None

(III) Long-term loans

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Secured loans (Note 26)</u>		
Syndicated loans (1)	\$ 450,000	\$ 1,050,000
Bank loans (2)	<u>350,000</u>	<u>350,000</u>
	<u>800,000</u>	1,400,000
Less: listed as Current portion with a year	( <u>450,000</u> )	( <u>600,000</u> )
Total	<u>350,000</u>	<u>\$ 800,000</u>
<u>Non-secured loan</u>		
Long-term commercial paper payable(3)	450,000	-
Less: discount on long-term commercial paper payable	( <u>869</u> )	<u>-</u>
Total	<u>449,131</u>	<u>-</u>
Long-term loans	<u>\$ 799,131</u>	<u>\$ 800,000</u>
Annual interest rate	1.60%~2.38%	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 provisions of the first supplementary contract signed on 7 February, 2017 stipulates the following:

- (1) The syndicated loans shall be secured by the land and buildings in Hsinchu and the certificate of deposits amounting to US\$6,000 thousand instead;

- (2) The current ratio and the debt ratio stated in the annual and semiannual consolidated financial statements of the Company shall not be less than 120% and 150%, respectively;
- (3) The interest coverage ratio (depreciation, amortization, and interest expenses) shall be 200% or more; and
- (4) The tangible net worth shall be NT\$3.5 billion or more.

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

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

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

December 31, 2018

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

## XV. Accounts Payables

Accounts payables include construction retainage payable for construction contracts. Construction retainage payable is not interest-bearing, and will be paid at the end of the retention period of each

construction contract. The aforesaid retention period, usually more than one year, is the normal business cycle of the Company.

## XVI. Post-employment Benefit Plan

### (I) Defined Contribution Plan

The pension system based on the Labor Pension Act, which is applicable to the Company's domestic entities, is a defined contribution plan managed by government. Entities are required to make monthly contribution equal to 6% of each employee's monthly salary to the employees' individual pension accounts at the Bureau of Labor Insurance.

### (II) Defined Benefit Plans

The pension plan of the Company under the Labor Standards Law 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 monthly an amount equal to 5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, under the name of the independent retirement fund committee. Before the end of year, if the balance at the retirement fund is not sufficient to cover all employees retiring next year, a lump-sum deposit should be made before March-end of the following year to cover the shortfall. The retirement fund is managed by the Bureau of Labor Funds, Ministry of Labor. The Company does not have rights to influence its investment management strategy.

The amounts recognized on the parent company only balance sheet for the benefit plan are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	\$ 41,152	\$ 43,937
Fair value of planned assets	( <u>34,143</u> )	( <u>35,239</u> )
Net defined benefit liabilities (listed as other non-current liabilities)	<u>\$ 7,009</u>	<u>\$ 8,698</u>

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of planned assets	Net defined benefit liabilities
December 31, 2017	<u>\$40,394</u>	( <u>\$34,406</u> )	<u>\$5,988</u>
Service costs			
Current service cost	424	-	424
Interest expense (income)	<u>501</u>	( <u>439</u> )	<u>62</u>
Recognized in profit and loss	<u>925</u>	( <u>439</u> )	<u>486</u>
Remeasurement			
Return on planned assets ( excluding amounts included in net interest )	-	99	99
Actuarial losses- changes in financial assumptions	1,159	-	1,159
Actuarial losses - Experience adjustments	<u>1,459</u>	<u>-</u>	<u>1,459</u>
Recognized in other comprehensive income	<u>2,618</u>	<u>99</u>	<u>2,717</u>
Contribution from employer	<u>-</u>	( <u>493</u> )	( <u>493</u> )
December 31, 2017	<u>\$ 43,937</u>	( <u>\$ 35,239</u> )	<u>\$ 8,698</u>
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 planned assets ( excluding amounts included in net interest )	-	( 1,049 )	( 1,049 )
Actuarial gains- changes in financial assumptions			
Actuarial losses - Experience adjustments	( <u>646</u> )	<u>-</u>	( <u>646</u> )
Recognized in other comprehensive income	( <u>646</u> )	( <u>1,049</u> )	( <u>1,695</u> )
Contribution from employer	<u>-</u>	( <u>550</u> )	( <u>550</u> )
Benefits paid	( <u>3,053</u> )	<u>3,053</u>	<u>-</u>
December 31, 2018	<u>\$ 41,152</u>	( <u>\$ 34,143</u> )	<u>\$ 7,009</u>



Amounts recognized in profit or loss for the defined benefit plan is summarized by function and stated as follows:

	<u>2018</u>	<u>2017</u>
Summary by function		
Operating costs	\$ 139	\$ 114
Operating expenses	<u>417</u>	<u>372</u>
	<u>\$ 556</u>	<u>\$ 486</u>

Due to the pension plan under the Labor Standards Law, the Company is exposed to the following risks:

1. Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management by Bureau of Labor Funds, Ministry of Labor. However, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks.
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 actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. Material assumptions on the measurement date are stated as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate	1.00%	1.00%
Expected growth rate of salaries	2.00%	2.00%

If a reasonable change in one of the principal assumptions for actuarial valuation occurred and all other assumptions were held constant, the increase (decrease) in the present value of defined benefit obligation would be as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate		
Increase by 0.25%	<u>(\$ 1,004)</u>	<u>(\$ 1,159)</u>
Decrease by 0.25%	<u>\$ 1,038</u>	<u>\$ 1,201</u>
Expected growth rate of salaries		
Increase by 0.25%	<u>\$ 1,025</u>	<u>\$ 1,186</u>
Decrease by 0.25%	<u>(\$ 997)</u>	<u>(\$ 1,151)</u>

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Expected contribution amounts within 1 year	<u>\$ 660</u>	<u>\$ 712</u>
Average maturity period of defined benefit obligations	9 years	10years

## XXII. Equity

### (I) Capital

#### Common Stock

	<u>December 31, 2018</u>	<u>December 31, 2017</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>334,300</u>	<u>337,900</u>
Issued capital	<u>\$ 3,343,001</u>	<u>\$ 3,379,001</u>

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

(II) Capital surplus

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Used to offset deficits,</u> <u>appropriated as cash</u> <u>dividends or transferred to</u> <u>capital stock (1).</u>		
Share premium	\$ 197,435	\$ 199,561
Treasury stock transaction	3,914	623
<u>Used to offset deficits</u>		
Adjustment in capital surplus of subsidiaries accounted for using equity method	73	-
<u>Not be used for any purposes</u>		
Employee stock options	205	205
	<u>\$ 201,627</u>	<u>\$ 200,462</u>

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

(III) Retained Earnings and Dividend Policy

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

1. 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.

For policy regarding compensation to employees and remuneration to supervisors and directors as set forth in the amended Articles of Incorporation, please refer to Note 19 (6).

The Company's dividend policy takes into account the environment and growth of the industry, long-term financial plans and

optimization of shareholders' equity. Cash dividends to be appropriated should not be less than 10% of the total dividends to be appropriated for the year.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special capital reserve by the Company.

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

The proposals to appropriate earnings for the years 2017 and 2016 are as follows:

	Earnings appropriation proposal		Dividends per Share ( N T \$ )	
	2017	2016	2017	2016
Legal reserve	\$ 17,118	\$ 4,208		
Special reserve	28,091	-		
Cash Dividend	167,150	167,150	\$ 0.50	\$ 0.50

Earnings distribution and earnings per share for 2018, which were resolved by the Board of Directors of the Company on March 28, 2019, are stated as follows:

	Earnings appropriation proposal	Dividends per Share (NT\$)
Legal reserve	\$ 20,567	
Special reserve	( 10,002)	
Cash Dividend	167,150	\$ 0.50

The earnings distribution proposal for 2017 still awaits the resolution by the Shareholders' Meeting that will be held in June 21, 2019.

#### (IV) Treasury Stocks

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

#### XVIII. Revenue

##### (1)Revenue from Customer Contracts

	2018	2017
Construction revenue	<u>\$ 3,932,756</u>	<u>\$ 3,778,110</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.

##### (2)Balance of the Contracts

	December 31, 2018
Accounts receivables (Note19)	<u>\$ 260,971</u>
Contracts assets	
Property construction	\$ 848,546
Construction Retainage	
Receivable	457,267
Less: Allowance lossing	( <u>1,514</u> )
	<u>\$ 1,304,299</u>
Contracts liability	
Property construction	<u>\$ 57,730</u>

#### XIX. Net Income for the Current Year

Net income for the current year comprises the following items:

##### (I) Other income

	2018	2017
Dividend income	\$ 11,497	\$ 8,856
Interest income	2,758	7,784
Others	<u>3,901</u>	<u>6,832</u>
	<u>\$ 18,156</u>	<u>\$ 23,472</u>

(II) Other Gains and Losses

	2018	2017
Expected credit losses(Note 27)	(\$ 16,291)	\$ -
Litigation damage(Note 27)	( 15,959)	-
Net exchange loss	( 5,612)	( 49,812)
Net gains arising from disposal		
Valuation Gain (loss) of		
financial assets measured at		
FVTPL	29	
Net gain from disposal of		
property, plant and		
equipment		5,149
其 他	( 4,008)	( 1,727)
	<u>(\$ 41,841)</u>	<u>(\$ 46,390)</u>

(III) Finance Costs

	2018	2017
Interest expense		
Bank loans	<u>\$ 26,360</u>	<u>\$ 31,071</u>

(IV) Depreciation and Amortization

	2018	2017
Property, plant and equipment	\$ 4,358	\$ 2,686
Investment property	1,155	1,155
Intangible assets	2,765	5,440
Total	<u>\$ 8,278</u>	<u>\$ 9,281</u>

Depreciation expenses		
summarized by functions		
Operating costs	\$ 703	\$ 714
Operating Expenses	3,655	1,972
Other gains and losses	1,155	1,155
	<u>\$ 5,513</u>	<u>\$ 3,841</u>

Depreciation expenses		
summarized by functions		
Operating costs	\$ 45	\$ 68
Operating Expenses	2,720	5,372
	<u>\$ 2,765</u>	<u>\$ 5,440</u>

(V) Employee Benefit Expense

	2018	2017
Short-term employee benefits	\$341,024	\$285,947
Post-employment benefits		
(Note 16)		
Defined contribution plan	13,271	11,739
Defined benefit plans	556	486

Termination benefits	<u>1,081</u>	<u>98</u>
Total employee benefits	<u><u>\$355,932</u></u>	<u><u>\$298,270</u></u>
Summary by function		
Operating costs	\$187,954	\$156,291
Operating Expenses	<u>167,978</u>	<u>141,979</u>
	<u><u>\$355,932</u></u>	<u><u>\$298,270</u></u>

(VI). Remunerations for Employees and Directors and Supervisors

The Company appropriates 0.1% - 3% of its pre-tax income (before compensations to employees and remunerations to directors are deducted from) as employee compensations, and less than 3% of such pre-tax income as remuneration to directors and supervisors. Compensation to employees and remuneration to directors for 2018 and 2017 had been resolved by the Board of Directors as at March 28, 2019 and March 29, 2018, respectively, which are stated as follows:

	2017		2016	
	Cash	Percentage (%)	Cash	Percentage (%)
Employee compensation	\$ 9,200	3%	\$ 6,417	3%
Directors and Supervisors' Remuneration	<u>9,200</u>	3%	<u>6,417</u>	3%
	<u><u>\$ 18,400</u></u>		<u><u>\$ 12,834</u></u>	

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

Information about employee compensation and remuneration to directors approved by the Board of Directors for 2019 is available at the Taiwan Stock Exchange Market Observation Post System website.

## XX. Income Tax

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

	2018	2017
Current income tax		
Accrued in the current year	\$ -	\$ 13,858
Adjustments for prior years	( 558)	( 8,514)
	( 558)	5,344
Deferred income tax		
Accrued in the current year	57,400	16,050
Changes of the tax rate	27,578	-
Adjustments for prior years	321	8,514
	85,299	24,564
Income tax expenses recognized in profit or loss	<u>\$ 84,741</u>	<u>\$ 29,908</u>

Reconciliation between the accounting income and the income tax expense is stated as follows:

	2018	2017
Income before tax	<u>\$290,412</u>	<u>\$201,086</u>
Income tax calculated by applying the statutory rate to net income before tax	\$ 58,082	\$ 34,185
Changes of the tax rate	27,578	
permanent difference	1,617	( 1,910)
Adjustments of income tax expenses of prior years	( 237)	-
Exemptions	( 2,299)	( 2,381)
Others	-	14
Income tax expenses recognized in profit or loss	<u>\$ 84,741</u>	<u>\$ 29,908</u>

The tax rate of 2017 for entities of the Company that apply the Income Tax Act of the Republic of China is 17%.

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%.



Since there is still an uncertainty regarding earnings appropriation for 2019 which awaits the resolution by the Shareholders' Meeting, the potential tax consequence of the additional 10% tax levied on the undistributed earnings of 2018 cannot be reliably determined.

(II) Income Tax Recognized in Other Comprehensive Income

	2018	2017
<u>Deferred income tax</u>		
- Exchange differences	(\$ 6,442)	\$ 31,069
- Remeasurement of defined benefit plans	( 475)	462
Income Tax Recognized in Other Comprehensive Income	( <u>\$ 6,917</u> )	<u>\$ 31,531</u>

(III) Deferred Income Tax Assets and Liabilities

Changes in deferred tax assets and liabilities are summarized as follows:

2018

	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Changes in tax rates	Balance - end of year
<u>Deferred income tax assets</u>					
Warranty cost	\$ 2,929	\$ 60	\$ -	\$ 517	\$ 3,506
Construction proceeds temporarily estimated	2,376	( 881)	-	419	1,914
realized 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	-
Expected credit losses	44,372	11,826	-	7,830	64,028
Loss carryforwards	-	1,145	-	-	1,145
	<u>\$66,848</u>	<u>\$ 66</u>	<u>(\$ 475)</u>	<u>\$11,933</u>	<u>\$78,372</u>
<u>Deferred income tax liabilities</u>					
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

	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Changes in tax rates	Balance - end of year
Reserve for Land					
Revaluation					
Increment Tax	9,192	-	-	1,622	10,814
Others	-	2,927	-	-	2,927
Deferred income tax liabilities	778	-	-	137	915
	<u>\$480,046</u>	<u>\$57,787</u>	<u>\$ 6,442</u>	<u>\$39,511</u>	<u>\$583,786</u>

## 2017

	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensiv e income	Balance - end of year
Deferred income tax assets				
Warranty cost	\$ 1,703	\$ 1,226	\$ -	\$ 2,929
Construction proceeds temporarily estimated	1,278	1,098	-	2,376
Unrealized construction loss	4,076	( 935)	-	3,141
Defined benefit pension plan	1,018	( 1)	462	1,479
Impairment loss	4,168	( 84)	-	4,084
Unrealized exchange losses	42	8,425	-	8,467
Loss carryforwards	<u>52,772</u>	<u>( 8,400)</u>	<u>-</u>	<u>44,372</u>
	<u>\$ 65,057</u>	<u>\$ 1,329</u>	<u>\$ 462</u>	<u>\$ 66,848</u>
Deferred income tax liabilities				
Gains or losses from investment accounted for using equity method	\$ 415,133	\$ 25,893	\$ -	\$ 441,026
Exchange differences on translation of foreign operations	60,119	-	( 31,069)	29,050
Reserve for Land				
Revaluation				
Increment Tax	9,192	-	-	9,192
Others	778	-	-	778
	<u>\$ 485,222</u>	<u>\$ 25,893</u>	<u>( \$ 31,069)</u>	<u>\$ 480,046</u>

(IV) Information on Unused Loss Carryforwards

Loss carryforwards of the Company as at December 31, 2018 are as follows:

Balance of unused loss c a r r y f o r w a r d s	Final deductible year
\$ 83,870	113
<u>177,139</u>	114
<u>\$ 59,130</u>	117
<u><u>\$320,139</u></u>	

(VI) Income Tax Approval

The profit-seeking enterprise income tax returns filed as at December 31, 2018 by the Company is approved by the taxation authority.

XXI. Earnings per Share

	Unit: NT\$ per Share	
	2018	2017
Basic earnings per share	<u>\$ 0.62</u>	<u>\$ 0.51</u>
Diluted earnings per share	<u>\$ 0.61</u>	<u>\$ 0.51</u>

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

	2018	2017
Net income	<u>\$ 205,671</u>	<u>\$171,178</u>

Number of Shares Unit: In 1,000 Shares

	2018	2017
Weighted average number of common stocks used for the calculation of basic earnings per share	334,300	334,300
Effect of dilutive potential common stocks:		
Employee compensation	<u>1,084</u>	<u>584</u>
Weighted average number of common stocks used for the calculation of diluted earnings per share	<u><u>335,384</u></u>	<u><u>334,884</u></u>

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

## XXII. Agreement of operating lease

### The Company is the leasee.

The operating leases are mainly leases of offices, staff quarters and parking spaces, of which the lease periods range from 1 year to 6 years.

Future minimum lease payments of non-cancellable operating leases are as below:

	December 31, 2018	December 31, 2017
Less than one year	\$ 11,395	\$ 11,403
One to five years	32,269	27,546
	<u>\$ 43,664</u>	<u>\$ 38,949</u>

## XXII. Capital Risk Management

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

## XXIV. Financial Instruments

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

Please refer to the information stated in the parent company only balance sheets. The management of the Group believes that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values, so their carrying amounts recognized

in the parent company only balance sheets are used as a reasonable basis for estimating their fair values.

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

Fair value hierarchy

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Domestic listed stocks	\$ 304,508	\$ -	\$ -	\$ 304,508

December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed stocks	<u>\$ 14,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,878</u>
<u>Available-for-sale financial assets</u>				
Domestic listed stocks	<u>\$ 274,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,064</u>

There was no fair value measurement that was transferred between Level 1 and Level 2 in 2018 and 2017.

(III) Types of Financial Instruments

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Financial asset at FVTPL		
	\$ -	\$ 14,878
Loans and receivables (Note 1)	-	1,559,317
Available-for-sale financial assets (Note 2)	-	274,064
Financial asset measured at amortized cost (Note 3)	497,601	-
Financial asset at FVTOCI		
Equity instruments	304,508	-
<u>Financial liabilities</u>		
Measured at amortized cost (Note 4)	2,531,168	3,092,183

Note 1: Balance is the balance of the loans and receivables measured at amortized cost, including cash and cash equivalents, notes

receivables, accounts receivables, and pledged certificate of deposits and reserve accounts.

Note 2: The balance includes available-for-sale financial assets.

Note 3: The balance includes cash and cash equivalents, notes receivables, accounts receivables, other receivables and financial assets at amortized cost.

Note 4: The balance includes financial liabilities at amortized cost, which comprise short-term notes and bills payable, notes payable, accounts payable, other payables and short-term loans and long-term loans.

#### (IV) Financial Risk Management Objectives and Policies

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

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

##### 1. Market risk

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

For the carrying amount of foreign currency monetary assets and foreign currency monetary liabilities that were significant on the balance sheet date, please refer to Note 29.

###### Sensitivity Analysis

The Company is mainly exposed to USD fluctuations.

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

	<u>E f f e c t o n P r o f i t o r L o s s</u>	
	<u>2018</u>	<u>2017</u>
USD	\$ -	\$ 5,979

## (2) 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, 2018</u>	<u>December 31, 2017</u>
With fair value interest rate risk		
- Financial assets	\$ -	\$ 392,832
- Financial liabilities:	899,131	1,349,948
With cash flow interest rate risk		
- Financial assets	199,756	199,524
- Financial liabilities:	350,000	350,000

### Sensitivity Analysis

The sensitivity analysis below is based on the Group's exposure to interest rates for both derivative and non-derivative instruments on the balance sheet date.

If interest rate increases/decreases by 100 basis points, held other variables constant, the Company's income before tax will decrease/increase by NT\$ 1,502 thousand and NT\$1,505 thousand , respectively for 2018 and 2017.

### (3) 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 is based on the exposure to the equity price risk on the balance sheet date.

If equity prices rise/fall by 10%, the pre-tax income for the annual period ended December 31, 2018 while the pre-tax other comprehensive income for the annual period ended December 31, 2018 will increase/decrease by NT\$30,451 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%, the income before tax for 2017will, as a result of the gains of



losses from equity instruments measured at FVTPL, increase/decrease by NT\$ 1,488 thousand, whereas the shareholders' equity will, due to gains or losses from equity instruments classified as available-for-sale, increase/decrease by NT\$ 27,406 thousand.

## 2. Credit risk

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

As the customer base of the 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.

	Less than 1 Year	1~2 Year(s)	2~5 Years
<u>December 31, 2018</u>			
Non-interest bearing liabilities	\$ 1,152,916	\$ 109,949	\$ 19,172
Fixed-rate instruments:	450,000	-	449,131
Floating interest rate instruments	-	-	350,000
	<u>\$ 1,602,916</u>	<u>\$ 109,949</u>	<u>\$ 818,303</u>
<u>December 31, 2017</u>			
Non-interest bearing liabilities	\$ 1,329,846	\$ 47,820	\$ 14,569
Fixed-rate instruments:	899,948	450,000	-
Floating interest rate instruments	-	-	350,000
	<u>\$ 2,449,894</u>	<u>\$ 497,820</u>	<u>\$ 364,569</u>

The Company does not predict the occurred time of cash flow from maturity analysis will be significant earlier, or the actual amount will be significant different

(3) Line of credit

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
credit line of unsecured bank loan		
— Amount used	\$ 450,000	\$ 300,000
— Amount unused	<u>1,299,495</u>	<u>609,000</u>
	<u>\$ 1,749,495</u>	<u>\$ 909,000</u>
credit line of secured bank loan		
— Amount used	\$ 800,000	\$ 1,400,000
— Amount unused	<u>100,000</u>	<u>219,495</u>
	<u>\$ 900,000</u>	<u>\$ 1,619,495</u>

XXXII. 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
WeBIM Services Co., Ltd. (WeBIM Services)	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
Jianhui Investment Co., Ltd. (Jianhui Investment)	The Chairman of the Foundation is the vice chairman of the Company
Chien Kuo Foundation for Arts and Culture(The Foundation)	The Chairman of the Foundation is the vice chairman of the Company

## (II) Outsourced Construction

Name of related party	No. of Contract	Amount of Contracts	Recognized as contract cost for current year	Accumulated as recognized contract cost	Account Payable
<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>
<u>2017</u>					
Shun Long	101C1502	\$ 430,916	\$ 321,352	\$ 346,834	\$ 141,855
	101C1503	47,465	27,584	35,937	9,634
	101C1504	234,480	16,722	17,468	6,067
	101C1603	75,463	5,572	6,155	3,589
	101C1604	3,750	1,500	1,500	1,575
	101C1605	281,283	11,768	11,768	11,164
	101C1701	6,750	675	675	709
	101C1702	307,000	2,004	2,004	2,004
	101C1703	530,135	2,175	2,175	2,174
		<u>\$ 1,917,242</u>	<u>\$ 389,352</u>	<u>\$ 424,516</u>	<u>\$ 178,771</u>

The amount of outsourced contracts with related parties is equivalent to non-related parties.

### (III) Business Transaction

Items	Relations with the Company	2018	2017
Construction Cost	Subsidiary	\$ 2,513	\$ 5,510
Operation expenses	Subsidiary	\$ 660	\$ 413

### (IV) Related Party Transactions

#### 1. Rental expense

The Company rent the office form Jianhui Investment with local standards and lease payment is made monthly. The expense of lease in 2017 and 2018 are 5,604 thousand respectively.

#### 2. Revenue of technical services

Then Company signed the technical service contract with subsidiaries. The subsidiaries have to pay service fee to the Company monthly under the contract. The amount paid by subsidiaries in 2017 and 2018 are 1,638 thousand and 3,032 thousand respectively and recognized as other revenue.

#### 3. Donation expenditure

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

#### 3. Acquisition of financial assets

In 2016, the Group invested in CSVI VENTURES, L.P. with NT\$ 12,900 thousand (US\$ 400 thousand). The key decision maker of the fund is the Company's director.

### (V) Endorsement guarantee

#### The Company as endorser

Name of related party	December 31, 2018	December 31, 2017
Suzhou Chien Hua	\$ 172,326	\$ 95,645
Wuxi Chien Bang	172,326	95,644
Shun Long	50,000	50,000
Jianya	-	178,560
	<u>\$ 394,652</u>	<u>\$ 419,849</u>

The Company as endorsee

<u>Name of related party</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Jin Gu	<u>\$ 184,320</u>	<u>\$ -</u>

(VI) Remuneration to key management

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 40,293	\$ 36,284
Post-employment benefits	<u>1,205</u>	<u>1,196</u>
	<u>\$ 41,498</u>	<u>\$ 37,480</u>

Remuneration to directors and other key management is determined by the Compensation Committee by reference to personal performance and market trends.

XXVI Mortgaged Assets and Pledged Assets

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Land held for construction	\$ 463,577	\$ 463,577
Financial assets measured at FVTOCI-non-current	-	27,308
Pledged certificate of deposit and reserve accounts - current (recognized in other current assets)	7,700	358,760
Pledged certificate of deposit and reserve accounts - non-current	-	26,700
Available-for-safe financail assets	-	26,700
Property, plant and equipment	6,312	6,361
Investment property	32,122	32,695
Other non-current assets	32,122	32,695
	<u>\$ 606,846</u>	<u>\$ 915,401</u>

XXIV. 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:

### Contingency

1. Whereas, the construction of the National Kaohsiung Center for the Arts (Weiwuying) (hereinafter referred to as “the Project”) undertaken by the Company was completed on December 16, 2016, and the Ministry of Culture of the Republic of China (hereinafter referred to as “the Ministry”) began the initial acceptance inspection on February 20, 2017. During the acceptance process, the Company delivered the completed work in a gradual manner for users’ utilization as per the instruction of the Ministry when other interface projects were still undergoing construction using the space. The Ministry even opened some facilities for public use without turning on related equipment to maintain appropriate temperature and humidity, resulting in the Project having unexpected damage and non-conformities. The Ministry required the Company to repair the damaged part, which caused the Project’s failure to conform to the acceptance procedures within the time limit. The Ministry even proposed to impose a penalty fine for delay on the Company. The Company believes such application of law wrong and in violation of the principles of fairness and reasonableness. Therefore, it filed a request for mediation to the Complaint Review Board for Government Procurement under the Public Construction Commission of the Executive Yuan on October 9, 2018. This case is still under mediation.
2. Whereas, Shing Tzung Development Co., Ltd (“Shing Tzung” hereinafter) and its responsible person, Lu Kuo-Feng, were building a commercial-residential hybrid complex that has 5 floors below ground and 26 floors above ground located at Land No. 537, Zhangzhou Section, Kaohsiung City when the diaphragm wall construction, due to poor construction, damaged the neighbors’ houses on July 20, 2014. Such incident (“Incident” hereinafter) had caused the houses located at 187th Lane, Ziqiang 3rd Road, Kaohsiung City to tilt substantially, to sink, and to exhibit cracked walls. Due to the Company’s active participation in the repair work, a total of 25 house owners transferred a certain amount of their creditors’ rights to the Company, by which the Company had petitioned the court for a provisional attachment against

Shing Tzung and its responsible person, and for a claim of NT\$25 million plus the statutory delay interest accrued thereon from them. The initial verdict held that Shing Tzung had also paid related expenses for such an incident and thus agreed to that the expense contended to be paid by Shing Tzung should be offset against the credit rights to which the Company might be entitled. Therefore, the plaintiff's case was rejected. The Company has recognized the total amount of NT\$25 million that was previously presented under "payment on behalf of another party" as a loss based on the verdict.

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

3. In 2000, Kun Yi Construction Co., Ltd. (Kun Yi) and the Company entered into "Earthwork and Site Preparation Construction Contract" (Earthwork Contract) and "Slope Protection and Retaining Wall Construction Contract" (Slope Protection Contract). Kun Yi claimed that the Company deducted the test fees and structure analysis fees in violation of the contracts, and requested the recovery of the price differences totaling NT\$7.8 million. In September 2018, the Taiwan Taipei District Court ruled that we won the case. Since Kun Yi did not file an appeal after that, the verdict for the case was deemed final and binding.

4. The Company contracted a steel structure construction project to EGANG Co., Ltd. (EGANG) and a molding construction project to Yi-Xin Construction Co., Ltd. (Yi-Xin). As the steel structure collapsed on July 4, 2011, causing damage to the molding construction and materials, Yi-Xin sought compensation from the Company and EGANG for a total of NT\$16.12 million. The Taiwan Taipei District Court sentenced the Company to pay to Yi-Xin a compensation equal to NT\$11.62 million (including interest accrued at 5% per annum for the period from July 6, 2013 to the settlement date, as well as some court costs and expenses). The verdict of the case is now final and binding. Nonetheless, owing to that the Company obtained insurance claims of NT\$6.77 million due to this case, the actual loss caused to the Company by such verdict was NT\$ 4.85 million, which has been recognized by the Company as a loss for 2018.
5. As of December 31, 2018, the letters of performance guarantee issued by banks for the Group for undertaking construction amounted to NT\$ 1,625,166 thousand.
6. As of December 31, 2018, the guarantee notes in deposit issued by banks for the Group for business purposes amounted to NT\$ 679,848 thousand.

#### XXVIII. Significant Subsequent Events:

The resolution by the Company's Board of Directors to have a capital reduction by 20% and return such share capital payments to shareholders in the amount of NT\$668,600 thousand on March 28, 2019 will be carried out after it has been adopted by the Shareholders' Meeting for 2019 and reported to and approved by the competent authority.

#### XXIX. Information on Foreign Currency Assets and Liabilities Wielding Significant Influence

Information expressed below followed by foreign currency summary except from functional currency of the Company, the exchange rate disclosed is the exchange rate of foreign currency into functional currency. Information on foreign currency assets and liabilities wielding significant influence is as follows:



Unit: Foreign currency/NT\$1,000

December 31, 2018

	Amount in Foreign Currency	Exchange rate	Carrying Amount
<u>Financial assets</u>			
<u>Non-monetary</u>			
<u>items</u>			
USD	160,390	30.72(USD: RMB)	<u>4,924,319</u>

December 31, 2017

	Amount in Foreign Currency	Exchange rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 20,092	29.76 (USD: NTD)	<u>\$ 597,938</u>
<u>Non-monetary</u>			
<u>items</u>			
USD	161,222	29.76 (USD: NTD) )	<u>\$ 4,797,964</u>

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

	2018		2017	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
<u>Financial assets</u>				
USD	30.15 (USD:NTD)	<u>\$ -</u>	29.76 (USD:NTD)	( 49,894 )

XXX. Additional Disclosures

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

1. Loans to others: (Appendix Table 1)
2. Endorsements and Guarantees (Appendix Table 2)
3. Marketable Securities Held at the End of the Period (Excluding investment in Subsidiaries, Associates and Joint Ventures) (Appendix Table 3)
4. Aggregate trading value on the same securities (including purchase and sales) reaching NT\$300 million or 20 percent of the paid-in capital or more: (Appendix Table 4)

5. Acquisition of Property Amounting to At Least NT\$ 300 Million or Exceeding 20% of Paid-in Capital.
6. Disposal of real estate at costs of at least NT\$300 million or 20% of the paid-in capital: (None)
7. Purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: (Appendix Table 5)
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
9. Derivatives trading. (None)
10. Information on invested companies: (Appendix Table 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: (Appendix Table 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.  
Loans to Others  
January 1, 2018 ~ December 31, 2018

Appendix Table 1

Unit: In Thousands of New Taiwan Dollars

No.	Company as creditor	Company as debtor	Financial Statement Account	Whether a Related Party	Highest balance in the current year	Balance - end of year	Actual Amount Used	Interest Rate Interval	Nature of Loans (Note 1)	Amount arising from ordinary course of business	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit of loan to a single entity	Limit of total loans	Note
													I t e m	V a l u e			
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 \$ 982,131	40% of the parent's net worth \$ 1,964,261	
1	Jianya (Yangzhou) Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	82,865	80,568	80,568	6.0%	(1)	-	Operating capital	-	—	-	20% of the parent's net worth \$ 151,775	40% of the parent's net worth \$ 151,775	
2	Jianya (Nantong) Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	162,051	161,136	161,136	6.0%	(1)	-	Operating capital	-	—	-	20% of the parent's net worth \$ 162,159	40% of the parent's net worth \$ 162,159	
3	Jianya (Yangzhou) Information Technology Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Other receivables	Yes	81,025	80,568	80,568	6.0%	(1)	-	Operating capital	-	—	-	20% of the parent's net worth \$ 250,667	40% of the parent's net worth \$ 250,667	
4	Jianya (Yangzhou) Information Technology Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	171,053	170,088	170,088	6.0%	(1)	-	Operating capital	-	—	-	20% of the parent's net worth \$ 250,667	40% of the parent's net worth \$ 250,667	

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

- For the purpose of short-term financing.
- Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as at December 31, 2018 (RMB1 = NT\$4.476).

Chien Kuo Construction Co. Ltd.  
Endorsements and Guarantees  
January 1, 2018 ~ December 31, 2018

Appendix Table 2

Unit: In Thousands of New Taiwan Dollars

No.	Endorsement/Guarantee Provider Company Name	Parties Being Guaranteed		Limit of Endorsements and Guarantees for a Single Entity (Note 1, 2, 4)	Maximum Guarantee Amount Balance (Note 1)	Outstanding Guarantee Amount - end of year (Note 1)	Actual Amount Used (Note 1)	Amount of Endorsement and Guarantee Secured with Properties	Ratio of the accumulated amount of endorsement and guarantee to the net worth on the latest financial statements	Limit of guarantee and endorsement (Notes 1, 3 and 4)	Endorsements and Guarantees Made by Parent for Subsidiaries	Endorsements and Guarantees Made by Subsidiaries for parents	Endorsements and Guarantees made for entities in China	Note
		Company Name	Relationship											
0	Chien Kuo Construction Co. Ltd.	Chien Kuo Asia Co., Ltd.	Sub-subsidiary	\$ 2,455,327	\$ 179,700	\$ -	\$ -	\$ -	3.70%	\$ 4,820,162	Y	N	N	Financing endorsement/guarantee
		Suzhou Chien Hua Concrete Co., Ltd.	Sub-subsidiary	2,455,327	177,239	172,326	102,500	-	1.98%	4,820,162	Y	N	Y	Financing endorsement/guarantee
		Wuxi Chien Bang Concrete Co., Ltd.	Sub-subsidiary	2,455,327	177,238	172,326	109,662	-	1.98%	4,820,162	Y	N	Y	Financing endorsement/guarantee
		Shun Long International Electrical Engineering Co., Ltd.	Subsidiary	2,455,327	50,000	50,000	-	-	1.04%	4,820,162	Y	N	N	Financing endorsement/guarantee
1	Jin Gu Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent company	11,374,796	185,760	184,320	184,320	-	-	10,414,117	N	Y	N	Financing endorsement/guarantee

Note 1: Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as at December 31, 2018 (US\$1 = NT\$30.72).

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

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

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

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

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

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

Chien Kuo Construction Co. Ltd  
Marketable Securities Held by the End of the Period  
December 31, 2018

Appendix Table 3

Unit: In Thousands of New Taiwan Dollars

Holder Company	Type and Name of Marketable Securities	Relationship with the security issuer	Financial Statement Account	Ending				Note
				Number of Shares (in Thousands)	Carrying Amount	Shareholding Percentage (%)	Fair value	
Chien Kuo Construction Co. Ltd.	<u>Stock</u>							
	Taiwan Cement Corporation	—	Financial assets at FVTOCI-non-current	5,510	\$ 196,150	0.11	\$ 196,150	(Note 5)
	Chia Hsin Cement Corporation	—	Financial assets at FVTOCI-non-current	6,853	93,201	0.88	93,201	(Note 1)
Jin Gu Co., Ltd.	Chia Hsin Cement Corporation	—	Financial assets at FVTOCI-current	1,114	15,157	0.14	15,157	—
	<u>Funds</u>							
	YUANTA DIAMOND FUNDS SPC - YUANTA PRIVATE EQUITY FUND SP	—	Financial assets at FVTPL-non-current	10	35,729	-	35,729	—
	PVG GNC VENTURES, L.P.	—	Financial assets at FVTPL-non-current	-	24,215	5.00	24,215	
	CSVV VENTURES, L.P.	Note 3	Financial assets at FVTPL-non-current	-	23,494	5.13	23,494	
	<u>Stock</u>							
	Chia Hsin Cement Corporation	—	Financial assets at FVTPL	175	2,383	0.02	2,383	—
	<u>Bonds</u>							
	POLY REAL ESTATE GROUP CO. LTD	—	Available-for-sale financial assets	1,850	57,060	-	57,060	—
	<u>Funds</u>							
Wuxi Chien Bang Concrete Co., Ltd.	Jinniu China New Dynamic Fund	—	Available-for-sale financial assets	3,086	11,736	-	11,736	—
	<u>Stock</u>							
	Common stock of China Mobile Communications Corporation	—	Financial assets at FVTPL	82	23,807	-	23,807	—
	<u>Structured Deposit</u>							
	OCBC Bank (China) Co., Ltd.	—	Financial assets at FVTPL-current	-	\$ 79,739	-	\$ 79,739	(Note 4)
Suzhou Jianhua Concrete Co., Ltd.	Fubon Bank (China) Co., Ltd	—	Financial assets at FVTPL-current	-	23,636	-	23,636	(Note 4)
	<u>Structured Deposit</u>							
	Fubon Bank (China) Co., Ltd	—	Financial assets at FVTPL-current	-	19,914	-	19,914	(Note 4)

Jiangsu Shili Construction Co., Ltd.	<u>Structured Deposit</u> Agricultural Bank of China Limited	—	Financial assets at FVTPL-current	-	35,868	-	35,868	—
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- Note 1: Among them, 2,000 shares are pledged to the bank as collateral for the performance of construction contracts.
- Note 2: For investment in subsidiaries, please refer to Appendix Table 6 and 7.
- Note 3: The chief decision makers of the fund are the directors of the Company.
- Note 4: Collateral to the bank against the credit line of bank’s acceptance bills.
- Note 5: Among them, 1,892 thousand shares were pledged to the court as collateral against the litigation between the Company and Shing Tzung.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Aggregate trading value on the same securities (including purchase and sales) reaching NT\$300 million or 20 percent of the paid-in capital or more

January 1, 2018 ~ December 31, 2018

Appendix Table 4

Unit: In Thousands of New Taiwan Dollars

Purchaser/Seller	Type and name of marketable securities	Financial Statement Account	Counterparty	Relationship	Beginning balance		Buy		Sell				Share of gains or losses of investments	Changes in valuation gains or losses (Note 6)	Ending	
					Shares	Amount	Shares	Amount	Shares	Selling price	Carrying Cost	Gain (Loss) on Disposal			Shares	Amount
Wuxi Chien Bang Concrete Co., Ltd.	China International Fund Management Co., Ltd.	Financial assest at FVTPL	—	—	56,167	\$ 255,811	132 (Note 1)	\$ -	56,299	\$ 257,248	\$ 257,248	\$ -	\$ 604	\$ 833	-	\$ -
Suzhou Chien Hua Concrete Co., Ltd.	China International Fund Management Co., Ltd.	Financial assest at FVTPL	—	—	23,366	106,420	326 ( Note 1 )	-	23,692	110,961	110,961	-	1,512	3,029	-	-
Yangzhou Chien Yung Concrete Co., Ltd.	China International Fund Management Co., Ltd.	Financial assest at FVTPL	—	—	-	-	60,902 ( Note 2 )	275,932	60,902	277,157	277,157	-	4,114	( 2,889)	-	-
Nantong Chien Cheng Concrete Co., Ltd.	China International Fund Management Co., Ltd.	Financial assest at FVTPL	—	—	-	-	32,679 ( Note 3 )	152,079	32,679	152,216	152,216	-	829	( 692)	-	-

Note 1: Dividends received.

Note 2: Among which 902 units are dividends received.

Note 3: Among which 179 units are dividends received.

Chien Kuo Construction Co. Ltd. and Subsidiaries  
Purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital:  
January 1, 2018 ~ December 31, 2018

Appendix Table 5

Unit: In Thousands of New Taiwan Dollars

Purchaser/ Seller	Counter- party	Relationship	Transaction status				Reasons for and status of differences in transaction terms compared to arms-length transaction (Note 1)		Notes or accounts receivable (payable)		Note (Note 2)
			Purchases (sales)	Amount	Ratio to total purchase (sales)	Credit period	Unit Price	Credit period	Balance	Ratio to Notes or accounts receivable (payable)	
Chien Kuo Construction Co. Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiaries	Purchase	\$ 326,699	8.99%	As contract	-	-	( \$ 179,702 )	( 15.45% )	
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent company	Purchase	( 326,699 )	( 74.92% )	As contract	-	-	145,450	86.33%	

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

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

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



Chien Kuo Construction Co. Ltd.  
Information on Investees and their Locations  
January 1, 2018 ~ December 31, 2018

Appendix Table 6

Unit: In Thousands of New Taiwan Dollars

Investor	Name of Investee	Location	Main businesses	Original Investment Amount		Balance-ending			Income (Losses) of the Investee	Investment gain or loss recognized in the current period	Note
				End of Current Period	End of the Prior Year	Shares	Ratio (%)	Carrying Amount			
Chien Kuo Construction Co. Ltd.	Jin Gu Limited	British Virgin Islands	Reinvestment	\$ 491,804	\$ 656,126	15,740	100	\$ 2,747,651	\$ 133,818	\$ 133,818	Subsidiary
	Yin Ying Holding Limited	British Virgin Islands	Reinvestment	1,065,645	1,065,645	32,701	100	2,176,668	140,475	140,475	Subsidiary
	Chien Kuo Development Co., Ltd.	Taiwan	Building construction commission; public housing lease	144,065	144,065	11,100	100	99,093	670	678	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	47,631	3,449	2,987	Subsidiary
	WeBIM Services Co., Ltd. Anping Real Estate Co., Ltd.	Taiwan Taiwan	Construction technology Housing and building development and lease	15,166 140,000	15,166 140,000	1,530 14,000	76.5 100	14,417 134,376	6,705 ( 2,781 )	5,129 ( 2,781 )	Subsidiary Subsidiary
Yin Ying Holding Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Reinvestment	910,310	1,177,143	1,746	54.78	1,963,336	252,047	Not applicable.	Sub-subsubsidiary
Jin Gu Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Reinvestment	810,433	1,047,989	1,441	45.22	1,620,702	252,047	Not applicable.	Sub-subsubsidiary
Chien Kuo Asia Co., Ltd.	Shun Long (Hong Kong) Limited	Hong Kong	International trade	0.007794	0.007794	—	100	272	( 38 )	Not applicable.	Sub-subsubsidiary

Note 1:Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as at December 31, 2018 (US\$1 = NT\$30.72), except for profit or loss items, which are translated into New Taiwan Dollars by using the average exchange rate over January 1 - December 31, 2018 (US\$1 = NT\$30.15).

Note 2:For investment in investees in China, please refer to Appendix Table 9.

Chien Kuo Construction Co. Ltd  
Investments in Mainland China  
January 1, 2017 ~ December 31, 2018

Appendix Table 9

Unit: In thousands of NTD,  
unless otherwise stated

Investee in Mainland China	Main businesses	Paid-in Capital	Investment method	Accumulated investment amount remitted from Taiwan - beginning of period	Wire-in or wire-out investment amount		Accumulated investment amount remitted from Taiwan - end of period	Profit of loss of Investee	Direct and indirect percentage of ownership	Investment gain or loss recognized in the current period (Note 1)	Carrying amount - end of period (Note 1)	Accumulated Repatriation of Investment Income as of the end of the period.	Note
					Remitted	Received							
Shanghai Chien Kuo Concrete Co., Ltd.	Production and sale of concrete and concrete products	\$ 153,969	Investment through a company founded in a third region	\$ 125,779	\$ -	\$ -	\$ 125,779	\$ -	-	\$ -	\$ -	\$ -	Note 4
Jianya ( Yangzhou ) Information Technology Co., Ltd.	Computer software technology development and consultation	110,592	Investment through a company founded in a third region	68,326	-	-	68,326	1,529	100%	1,529	153,277	-	
Suzhou Chien Hua Concrete Co., Ltd.	Production and sale of concrete and concrete products	421,632	Investment through a company founded in a third region	182,036	-	-	182,036	17,176	100%	17,176	571,218	-	
Kunshan Jianshan Concrete Co., Ltd.	Production and sale of concrete and concrete products	307,200	Investment through a company founded in a third region	230,025	-	-	230,025	-	-	-	-	-	Note 4
Wuxi Chien Bang Concrete Co., Ltd.	Production and sale of concrete and concrete products	438,528	Investment through a company founded in a third region	214,059	-	-	214,059	227,199	100%	227,199	1,556,839	-	
Changzhou Chien An Concrete Co., Ltd.	Production and sale of concrete and concrete products	76,800	Investment through a company founded in a third region	69,342	-	-	69,342	-	-	-	-	-	Note 4
Nantong Chien Cheng Concrete Co., Ltd.	Production and sale of concrete and concrete products	62,208	Investment through a company founded in a third region	244,471	-	-	244,471	533	100%	533	78,912	-	
Jianya ( Nantong ) Information Technology Co., Ltd.	Computer software technology development and consultation	153,600	Investment through a company founded in a third region	-	-	-	-	2,673	100%	2,673	164,784	-	Note 5
Yangzhou Chien Yung Concrete Co., Ltd.	Production and sale of concrete and concrete products	61,440	Investment through a company founded in a third region	197,041	-	-	197,041	5,118	100%	5,118	36,802	-	
Jianya ( Yangzhou ) Information Technology Co., Ltd.	Computer software technology development and consultation	248,832	Investment through a company founded in a third region	-	-	-	-	4,178	100%	4,178	254,770	-	Note 6
Shanghai Chien Chung Concrete Co., Ltd.	Production and sale of concrete and concrete products	76,800	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Kunshan Jindi Concrete Co., Ltd.	Production and sale of concrete and concrete products	43,008	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Zunyi Chien Bang Mining Co., Ltd.	Quarrying	156,660	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Changzhou Changlong Handling Co., Ltd.	Cargo handling	2,238	Investment through an existing company in a third region	-	-	-	-	( 53)	100%	( 53)	897	-	
Jiangsu Shili Construction Co., Ltd.	Construction consultation	64,512	Investment through a company founded in a third region and others	23,100	-	-	23,100	( 603)	100%	( 603)	74,659	-	
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	Construction consultation	18,432	Investment through a company founded in a third region and others	-	-	-	-	( 113)	100%	( 113)	22,825	-	
Loudi Chien Kuo Mining Co., Ltd. and other six invested companies	Quarrying	1,223,270	Investment through an existing company in a third region and others	36,840	-	-	36,840	-	( Note 5 )	-	-	914,492	Note 4

Accumulated investment amount remitted from Taiwan to China as at end of current period	Approved amount through Investment Committee of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs
\$1,420,697 (Note 3)	\$596,038 (Note 2)	\$2,969,684

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\$1,604,461, of which NT\$1,008,423 originated from the surpluses of invested companies in mainland China remitted to the third regions, and was not included in the calculation of the limit on investment.

Note 3: The amount remitted from Taiwan was NT\$1,420,697, including the following expenses:

(1) Loss on investment:

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

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

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

Note 5: Stock split from Nantong Chien Cheng Concrete Co., Ltd.

Note 6: Stock split from Yangzhou Chien Yung Concrete Co., Ltd.