Stock Code: 5515

Chien Kuo Construction Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2018 and 2017 and

Certified Public Accountants' Review Report

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Independent Auditors' Review Report

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

Introduction

We have reviewed the consolidated balance sheets of Chien Kuo Construction Co., Ltd. and its subsidiaries (the Group) as of September 30, 2018 and 2017, the consolidated statements of comprehensive income for the three-month and nine-month periods ended on September 30, 2018 and 2017, the consolidated statements of changes in equity and cash flows for the nine-month periods ended on September 30, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except for matters described in the following paragraph titled “Basis for Qualified Conclusion", we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 16 of the consolidated financial statements, the financial statements of the insignificant subsidiaries incorporated into the aforementioned consolidated financial statements for the same periods have not been reviewed by us. The total assets as of September 30, 2018 and 2017 amounted to NT$1,453,059 thousand and NT$1,667,527 thousand, respectively, accounting for 15.21% and 18.84% of the consolidated total assets, respectively. The total liabilities as of September 30, 2018 and 2017 amounted to NT$169,628 thousand and NT$140,695 thousand, respectively, accounting for 3.66% and 3.49% of the consolidated total liabilities, respectively. The comprehensive income for the three-month and nine-month periods ended on September 30, 2018 and 2017 amounted to NT$7,397 thousand, NT$(4,566) thousand, NT$8,630 thousand, and NT$534 thousand, respectively, accounting for (58.75%), (4.34%), 4.68% and (2.08%) of the consolidated comprehensive income, respectively.

Qualified Conclusion

Based on our reviews, except for the effects as stated in the paragraph titled "Basis for Qualified Conclusion" that there would have been adjustments in the consolidated financial statements of the said insignificant subsidiaries if they had been reviewed by us, nothing has come to our attention that caused us to believe that the consolidated financial statements do not present fairly, in all material aspects the financial position of the entity as of September 30, 2018 and 2017, of its consolidated financial performance for the three-month periods then ended, and of its consolidated financial performance and consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche Taiwan

Independent Auditor Wang, Yi-Wen

Independent Auditor Fan, Yu-Wei

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

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

November 8, 2018

Chien Kuo Construction Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

September 30, 2018, December 31, 2017 and September 30, 2017

Unit: NT$1,000

Code	Assets	September 30, 2018 (Reviewed) Amount	%	December 31, 2017 (Audited) Amount	%	September 30, 2017 (Reviewed) Amount	%
	Current assets						
1100	Cash and cash equivalents (Note 6)	$ 2,214,384	23	$ 2,518,297	25	$ 2,372,162	27
1110	Financial assets at fair value through profit or loss (Notes 7 and 31)	161,466	2	403,461	4	490,688	6
1120	Financial assets at fair value through other comprehensive income (Note 8)	42,623	-	-	-	-	-
1140	Contract assets (Note 23)	1,421,366	15	-	-	-	-
1147	Investments in debt instruments with no active market (Note 10)	-	-	275,547	3	253,665	3
1150	Notes receivable (Note 12)	138,341	1	205,622	2	124,935	1
1170	Accounts receivable (Notes 12, 13 and 23)	2,566,704	27	2,419,748	24	1,967,708	22
1190	Construction contract receivables (Note 13)	-	-	984,415	10	659,818	8
1200	Other receivables	17,339	-	27,969	-	289,304	3
1310	Inventories	17,575	-	15,023	-	15,245	-
1323	Land held for construction (Notes 14 and 31)	463,577	5	463,577	5	463,577	5
1410	Prepayments (Note 15)	926,235	10	675,356	7	257,920	3
1460	Non-current assets held for sale (Note 17)	73,592	1	-	-	-	-
1470	Other current assets (Note 31)	202,587	2	383,410	4	341,752	4
11XX	Total current assets	8,245,789	86	8,372,425	84	7,236,774	82
	Non-current assets						
1510	Financial assets at fair value through profit or loss (Notes 7 and 31)	99,082	1	-	-	-	-
1520	Financial assets at fair value through other comprehensive income (Notes 8, 9 and 31)	378,528	4	-	-	-	-
1523	Available-for-sale financial assets (Notes 11 and 31)	-	-	431,384	4	446,818	5
1543	Financial assets carried at cost	-	-	71,424	1	72,624	1
1600	Property, plant and equipment (Notes 18 and 31)	189,299	2	232,151	2	236,779	3
1760	Investment property (Notes 19 and 31)	170,263	2	171,159	2	170,735	2
1840	Deferred income tax assets	79,386	1	68,108	1	64,139	1
1980	Pledged certificate of deposit (Note 31)	212,251	2	379,592	4	402,611	4
1985	Long-term prepaid rent (Note 31)	148,568	2	163,730	2	164,459	2
1990	Other non-current assets	32,409	-	58,649	-	57,794	-
15XX	Total non-current assets	1,309,786	14	1,576,197	16	1,615,959	18
1XXX	Total assets	$ 9,555,575	100	$ 9,948,622	100	$ 8,852,733	100
Code	Liabilities and Equity						
	Current liabilities						
2100	Short-term loans (Note 20)	$ 100,000	1	$ 220,000	2	$ -	-
2110	Short-term notes and bills payable (Note 20)	299,410	3	79,948	1	-	-
2120	Financial liabilities at fair value through profit or loss (Note 7)	-	-	23,849	-	25,313	-
2130	Contract liabilities (Note 23)	116,774	1	-	-	-	-
2150	Notes payable	421,505	5	388,034	4	96,143	1
2170	Accounts payable (Notes 13 and 21)	1,726,757	18	1,829,655	18	1,331,800	15
2190	Construction contract payables (Note 13)	-	-	211,709	2	226,024	3
2200	Other payables	217,470	2	236,954	2	180,926	2
2230	Current income tax liabilities	13,094	-	51,806	1	17,213	-
2260	Liabilities directly associated with non-current assets held for sale (Note 17)	1,746	-	-	-	-	-
2320	Long-term liabilities - current portion (Note 20)	600,000	6	600,000	6	600,000	7
2399	Other current liabilities (Note 17)	155,033	2	71,734	1	90,318	1
21XX	Total current liabilities	3,651,789	38	3,713,689	37	2,567,737	29
	Non-current liabilities						
2540	Long-term loans (Note 20)	350,000	3	800,000	8	950,000	11
2570	Deferred income tax liabilities	565,146	6	480,046	5	467,840	5
2600	Other non-current liabilities	67,310	1	49,315	1	43,604	1
25XX	Total non-current liabilities	982,456	10	1,329,361	14	1,461,444	17
2XXX	Total liabilities	4,634,245	48	5,043,050	51	4,029,181	46
	Equity attributable to shareholders of the parent (Note 22)						
	Capital stock						
3110	Capital from common stock	3,379,001	35	3,379,001	34	3,379,001	38
3200	Capital surplus	200,462	2	200,462	2	200,522	2
	Retained earnings						
3310	Appropriated as legal capital reserve	605,987	6	588,869	6	588,869	7
3320	Appropriated as special capital reserve	67,179	1	39,088	-	39,088	-
3350	Unappropriated earnings	745,562	8	789,811	8	707,658	8
3300	Total retained earnings	1,418,728	15	1,417,768	14	1,335,615	15
3400	Others	(52,703)	-	(67,179)	(1)	(60,141)	(1)
3500	Treasury stock	(34,835)	-	(34,835)	-	(34,835)	-
31XX	Total equity attributable to shareholders of the parent	4,910,653	52	4,895,217	49	4,820,162	54
36XX	Non-controlling interests	10,677	-	10,355	-	3,390	-
3XXX	Total equity	4,921,330	52	4,905,572	49	4,823,552	54
	Total liabilities and equity	$ 9,555,575	100	$ 9,948,622	100	$ 8,852,733	100

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

(Please refer to the Certified Public Accountants' Review Report of Deloitte & Touche Taiwan on November 8, 2018.)

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

Chien Kuo Construction Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Three-month and Nine-month Periods Ended September 30, 2018 and 2017

(Reviewed but Not Audited)

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

		Three Months Ended September 30, 2018		Three Months Ended September 30, 2017		Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Code		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operational revenues (Note 23)	$ 1,654,220	100	$ 1,449,217	100	$ 5,000,902	100	$ 3,779,246	100
5000	Operating costs (Note 24)	1,493,584	90	1,326,498	92	4,434,588	89	3,471,845	92
5900	Gross profit	160,636	10	122,719	8	566,314	11	307,401	8
	Operating expenses (Notes 24 and 30)								
6100	Marketing expenses	10,117	1	4,063	-	25,437	-	25,193	1
6200	General and administrative expenses	79,890	5	84,274	6	229,048	5	191,319	5
6000	Total operating expenses	90,007	6	88,337	6	254,485	5	216,512	6
6900	Net operating income	70,629	4	34,382	2	311,829	6	90,889	2
	Non-operating revenue and expenses (Note 24)								
7010	Other revenues	26,586	1	28,707	2	53,417	1	68,171	2
7020	Other gains and losses	(22,323)	(1)	17,222	1	(38,826)	(1)	(18,415)	-
7050	Finance costs	(6,276)	-	(8,298)	-	(20,824)	-	(22,570)	(1)
7000	Total non-operating revenue and expenses	(2,013)	-	37,631	3	(6,233)	-	27,186	1
7900	Income before tax	68,616	4	72,013	5	305,596	6	118,075	3
7950	Income tax expenses (Note 25)	26,416	2	22,907	2	140,942	3	31,302	1
8200	Net income	42,200	2	49,106	3	164,654	3	86,773	2
	Other comprehensive income								
	Items that will not be reclassified to profit or loss:								
8316	Unrealized valuation gain on investments in equity instruments at fair value through other comprehensive income	26,742	2	-	-	49,576	1	-	-
8349	Income tax relating to items that will not be reclassified	-	-	-	-	(136)	-	-	-
8310		26,742	2	-	-	49,440	1	-	-
	Items that may be reclassified to profit or loss:								
8361	Exchange differences arising from translation of foreign operations	(102,499)	(6)	48,146	3	(30,580)	-	(148,889)	(4)
8362	Unrealized valuation gain on available-for-sale financial assets	-	-	4,809	-	-	-	18,724	-
8363	Gain (Loss) on the effective portion of financial instruments that are designated as cash flow hedges	-	-	11,334	1	-	-	(7,559)	-
8367	Unrealized valuation loss on investments in debt instruments at fair value through other comprehensive income	467	-	-	-	(24)	-	-	-
8399	Income tax relating to items that may be reclassified (Note 25)	20,500	1	(8,185)	-	990	-	25,311	1
8360		(81,532)	(5)	56,104	4	(29,614)	-	(112,413)	(3)
8300	Other comprehensive income (net value after tax) for the period	(54,790)	(3)	56,104	4	19,826	1	(112,413)	(3)
8500	Total comprehensive income for the period	($ 12,590)	(1)	$ 105,210	7	$ 184,480	4	($ 25,640)	(1)
	Net profit (loss) attributable to:								
8610	Shareholders of the parent	$ 41,910	3	$ 48,531	3	$ 163,732	3	$ 86,026	2
8620	Non-controlling interests	290	-	575	-	922	-	747	-
8600		$ 42,200	3	$ 49,106	3	$ 164,654	3	$ 86,773	2
	Total comprehensive income attributable to:								
8710	Shareholders of the parent	($ 12,880)	(1)	$ 104,635	7	$ 183,558	4	($ 26,387)	(1)
8720	Non-controlling interests	290	-	575	-	922	-	747	-
8700		($ 12,590)	(1)	$ 105,210	7	$ 184,480	4	($ 25,640)	(1)
	Earnings per share (Note 26)								
9750	Basic earnings per share	$ 0.13		$ 0.15		$ 0.49		$ 0.26	
9850	Diluted earnings per share	$ 0.13		$ 0.15		$ 0.49		$ 0.26	

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

(Please refer to the Independent Auditors' Review Report of Deloitte & Touche Taiwan on November 8, 2018.)

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

Chien Kuo Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Nine-month Periods Ended September 30, 2018 and 2017
(Reviewed but Not Audited)

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

		Equity Attributable to Shareholders of the Parent												
				Retained Earnings			Others							
Code		Capital Stock	Capital Surplus	Appropriated as Legal Capital Reserve	Appropriated as Special Capital Reserve	Unappropriated Earnings	Exchange Differences Arising from Translation of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Cash Flow Hedges	Treasury Stock	Total	Non-controlling Interests	Total Equity
A1	Balance as of January 1, 2017	$ 3,379,001	$ 200,557	$ 584,661	$ 48,403	$ 783,675	$ 42,552	$ 2,161	$ -	$ 7,559	($ 34,835)	$ 5,013,734	$ 2,774	$ 5,016,508
	Appropriation and distribution of retained earnings for the year ended December 31, 2016													
B1	Legal capital reserve	-	-	4,208	-	(4,208)	-	-	-	-	-	-	-	-
B5	Cash dividends appropriated to shareholders - NT$0.50 per share	-	-	-	-	(167,150)	-	-	-	-	-	(167,150)	-	(167,150)
B17	Reversal of special capital reserve due to disposal of subsidiaries and branches	-	-	-	(9,315)	9,315	-	-	-	-	-	-	-	-
D1	Net profit for the nine-month period ended September 30, 2017	-	-	-	-	86,026	-	-	-	-	-	86,026	747	86,773
D3	Other comprehensive income after tax for the nine-month period ended September 30, 2017	-	-	-	-	-	(123,578)	18,724	-	(7,559)	-	(112,413)	-	(112,413)
D5	Total comprehensive income for the nine-month period ended September 30, 2017	-	-	-	-	86,026	(123,578)	18,724	-	(7,559)	-	(26,387)	747	(25,640)
M7	Recognized value of changes in equity of subsidiaries	-	(35)	-	-	-	-	-	-	-	-	(35)	(131)	(166)
Z1	Balance as of September 30, 2017	$ 3,379,001	$ 200,522	$ 588,869	$ 39,088	$ 707,658	($ 81,026)	$ 20,885	$ -	$ -	($ 34,835)	$ 4,820,162	$ 3,390	$ 4,823,552
A1	Balance as of January 1, 2018	$ 3,379,001	$ 200,462	$ 588,869	$ 39,088	$ 789,811	($ 109,140)	$ 41,961	$ -	$ -	($ 34,835)	$ 4,895,217	$ 10,355	$ 4,905,572
A3	Effect of retrospective application and retrospective adjustment	-	-	-	-	4,514	-	(41,961)	36,475	-	-	(972)	-	(972)
A5	Adjusted balance as of January 1, 2018	3,379,001	200,462	588,869	39,088	794,325	(109,140)	-	36,475	-	(34,835)	4,894,245	10,355	4,904,600
	Appropriation and distribution of retained earnings for the year ended December 31, 2017													
B1	Legal capital reserve	-	-	17,118	-	(17,118)	-	-	-	-	-	-	-	-
B3	Special capital reserve	-	-	-	28,091	(28,091)	-	-	-	-	-	-	-	-
B5	Cash dividends appropriated to shareholders - NT$0.50 per share	-	-	-	-	(167,150)	-	-	-	-	-	(167,150)	-	(167,150)
O1	Cash dividends appropriated to shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(600)	(600)
D1	Net profit for the nine-month period ended September 30, 2018	-	-	-	-	163,732	-	-	-	-	-	163,732	922	164,654
D3	Other comprehensive income for the nine-month period ended September 30, 2018	-	-	-	-	(136)	(29,590)	-	49,552	-	-	19,826	-	19,826
D5	Total comprehensive income for the nine-month period ended September 30, 2018	-	-	-	-	163,596	(29,590)	-	49,552	-	-	183,558	922	184,480
Z1	Balance as of September 30, 2018	$ 3,379,001	$ 200,462	$ 605,987	$ 67,179	$ 745,562	($ 138,730)	$ -	$ 86,027	$ -	($ 34,835)	$ 4,910,653	$ 10,677	$ 4,921,330

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

(Please refer to the Independent Auditors' Review Report of Deloitte & Touche Taiwan on November 8, 2018.)

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

Chien Kuo Construction Co., Ltd.

Consolidated Statements of Cash Flows

For the Nine-month Periods Ended September 30, 2018 and 2017

(Reviewed but Not Audited)

Unit: NT$1,000

Code		Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
	Cash flows from operating activities		
A10000	Income before tax	$ 305,596	$ 118,075
A20010	Gains and Losses:		
A21200	Interest revenue	(35,833)	(55,652)
A24100	Loss on foreign currency exchange	26,796	48,800
A20900	Finance costs	20,824	22,570
A20100	Depreciation expenses	20,469	21,680
A20300	Expected credit losses	14,543	-
A21300	Dividend income	(12,853)	(8,892)
A29900	Litigation compensations	11,109	-
A20200	Amortization expenses	2,918	5,083
A23100	Loss on disposal of financial assets	1,063	-
A22500	Loss on disposal of property, plant and equipment, net	802	232
A20300	Gain on reversal o f bad debts	-	(21,051)
A29900	Net gain on disposal of subsidiaries	-	(17,764)
A23100	Net loss on disposal of available-for-sale financial assets	-	248
A30000	Changes in operating assets and liabilities, net		
A31110	Financial instruments held for trading	-	92,334
A31115	Financial instruments compulsorily measured at fair value through profit or loss	656,933	-
A31125	Contract assets	(179,830)	-
A31130	Notes receivable	65,546	(50,157)
A31150	Accounts receivable	(476,481)	25,102
A31170	Construction contracts receivable	-	64,824
A31180	Other receivables	(13,598)	(125,627)
A31200	Inventories	(2,828)	677
A31200	Land held for construction	-	(463,577)
A31230	Prepayments	(259,342)	(42,283)
A31240	Other current assets	29,996	(248,139)
A31990	Other non-current assets	(431)	(17,533)

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Code		Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
A32125	Contract liabilities	($ 94,935)	$ -
A32130	Notes payable	44,925	(30,384)
A32150	Accounts payable	(100,056)	149,277
A32170	Construction contracts payable	-	(82,471)
A32180	Other payables	(19,083)	25,122
A32230	Other current liabilities	8,740	(92,387)
A32990	Others	5	53
A33000	Cash generated from (used in) operating activities	14,995	(681,840)
A33100	Interest received	47,791	60,137
A33300	Interest paid	(20,873)	(22,374)
A33500	Income tax paid	(112,407)	(31,083)
AAAA	Net cash outflow from operating activities	(70,494)	(675,160)
	Cash flows from investing activities		
B06700	Decrease (Increase) in pledged certificate of deposit	113,854	(275,513)
B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	85,583	-
B09900	Advance receipts from disposal of subsidiaries	74,559	-
B00100	Acquisition of financial assets at fair value through profit or loss	(18,318)	-
B02700	Purchase of property, plant and equipment	(14,585)	(29,210)
B07600	Receipt of cash dividends	12,853	8,892
B03800	Decrease in refundable deposits	2,549	116,783
B02800	Proceeds from disposal of property, plant and equipment	909	2,196
B00700	Decrease in investments in debt instruments with no active market	-	472,530
B02300	Net cash generated from disposal of subsidiaries	-	282,053
B00400	Proceeds from disposal of available-for-sale financial assets	-	47,012
B01200	Acquisition of financial assets carried at cost	-	(30,540)
B00300	Acquisition of available-for-sale financial assets	-	(6,058)
B01700	Decrease in hedging derivative financial liabilities	-	(668)
BBBB	Net cash generated from investing activities	257,404	587,477

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Code		Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
	Cash flows from financing activities		
C01700	Repayment of long-term loans	(450,000)	-
C00500	Increase in short-term notes and bills payable	219,462	-
C04500	Cash dividends paid	(167,150)	(167,150)
C00200	Decrease in short-term loans	(120,000)	(90,000)
C03000	Increase in guarantee deposits	17,990	6,440
C05800	Cash dividends appropriated to shareholders of subsidiaries	($ 600)	$ -
C01600	Long-term loans borrowed	-	350,000
C05400	Acquisition of equity of subsidiaries	-	(166)
CCCC	Net cash generated from (used in) financing activities	(500,298)	99,124
DDDD	Effect of changes in exchange rates on cash and cash equivalents	25,843	(94,727)
EEEE	Decrease in cash and cash equivalents	(287,545)	(83,286)
E00100	Cash and cash equivalents, beginning of period	2,518,297	2,455,448
E00200	Cash and cash equivalents, end of period	$ 2,230,752	$ 2,372,162

Reconciliation of cash and cash equivalents, end of period

Code		September 30, 2018	September 30, 2017
E00210	Cash and cash equivalents recognized on the balance sheet	$ 2,214,384	$ 2,372,162
E00240	Cash and cash equivalents included in the held-for-sale disposal group	16,368	-
E00200	Cash and cash equivalents, end of period	$ 2,230,752	$ 2,372,162

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

(Please refer to the Independent Auditors' Review Report of Deloitte & Touche Taiwan on November 8, 2018.)

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

Chien Kuo Construction Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
For the Nine-month Periods Ended September 30, 2018 and 2017
(Reviewed but Not Audited)
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. History and Organization

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

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

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

The consolidated financial statements were published upon approval of the Board of Directors on November 8, 2018.

III. Application of New Standards, Amendments and Interpretations

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

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

1. IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

The Group evaluates the classification of existing financial assets and makes a retrospective adjustment based on the facts and circumstances existing on January 1, 2018, and elects not to restate the prior reporting 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:

	Measurement Category		Carrying Amount		
Class of Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Detail
Cash and cash equivalents	Loans and receivables	Measured at amortized cost	$ 2,518,297	$ 2,518,297	-
Derivatives	Financial liabilities held for trading	Compulsorily measured at fair value through profit or loss	23,849	23,849	-
Investments in stocks	Financial assets held for trading	Investments in equity instruments measured at fair value through other comprehensive income	41,230	41,230	(1)
	Available-for-sale financial assets	Investments in equity instruments measured at fair value through other comprehensive income	274,064	274,064	-
Fund beneficiary certificates	Financial assets held for trading	Compulsorily measured at fair value through profit or loss	362,231	362,231	-
	Available-for-sale financial assets	Compulsorily measured at fair value through profit or loss	14,746	14,746	(2)
Private equity funds	Financial assets carried at cost	Compulsorily measured at fair value through profit or loss	71,424	65,733	(3)
Investments in bonds	Available-for-sale financial assets	Investments in debt instruments measured at fair value through other comprehensive income	142,574	142,574	(4)
Notes receivable, accounts receivable and other receivables	Loans and receivables	Measured at amortized cost	2,653,339	2,658,058	(5)

	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassification	Remeasurement	Carrying Amount as of January 1, 2018 (IFRS 9)	Effect of Retained Earnings as of January 1, 2018	Effect of Other Equity as of January 1, 2018	Detail
Financial assets at fair value through profit or loss	$ 403,461			$ 403,461			
Add: Reclassification from available-for-sale financial assets (IAS 39)							
- Compulsory reclassification	-	$ 14,746	$ -	14,746	$ 1,082	($ 1,082)	(2)
Less: Reclassification to financial assets at fair value through other comprehensive income - equity instruments (IFRS 9)	-	(41,230)	-	(41,230)	4,960	-	(1)
Remeasurement of financial assets carried at cost (IAS 39)	71,424	-	(5,691)	65,733	(5,691)	-	(3)
	474,885	(26,484)	(5,691)	442,710	351	(1,082)	
Financial assets at fair value through other comprehensive income	-			-			
- Debt instruments							
Add: Reclassification from available-for-sale financial assets (IAS 39)		142,574	-	142,574	(556)	556	(4)
- Equity instruments	-						
Add: Reclassification from financial assets at fair value through profit or loss (IAS 39)	-	41,230	-	41,230	-	(4,960)	(1)
Add: Reclassification from available-for-sale financial assets (IAS 39)	-	274,064	-	274,064	-	-	-
	-	457,868	-	457,868	(556)	(4,404)	
Financial assets at amortized cost	-			-			
Add: Reclassification from loans and receivables (IAS 39)	-	2,653,339	4,719	2,658,058	4,719	-	(5)
Total effects of IFRS 9	$ 474,885	$ 3,084,723	($ 972)	$ 3,558,636	$ 4,514	($ 5,486)	

(1) The Group 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, retained earnings would increase NT$4,960 thousand, and unrealized valuation loss on financial assets at fair value through other comprehensive income would decrease NT$4,960 thousand as of January 1, 2018.

(2) Fund beneficiary certificates were previously classified as available-for-sale financial assets under IAS 39. Their cash flows are not solely payments of principal and interest on the principal amount outstanding, and neither are them equity instruments. Therefore, they are compulsorily classified under IFRS 9 to be measured at fair value through profit or loss. As a result of retrospective application, other equity - unrealized gain (loss) on available-for-sale financial assets would decrease NT$1,082 thousand, and retained earnings would increase NT$1,082 thousand as of January 1, 2018.

(3) As private equity funds that were previously carried at cost under IAS 39 are remeasured at fair value through profit or loss under IFRS 9, the adjustment would result in an increase of NT$65,733 thousand in financial assets at fair value through profit or loss and a decrease of NT$5,691 thousand in retained earnings as of January 1, 2018, respectively.

(4) Based on the facts and circumstances existing on January 1, 2018, investments in bonds that were previously classified as available-for-sale financial assets under IAS 39 are held within a business model whose objective is both to collect the contractual cash flows and to sell the financial assets. Therefore, such investments are remeasured at fair value through other comprehensive income under IFRS 9, along with expected credit losses evaluated. As a result of retrospective application, retained earnings would decrease NT$556 thousand, and other equity - unrealized gain (loss) on financial assets at fair value through other comprehensive income would increase NT$556 thousand as of January 1, 2018.

(5) Notes receivable, accounts receivable and other receivables that were previously classified as loans and receivables under IAS 39 are reclassified to financial assets at amortized cost under IFRS 9, along with expected credit losses evaluated. As a result of retrospective application, the adjustment would result in a decrease of NT$4,719 thousand in loss on bad debts and an increase of NT$4,719 thousand in retained earnings as of January 1, 2018.

2. IFRS 15 “Revenue from Customer Contracts” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18, “Revenue,” IAS 11, “Construction Contracts,” and a number of revenue-related interpretations. Please refer to Note 4 for information relating to the relevant accounting policies.

Construction retainage withheld by customers in accordance with terms and conditions of a contract aims to assure that contractors satisfy their obligations. Such retainage has no significant financing component as determined by IFRS 15, and is recognized as a contract asset prior to satisfaction of contract obligations. Before the application of IFRS 15, construction retainage receivable was recognized as receivables under IAS 11 and discounted to reflect the time value of money.

The net effect of revenue recognized and amounts received and receivable is recognized as contract assets (liabilities). Before the application of IFRS 15, the net effect of the progress billings, cost incurred and recognized profit (loss) of construction contracts was recognized as construction contracts receivable (payable) under IAS 11.

Where there exist onerous contracts with customers, the Group will recognize either inventory impairment or provision for onerous contracts as required. Before the application of IFRS 15, expected losses of construction contracts were measured under IAS 11 for the adjustment in construction contracts receivable (payable).

The Group elected to retrospectively apply IFRS15 to outstanding contracts as of January 1, 2018, with the accumulated effects adjusted in retained earnings on that day.

The Group elected not to restate all amendments to contracts before December 31, 2017 but to identify performance obligations and determine and amortize transaction prices in a way that reflects the total effects of all amendments. This would reduce the complexity and cost of retrospective application without affecting the financial information.

Effect on assets and liabilities for the period

	As of January 1, 2018 Amount before Restatement	Adjustment of First-time Adoption	As of January 1, 2018 Amount after Restatement
Current assets			
Construction contracts receivable	$ 984,415	($ 984,415)	$ -
Accounts receivable	257,121	(257,121)	-
Contract assets	-	1,254,922	1,254,922
Effect on assets	$ 1,241,536	$ 13,386	$ 1,254,922
Current liabilities			
Construction contracts payable	$ 211,709	($ 211,709)	$ -
Contract liabilities	-	206,620	206,620
Provisions	-	18,475	18,475
Effect on liabilities	$ 211,709	$ 13,386	$ 225,095

The reference information under IAS 11 "Construction Contracts" as of September 30, 2018 is as follows:

	September 30, 2018 (IFRS 15)	Effect of IFRS 15	September 30, 2018 (IAS 11)
Current assets			
Construction contracts receivable	$ -	$ 1,008,607	$ 1,008,607
Accounts receivable	-	406,618	406,618
Contract assets	1,421,366	(1,421,366)	-
Effect on assets	$ 1,421,366	($ 6,141)	$ 1,415,225
Current liabilities			
Construction contracts payable	$ -	$ 126,000	$ 126,000
Contract liabilities	116,774	(116,774)	-
Provisions	15,367	(15,367)	-
Effect on liabilities	$ 132,141	($ 6,141)	$ 126,000

(II) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New Standards, Interpretations and Amendments	Effective Date Issued by IASB (Note 1)
"Annual improvements in 2015-2017 cycle"	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or	January 1, 2019 (Note 3)

New Standards, Interpretations and Amendments	Effective Date Issued by IASB (Note 1)
Settlement"	
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: Unless otherwise stated, the aforementioned new standards, interpretations and amendments are effective from the fiscal year after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

Note 3: Plan amendments, curtailment or settlement occurring after January 1, 2019 shall be applicable to this amendment.

1. IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of "Leases"

For the first-time application of IFRS 16, the Group will choose whether to conform to (or include) the lease based on IFRS 16 for the contract signed or changed after January 1, 2019. Contracts currently considered to be leasing contracts according to IAS 17 and IFRIC 4 will not be re-evaluated and will be processed in accordance with the transitional provisions of IFRS 16.

The Group is the lessee.

For the first-time application of IFRS 16, except for the low-value target asset leases and short-term leases, the leases are recognized on a straight-line basis, and other leases will recognize the right-of-use assets and lease liabilities on the consolidated balance sheets. The consolidated statements of comprehensive income will state clearly and separately the depreciation expenses of the right-of-use assets and the interest expenses accrued on the lease liabilities. The interest should be calculated using the effective rate method. On the consolidated statements of cash flows, cash payments for the principle of lease liabilities will be classified under financing activities, whereas cash payments for interest of lease liabilities will be classified under operating activities. Before the application of IFRS 16, expenses for contracts classified as operating leases were recognized through a straight-line basis, and leases prepaid for obtaining the right-of-use for land in the People's Republic of China were recognized as prepaid rent. Cash flows from operating leases are shown in operating activities in the consolidated statements of cash flows.

The Group expects to adjust the cumulative impact of the retrospective application of IFRS 16 to the retained earnings on January 1, 2019, without recompiling the comparative information.

Current agreements processed as operating rental contracts under IAS 17 will be discounted by the remaining lease payments at the increase borrowing rate of the lessee on January 1, 2019. All right-of-use assets will be measured as lease liabilities on that day. IAS 36 "Impairment of Assets" will apply to the right-of-use assets recognized.

The Group expects to adopt the following practical expedients:

(1) A single discount rate is used to measure the lease liability for a lease combination with reasonably similar characteristics.

(2) Leases that are closed before December 31, 2019, will be treated on a short-term lease basis.

(3) The original direct cost is not included in the measurement of the right-of-use assets on January 1, 2019.

(4) When measuring the lease liabilities, after sight will be used for decisions on the lease term.

<u>The Group is the lessor.</u>

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

2. Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

According to these amendments, when plan amendment, curtailment or settlement occurs, the current service cost and net interest for the remaining period of the year should be determined on the basis of the actuarial assumptions used to remeasure the net defined benefit liabilities (assets) at the time of occurrence. These amendments also clarify the effect of plan amendment, curtailment or settlement on the asset caps. The Group will defer the application of the aforementioned amendments.

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

(III) IFRSs issued by the IASB but not yet approved by the FSC and have entered into effect

New Standards, Interpretations and Amendments	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2010 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2021 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting,” endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs endorsed and issued into effect by the FSC.

(II) Basis of preparation

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

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

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

(III) Basis of consolidation

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

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

Details of subsidiaries, shareholding ratios and business items are provided in Note 16 and Appendixes 8 and 9.

(IV) Other significant accounting policies

Please refer to the summary of significant accounting policies of the consolidated financial statements for the year ended December 31, 2017 unless otherwise stated below.

1. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

(1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

A. Measurement category

<u>2018</u>

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, financial assets at amortized cost, investments in debt instruments at fair value through other comprehensive income and instruments in equity instruments at fair value through other comprehensive income.

a. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when they are compulsorily designated as at fair value through profit or loss. Financial assets compulsorily designated as at fair value through profit or loss include investments in equity instruments that are not designated by the Group to be measured at fair value through other comprehensive income and investments in debt instruments that are not qualified as to be measured at amortized cost or at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value; any remeasurement gain or loss (excluding any dividends or interests derived from such financial assets) is recognized in profit or loss. Please refer to Note 29 for the ways in which the fair value is determined.

b. Financial assets at amortized cost

Financial assets that meet the following two conditions are subsequently measured at amortized cost:

(a) The financial assets are held within a business model whose objective is to collect the contractual cash flows; and

(b) The contractual terms of equity instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortized cost, including cash and cash equivalents and accounts receivable and other receivables at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

(a) For purchased or originated credit-impaired financial assets, interest revenue is calculated at the credit-adjusted effective interest rate times the financial assets at amortized cost.

(b) For financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired, interest revenue is calculated at the effective interest rate times the financial assets at amortized cost.

Cash equivalents include time deposits with original maturities within six months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c. Investments in debt instruments at fair value through other comprehensive income

Debt instruments that meet the following two conditions are subsequently classified as financial assets at fair value through other comprehensive income:

(a) The debt instruments are held within a business model whose objective is to collect the contractual cash flows and to sell the financial assets; and

(b) The contractual terms of equity instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at fair value through other comprehensive income are measured at fair value. Changes in the carrying amount of investments in debt instruments at fair value through other comprehensive income, such as interest revenue calculated using the effective interest method, gain (loss) on foreign exchange and impairment loss or gain on reversal, are recognized in profit or loss. Other changes in the carrying amount of such instruments are recognized in other comprehensive income and will be reclassified to profit or loss when such instruments are disposed.

d. Investments in equity instruments at fair value through other comprehensive income

The Group may, at initial recognition, make an irrevocable election to designate an equity instrument that is neither held for trading nor contingent consideration arising from a business combination to be measured at fair value through other comprehensive income.

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 Group's right to receive payments is established, unless such dividends clearly represent the recovery of a part of the investment cost.

2017

Financial assets held by the Group are classified to financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss refer to financial assets held for trading.

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising from remeasurement recognized in profit or loss.

b. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

For available-for-sale equity instruments that do not have quoted prices in active markets and whose fair value cannot be reliably measured and derivatives that are connected to such equity instruments and traded by delivery of such equity instruments, they are measured at cost less impairment loss, and recognized separately as financial assets carried t cost. Such equity instruments are subsequently remeasured at fair value when their fair value can be reliably measured, and the difference between the carrying amount and the fair value is recognized in other comprehensive income, or in profit or loss in case of impairment.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive payments is established

c. Loans and receivables

Loans and receivables (including notes and accounts receivable, cash and cash equivalents and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment loss, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within six months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

B. Impairment of financial assets

<u>2018</u>

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and investments in debt instruments at fair value through other comprehensive income on the balance sheet date.

The Group recognizes lifetime expected credit losses on accounts receivable. 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

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment on each balance sheet date. Financial assets are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

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

For financial assets at amortized cost, if the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets on the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value below cost is considered objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative loss previously recognized in other comprehensive income is reclassified to profit or loss.

Impairment loss of investments in equity instruments recognized in profit or loss cannot be reversed through profit or loss. Any increase in the fair value after the recognition of impairment loss is recognized in other comprehensive income.

For financial assets at cost, the amount of impairment loss is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at similar financial asset’s market return rate. Such impairment loss should not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

C. Derecognition of financial assets

The Group derecognizes financial assets only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another party.

In and before 2017, 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 receivable 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

The recovery of the Company's own equity instruments is recognized and derecognized in equity. The purchase, sale, issue or cancellation of the Company's own equity instruments is not recognized in profit or loss.

(3) Financial liabilities

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

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(4) Derivatives

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which derivative contracts are entered into and subsequently remeasured to their fair value on the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. However, the time when derivatives that are designated as effective hedging instruments are recognized in profit or loss is subject to the nature of the hedging relationship. When the fair value of a derivative is positive, the derivative is recognized as a financial asset; when the fair value of a derivative is negative, the derivative is recognized as a financial liability.

2. Recognition of revenue

<u>2018</u>

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

(1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of concrete. When concrete is delivered to a customer’s specific location, the customer has the right to use the product and bears the risk of obsolescence. Therefore, the sale is recognized as revenue and accounts receivable at the time of delivery.

(2) Revenue from construction contracts

For real estate construction contracts, the Group 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 Group recognizes a contract liability for the difference. Certain payments retained by the customer as specified in the contract is intended to ensure that the Group adequately completes all its contractual obligations. Such retention receivables are recognized as contract assets until the Group 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 fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

A. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
B. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
C. The amount of revenue can be measured reliably;
D. It is probable that the economic benefits associated with the transaction will flow to the Group; and
E. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(2) Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract is profitable, revenue is recognized based on the proportion of work completed using the percentage of completion method during the duration of the contract. Contract costs are recognized as expenses when incurred. The percentage of completion is determined based on the proportion that contract costs incurred for work performed to the balance sheet date to the estimated total 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 contract costs incurred to date plus recognized profit less recognized loss exceed progress billings, the difference is recognized as construction contracts receivable. For contracts where progress billings exceed contract costs incurred to date plus recognized profit less recognized loss, the difference is recognized as construction contracts payable.

(3) Dividend and interest revenue

Dividend revenue 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 Group and the amount of revenue can be measured reliably.

Interest revenue from financial assets is recognized when it is probable that the economic benefits will flow to the Group and the amount of venue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

3. Retirement benefits under defined benefit plans

Pension costs for an interim period are calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, and adjusted for major market fluctuations, major project modifications, liquidations or other major one-off matters for the period.

4. Income tax

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

V. Critical Accounting Judgments, Estimates and Assumptions on Uncertainty

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

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

(I) Estimated impairment of accounts receivable

2018

The estimated impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on its past history, existing market conditions and forward-looking estimates. Details of the key assumptions used are provided in Note 12. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

2017

When there is objective evidence that shows signs of impairment, the Group should consider estimating the future cash flow. The amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

(II) Construction contracts

Revenue and cost of construction contracts are recognized separately based on the percentage of completion of contractual activities, and the percentage of completion is measured at the proportion of the contract costs incurred to date to the estimated total contract costs. Under IFRS 15, changes in incentives and compensations stipulated in the contracts will only be included in and recognized as contract revenue when relevant uncertainties are subsequently eliminated and the probability of reversing the amount of accumulated contract revenue is quite low. For contracts to which IFRS 15 is not applied, changes in contractual activities, claims and incentives will only be included in contract revenue when they are very likely to generate revenue and the amount of revenue can be reliably measured.

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

VI. Cash and Cash Equivalents

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand and revolving funds	$ 2,835	$ 2,784	$ 3,006
Bank checks and demand deposits	556,498	727,440	552,424
Cash equivalents (time deposits with original maturity date within 6 months)	1,655,051	1,788,073	1,816,732
	$ 2,214,384	$ 2,518,297	$ 2,372,162

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

September 30, 2018	December 31, 2017	September 30, 2017
0.13%~3.02%	0.13%~4.35%	0.13%~3.75%

VII. Financial Instruments at Fair Value through Profit or Loss

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets - current			
Held for trading			
Non-derivative financial assets			
- Domestic and foreign listed stocks	$ -	$ 41,230	$ 41,189
- Fund beneficiary certificates	-	362,231	449,499
Subtotal	-	403,461	490,688
Compulsorily measured at fair value through profit or loss			
Non-derivative financial assets			
- Fund beneficiary certificates	21,622	-	-
Hybrid financial assets			
- structured deposits	139,844	-	-
Subtotal	161,466	-	-
	$ 161,466	$ 403,461	$ 490,688

(Continued on next page)

(Continued from previous page)

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets - non-current			
Compulsorily measured at fair value through profit or loss			
Non-derivative financial assets			
- Fund beneficiary certificates	$ 99,082	$ -	$ -
Financial liabilities - current			
Held for trading			
Derivatives (not under hedge accounting)			
- Foreign exchange forward contracts (1)	$ -	$ 23,849	$ 25,313

(I) On the balance sheet date, outstanding foreign exchange forward contracts not under hedge accounting are as follows:

December 31, 2017

	Currency	Maturity Date	Contract Amount (in NT$1,000)
Buy	RMB/USD	January 2018	RMB21,078/USD3,000
Buy	RMB/USD	February 2018	RMB49,454/USD7,000

September 30, 2017

	Currency	Maturity Date	Contract Amount (in NT$1,000)
Buy	RMB/USD	November 2017	RMB42,104/USD6,000
Buy	RMB/USD	January 2018	RMB21,078/USD3,000
Buy	RMB/USD	February 2018	RMB49,454/USD7,000

(II) Details of financial instruments pledged at fair value through profit or loss are provided in Note 31.

VIII. Financial Assets at Fair Value through Other Comprehensive Income - 2018

	September 30, 2018
Current	
Investments in equity instruments measured at fair value through other comprehensive income	$ 42,623
Non-current	
Investments in equity instruments measured at fair value through other comprehensive income	$321,712
Investments in debt instruments measured at fair value through other comprehensive income	56,816
	$378,528

(I) Investments in equity instruments measured at fair value through other comprehensive income

	September 30, 2018
Current	
Investments in domestic listed stocks	
Common stock of Chia Hsin Cement Corporation	$ 17,927
Investments in foreign listed stocks	
Common stock of China Mobile Communications Corporation	24,696
Subtotal	$ 42,623
Non-current	
Investments in domestic listed stocks	
Common stock of Chia Hsin Cement Corporation	$ 95,257
Common stock of Taiwan Cement Corporation	226,455
Subtotal	$321,712

The Group invested in domestic and foreign common stock for long-term strategic purposes. 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 Group'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 3 and 11 for information relating to their reclassification and comparative information in 2017.

Details of pledged investments in equity instruments at fair value through other comprehensive income are provided in Note 31.

(II) Investments in debt instruments measured at fair value through other comprehensive income

1. Information on foreign bonds held by the Group is as follows: The foreign bonds were previously classified as available-for-sale financial assets under IAS 39. Refer to Notes 3 and 11 for information relating to their reclassification and comparative information in 2017.

Name	Fair Value	Coupon Rate	Effective Interest Rate	Period
POLY REAL ESTATE GROUP CO. LTD	$ 56,816	5.25%	3.33%/3.63%	5

2. Details of credit risk management and impairment evaluation of investments in debt instruments at fair value through other comprehensive income are provided in Note 9.

IX. Credit Risk Management of Investments in Debt Instruments - 2018

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

	September 30, 2018
Total Carrying Amount	$ 57,054
Allowance for loss	(58)
Amortized cost	56,996
Adjustment in fair value	(180)
	$ 56,816

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

The Group considers the historical default loss rate provided by the independent rating agencies, the debtor’s current financial status and the industry’s forward-looking forecast to measure the 12-month expected credit loss or full-lifetime expected credit loss of the investments in debt instruments. The Group’s current credit risk rating mechanism and the total carrying amount of investments in debt instruments at each credit rating are as follows:

Credit Rating	Definition	Basis of Recognition of Expected Credit Losses	Expected Credit Loss Rate	Total Carrying Amount as of September 30, 2018
Normal	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses	0.10%	$ 57,054

X. Investments in Debt Instruments with no Active Market - 2017

	December 31, 2017	September 30, 2017
Time deposits with original maturity date over six months	$ 275,547	$ 253,665

The rate intervals of investments in debt instruments with no active market on the balance sheet date are as follows:

December 31, 2017	September 30, 2017
1.95%~4.90%	1.07%~4.60%

XI. Available-for-sale Financial Assets - 2017

	December 31, 2017	September 30, 2017
Domestic investment		
Listed stocks	$ 274,064	$ 254,280
Foreign investment		
Investments in bonds (1)	142,574	178,916
Fund beneficiary certificates	14,746	13,622
	$ 431,384	$ 446,818

(I) Information on foreign bonds held by the Group as of December 31, 2017 is as follows:

Name	Coupon Rate	Effective Interest Rate	Period
POLY REAL ESTATE GROUP CO. LTD	5.25%	3.33%/3.63%	5
CHINA HUARONG ASSET MANAGEMENT CO. LTD	4.00%	3.32%/3.35% 3.36%/3.38%	4
GREENLAND HOLDINGS CORP LTD	4.38%	3.88%/3.89%	5

(II) Details of pledged available-for-sale financial assets are provided in Note 31.

XII. Notes and Accounts Receivable

	September 30, 2018	December 31, 2017	September 30, 2017
Notes receivable	$ 138,341	$ 205,622	$ 124,935
Accounts receivable			
Measured at amortized cost			
Total carrying amount	$ 2,652,486	$ 2,500,861	$ 2,044,119
Less: Allowance for loss	(85,782)	(81,113)	(76,411)
	$ 2,566,704	$ 2,419,748	$ 1,967,708

Nine Months Ended September 30, 2018

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

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

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

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

	September 30, 2018
Not overdue	$ 137,010
Less than 180 days	1,331
Total	$ 138,341

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

	September 30, 2018
Not overdue	$ 2,118,576
Less than 180 days	366,750
181~360 days	69,005
More than 361 days	98,155
Total	$ 2,652,486

The information on the changes in the allowance for accounts receivable is as follows:

	September 30, 2018
Balance, beginning of period (IAS 39)	$ 92,894
Adjustments of retrospective application of IFRS 9	(4,719)
Balance, beginning of period (IFRS 9)	88,175
Add: Impairment loss recognized	714
Less: Reclassification of non-current assets held for sale	(827)
Exchange difference	(2,280)
Total	$ 85,782

Nine Months Ended September 30, 2017

The credit policy of the Group is mainly based on the contract, and the notes and accounts receivable are not interest-bearing. Allowance for bad debts is based on estimated irrecoverable amounts determined by reference to the aging analysis, past default experience with the respective counterparties and an analysis of their current financial positions.

For the accounts receivable balances that were past due on the balance sheet date, the Group did not recognize an allowance for bad debts, because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

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

	December 31, 2017	September 30, 2017
Not overdue	$ 204,620	$ 123,847
Less than 180 days	1,002	1,088
Total	$ 205,622	$ 124,935

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

	December 31, 2017	September 30, 2017
Not overdue	$ 2,066,709	$ 1,660,090
Less than 180 days	252,217	182,958
181~360 days	80,832	109,669
More than 361 days	101,103	91,402

Total	$ 2,500,861	$ 2,044,119

The aging analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017	September 30, 2017
Less than 180 days	$ 4,205	$ 28,702
181~360 days	25,944	12,972
More than 361 days	-	-
Total	$ 30,149	$ 41,674

The above aging analysis was based on the number of days overdue.

Changes in the allowance for bad debts of notes and accounts receivable are as follows:

	Nine Months Ended September 30, 2017
Balance on January 1, 2017	$ 133,394
Reversal of bad debts	(21,051)
Disposal of subsidiaries	(9,736)
Exchange difference	(2,832)
Balance on September 30, 2017	$ 99,775

Accounts receivable consist of construction retainage receivable. Construction retainage receivable is not interest-bearing and will be recovered at the end of the retention period of the individual construction contract. As of December 31, 2017 and September 30, 2017, the recoverable amount after more than 12 months amounted to NT$33,009 thousand and NT$163,278 thousand, respectively. The aforesaid retention period, usually more than one year, is the normal business cycle of the Group.

XIII. Construction Contracts Receivable (Payable) - 2017

	December 31, 2017	September 30, 2017
Construction costs incurred plus recognized profit less recognized loss to date	$ 14,364,168	$ 13,752,858
Less: Progress billings	(13,591,462)	(13,319,064)
	$ 772,706	$ 433,794
Presentation of consolidated balance sheets		
Construction contracts receivable (payable)	$ 984,415	$ 659,818
Construction contracts payable	(211,709)	(226,024)
	$ 772,706	$ 433,794
Construction retainage receivable (Note	$ 257,121	$ 218,707

12)		
Construction retainage payable	$ 555,448	$ 520,503

XIV. Land Held for Construction

The Group acquired the land of New Taipei Industrial Park on the north side of Xinzhuang in July 2017 for the purpose of construction and sale of a building. The land is also pledged to the financial institution for loans. Please refer to Notes 20 and 31.

XV. Prepayments

	September 30, 2018	December 31, 2017	September 30, 2017
Prepayments for purchases	$ 812,105	$ 589,736	$ 181,214
Prepayments construction contracts	82,091	53,645	57,403
Tax overpaid retained	9,030	19,080	-
Prepaid insurance	8,523	10,064	7,373
Prepared income tax	7,990	-	-
Others	6,496	2,831	11,930
	$ 926,235	$ 675,356	$ 257,920

XVI. Subsidiaries

(I) Subsidiaries included in the consolidated financial statements

The entities of the consolidated financial statements are as follows:

			Percentage of Ownership			
Investor	Name of Subsidiary	Business Activities	September 30, 2018	December 31, 217	September 30, 2017	Detail
The Company	Jin Gu Limited (Jin Gu)	Investment	100%	100%	100%	
	Yin Ying Holding Limited (Yin Ying)	Investment	100%	100%	100%	
	Shun Long International Electrical Engineering Co., Ltd. (Shun Long)	Mechanical, electrical and plumbing engineering, undertaking and equipment/wholesale and retail	86.61%	86.61%	100%	
	Chien Kuo Development Co., Ltd. (Chien Kuo Development)	Building construction commission; public housing lease	100%	100%	100%	
	WeBIM Services Co., Ltd. (WeBIM Services)	Construction technology	76.5%	76.5%	76.5%	
	Anping Real Estate Co., Ltd. (Anping Real Estate)	Housing and building development and lease	100%	100%	100%	
Jin Gu and Yin Ying	Chien Kuo Construction Consultant (Kunshan) Co., Ltd. (Chien Kuo Construction Consultant)	Engineering technology; procurement planning; installation consultation	100%	100%	100%	
	Jiangsu Shili Construction Co., Ltd. (Jiangsu Shili)	Engineering technology; procurement planning; installation consultation	100%	100%	100%	
	Chien Kuo Asia Co., Ltd. (Chien Kuo Asia)	Investment	100%	100%	100%	
	Jianya (Shanghai) Information Technology Co., Ltd. (Shanghai	Computer software technology development and	100%	100%	100%	

Investor	Name of Subsidiary	Business Activities	Percentage of Ownership September 30, 2018	December 31, 217	September 30, 2017	Detail
	Information)	consultation				
	Yangzhou Chien Yung Concrete Co., Ltd. (Yangzhou Chien Yung)	Production and sale of concrete and concrete products	100%	100%	100%	
	Shun Long (Hong Kong) Limited (Hong Kong Shun Long)	International trade	100%	100%	100%	
	Suzhou Chien Hua Concrete Co., Ltd. (Suzhou Chien Hua)	Production and sale of concrete and concrete products	100%	100%	100%	
	Wuxi Chien Bang Concrete Co., Ltd. (Wuxi Chien Bang)	Production and sale of concrete and concrete products	100%	100%	100%	
	Nantong Chien Cheng Concrete Co., Ltd. (Nantong Chien Cheng)	Production and sale of concrete and concrete products	100%	100%	100%	Note 17
	Kunshan Jindi Concrete Co., Ltd. (Kunshan Jindi)	Production and sale of concrete and concrete products	-	100%	100%	
	Changzhou Changlong Handling Co., Ltd. (Changzhou Changlong)	Cargo handling	100%	100%	100%	
	Jianya (Nantong) Information Technology Consulting Co., Ltd. (Jianya Nantong)	Computer software technology development and consultation	100%	-	-	(2)
	Jianya (Yangzhou) Technology Consulting Co., Ltd. (Jianya Yangzhou)	Computer software technology development and consultation	100%	-	-	(3)

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

(1) Non-significant subsidiaries not reviewed by the independent auditors as of September 30, 2018 and 2017 were Shun Long, Chien Kuo Development, WeBIM Services, Anping Real Estate and Jin Gu.

(2) Spin-off of Nantong Chien Cheng.

(3) Spin-off of Yangzhou Chien Yung.

(II) Subsidiaries not included in the consolidated financial statements: None.

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

(I) On August 9, 2018, the Board of Directors resolved to sell the total equity of Chien Cheng to Zhongying Building Material Co., Ltd. (Zhongying) and Nantong Shenye Building Material Co., Ltd. (Shenye). Three parties entered into the equity transfer contract on September 6, 2018. As of September 30, 2018, a partial payment of NT$74,559 thousand (RMB16,800 thousand) was received in advance. The terms and conditions of the share transfer contract are as follows:

1. The date of asset transfer is set on October 25, 2018. The date of equity transfer is temporarily set on the date of transfer of shareholders from Chien Cheng to Zhongying and Shenye in December 2018.
2. The total price of the equity transfer contract is NT$119,826 thousand (RMB27,000 thousand), including land use rights, plant and equipment and other realizable assets of Chien Cheng.
3. The accounts receivable and debts generated by Chien Cheng before the date of equity transfer will continue to be collected and paid by the Group.
4. The profit or loss that has occurred before the date of equity transfer is owned by the Group.
5. In the event of force majeure after the date of asset transfer, which causes the equity transfer contract not to be fulfilled within one year after the date of asset transfer, each party has the right to rescind or terminate the contract. Zhongying and Shenye shall return all of property, plant and equipment within 15 days after the termination of the contract; after checking and accepting property, plant and equipment, the Group shall return the payments received to Zhongying and Shenye without any interest accruing.

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

	September 30, 2018
Cash	$ 16,368
Accounts receivable	15,992
Other receivables	981
Inventories	276
Prepayments	372
Other current assets	272
Property, plant and equipment	27,010
Other non-current assets	12,321
Total non-current assets held for sale	$ 73,592
Accounts payable	$ 1,459
Other payables	287
Liabilities directly associated with non-current assets held for sale	$ 1,746
Equity directly relating to non-current assets held for sale	($ 18,442)

The above held-for-sale amount is expected to exceed the carrying amount of the relevant net assets. When the assets and liabilities are classified in the held-for-sale disposal group, there is no impairment loss that should be recognized.

XVIII. Property, Plant and Equipment

	September 30, 2018	December 31, 2017	September 30, 2017
Land	$ 15,742	$ 15,742	$ 15,742
Buildings	57,319	81,263	81,087
Equipment	43,485	49,834	48,633
Transportation Equipment	8,805	10,182	11,217
Office Equipment	3,475	3,589	3,998
Leasehold improvements	13,798	16,053	16,805
Miscellaneous Equipment	46,675	55,488	59,297
	$ 189,299	$ 232,151	$ 236,779

Except for the recognition of depreciation expenses and reclassification to non-current assets held for sale, there was no material purchase, disposal or impairment of the Group's property, plant and equipment for the nine-month periods ended September 30, 2018 and 2017.

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

Buildings	
Main plant structure	61 years
Roof construction	22 years
Dock construction	22 years
Others	22 years
Leasehold improvements	4~6 years
Equipment	4~12 years
Transportation equipment	2~12 years
Office equipment	1~10 year(s)
Miscellaneous equipment	3~22 years

The amount of property, plant and equipment pledged as collateral and for acceptance is provided in Note 31.

XIX. Investment Property

	September 30, 2018	December 31, 2017	September 30, 2017
Land	$ 131,188	$ 131,188	$ 131,188
Buildings	34,964	35,806	36,087
Parking space	3,389	3,443	3,460
Construction in progress	722	722	-
	$ 170,263	$ 171,159	$ 170,735
Fair value	$ 182,136	$ 182,136	$ 185,629

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

The fair value of investment property is calculated by reference to the latest transaction price in the neighborhood.

The amount of investment property pledged as collateral is provided in Note 31.

XX. Loans

(I) Short-term loans

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured loans			
Line of credit loans	$ 100,000	$ 220,000	$ -
Annual interest rate	1.02%	0.96%~1.13%	-

(II) Short-term notes and bills payable

September 30, 2018

Guarantee/Accepting Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
Commercial papers payable					
Shanghai Commercial and Savings Bank	$150,000	($ 290)	$149,710	1.648%	None
Entie Commercial Bank	150,000	(300)	149,700	1.678%	None
	$300,000	($ 590)	$299,410		

December 31, 2017

Guarantee/Accepting Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
Commercial papers payable					
Mega Bills	$ 80,000	($ 52)	$ 79,948	0.998%	None

(III) Long-term loans

	September 30, 2018	December 31, 2017	September 30, 2017
Secured loans (Note 31)			
Syndicated loans (A)	$ 600,000	$ 1,050,000	$ 1,200,000
Bank loans (B)	350,000	350,000	350,000
	950,000	1,400,000	1,550,000
Less: Current portion	(600,000)	(600,000)	(600,000)
Long-term loans	$ 350,000	$ 800,000	$ 950,000
Annual interest rate	1.60%~2.38%	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 first supplementary contract entered into on February 7, 2017 stipulates the following:

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

(2) The current ratio and the debt ratio stated in the annual and semiannual consolidated financial statements of the Company shall not be less than 120% and 150%, respectively;

(3) The interest coverage ratio (depreciation expenses + amortization expenses + interest expenses) shall be 200% or more; and

(4) The tangible net worth shall be NT$3.5 billion or more.

For the above long-term loans, interest accrues on a monthly basis. Starting from December 30, 2017, NT$150,000 thousand should be repaid every quarter, and the final maturity date should be September 2018.

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.

XXI. Accounts Payable

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

XXII. Equity

(I) Capital stock

	September 30, 2018	December 31, 2017	September 30, 2017
Authorized shares (in 1,000 shares)	500,000	500,000	500,000
Authorized capital	$ 5,000,000	$ 5,000,000	$ 5,000,000
Number of issued and paid shares (in 1,000 shares)	337,900	337,900	337,900
Issued capital	$ 3,379,001	$ 3,379,001	$ 3,379,001

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

(II) Capital surplus

	September 30, 2018	December 31, 2017	September 30, 2017
Used to offset deficits, appropriated as cash dividends or transferred to capital stock (A)			
Stock issuance premium	$ 199,561	$ 199,561	$ 199,561
Treasury stock trading	623	623	623
Used to offset deficits			
Changes in equity of subsidiaries	-	-	338
Adjustment in capital surplus of subsidiaries using equity method	73	73	-
Not be used for any purposes			
Employee stock options	205	205	-
	$ 200,462	$ 200,462	$ 200,522

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

(III) Retained earnings and dividend policy

According to the dividend policy under the Articles of Incorporation, if the Company makes a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal capital reserve 10% of the remaining profit, setting aside or reversing special capital reserve in accordance with the laws and regulations, and then any remaining profit together with any unappropriated retained earnings shall be used by the Board of Directors as the basis for proposing a plan for the appropriation of dividends and bonuses to shareholders, which should be resolved in the shareholders’ meeting. For the policies on the appropriation of employees’ remuneration and directors and supervisors' remuneration under the Company's Articles of Incorporation, please refer to Note 24(6).

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following

Adoption of IFRSs" should be appropriated to or reversed from a special capital reserve by the Company. If other shareholders' equity deductions are reversed afterward, the reversal should be applicable to the appropriation of earnings.

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

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

The proposals to appropriate earnings for the years ended December 31, 2017 and 2016 are as follows:

	Proposal of Earnings Appropriation		Dividends per Share (NT$)	
	2017	2016	2017	2016
Appropriated as legal capital reserve	$ 17,118	$ 4,208		
Appropriated as special capital reserve	28,091	-		
Cash dividends	167,150	167,150	$ 0.50	$ 0.50

(IV) Treasury stock

The Company purchased 3,600 thousand shares of treasury stock in 2015 for the purpose of transferring to employees. As treasury stock has not been transferred for nearly 3 years, the Board of Directors resolved on the registration of share cancellation on August 9, 2018 and set the reduction of capital on October 6, 2018. On October 29, 2018, the registration of change in capital stock was completed.

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.

XXIII. Revenue

(I) Revenue from contracts with customers

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenue from construction	$ 939,819	$ 979,818	$ 2,965,234	$ 2,699,797
Revenue from the sale of goods	710,740	465,362	2,023,680	1,068,753
Revenue from other activities	3,661	4,037	11,988	10,696
	$ 1,654,220	$ 1,449,217	$ 5,000,902	$ 3,779,246

1. Revenue from construction

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

2. Revenue from the sale of goods

   Concrete is sold to builders at a price agreed in the contract.

(II) Contract balance

	September 30, 2018	
	Construction Segment	Concrete Segment
Accounts receivable (Note 12)	$ 376,589	$ 2,190,115
Contract assets		
Real estate construction	$ 1,014,748	$ -
Construction retainage receivable	406,618	-
	$ 1,421,366	$ -
Contract liabilities		
Real estate construction	$ 116,774	$ -

XXIV. Net Income

(I) Other revenue

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Interest revenue	$ 13,097	$ 19,163	$ 35,833	$ 55,652
Dividend income	12,853	8,892	12,853	8,892
Others	636	652	4,731	3,627
	$ 26,586	$ 28,707	$ 53,417	$ 68,171

(II) Other gains and losses

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Litigation compensations	($ 11,109)	$ -	($ 11,109)	$ -
Loss on foreign currency exchange, net	(4,660)	(2,112)	(10,887)	(38,144)
Gain on valuation of financial assets at fair value through profit or loss	2,266	2,785	14,341	5,610
Loss on disposal of financial assets	(1,063)	-	(1,063)	-
Gain (Loss) on disposal of property, plant and equipment, net	(577)	196	(802)	(232)
Gain (Loss) on reversal of expected credit losses	$ 110	$ -	($ 13,829)	$ -
Net gain on disposal of subsidiaries	-	17,764	-	17,764
Net loss on disposal of available-for-sale financial assets	-	(673)	-	(248)
Others	(7,290)	(738)	(15,477)	(3,165)
	($ 22,323)	$ 17,222	($ 38,826)	($ 18,415)

(III) Finance costs

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Interest expenses				
Bank loans	$ 6,276	$ 8,298	$ 20,824	$ 22,570

(IV) Depreciation and amortization expenses

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Property, plant and equipment	$ 6,377	$ 6,301	$ 19,573	$ 20,814
Investment property	299	288	896	866
Intangible assets	958	1,605	2,918	5,083
Total	$ 7,634	$ 8,194	$ 23,387	$ 26,763
Depreciation expenses summarized by functions				
Operating costs	$ 4,510	$ 4,677	$ 14,136	$ 16,616
Operating expenses	1,877	1,624	5,466	4,198
Other gains and losses	289	288	867	866
	$ 6,676	$ 6,589	$ 20,469	$ 21,680
Amortization expenses summarized by functions				
Operating costs	$ 275	$ 259	$ 817	$ 810
Operating expenses	683	1,346	2,101	4,273
	$ 958	$ 1,605	$ 2,918	$ 5,083

(V) Employee benefits

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Short-term employee benefits	$ 122,509	$ 100,670	$ 363,726	$ 316,048
Post-employment benefits				
Defined contribution plans	6,782	9,789	19,784	21,247
Defined benefit plans	105	121	347	364
Termination benefits	161	53	1,101	92
	$ 129,557	$ 110,633	$ 384,958	$ 337,751
Summarized by functions				
Operating costs	$ 69,589	$ 57,963	$ 207,174	$ 166,459
Operating expenses	59,968	52,670	177,784	171,292
	$ 129,557	$ 110,633	$ 384,958	$ 337,751

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

According to the Articles of Incorporation, the Company sets aside the remuneration of employees and directors and supervisors at the rates between 0.1%~3% and no higher than 3% of profit before tax, respectively. For the three-month and nine-month periods ended September 30, 2018 and 2017, the remuneration of employees and directors and supervisors are as follows:

	Three Months Ended September 30, 2018		Three Months Ended September 30, 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Employees' remuneration	$ 1,567	3%	$ 1,698	2.9%
Directors and supervisors' remuneration	$ 1,567	3%	$ 1,698	2.9%

	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Employees' remuneration	$ 7,590	3%	$ 3,102	2.9%
Directors and supervisors' remuneration	$ 7,590	3%	$ 3,102	2.9%

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

The remuneration of employees and directors and supervisors are as follows:

	2017		2016	
	Cash	Percentage (%)	Cash	Percentage (%)
Employees' remuneration	$ 6,417	3%	$ 981	2%
Directors and supervisors' remuneration	6,417	3%	1,470	3%
	$ 12,834		$ 2,451	

The actual remuneration of employees and directors and supervisors for the years ended December 31, 2017 and 2016 were consistent with the amounts recognized in the consolidated financial statements for the years ended December 31, 2017, and 2016.

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

XXV. Income Tax

(I) Income tax recognized in profit or loss

Major components of income tax expenses are as follows:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Current income tax				
Income tax expenses recognized in the period	$ 19,813	$ 30,744	$ 67,238	$ 32,623
Adjustments from previous years	-	(1,653)	(973)	(10,167)
	19,813	29,091	66,265	22,456
Deferred income tax				
Income tax expenses recognized in the period	6,603	(6,184)	47,321	332
Adjustments from previous years	-	-	-	8,514
Changes in tax rates	-	-	27,356	-
	6,603	(6,184)	74,677	8,846
Income tax expenses recognized in profit or loss	$ 26,416	$ 22,907	$ 140,942	$ 31,302

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

(II) Income tax recognized in other comprehensive income

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Deferred income tax				
Changes in tax rates	$ -	$ -	$ 5,262	$ -
Income tax expenses recognized in the period				
— Exchange differenc arising from translati of foreign operations	(20,500)	8,185	(6,116)	(25,311)
	($ 20,500)	$ 8,185	($ 854)	($ 25,311)

(III) Income tax assessments

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

Company Name	Year
The Company	2016
Chien Kuo Development Co., Ltd.	2016
Shun Long International Electrical Engineering Co., Ltd.	2016
WeBIM Services Co., Ltd.	2016
Anping Real Estate Co., Ltd.	2016

XXVI. Earnings per Share

Unit: NT$1/share

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Basic earnings per share	$ 0.13	$ 0.15	$ 0.49	$ 0.26
Diluted earnings per share	$ 0.13	$ 0.15	$ 0.49	$ 0.26

The profits and weighted average number of common stocks used for the calculation of EPS were as follows:

Net income

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net income attributable to shareholders of the parent	$ 41,910	$ 48,531	$ 163,732	$ 86,026

Number of shares

Unit: 1,000 shares

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Weighted average number of common stocks used for the calculation of basic earnings per share	334,300	334,300	334,300	334,300
Effect of dilutive potential common stocks:				
Employees' remuneration	649	288	835	323
Weighted average number of common stocks used for the calculation of diluted earnings per share	334,949	334,588	335,135	334,623

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

XXVII. Disposal of Subsidiaries

The Group entered into the equity transfer contract regarding the disposal of Guangxi Hefa Mining Co., Ltd. and Kunshan Jianshan Concrete Co., Ltd. on July 20, 2015 and March 15, 2017, respectively. After completing the disposal of Guangxi Hefa Mining Co., Ltd. and Kunshan Jianshan Concrete Co., Ltd. on September 22, 2017 and August 23, 2017, respectively, the Group lost control over these two subsidiaries. The proceeds from disposal of Guangxi Hefa Mining Co., Ltd. and Kunshan Jianshan Concrete Co., Ltd. amounted to NT$185,216 thousand (RMB40,312 thousand) and NT$431,423 thousand (RBM95,000 thousand), respectively. As of September 30, 2017, NT$6,839 thousand (RMB1,500 thousand) remained to be collected by Guangxi Hefa Mining Co., Ltd.; the said amount was collected in full in December 2017.

(I) Analysis on assets and liabilities over which the Group lost control

	September 30, 2017	
	Guangxi Hefa Mining Co., Ltd.	Kunshan Jianshan Concrete Co., Ltd.
Current assets		
Cash and cash equivalents	$ 25,714	$ 123,656
Notes receivable	-	101,433
Accounts receivable	38,986	179,794
Other receivables	10,087	3,529
Inventories	6,268	6,154
Prepayments	6,342	3,603
Other current assets	1,685	38
Non-current assets		
Property, plant and equipment	99,502	51,077
Other non-current assets	13,435	11,813
Current liabilities		
Accounts payable	-	(25,887)
Other payables	(19,109)	(66,961)
Current income tax liabilities	(8)	(763)
Other current liabilities	-	(8,509)
Net assets disposed	$ 182,902	$ 378,977

(II) Gain on disposal of subsidiaries

	September 30, 2017	
	Guangxi Hefa Mining Co., Ltd.	Kunshan Jianshan Concrete Co., Ltd.
Consideration received	$ 185,216	$ 431,423
Net assets disposed	(182,902)	(378,977)
Cumulative exchange differences in net assets and related hedging instruments reclassified from equity to profit or loss due to loss of control over subsidiaries	7,142	(18,483)
Profit or loss from cash flow hedges	(10,764)	(14,891)
Gain (Loss) on disposal	($ 1,308)	$ 19,072

(III) Net cash generated from (used in) disposal of subsidiaries

	September 30, 2017	
	Guangxi Hefa Mining Co., Ltd.	Kunshan Jianshan Concrete Co., Ltd.
Consideration received in cash and cash equivalents	$ -	$ 431,423
Less: Balance of cash and cash equivalents disposed	(25,714)	(123,656)
	($ 25,714)	$ 307,767

XXVIII. Capital Risk Management

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

XXIX. Financial Instruments

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

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

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

1. Fair value level

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Foreign funds	$ 34,952	$ -	$ -	$ 34,952
Private equity funds	-	-	85,752	85,752
Structured deposits	-	139,844	-	139,844
Financial assets at fair value through other comprehensive income				
Domestic and foreign listed stocks	364,335	-	-	364,335
Investments in foreign bonds	-	56,816	-	56,816
Total	$ 399,287	$ 196,660	$ 85,752	$ 681,699

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic and foreign listed stocks	$ 41,230	$ -	$ -	$ 41,230
Foreign funds	362,231	-	-	362,231
Available-for-sale financial assets				
Domestic listed stocks	274,064	-	-	274,064
Investments in foreign bonds	-	142,574	-	142,574
Foreign funds	14,746	-	-	14,746
Total	$ 692,271	$ 142,574	$ -	$ 834,845
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 23,849	$ -	$ 23,849

September 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic and foreign listed stocks	$ 41,189	$ -	$ -	$ 41,189
Foreign funds	449,499	-	-	449,499
Available-for-sale financial assets				
Domestic listed stocks	254,280	-	-	254,280
Investments in foreign bonds	-	178,916	-	178,916
Foreign funds	13,622	-	-	13,622
Total	$ 758,590	$ 178,916	$ -	$ 937,506
Derivative financial liabilities for hedging				
Forward exchange contracts	$ -	$ 25,313	$ -	$ 23,849

There was no transfer of fair values between Level 1 and Level 2 for the nine-month periods ended September 30, 2018 and 2017.

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

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

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

The fair values of private equity funds with no active market are measured using the asset approach.

The asset approach evaluates the fair value based on the net worth of assets provided by a fund company. The unobservable inputs used by the Group as of September 30, 2018 were discounted by 10% for liquidity and minority interests. If the liquidity or minority interest is reduced by 1%, the fair value will be reduced by NT$952 thousand on condition that other inputs remain unchanged.

(III) Category of financial instruments

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets			
Measured at fair value through profit or loss			
Held for trading	$ -	$ 403,461	$ 490,688
Compulsorily measured at fair value through profit or loss	260,548	-	5,721,537
Loans and receivables (A)	-	6,183,820	519,442
Available-for-sale financial assets (B)	-	502,208	-
Financial assets at amortized cost (C)	4,936,768	-	-
Financial assets at fair value through other comprehensive income			
Investments in equity instruments	364,335	-	-
Investments in debt instruments	56,816	-	-
Financial liabilities			
Financial liabilities at fair value through profit or loss	-	23,849	25,313
Financial liabilities at amortized cost (D)	3,715,142	4,154,591	3,158,869

Note 1. The balance includes cash and cash equivalents, investments in debt instruments with no active market, notes and accounts receivable and other receivables, pledged certificate of deposit and reserve accounts and other loans and receivables at amortized cost.

Note 2. The balance includes available-for-sale financial assets and financial assets carried at cost.

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

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

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

1. Market risk

(1) Foreign exchange risk

The carrying amounts of monetary assets and monetary liabilities denominated in foreign currencies on the balance sheet date are provided in Note 33.

Sensitivity analysis

The Group is mainly exposed to RMB and USD fluctuations.

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

	Effect on Profit or Loss	
	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
RMB	$ 793	$ 24
USD	61	6,070

(2) Interest rate risk

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

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

	September 30, 2018	December 31, 2017	September 30, 2017
Fair value interest rate risk			
－Financial assets	$ 1,655,051	$ 2,063,620	$ 2,070,397
－Financial liabilities	999,410	1,349,948	1,200,000
Cash flow interest rate risk			
－Financial assets	556,498	727,440	552,424
－Financial liabilities	350,000	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. For liabilities at floating rates, the analysis assumes them to be in circulation on the balance sheet date (that is, to be in circulation throughout the reporting period). A 100 basis point increase or decrease is used when reporting the interest rate risk internally to the key management, and represents the management's assessment of the reasonably possible changes in interest rates.

If the interest rate is 100 basis points higher/lower and all other variables are held constant, the Group's profit before tax should increase/decrease by NT$1,549 thousand and by NT$1,518 thousand for the nine-month periods ended September 30, 2018 and 2017, respectively.

(3) Other price risk

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

Sensitivity analysis

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

If the equity price is 10% higher/lower, profit or loss before tax for the nine-month period ended September 30, 2018 should increase/decrease by NT$12,070 thousand as a result of the increase/decrease in the fair value of financial assets at fair value through profit or loss, and other comprehensive income before tax for the nine-month period ended September 30, 2018 should increase/decrease by NT$36,434 thousand as a result of the increase/decrease in the fair value of financial assets at fair value through other comprehensive income.

If the equity price is 10% higher/lower, profit or loss before tax for the nine-month period ended September 30, 2017 should increase/decrease by NT$49,069 thousand as a result of the gain or loss on equity instruments at fair value through profit or loss, and the effect on shareholders' equity should increase/decrease by NT$26,790 thousand as a result of the gain or loss on available-for-sale equity instruments.

2. Credit risk

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

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

3. Liquidity risk

(1) The cash flow forecast is performed by each operating entity of the Group and compiled by the finance department. The finance department monitors the cash forecast to ensure that the Group's funds are adequate to finance its operations.

(2) The following tables detail the Group's non-derivative financial liabilities grouped by the maturity date. Non-derivative financial liabilities are analyzed based on the remaining contractual maturity. The contractual cash flows disclosed below are undiscounted, including principals and interest.

September 30, 2018

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

December 31, 2017

	Less than 1 Year	1~2 Year(s)	2~5 Years
Non-interest bearing liabilities	$ 2,392,254	$ 47,820	$ 14,569
Fixed interest rate instruments	899,948	450,000	-
Floating interest rate instruments	-	-	350,000
	$ 3,292,202	$ 497,820	$ 364,569

September 30, 2017

	Less than 1 Year	1~2 Year(s)	2~5 Years
Non-interest bearing liabilities	$ 1,522,002	$ 66,681	$ 20,186
Fixed interest rate instruments	600,000	600,000	-
Floating interest rate instruments	-	-	350,000
	$ 2,122,002	$ 666,681	$ 370,186

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

(3) Financing facilities

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured bank loan facilities			
－Amount used	$ 400,000	$ 300,000	$ -
－Amount unused	1,491,085	787,560	1,090,560
	$ 1,891,085	$ 1,087,560	$ 1,090,560
Secured bank loan facilities			
－Amount used	$ 950,000	$ 1,400,000	$ 1,550,000
－Amount unused	100,000	219,495	219,495
	$ 1,050,000	$ 1,619,495	$ 1,769,495

XXX. Related Party Transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and thus are not disclosed in this note. In addition to those disclosed in other notes, transactions between the Group and other related parties are as follows.

(I) Names and relationships of related parties

Name of Related Party	Relationship with the Group
Jianhui Investment Co., Ltd. (Jianhui Investment)	The chairperson of Jianhui Investment is the vice chairperson of the Company.
Chien Kuo Foundation for Arts and Culture	The chairperson of the foundation is the vice chairperson of the Company.
Yang, Tzu-Chiang	Director of the Company
Yang, Pang-Yen	Director of the Company

(II) Other related party transactions

1. Rent expenses

The Group rents the office from Jianhui Investment based on the local standards. The rent is paid on a monthly basis.

Category/Name of Related Party	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Jianhui Investment	$ 1,437	$ 1,437	$ 4,311	$ 4.311

2. Donation expenses

On March 29, 2018, the Board of Directors resolved to sponsor the broadcast production of Chien Kuo Foundation for Arts and Culture, and NT$1,620 thousand was recognized in the donation expenses in Q2 of 2018.

3. Acquisition of financial assets

In January 2018, the Group invested NT$18,318 thousand (US$600 thousand) in CSVI VENTURES, L.P. based on the decision made by the directors of the Company.

(III) Remuneration to key management

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Short-term employee benefits	$ 9,102	$ 7,407	$ 37,885	$ 35,940
Post-employment benefits	315	294	894	899
	$ 9,417	$ 7,701	$ 38,779	$ 36,839

XXXI. Pledged Assets

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

		September 30, 2018	December 31, 2017	September 30, 2017
Land held for construction		$ 463,577	$ 463,577	$ 463,577
Financial assets at fair value through profit or loss - current	$ -	139,844	-	-
Pledged certificate of deposit and reserve accounts - current (recognized in	$ -	151,070	357,045	311,155

other current assets)				
Pledged certificate of deposit and reserve accounts - non-current	78,194	212,251	379,592	402,611
Financial assets at fair value through other comprehensive income - non-current	131,675	105,561	-	-
Investment property	23,144	32,265	32,695	32,839
Property, plant and equipment	158,060	19,040	20,816	21,291
Long-term prepaid rent	33,269	4,729	4,958	4,999
Available-for-sale financial assets	131,675	-	26,700	24,800
	5,205	$ 1,128,337	$ 1,285,383	$ 1,261,272

XXXII. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

Contingencies

(I) The construction of National Kaohsiung Center for the Arts (the Project) was completed by the Company on December 16, 2016. The Ministry of Culture (the Ministry) initiated the preliminary inspection on February 20, 2017. Due to the needs of the Ministry, work completed was delivered for use per the Ministry's instructions, while other interface projects were still under construction. The Ministry even opened some amenities to the public without operating related equipment to maintain the appropriate temperature and humidity, leading to unexpected damage to and defects in civil works. The Ministry requested the Company to repair the damaged part, making the Project fail to meet the acceptance standards within the deadline. The Ministry also planned to impose liquidated damages for delay on the Company. Finding such legality false, unfair and unreasonable, the Company proposed reconciliation to the Complaint Review Board for Government Procurement under the Public Construction Commission, Executive Yuan on October 9, 2018. The case is currently being reconciled.

(II) On July 20, 2014, Shing Tzung Development Co., Ltd. (Shing Tzung) and its person in charge, Lu, Kuo-Feng performed the diaphragm wall construction for the building (3 floors underground and 26 floors above ground) at Lingzhou section land No. 537 in Kaohsiung City, which caused the severe tilts, wall cracks and subsidence of the buildings at Lane 187, Ziqiang 3rd Road. As the Company actively participated in repairs, 25 owners of the damaged buildings transferred a certain amount of their claims to the Company. The Company exercised the provisional attachment against Shing Tzung and its person in charge and requested Shing Tzung and its person in charge to pay NT$25 million, jointly and severally, with statutory interest for delay accruing. The court of first instance ruled that the appeal of the Company was dismissed. Based on the ruling, the Company has accrued loss of NT$14 million in Q2 of 2018. After consulting the attorney in charge of this case, the Company found that the grounds for the ruling had no particularly adverse impact and resolved not to appeal. In Q3 of 2018, the Company recognized remaining NT$1,100 as loss.

Originally, Shing Tzung requested the diaphragm wall contractor to compensate for its damage arising from the damage to adjacent property. With insufficient capital, the contractor reversely requested the Company to compensate Shing Tzung for its damage arising from the damage to adjacent property. As the Company also suffered loss from the damage to adjacent property, the Company thus requested Shing Tzung to compensate for the repair expenses and return the promissory note for performance. These two cases are currently being tried by the Taiwan Ciaotou District Court. Currently, Kaohsiung Association of Civil Engineering Technician and Taiwan Professional Geotechnical Engineers Association of Kaohsiung City are authorized by the court to carry out the accreditation together.

(III) Kun Yi Construction Co., Ltd. (Kun Yi) entered into the earthwork and base preparation contract (Earthwork Contract) and the retaining wall construction contract (Retaining Wall Contract) with the Company in 2010. 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. The Taiwan Taipei District Court has ruled that the Company won the case, but Kun Yi can still appeal, so the case has not yet been closed.

(IV) 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 case is currently being tried by the Taiwan Taipei District Court.

(V) As of September 30, 2018, the performance guarantee letters issued by the bank for construction projects amounted to NT$1,619,943 thousand.

(VI) As of September 30, 2018, the guaranteed bills issued by the Company for business needs amounted to NT$473,063 thousand.

XXXIII. Significant Financial Assets and Liabilities Denominated in Foreign Currencies

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

Unit: Foreign currency/NT$1,000

September 30, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
CNY	$ 17,871	0.1454 (RMB:USD)	$ 79,311
USD	200	30.53 (USD:NTD)	6,106
			$ 85,417

December 31, 2017

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 20,092	29.76 (USD:NTD)	$ 597,938
CNY	1,999	0.1530 (RMB:USD)	9,104
			$ 607,042

September 30, 2017

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 20,060	30.26 (USD:TWD)	$ 607,016
RMB	521	0.1507 (CNY:USD)	2,375
			$ 609,391

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

	Three Months Ended September 30, 2018		Three Months Ended September 30, 2017	
	Exchange Rate	Gain (Loss) on Foreign Currency Exchange, Net	Exchange Rate	Gain (Loss) on Foreign Currency Exchange, Net
Financial assets				
RMB	0.1536 (RMB:USD)	($ 4,390)	0.1470 (RMB:USD)	$ 403
USD	29.91 (USD:NTD)	101	30.54 (USD:NTD)	(37,835)
		($ 4,289)		($ 37,432)

	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	Exchange Rate	Gain (Loss) on Foreign Currency Exchange, Net	Exchange Rate	Loss on Foreign Currency Exchange, Net
Financial assets				
RMB	0.1536 (RMB:USD)	($ 3,111)	0.1470 (RMB:USD)	($ 1,392)
USD	29.91 (USD:NTD)	101	30.54 (USD:NTD)	(39,595)
		($ 3,010)		($ 40,987)

XXXIV. Supplementary Disclosures

Information on (1) significant transactions and (2) invested companies is as follows:

1. Financing provided: Please refer to Appendix 1.
2. Endorsements/guarantees provided: Please refer to Appendix 2.
3. Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Please refer to Appendix 3.
4. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Please refer to Appendix 4.
5. Acquisition of real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.
6. Disposal of real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.
7. Purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please refer to Appendix 5.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please refer to Appendix 6.
9. Derivatives trading: Please refer to Appendix 7.

10. Others: Inter-company relationships and significant inter-company transactions: Please refer to Appendix 7.
11. Information on invested companies: Please refer to Appendix 8.

(III) Information on investments in mainland China:

1. Information on invested companies in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss on investments, carrying amount of investment at the end of the period, gain on repatriated investment and ceiling of investments in mainland China: Please refer to Appendix 9.
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.

XXXV. Segment Information

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

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

Concrete Segment: Production and sale of concrete and concrete products.

Segment revenue and results

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

	Segment Revenue	Segment Profit or Loss

	Nine Months Ended September 30, 2018	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018	Three Months Ended September 30, 2018
Construction Segment	$ 2,977,222	$ 943,480	$ 123,035	$ 26,068
Concrete Segment	2,023,680	710,740	251,412	65,129
Total revenue from continuing operations	$ 5,000,902	$ 1,654,220	374,447	91,197
Other revenues			53,417	26,586
Other gains and losses			(38,826)	(22,323)
Headquarters management costs and directors' remuneration			(62,618)	(20,568)
Finance costs			(20,824)	(6,276)
Income before tax			$ 305,596	$ 68,616

	Segment Revenue		Segment Profit or Loss	
	Nine Months Ended September 30, 2017	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017	Three Months Ended September 30, 2017
Construction Segment	$ 2,710,493	$ 983,855	$ 148,094	$ 42,847
Concrete Segment	1,068,753	465,362	(3,337)	11,192
Total revenue from continuing operations	$ 3,779,246	$ 1,449,217	144,757	54,039
Other revenues			68,171	28,707
Other gains and losses			(18,415)	17,222
Headquarters management costs and directors' remuneration			(53,868)	(19,657)
Finance costs			(22,570)	(8,298)
Income before tax			$ 118,075	$ 72,013

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

Chien Kuo Construction Co., Ltd. and Subsidiaries

Financing Provided

For the Nine Months Ended September 30, 2018

Appendix 1

Unit: NT$1,000

No.	Financing Company	Counterparty	Financial Statement Account	Related Party (Y/N)	Maximum Balance	Ending Balance	Amount Actually Provided	Interest Rate	Nature of Financing (Note 1)	Amount of Transaction	Reason for Financing	Allowance for Bad Debts	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Ceiling	Note
													Item	Value			
0	Chien Kuo Construction Co., Ltd.	Chien Kuo Development Co., Ltd.	Other receivables	Yes	$ 300,000	$ 300,000	$ -	1.2%	(1)	$ -	Operating capital	$ -	-	$ -	20% of the parent's net worth $ 984,707	40% of the parent's net worth $ 1,969,413	
1	Jianya (Shanghai) Information Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	82,865	79,884	79,884	6.0%	(1)	-	Operating capital	-	-	-	100% of the company 150,486	100% of the company 150,486	
2	Jianya (Nantong) Information Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	162,051	159,768	159,768	6.0%	(1)	-	Operating capital	-	-	-	100% of the company 160,782	100% of the company 160,782	
3	Jianya (Yangzhou) Technology Consulting Co., Ltd.	Wuxi Chien Bang Concrete Co., Ltd.	Other receivables	Yes	81,025	79,884	79,884	6.0%	(1)	-	Operating capital	-	-	-	100% of the company 248,539	100% of the company 248,539	
3	Jianya (Yangzhou) Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Other receivables	Yes	171,053	168,644	168,644	6.0%	(1)	-	Operating capital	-	-	-	100% of the company 248,539	100% of the company 248,539	

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

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

Note 2: For financing denominated in foreign currencies, it was presented in NTD at the exchange rate of 1:4.438 (CNY:TWD) on September 30, 2018.

Chien Kuo Construction Co., Ltd. and Subsidiaries

Endorsements/Guarantees Provided

For the Nine Months Ended September 30, 2018

Appendix 2

Unit: NT$1,000

No.	Endorsement/Guarantee Provider Name	Guaranteed Party		Limit on Endorsements/Guarantees Provided for Each Guaranteed Party (Notes 1, 2 and 4)	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Amount Actually Provided (Note 1)	Amount of Endorsements/Guarantees Secured by Property	Ratio of Accumulated Endorsements/Guarantees to Net Equity in the Latest Financial Statements	Maximum Endorsement/Guarantee Amount Allowable (Notes 1, 3 and 4)	Endorsements/Guarantees Provided by Parent	Endorsements/Guarantees Provided by Subsidiary	Endorsements/Guarantees Provided for Subsidiary in Mainland China	Note
		Name	Relationship											
0	Chien Kuo Construction Co., Ltd.	Chien Kuo Asia Co., Ltd.	Sub-subsidiary	$ 2,461,767	$ 179,700	$ 91,590	$ -	$ -	1.86%	$ 4,923,533	Y	N	N	Financing endorsement/guarantee
		Suzhou Chien Hua Concrete Co., Ltd.	Sub-subsidiary	2,461,767	177,239	170,863	97,192	-	3.47%	4,923,533	Y	N	Y	Financing endorsement/guarantee
		Wuxi Chien Bang Concrete Co., Ltd.	Sub-subsidiary	2,461,767	177,238	170,863	117,607	-	3.47%	4,923,533	Y	N	Y	Financing endorsement/guarantee
		Shun Long International Electrical Engineering Co., Ltd.	Subsidiary	2,461,767	50,000	50,000	-	-	1.02%	4,923,533	Y	N	N	Financing endorsement/guarantee
1	Jin Gu Limited	Chien Kuo Construction Co., Ltd.	Parent	11,304,444	184,320	183,180	183,180	183,180	6.48%	11,304,444	N	Y	N	Financing endorsement/guarantee

Disclosure:

Note 1: For endorsements/guarantees denominated in foreign currencies, they were presented in NTD at the exchange rate of 1:30.53 (USD:TWD) on September 30, 2018.

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

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

Chien Kuo Construction Co., Ltd. and Subsidiaries

Marketable Securities Held

September 30, 2018

Appendix 3

Unit: NT$1,000

Holding Company	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2018				Note
				Number of Shares (in Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Chien Kuo Construction Co., Ltd.	Shares							
	Taiwan Cement Corporation	—	Financial assets at fair value through other comprehensive income - non-current	5,510	$ 226,455	0.11	$ 226,455	Note 5
	Chia Hsin Cement Corporation	—	Financial assets at fair value through other comprehensive income - non-current	6,853	95,257	0.88	95,257	Note 1
	Chia Hsin Cement Corporation	—	Financial assets at fair value through other comprehensive income - current	1,114	15,491	0.14	15,491	—
Jin Gu Limited	Funds							
	YUANTA DIAMOND FUNDS SPC －YUANTA PRIVATE EQUITY FUND SP	—	Financial assets at fair value through profit or loss - non-current	10	32,169	-	32,169	—
	PVG GCN VENTURES, L.P.	—	Financial assets at fair value through profit or loss - non-current	-	27,533	5.00	27,533	—
	CSVI VENTURES, L.P.	Note 3	Financial assets at fair value through profit or loss - non-current	-	26,050	5.10	26,050	—
	Shares							
	Chia Hsin Cement Corporation	—	Financial assets at fair value through other comprehensive income - current	175	2,436	0.02	2,436	—
	Bonds							
	POLY REAL ESTATE GROUP CO. LTD	—	Financial assets at fair value through other comprehensive income - non-current	1,850	56,816	-	56,816	—

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Holding Company	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2018				Note
				Number of Shares (in Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Wuxi Chien Bang Concrete Co., Ltd.	Funds							
	Jinniu China New Dynamic Fund	—	Financial assets at fair value through profit or loss - non-current	3,086	$ 13,330	-	$ 13,330	—
	Shares							
	Common stock of China Mobile Communications Corporation	—	Financial assets at fair value through other comprehensive income - current	82	24,696	-	24,696	—
	Structured deposits							
	OCBC Bank (China) Limited.	—	Financial assets at fair value through profit or loss - current	-	78,393	-	78,393	Note 4
	Fubon Bank (China)	—	Financial assets at fair value through profit or loss - current	-	32,729	-	32,729	Note 4
Suzhou Chien Hua Concrete Co., Ltd.	Structured deposits							
	Fubon Bank (China)	—	Financial assets at fair value through profit or loss - current	-	28,722	-	28,722	Note 4
Yangzhou Chien Yung Concrete Co., Ltd.	Funds							
	China International Fund Management Co., Ltd. Money Market Fund	—	Financial assets at fair value through profit or loss - current	4,872	21,622	-	21,622	—

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

Note 2: Please refer to Appendixes 8 and 9 for information on investments in subsidiaries.

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

Note 4: The structured deposits are pledged to the banks for acceptance.

Note 5: 1,892 thousand shares are pledged to the bank as collateral for the lawsuit against Shing Tzung.

Chien Kuo Construction Co., Ltd. and Subsidiaries

Marketable Securities Acquired and Disposed of at Costs or Prices of at Least NT$300 Million or 20% of the Paid-in Capital

For the Nine Months Ended September 30, 2018

Appendix 4

Unit: NT$1,000

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Change in Valuation Profit or Loss	Effect of Exchange Rate	Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Selling Price	Carrying Value	Gain (Loss) on Disposal			Number of Shares	Amount
Wuxi Chien Bang Concrete Co., Ltd.	China International Fund Management Co., Ltd. Money Market Fund	Financial assets at fair value through profit or loss	—	—	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. Money Market Fund	Financial assets at fair value through profit or loss	—	—	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. Money Market Fund	Financial assets at fair value through profit or loss	—	—	-	-	60,872 (Note 2)	275,932	56,000	255,214	255,214	-	4,006	(3,102)	4,872	21,622
Nantong Chien Cheng Concrete Co., Ltd.	China International Fund Management Co., Ltd. Money Market Fund	Financial assets at fair value through profit or loss	—	—	-	-	32,679 (Note 3)	152,079	32,679	152,216	152,216	-	829	(692)	-	-

Note 1: Bonuses awarded.

Note 2: 872 units are bonuses awarded.

Note 3: 179 units are bonuses awarded.

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

For the Nine Months Ended September 30, 2018

Appendix 5

Unit: NT$1,000
(Unless otherwise specified)

Company Name	Related Party	Relationship	Transaction				Abnormal Transaction		Notes and Accounts Receivable (Payable)		Note (Note 2)
			Purchases/Sales	Amount	Percentage (%) to Total	Credit Period	Unit Price	Credit Period	Ending Balance	Percentage (%) to Total	
Chien Kuo Construction Co., Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiary	Purchases	$ 220,865	8.32%	Subject to the agreement	-	-	($ 136,197)	(12.34%)	
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co., Ltd.	Parent	Sales	(220,865)	(70.08%)	Subject to the agreement	-	-	93,029	100%	

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

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

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

Chien Kuo Construction Co., Ltd. and Subsidiaries

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

September 30, 2018

Appendix 6

Unit: NT$1,000
(Unless otherwise specified)

Company Name	Related Party	Relationship	Ending Balance	Turnover Days	Overdue Receivables from Related Parties		Accounts Received in Subsequent Periods	Allowance for Bad Debts
					Amount	Action Taken		
Jianya (Nantong) Information Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Direct or indirect investment by the Company	Other receivables NT$159,768	-	$ -		$ -	$ -
Jianya (Yangzhou) Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	Direct or indirect investment by the Company	Other receivables NT$168,644	-	-		-	-

Chien Kuo Construction Co., Ltd. and Subsidiaries

Inter-company Relationships and Significant Inter-company Transactions

For the Nine Months Ended September 30, 2018

Appendix 7

Unit: NT$1,000

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Inter-company Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Revenue or Total Assets
0	Chien Kuo Construction Co., Ltd.	WeBIM Services Co., Ltd.	(1)	Construction costs	$ 2,513	Note 3	0.05%
			(1)	Miscellaneous revenue	1,290	Note 2	0.03%
		Shun Long International Electrical Engineering Co., Ltd.	(1)	Prepayments	26,938	Note 4	0.28%
			(1)	Construction costs	220,865	Note 4	4.42%
			(1)	Construction contracts receivable	638,030	Note 4	6.68%
			(1)	Accounts payable	136,197	Note 4	1.43%
1	Chien Kuo Development Co., Ltd.	Anping Real Estate Co., Ltd.	(3)	Other receivables	7,200	Note 5	0.08%
2	Jianya (Shanghai) Information Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	(3)	Other receivables	79,884	Note 6	0.84%
			(3)	Interest revenue	1,404	Note 4	0.03%
3	Jianya (Nantong) Information Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	(3)	Other receivables	159,768	Note 6	1.67%
			(3)	Interest revenue	1,075	Note 4	0.02%
4	Jianya (Yangzhou) Technology Consulting Co., Ltd.	Suzhou Chien Hua Concrete Co., Ltd.	(3)	Other receivables	168,644	Note 6	1.76%
			(3)	Interest revenue	1,427	Note 4	0.03%
		Wuxi Chien Bang Concrete Co., Ltd.	(3)	Other receivables	79,884	Note 6	0.84%
			(3)	Interest revenue	637	Note 4	0.01%

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

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

Note 2: Revenue from management service provided by Chien Kuo Construction Co., Ltd. for the subsidiary.

Note 3: Since there is no similar product transaction with other counterparties, no comparative information is available.

Note 4: General conditions applied.

Note 5: Superficies transferred by Chien Kuo Development Co., Ltd. to Anping Real Estate Co., Ltd.

Note 6: Financing provided.

Chien Kuo Construction Co., Ltd. and Subsidiaries

Information on Invested Companies

For the Nine Months Ended September 30, 2018

Appendix 8

Unit: NT$1,000

Investor	Invested Company	Location	Principal Business Activities	Initial Investment Amount		Balance as of September 30, 2018			Profit or Loss of Invested Company	Investment Profit or Loss	Note
				September 30, 2018	December 31, 2017	Number of Shares (in Thousands)	Percentage of Ownership (%)	Carrying Amount			
Chien Kuo Construction Co., Ltd.	Jin Gu Limited	British Virgin Islands	Investment	$ 491,804	$ 656,126	15,740	100	$ 2,701,29	$ 106,608	$ 106,608	Subsidiary
	Yin Ying Holding Limited	British Virgin Islands	Investment	1,065,645	1,065,645	32,701	100	2,131,33	111,647	111,647	Subsidiary
	Chien Kuo Development Co., Ltd.	Taiwan	Building construction commission; public housing lease	144,065	144,065	11,100	100	99,00	588	594	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	47,94	3,818	3,307	Subsidiary
	WeBIM Services Co., Ltd.	Taiwan	Construction technology	15,166	15,166	1,530	76.5	10,62	1,745	1,335	Subsidiary
	Anping Real Estate Co., Ltd.	Taiwan	Housing and building development and lease	140,000	140,000	14,000	100	135,91	(1,240)	(1,240)	Subsidiary
Yin Ying Holding Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Investment	910,310	1,177,143	1,746	54.78	1,920,80	202,122	N/A	Sub-subsidiary
Jin Gu Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Investment	810,433	1,047,989	1,441	45.22	1,585,59	202,122	N/A	Sub-subsidiary
Chien Kuo Asia Co., Ltd.	Shun Long (Hong Kong) Limited	Hong Kong	International trade	0.007794	0.007794		100	26	(39)	N/A	Sub-subsidiary

Note 1: For investments denominated in foreign currencies, profit or loss was presented in NTD at the average exchange rate of 1:29.30 (USD:NTD) for the nine-month period ended September 30, 2018, while other amounts were presented in NTD at the exchange rate of 1:30.53 (USD:NTD) on September 30, 2018.

Note 2: Please refer to Appendix 9 for information on invested companies in mainland China.

Chien Kuo Construction Co., Ltd. and Subsidiaries

Information on Investments in Mainland China

For the Nine Months Ended September 30, 2018

Appendix 9

Unit: NT$1,000

Invested Company	Principal Business Activities	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flow		Accumulated Outflow of Investment from Taiwan as of September 30, 2018	Net Income of Invested Company	Percentage of Ownership (Direct or Indirect)	Investment Profit or Loss (Note 1)	Carrying Amount as of September 30, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of September 30, 2018	Note
					Outflow	Inflow							
Shanghai Chien Kuo Concrete Co., Ltd.	Production and sale of concrete and concrete products	$ 153,016	Investment through a company founded in a third region	$ 125,779	$ -	$ -	$ 125,779	$ -	-	$ -	$ -	$ -	Note 4
Jianya (Shanghai) Information Technology Co., Ltd.	Computer software technology development and consultation	109,908	Investment through a company founded in a third region	68,326	-	-	68,326	578	100%	578	151,045	-	
Suzhou Chien Hua Concrete Co., Ltd.	Production and sale of concrete and concrete products	419,024	Investment through a company founded in a third region	182,036	-	-	182,036	19,243	100%	19,243	568,237	-	
Kunshan Jianshan Concrete Co., Ltd.	Production and sale of concrete and concrete products	305,300	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	435,816	Investment through a company founded in a third region	214,059	-	-	214,059	182,352	100%	182,352	1,499,739	-	
Changzhou Chien An Concrete Co., Ltd.	Production and sale of concrete and concrete products	76,325	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	61,823	Investment through a company founded in a third region	244,471	-	-	244,471	(6,114)	100%	(6,114)	71,816	-	
Jianya (Nantong) Information Technology Consulting Co., Ltd.	Computer software technology development and consultation	152,650	Investment through a company founded in a third region	-	-	-	-	666	100%	666	161,427	-	Note 5
Yangzhou Chien Yung Concrete Co., Ltd.	Production and sale of concrete and concrete products	61,060	Investment through a company founded in a third region	197,041	-	-	197,041	6,305	100%	6,305	83,688	-	
Jianya (Yangzhou) Technology Consulting Co., Ltd.	Computer software technology development and consultation	247,293	Investment through a company founded in a third region	-	-	-	-	1,247	100%	1,247	249,744	-	Note 6
Shanghai Chien Chung Concrete Co., Ltd.	Production and sale of concrete and concrete products	76,325	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Kunshan Jindi Concrete Co., Ltd.	Production and sale of concrete and concrete products	42,742	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Zunyi Chien Bang Mining Co., Ltd.	Quarrying	155,330	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 4
Changzhou Changlong Handling Co., Ltd.	Cargo handling	2,219	Investment through an existing company in a third region	-	-	-	-	(38)	100%	(38)	904	-	
Jiangsu Shili Construction Co., Ltd.	Construction consultation	64,113	Investment through a company founded in a third	23,100	-	-	23,100	(864)	100%	(864)	73,777	-	

			region and others										
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	Construction consultation	18,318	Investment through a company founded in a third region and others	-	-	-	-	102	100%	102	22,840	-	
Loudi Chien Kuo Mining Co., Ltd. and other six invested companies	Quarrying	1,215,705	Investment through an existing company in a third region and others	36,840	-	-	36,840	-	-	-	-	914,492	Note 4

Accumulated Investment in Mainland China Remitted from Taiwan as of September 30, 2018	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on Investment Amount under Regulations of Investment Commission, MOEA
$ 1,420,697 (Note 3)	$ 596,038 (Note 2)	$ 2,946,392

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

Note 2: The amount authorized by the Investment Commission, MOEA was NT$1,604,461, 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:

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

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

Note 4: The equity transaction with Changzhou Chien An Concrete Co., Ltd. was completed on October 31, 2013; the liquidation of Shanghai Chien Chung Concrete Co., Ltd. and Zunyi Chien Bang Mining Co., Ltd. was completed in 2015 and 2014, respectively; the liquidation of Loudi Chien Kuo Mining Co., Ltd. was completed on August 15, 2016; the liquidation of Shanghai Chien Kuo Concrete Co., Ltd. was completed on December 9, 2016; the equity transaction with Kunshan Jianshan Concrete Co., Ltd. was completed on August 23, 2017; the equity transaction with Guangxi Hefa Mining Co., Ltd. was completed on September 22, 2017; the liquidation of Kunshan Jindi Concrete Co., Ltd. was completed on January 18, 2018.

Note 5: Spin-off of Nantong Chien Cheng Concrete Co., Ltd.

Note 6: Spin-off of Yangzhou Chien Yung Concrete Co., Ltd.