Stock Code: 5515

Chien Kuo Construction Co. Ltd. and Subsidiaries

Consolidated Financial Statements and Cerified Public Accountant Report

for the years 2017 and 2016

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Representation Letter for Combined Financial Statements

The entities that are required to be included in the combined financial statements of the Company for the annual period ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No.10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements has already been covered in the consolidated financial statements. Hence, we do not prepare a separate set of combined financial statements.

Represented by

Company Name: Chien Kuo Construction Co. Ltd.

Responsible person: Chi-te Chen

March 29, 2018

Independent Auditors' Report

To Chien Kuo Construction Co. Ltd.

Auditors' Opinions

We have audited the Consolidated Balance Sheet of Chien Kuo Construction Co. Ltd. and its subsidiaries as of December 31, 2017 and 2016, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Significant Accounting Policies) for the annual period ended December 31, 2017 and 2016.

In our opinion, the afore-mentioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of Chien Kuo Construction Co. Ltd. as of December 31, 2017 and 2016, and its consolidated financial performance and consolidated cash flows for the annual periods ended December 31, 2017 and 2016 in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) to the extent endorsed and effected by the Financial Supervisory Commission.

Basis for Audit Opinion

We planned and conducted our audits in accordance with Rules Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards in the Republic of China. Our responsibility under the above mentioned regulations will be further explained in the section titled "Accountant's Responsibility in Auditing the Consolidated Financial Statements". We have stayed independent from Chien

Kuo Construction Co. Ltd. as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the norm. We believe that we have obtained sufficient and appropriate audit evidence to serve as a basis for our opinion.

Key Audit Matters

Key Audit Matters refer to most vital matters in the process of auditing of 2017 Consolidated Financial Statements of Chien Kuo Construction Co. Ltd. and its subsidiaries based on our professional judgment. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters for the consolidated financial statements of Chien Kuo Construction Co. Ltd. and its subsidiaries for 2017 are stated as follows:

Long-term Construction Contracts

The operating revenue of Chien Kuo Construction Co. Ltd. and subsidiaries is primarily derived from construction revenue, which is recognized in proportion to the percentage of completion method by the management in accordance with IAS 11 Construction Revenue. Since the percentage of completion is calculated at the ratio of costs incurred to the total estimated contract costs, the total estimated construction contract costs are a key factor in calculating the percentage of completion. Since the estimates of total costs are made by the management's judgment on the types, periods, execution, and techniques of construction, and are prone to influence from changes in commodity prices, labor prices and construction items, any significant changes in estimates, once occurred, may lead to a revenue recognized in accordance with the percentage of completion method either consisting of errors, or having significant influence on the misstatement of the financial statements of the various periods. Consequently, the estimates of total costs of long-term construction contracts are deemed a key audit matter.

Our audit procedures included, among others, understanding the procedures by which the management estimates the total costs of long-term construction contracts; assessing the reasonableness of assumptions on which the management estimates the total costs of long-term construction contracts; and examining the accompanying construction documents to assess comprehensively the completeness and reasonableness of the estimates of total costs of long-term construction contracts.

For information about long-term construction contracts, please refer to Note 12.

Assessment of Impairment of Accounts Receivable

Estimates of impairment of accounts receivables are identified as a key audit matter due to the fact that such estimates is made by the management involved, as stated in Note V to the consolidated financial statements, estimates of changes in future cash flows, including assessing the future credit risks of customers.

The procedures by which our CPA performed our audit, among others, are stated as follows:

1. Understanding the assessment procedures by which the management determines the credit lines for customers, including whether customers are assigned appropriate risk levels, credit lines, and credit terms in line with their credit checks.
2. Understanding and assessing the reasonableness of the methods, data, assumptions, and formulas undertaken by the management for provision of impairment, as well as reviewing such calculations.
3. Testing the properness and completeness of the classification of accounts receivables on the aging analysis table, which is used as a basis for calculation of allowance for doubtful accounts.
4. Performing subsequent collection test, on a sample basis, on the year-end accounts receivables in order to assess their recoverability.

For impairment of accounts receivables, please refer to Note 11.

Other Matters

Chien Kuo Construction Co. Ltd. has prepared its Parent Only Financial Statements for the years 2016 and 2017, on which we have issued an unqualified audit report for reference.

Responsibility of the management and the governing body for the Consolidated Financial Statements

It is the management’s responsibility to fairly present the Consolidated Financial Statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) to the extent endorsed and issued into effect by the Financial Supervisory Commission, and to sustain internal controls respecting preparation of the Consolidated Financial Statements so as to avoid material misstatements due to fraud or errors therein.

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

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

The Accountants' Responsibility in Auditing the Consolidated Financial Statements

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

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

1. Identified and assessed the risks of a material misstatement(s) due to fraud or errors in the Consolidated Financial Statements; designed and carried out appropriate countermeasures against the assessed risks; and obtained sufficient and appropriate audit evidence to provide the basis for audit opinion. As fraud may involve collusion, forgery, deliberate omissions, false statements, or overrides of internal controls, the risk of an undetected material misstatement due to fraud is greater than that due to errors.
2. Acquired necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate under the circumstances. Nevertheless, the purpose of such understanding is not to provide any opinion on the effectiveness of the internal controls of Chien Kuo Construction Co. Ltd. and its subsidiaries.
3. Assessed the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of going concern basis of accounting, and determined whether a material uncertainty exists within events or

conditions that might cast significant doubt on the ability of Chien Kuo Construction Co. Ltd. and its subsidiaries to continue as a going concern. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the Consolidated Financial Statements in our audit report of the relevant disclosures therein, or to amend our audit opinion in the event that any inappropriate disclosure was found. Our conclusion is based on the audit evidence obtained as of the date of the audit report. However, future events or conditions may cause Chien Kuo Construction Co. Ltd. and its subsidiaries to cease to continue as a going concern.

5. Assessed the overall presentation, structure and content of the Consolidated Financial Statements (including the related notes), and determined whether the Consolidated Financial Statements present fairly the related transactions and events.
6. Obtained sufficient and appropriate audit evidence regarding financial information of entities within Chien Kuo Construction Co. Ltd. and its subsidiaries in order to express opinions on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit. we remain solely responsible for our audit opinion on Chien Kuo Construction Co. Ltd. and its subsidiaries.

We are required to communicate with the governing body regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the governing body with a statement that we have complied with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We have identified, from the matters communicated with the governing body, the key audit matters in the audit of the Consolidated Financial Statements of Chien Kuo Construction Co. Ltd. and its subsidiaries for 2017. Such matters have been explicitly stated in our audit report, unless laws or regulations prevent their disclosures, or, in extremely rare cases, we decide not to communicate such matters in our audit report in consideration that the adverse impacts of such communication could be reasonably expected to be greater than the public interest it would promote.

Deloitte Taiwan

CPA: I-Wen Wang	CPA: Yu-Wei Fan
Approval number by the Financial Supervisory Commission FSC - 0980032818	Approval number by the Securities and Futures Commission Taiwan-Finance-Securities - 0920123784

March 29, 2018

Chien Kuo Construction Co. Ltd. and Subsidiaries

Consolidated Balance Sheets

for the Years Ended December 31, 2017 and 2016

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	$ 2,518,297	25	$ 2,455,448	28
1110	Financial assets measured at FVTPL (Note 7)	403,461	4	548,781	6
1135	Derivatives for hedging purpose (Note 10)	-	-	7,557	-
1147	Investment in debt instruments for which no active market exists (Note 8)	275,547	3	750,813	9
1150	Notes receivable (Note 11)	205,622	2	177,178	2
1170	Accounts receivable (Note 11)	2,419,748	24	2,177,586	24
1190	Construction contract receivable (Note 12)	984,415	10	724,642	8
1200	Other receivables (Note 11)	27,969	-	27,557	-
1310	Inventory	15,023	-	22,076	-
1323	Land awaiting development (Note 13 and Note 30)	463,577	5	-	-
1410	Advance payment (Note 14)	675,356	7	221,727	3
1460	Non-current assets held for sale (Note 16)	-	-	210,831	2
1470	Other current assets (Note 31)	383,410	4	87,334	1
11XX	Total current assets	8,372,425	84	7,411,530	83
	Non-current assets				
1523	Available-for-sale financial assets (Note 9 and 31)	431,384	4	485,212	5
1543	Financial assets carried at cost	71,424	1	45,150	-
1600	Property, plant and equipment (Note 17 and 31)	232,151	2	287,420	3
1760	Investment Property (Note 18 and 31)	171,159	2	171,630	2
1840	Deferred tax assets (Note 25)	68,108	1	65,057	1
1980	Pledged certificate of deposit (31)	379,592	4	246,675	3
1985	Long-term prepaid rent (Note 31 and 32)	163,730	2	175,014	2
1990	Other non-current assets	58,649	-	48,401	1
15XX	Total noncurrent assets	1,576,197	16	1,524,559	17
1XXX	Total assets	$ 9,948,622	100	$ 8,936,089	100
Code	**Liabilities and Equity**				
	Current liabilities				
2100	Short-term debt (Note 19)	$ 220,000	2	$ 90,000	1
2110	Short-term bills payables (Note 19)	79,948	1	-	-
2120	Financial liabilities measured at FVTPL (Note 7)	23,849	-	-	-
2150	Notes payable	388,034	4	129,492	1
2170	Accounts payable (Note 20)	1,829,655	18	1,208,544	14
2190	Construction contract payable (Note 12)	211,709	2	308,495	3
2200	Other payables	236,954	2	226,752	3
2230	Current income tax liabilities	51,806	1	22,801	-
2260	Liabilities directly associated with non-current assets held for sale (Note 16)	-	-	19,950	-
2320	Long-term loans due within one year (Note 19)	600,000	6	150,000	2
2399	Other current liabilities	71,734	1	191,214	2
21XX	Total current liabilities	3,713,689	37	2,347,248	26
	Non-current liabilities				
2540	Long-term loans (Note 19)	800,000	8	1,050,000	12
2570	Deferred tax liabilities (Note 25)	480,046	5	485,222	6
2600	Other non-current liabilities (Note 21)	49,315	1	37,111	-
25XX	Total noncurrent liabilities	1,329,361	14	1,572,333	18
2XXX	Total liabilities	5,043,050	51	3,919,581	44
	Equity attributable to shareholders of the Company (Note 22)				
	Capital				
3110	Capital of common shares	3,379,001	34	3,379,001	38
3200	Capital reserves	200,462	2	200,557	2
	Retained earnings				
3310	Legal reserve	588,869	6	584,661	7
3320	Special reserve	39,088	-	48,403	-
3350	Undistributed earnings	789,811	8	783,675	9
3300	Total retained earnings	1,417,768	14	1,416,739	16
3400	Other equity	(67,179)	(1)	52,272	-
3500	Treasury shares	(34,835)	-	(34,835)	-
31XX	Total equity attributable to shareholders of the Company	4,895,217	49	5,013,734	56
36XX	Non-controlling interest	10,355	-	2,774	-
3XXX	Total equity	4,905,572	49	5,016,508	56
	Total liabilities and equity	$ 9,948,622	100	$ 8,936,089	100

The accompanying notes are an integral part of the Consolidated Financial Statements.

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

Chien Kuo Construction Co. Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

for the Years Ended December 31, 2017 and 2016

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

		2017		2016	
Code		Amount	%	Amount	%
4000	Operating revenue (Note 23)	$ 5,733,908	100	$ 5,168,161	100
5000	Operating costs (Note 21, 23 and 24)	5,188,280	90	4,744,231	92
5900	Gross profit	545,628	10	423,930	8
	Operating expenses (Note 21, 24 and 30)				
6100	Selling expense	33,421	1	32,269	-
6200	Administrative expense	295,880	5	356,286	7
6000	Total operating expenses	329,301	6	388,555	7
6900	Operating Income	216,327	4	35,375	1
	Non-operating income and expenses				
7010	Other income (Note 24)	117,795	2	128,363	2
7020	Other gains and losses (Note 24)	(42,563)	(1)	(64,440)	(1)
7050	Finance cost (Note 24)	(31,076)	-	(30,374)	(1)
7060	Share of profit or loss of entities accounted for using equity method	-	-	(32)	-
7000	Total non-operating income and expenses	44,156	1	33,517	-
7900	Income before tax	260,483	5	68,892	1
7950	Income tax expense (Note 25)	88,310	2	27,275	-
8200	Net income	172,173	3	41,617	1

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Code		2017 Amount	2017 %	2016 Amount	2016 %
	Other comprehensive income				
8310	Items that are not reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	($ 2,717)	-	$ 3,964	-
8349	income tax related to items that are not subsequently reclassified to profit or loss	462	-	(674)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	(182,761)	(3)	(318,698)	(6)
8362	Unrealized valuation gains on available-for-sale financial assets	39,800	1	24,443	-
8363	The effective portion of gains on financial instruments designated as cash flow hedges	(7,559)	-	7,559	-
8399	Income tax related to items that may be reclassified to profit or loss	31,069	-	54,179	1
8300	Other comprehensive income (net) - Total	(121,706)	(2)	(229,227)	(5)
8500	Total comprehensive income	$ 50,467	1	($ 187,610)	(4)
	Net income attributable to:				
8610	Shareholders of the Company	$ 171,178	3	$ 42,077	1

8620	Non-controlling interest	995	-	(460)	-
8600		$ 172,173	3	$ 41,617	1
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ 49,472	1	($ 187,150)	(4)
8720	Non-controlling interest	995	-	(460)	-
8700		$ 50,467	1	($ 187,610)	(4)
	Earnings per share (Note 26)				
9750	Basic	$ 0.51		$ 0.13	
9850	Diluted	$ 0.51		$ 0.13	

The accompanying notes are an integral part of the Consolidated Financial Statements.

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

Chien Kuo Construction Co. Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

for the Years Ended December 31, 2017 and 2016

Unit: In Thousands of New Taiwan Dollars

		Equity attributable to shareholders of the Company											
				Retained earnings (merge)			Other equity items						
Code		Capital	Capital reserves	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements Exchange difference	Unrealized valuation gains (losses) of available-for-sale financial assets Financial assets Unrealized gain or loss	Cash flow hedge	Treasury shares	Total	Non-controlling interest	Total Equity
A1	Balance as of January 1, 2016	$ 3,389,001	$ 200,524	$ 584,661	$ 56,296	$ 899,365	$ 307,071	($ 22,282)	$ -	($ 44,802)	$ 5,369,834	$ 3,234	$ 5,373,068
	Earnings appropriation and allocation for 2015												
B5	Cash dividend for shareholders of the Company - NT$ 0.50 per share	-	-	-	-	(168,950)	-	-	-	-	(168,950)	-	(168,950)
B17	Special reserve reversed due to liquidation of subsidiaries	-	-	-	(7,893)	7,893	-	-	-	-	-	-	-
D1	Net income for 2016	-	-	-	-	42,077	-	-	-	-	42,077	(460)	41,617
D3	Other comprehensive income (net of tax) for 2016	-	-	-	-	3,290	(264,519)	24,443	7,559	-	(229,227)	-	(229,227)
D5	Total comprehensive income for 2016	-	-	-	-	45,367	(264,519)	24,443	7,559	-	(187,150)	(460)	(187,610)
L3	Treasury shares retired - 1,000 shares	(10,000)	33	-	-	-	-	-	-	9,967	-	-	-
Z1	Balance as of December 31, 2016	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
	Earnings appropriation and allocation for 2016												
B1	Legal reserve	-	-	4,208	-	(4,208)	-	-	-	-	-	-	-
B5	Cash dividend for shareholders of the Company - NT$ 0.50 per share	-	-	-	-	(167,150)	-	-	-	-	(167,150)	-	(167,150)
B17	Special reserve reversed due to disposal of subsidiaries	-	-	-	(9,315)	9,315	-	-	-	-	-	-	-
D1	Net income for 2017	-	-	-	-	171,178	-	-	-	-	171,178	995	172,173
D3	Other comprehensive income (net of tax) for 2017	-	-	-	-	(2,255)	(151,692)	39,800	(7,559)	-	(121,706)	-	(121,706)
D5	Total comprehensive income for 2017	-	-	-	-	168,923	(151,692)	39,800	(7,559)	-	49,472	995	50,467
T1	Changes in equity in subsidiaries	-	73	-	-	-	-	-	-	-	73	11	84
M7	Changes in ownership interests in subsidiaries	-	(373)	-	-	(744)	-	-	-	-	(1,117)	6,575	5,458
N1	Employee stock options issued by subsidiaries	-	205	-	-	-	-	-	-	-	205	-	205
Z1	Balance as of December 31, 2017	$ 3,379,001	$ 200,462	$ 588,869	$ 39,088	$ 789,811	($ 109,140)	$ 41,961	$ -	($ 34,835)	$ 4,895,217	$ 10,355	$ 4,905,572

The accompanying notes are an integral part of the Consolidated Financial Statements.

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

Chien Kuo Construction Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to December 31, 2017 and 2016

Unit: In Thousands of New Taiwan Dollars

Code		2017	2016
	Cash flows from operating activities		
A10000	Income before tax	$ 260,483	$ 68,892
A20010	Income and expense item:		
A21200	Interest income	(79,238)	(62,775)
A20900	Finance costs	31,076	30,374
A20100	Depreciation	28,506	49,199
A20300	Allowance for doubtful accounts (reversed gains)	(27,781)	29,982
A29900	Net gains arising from disposal of subsidiaries	(17,915)	-
A24100	Foreign exchange (gain) loss	(15,507)	64,466
A21300	Dividend income	(8,892)	(10,194)
A20200	Amortization	6,490	7,759
A22500	Net loss (gain) from disposal of property, plant and equipment	1,423	(3,728)
A23100	Net loss (gain) from disposal of investments	989	(41,737)
A22800	Compensation cost of employee stock options	289	-
A22300	Share of loss of joint ventures accounted for using equity method	-	32
A23200	Gains from disposal of investments accounted for using equity method	-	(910)
A23700	Impairment loss on non-financial assets	-	51,308
A30000	Net changes in operating assets and liabilities		
A31110	Financial instruments held for trading	232,225	(527,683)
A31130	Notes receivable	(129,109)	268,694
A31150	Accounts receivable	(414,841)	477,347
A31170	Construction contract receivable	(259,773)	413,761
A31180	Other receivables	(44,251)	(15,624)
A31200	Inventory	1,001	10,907
A31200	Land awaiting development	(463,577)	-
A31230	Advance payment	(456,346)	(94,934)
A31240	Other current assets	(13,693)	(27,756)
A31990	Other non-current assets	(18,364)	(188,456)
A32130	Notes payable	258,323	28,383
A32150	Accounts payable	646,926	12,448
A32170	Construction contract payable	(96,786)	165,860
A32180	Other payables	79,579	45,309

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Code		2017	2016
A32230	Other current liabilities	$ 44,948	($ 45,064)
A32990	Other non-current liabilities	(346)	325
A33000	Cash provided by (used in) operating activities	(454,161)	706,185
A33100	Interest received	77,589	58,702
A33300	Interest paid	(30,837)	(30,294)
A33500	Income tax paid	(39,819)	(18,426)
AAAA	Net cash provided by (used in) operating activities	(447,228)	716,167
	Cash flows from investing activities		
B00700	Proceeds from sales of debt instrument investment for which no active market exists	723,758	1,204,332
B06700	Increase in pledged certificate of deposit and reserve account	(409,490)	-
B02300	Net cash provided by disposal of subsidiaries	303,488	-
B00600	Acquisition of debt instrument investments with no active market	(272,545)	(1,293,801)
B02700	Acquisition of property, plant and equipment	(32,916)	(11,024)
B01200	Acquisition of financial assets measured at cost	(30,430)	(22,582)
B00300	Acquisition of available-for-sale financial assets	(6,058)	(24,292)
B00400	Disposal of available-for-sale financial assets	80,143	152,894
B07600	Cash dividends received	8,892	10,194
B02800	Proceeds from disposal of property, plant, and equipment	2,602	5,510
B05400	Increase in investment property	(722)	(1,707)
B04500	Acquisition of intangible assets	(289)	(1,563)
B03800	Increase in refundable deposits	(165)	(99,076)
B02900	Advance received from disposal of subsidiaries	-	46,490
BBBB	Net cash provided by (used in) investing activities	366,268	(34,625)
	Cash flows from financing activities:		
C01600	Increase in long-term loans	350,000	-
C04500	Cash dividends distributed	(167,150)	(168,950)
C01700	Repayment of long-term loans	(150,000)	-
C00200	Increase (decrease) in Short-term borrowings	130,000	(130,000)
C00600	Increase (decrease) in Short-term bills payable	79,948	(79,959)
C03000	Increase (decrease) in guarantee deposits received	9,833	(361)
C05800	Changes in non-controlling interests	5,458	-

CCCC	Net cash provided by (used in) financing activities	258,089	(379,270)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(141,115)	(57,007)
EEEE	Net increase in cash and cash equivalents	$ 36,014	$ 245,265
E00100	Balance of cash and cash equivalents - beginning of the year	2,482,283	2,237,018
E00200	Balance of cash and cash equivalents - end of the year	$ 2,518,297	$ 2,482,283

Reconciliation of cash and cash equivalents by the end of the year

Code		December 31, 2017	December 31, 2016
E00210	Cash and cash equivalents presented on the balance sheets	$ 2,518,297	$ 2,455,448
E00240	Cash and cash equivalents attributable to disposal group held for sale	-	26,835
E00200	Balance of cash and cash equivalents - end of the year	$ 2,518,297	$ 2,482,283

The accompanying notes are an integral part of the Consolidated Financial Statements.

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

Chien Kuo Construction Co. Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

January 1 to December 31, 2017 and 2016

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

I. Company History

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

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

II. Approval Date and Procedure of Financial Statements

The consolidated financial statements were released on March 29, 2018 after being approved by the Board of Directors.

III. Application of New and Amended Standards and Interpretations

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

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

Amendments to Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments, aside from adding disclosure requirements on certain accounting subjects and impairment of non-financial assets in accordance with the IFRSs endorsed and issued into effect by the FSC, also emphasize a few recognition and measurement requirements and demand additional disclosures on related-party transactions and goodwill in line with domestic adoption of IFRSs.

According to the amendments, where the board chairman or president of another company or institution is the same person as the board chairman or president of the Group, or is the spouse or a relative within the second degree or closer of the board chairman or president of the Group, a party, unless it can be established that no control or significant influence exists, is deemed to have a substantive related party relationship. In addition, the amendments also require disclosures of the names and relationships of the related party having transaction of the Group. Where the transaction amount or balance of any single related party reaches 10% or more of the Group's transaction amount or balance of that type of transaction, the name of such related party shall be presented individually.

The retrospective application of the afore-mentioned amendments for 2017 did not have any significant influence on the disclosure of related party transaction of the Group. Please refer to Note 30.

(II) Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the Financial Supervisory Commission ("FSC" hereinafter) that are applicable for 2018

New, Revised, Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
"Annual Improvements to IFRSs 2014-2016 Cycle"	Note 2
Amendment to IFRS2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS4 "Applying IFRS 9 'Financial Instruments' With IFRS 4 Insurance Contracts"	January 1, 2018
IFRS9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 in "Mandatory Effective Date and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 'Clarifications to IFRS 15'	January 1, 2018
Amendments to IAS 7 in "Disclosure Initiative"	January 1, 2017
Amendments to IAS12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment	January 1, 2018

New, Revised, Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Property”	
Amendments to IFRIC22 “Foreign Currency Transactions and Advanced Consideration”	January 1, 2018

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

Note 2: The amendments to IFRS 12 are applied retrospectively to annual periods beginning on and after January 1, 2017; the amendments to IAS 28 are applied retrospectively to annual periods beginning on and after January 1, 2018.

1. IFRS 9 “Financial Instruments” and related amendments

<u>Classification, measurement, and impairment of financial assets</u>

The financial assets, which originally fell within the scope of IAS 39 "Financial Instruments: Recognition and Measurement", are subsequently measured at amortized cost or at fair value. IFRS 9 requires financial assets to be classified as follows:

The Group’s investments in debt instruments of which the contractual cash flows are solely payments on principles and interest on the principle amount outstanding are measured and classified as follows:

(1) Financial assets held within the business model of which the objective is to collect contractual cash flows are measured at amortized cost. Any interest accrued is recognized in profit or loss using the effective interest method. Such financial assets are continuously assessed for impairment, with gains or losses recognized in profit or loss.

(2) Financial assets held within a business model of which the objective is achieved by both collecting contractual cash flows and selling financial assets are measured at fair value through other comprehensive income (FVTOCI). Subsequently, interest revenue of such financial assets is recognized in profit or loss by using the effective interest method. Such financial assets are continuously assessed for

impairment, with impairment gains (losses) and exchange gains (losses) recognized in profit or loss and fair value changes recognized in other comprehensive income. Upon derecognition or reclassification of this kind of financial assets, the accumulated fair value gains and losses originally recognized in other comprehensive income shall be reclassified from equity to profit or loss.

The Group’s investments in financial assets that fail to meet the aforementioned conditions are measured at fair value, with any fair value changes recognized in profit or loss. However, the Group may choose to designate an equity investment that is not held for trading to be measured at fair value through other comprehensive income upon initial recognition. Gains or losses of such financial assets, except for dividend income which is recognized in profit or loss, are recognized in other comprehensive income. No subsequent assessment for impairment is required, and the cumulative gain or loss in fair value previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

According to the preliminary assessment temporarily conducted by the Group based on its financial assets held as at December 31, 2017 and on the facts and conditions at such date, the classification and measurement of the following financial assets will change due to their application of IFRS 9:

(1) Investments in listed stocks either traded on OTC markets or on stock exchanges, which were classified as available-for-sale financial assets, may be designated to be measured at fair value through other comprehensive income under IFRS 9. Under such classification, any fair value changes accumulated under other equity are not reclassified to profit or loss upon disposal of such investment, but to be directly transferred to retained earnings.

In addition, private placement measured at cost is required by IFRS 9 to be measured at fair value.

(2) Beneficiary certificates, which were classified as available-for-sale financial assets, are required by IFRS 9 to be measured at fair value through profit or loss due to the facts that the cash flows of which are not solely payments of principal and interest on the principal amount outstanding, and that they don't fall within the scope of equity instruments.

(3) Bond investments, which were classified as available-for-sale financial assets, are required by IFRS 9 to be measured at fair value through other comprehensive income if: (a) the contractual cash flows of which are solely payments of principal and interest on the principal amount outstanding; and (b) they are held within the business model of which the objective is achieved by collecting contractual cash flows and selling financial assets.

IFRS 9 requires that impairment loss on financial assets be recognized by using the "Expected Credit Losses Model". A loss allowance is required for financial assets measured at amortized cost, debt instrument investments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customer", written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. The loss allowance for a financial asset is measured at full lifetime expected credit losses if the credit risk of such financial asset has increased significantly since initial recognition and such risk is not low. However, a loss allowance for full lifetime expected credit losses is required for accounts receivables consisting no material financial component.

Besides, for originated credit-impaired financial assets, the Group takes into account the expected credit losses at initial recognition in calculating the credit-adjusted effective interest rate. The subsequent loss allowance is measured at cumulative changes in subsequent expected credit losses.

The Group adopts the simplified approach for accounts receivables, of which the loss allowance is measured at full lifetime expected credit losses. For debt instrument investment and financial guarantee contracts, the Group assesses whether their credit risk has significantly increased since initial recognition before determining whether the loss allowance for them should be measured at the 12-month expected credit losses or full lifetime expected credit losses. The Group expects that application of the Expected Credit Losses Model of IFRS 9 will result in an earlier recognition of credit loss for financial assets.

When electing to apply the classification, measurement and impairment requirements set forth by IFRS 9 to financial assets, the Group chooses not to restate the comparison information for 2017, but to recognize the cumulative effects of changes of first-time adoption at the first-time adoption date, and to disclose information respecting changes in classification due to application of IFRS 9, as well as the reconciliation information.

The expected effects on assets, liabilities and equity as at January 1, 2018 due to retrospective application of IFRS 9 requirements respecting classification, measurement, and impairment of financial assets are stated as follows:

Effects on assets, liabilities and equity	Carrying amount as at December 31, 2017	Adjustment due to first-time adoption	After Adjustment on January 1, 2018 Carrying Amount
Financial assets at FVTPL	$ 403,461	$ 311,283	$ 714,744
Available-for-sale financial assets	431,384	(431,384)	-
Financial assets measured at FVTOCI	-	461,381	461,381
Financial assets carried at cost	71,424	(71,424)	-
Bond investments for which no active market exists	275,547	(275,547)	-
Accounts receivable	2,419,748	2,806	2,422,554
Other receivables	27,969	1,822	29,791
Effects on Assets	$ 3,629,533	($ 1,063)	$ 3,628,470
Undistributed earnings	$ 789,811	$ 4,420	$ 794,231
Unrealized gain (loss) on available-for-sale financial assets	41,961	(41,961)	-
Unrealized gain or (loss) on financial assets measured at FVTOCI	-	36,478	36,478
Effects on Equity	$ 831,772	($ 1,063)	$ 830,709

General hedge accounting

The major changes in hedge accounting introduced by IFRS 9 are the changes in applicable conditions of hedge accounting, which improves the usefulness of the financial statements by better aligning hedge accounting with the risk management activities of an entity. The amended contents, as compared to IAS 39, include: (1) Accommodating more transactions types for applying hedge accounting, e.g. softening the qualifying criteria for non-financial risk components to apply hedge accounting; (2) amending the way in which the hedging cost of a derivative is recognized, which alleviates the fluctuation of profit or loss; and (3) replacing the real effectiveness test with the economic relationship between the hedging instrument and the hedged item in assessing the hedge effectiveness.

By conducting a preliminary assessment, the Group considers that the existing hedging relationship meets the requirements of IFRS 9 and thus may continue to apply hedge accounting. The changes in forward elements of a forward contract, which are now being excluded from a hedge relationship and recognized in profit or loss by the Group, are allowed by IFRS 9 to be recognized firstly in other comprehensive income at their inception and cumulated under other equity, and subsequently reclassified to profit or loss, or directly adjusted to the carrying amount of assets or liabilities of the hedged item. The Group does not intend to retrospectively apply such requirement.

2. IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes recognition principles for revenue arising from contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and related interpretations.

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

(1) Identify the contract with the customer;
(2) Identify the performance obligations in the contract;
(3) Determine the transaction price;
(4) Allocate the transaction price to the performance obligations in contracts; and

(5) Recognize revenue upon satisfaction of performance obligations.

According to requirements of IFRS 15 and related amendments, performance obligation is identified when goods or services could be distinct (e.g. goods or services often sold separately) and the promise in a contract to transfer such goods or services is distinct (i.e. the contractual promise is to individually transfer each goods or services, rather than bundle of them.)

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

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

The Group elects to retrospectively apply IFRS 15 only to contracts that are not yet complete as at January 1, 2018, with related cumulative effects adjusted to the retained earnings on such date.

With regards to all contract modifications dated prior to December 31, 2017, the Group will not restate the treatment of such contracts, but to present it in a manner that best reflects the overall effects of such modifications, so as to identify the performance obligations, determine and allocate the transaction prices.

In addition, the Group will disclose explanations for the differences between the circumstance if the now prevailing accounting treatments were to be continuously applied for 2018 and the circumstance when applying IFRS 15.

Retrospective application of IFRS 15 did not have any significant influence over the retained earnings as at January 1, 2018, whereas the effects on assets, liabilities and equity on such date are disclosed as follows:

	Carrying amount as at December 31, 2017	Adjustment due to first-time adoption	After Adjustment on January 1, 2018 Carrying Amount
Construction contract receivable	$ 984,415	($ 984,415)	$ -
Contract assets	-	997,801	997,801
Effects on Assets	$ 984,415	$ 13,386	$ 997,801
Construction contract payable	$ 211,709	($ 211,709)	$ -
Contract liability	-	206,620	206,620
Allowance for doubtful accounts	-	18,475	18,475
Effects on Liabilities	$ 211,709	$ 13,386	$ 225,095

Except for the above-mentioned effects, as at the date on which the consolidated financial statements were approved and issued, the Group assessed and concluded that other standards, interpretations, and amendments would not have any significant influence on the financial position and financial performance. Related effects will be disclosed once the assessment is completed.

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

New, Revised, Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
"Annual Improvements to IFRSs 2015-2017 Cycle"	January 1, 2019
Amendments to IFRS 9, "Prepayment Features with Negative Compensation"	January 1, 2019
Amendment to IFRS10 and IAS 28 - “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Not yet decided
IFRS 16 "Leases"	Balance as of January 1, 2019 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendment to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 - “Long-term Interests in	January 1, 2019

New, Revised, Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Associates and Joint Ventures”	
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC announced on December 19, 2017 that all enterprises within the territory of R.O.C. shall apply IFRS 16 for annual periods beginning on or after January 1, 2019.

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

1. IFRS 16 "Leases"

IFRS 16 governs the accounting treatments for leases and will supersede IAS 17 "Leases" and related interpretations.

When IFRS 16 is applied and the Group is a lessee, the Group shall recognize on the consolidated balance sheets the right-of -use assets and lease liabilities for all leases, except for leases with low-value underlying assets and short-term leases, which may be accounted for using standards similar to the treatment of operating leases under IAS 17. The consolidated statements of comprehensive income shall state clearly and respectively the depreciation expense of the right-of-use assets, as well as the interest expense accrued on the lease liability, which interest is calculated using the effective interest rate method. Payment for the principals and interest accrued on the principals of lease liabilities are presented under operating activities on the consolidated statements of cash flows.

When IFRS 16 becomes effective, the Group may elect either to apply such standard retrospectively to the comparative reporting period, or to recognize the cumulative effects of initial application on the initial application date.

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

According to the amendments, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement of the net defined liabilities (assets). In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The aforementioned amendments are to be applied prospectively.

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

IV. Summary of Significant Accounting Policies

(I) Statement of Compliance

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

(II) Preparation Basis

Except for financial assets measured at fair value, the consolidated financial statements were prepared on a historical cost convention.

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

1. Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
2. Level 2 inputs: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or

liability, either directly (i.e. through prices) or indirectly (i.e. derived from prices.)

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

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

Current assets include:

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

Current liabilities include:

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

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

The Group engages in the construction industry, of which the operating cycle is longer than one year. As such, assets and liabilities related to the construction business are classified as current or non-current by reference to its normal operating cycle.

(IV) Basis for Consolidation

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

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

Please refer to Note 15, Appendix Table 8 and 9 for details, shareholding percentage in, and operating items of subsidiaries.

(V) Foreign Currency

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

Foreign currency monetary items are translated using the closing rate at each balance sheet date. Exchange differences arising on the settlement of monetary items or on translating monetary items are recognized in profit or loss in the period in which they arise.

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

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

In preparing the consolidated financial statements, assets and liabilities of a foreign operation (i.e. a subsidiary, associate, or joint venture, of which the activities are based or conducted in a country or currency other than those of the Company) are translated into New Taiwan Dollars by using the exchange rates at each balance sheet date. Income and expense items are translated using the average exchange rates of the current period, with exchange differences arising therefrom recognized in other comprehensive income and attributed respectively to owners of the Company and to non-controlling interests.

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

(VI) Property, Plant and Equipment

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

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

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

(VII) Investment Property

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

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

Investment property under construction is recognized at cost less accumulated impairment loss. Costs include professional service fee and borrowing costs that are eligible for capitalization. Depreciation on those assets is recognized when they reach their expected useful conditions.

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

(VIII) Impairment of Tangible and Intangible Assets

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

Group determines the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is defined as the higher of the 'fair value less costs to sell' and the value in use. If the carrying amount of an individual asset or a cash generating unit is less than its recoverable amount, the carrying amount of which is reduced to its recoverable amount, with impairment loss recognized in profit or loss.

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

(IX) Non-current Assets Held for Sale

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

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

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

(X) Financial Instruments

Financial assets and financial liabilities are recognized on the consolidated statements of balance sheets when the Group becomes a party to the contractual provisions of the instrument.

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

1. Financial assets

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

(1) Types of measurement

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

A. Financial assets measured at FVTPL

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

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

B. Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Any changes in the fair value are recognized in other comprehensive income, and are recycled to profit or loss upon disposal of investment or when impairment is assured.

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

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

C. Loans and Receivables

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

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

(2) Impairments of financial assets

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

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

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

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

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

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

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

The impairment loss of all financial assets is deducted directly from the the carrying amount of such financial asset, except for accounts receivables, of which the carrying amount is reduced through the use of an allowance account. When an account receivable is judged to be unrecoverable, such amount is written off from the allowance account. Receivables that had previously been written off but later be recovered are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

(3) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2. Equity instruments

Redemption of the Company’s equity instruments is recognized in or deducted from equity. Purchase, sale, issuance, or retirement of the Company’s own equity instruments is not recognized in profit or loss.

3. Financial liabilities

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

The Group derecognizes a financial liability only when the obligation is discharged, acquired, or expired. When a financial liability is derecognized, the difference between the carrying amount and the consideration paid (including any non-cash asset transferred or liability assumed) is recognized in profit or loss.

4. Derivatives

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

(XI) Hedge Accounting

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

Cash flow hedges

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

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

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

(XII) Revenue Recognition

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

1. Sales of goods

Sales revenue is recognized when the following conditions are met:

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

2. Provision of services

Revenue from service rendered in accordance with contracts is recognized when such service is delivered and inspected on the date set forth in the contract.

3. Dividend income and interest income

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

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

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

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

(XIV) Leases

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

1. The Group as lessor

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

2. The Group as lessee

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

(XV) Employee Benefits

1. Short-term employee benefits

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

2. Post-employment benefits

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

The defined benefit costs (including service cost, net interest, and remeasurement) under the defined benefit pension plan is an actuarial calculation using the projected unit credit method. Service cost (comprising current service cost and past service cost) and the net interest on the net defined benefit liability or asset are recognized as employee benefits expense upon their occurrence. Remeasurement (comprising actuarial gains and losses, and return on plan assets netting interests) is recognized in other comprehensive income and listed under retained earnings, and is not recycled to profit or loss in subsequent periods.

Net defined benefit liabilities (assets) are the shortfall (excess) of the contribution made according to the defined benefit pension plan. A net defined benefit asset shall not exceed the contribution refunded from the plan, or the present value of reductions in future contributions.

3. Termination benefits

The Group recognizes termination benefit liability when it can no longer withdraw the offer of those benefits, or when it recognizes relevant restructuring cost (whichever comes earlier).

(XVI) Income Tax

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

1. Current Income tax

The 10% additional tax levied on undistributed earnings that are calculated as required by the Income Tax Act is presented as income tax expense for the year in which such tax is resolved by the Shareholders' Meeting.

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

2. Deferred income tax

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

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

The taxable temporary differences in relation to an investment in subsidiaries are recognized as deferred income tax liabilities, except for the case when the reversal timing of such temporary differences is controlled by the Group and it is probable that such temporary differences are not expected to be reversed in the foreseeable future. For deductible temporary differences associated with such investment and equity, when it is probable that sufficient taxable income will be available to realize such temporary difference, a deferred tax asset is recognized, but only to the extent of the amount that is expected to be reversed in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at the end of each balance sheet date. The Group reduces the carrying amount of a deferred tax asset when it is no longer probable that sufficient taxable income will be available to recover all or part of the asset. The carrying amount of items that were not previously recognized as a deferred tax asset is also reviewed at each balance sheet date. The Group raises the carrying amount of such item when it becomes probable that sufficient taxable profit will be available in the future to recover all or part of the asset.

Deferred tax assets and liabilities are measured by using the tax rates applicable to the period when the asset is expected to be realized or the liability is expected to be settled. Such tax rates are derived from the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Measurement of deferred income tax liabilities and assets is a reflection of the tax consequences resulting from the means by which the Group expects to recover or settle the carrying amount of its assets and liabilities at the balance sheet date.

3. Current income tax and deferred income tax for the current year

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

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

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) Construction Contracts

Revenue and cost of construction contracts are recognized separately based on the percentage of completion of contractual activities, and the percentage of completion is measured at the proportion of the contract costs incurred to date to the estimated total contract costs. Changes in 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 may affect the calculation of the percentage of completion and the profit or loss of construction.

(II) Estimated Impairment of Accounts Receivable

When there is objective evidence indicative of impairment, the Group should consider estimating the future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding any future credit losses) discounted at the financial asset's original effective interest rate. If the actual future cash inflows are less than expected, a material impairment loss may arise.

VI. Cash and Cash Equivalents

	December 31, 2017	December 31, 2016
Cash on hand and revolving funds	$ 2,784	$ 4,054
Bank checks and demand deposits	727,440	930,910
Cash equivalents (time deposits with original maturity date within 6 months)	1,788,073	1,520,484
	$ 2,518,297	$ 2,455,448

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

December 31, 2017	December 31, 2016
0.13%~4.35%	0.81%~1.75%

VII. Financial Instruments Measured at FVTPL

	December 31, 2017	December 31, 2016
Financial assets		
Held for trading		
Non-derivative financial assets		
-Domestic and foreign listed stocks	$ 41,230	$ 11,259
-Fund beneficiary certificate	362,231	537,522
	$403,461	$548,781
Financial liabilities		
Held for trading		
Derivatives (not designated as a hedge)		
Forward exchange contracts	$ 23,849	$ -

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)
Forward Exchange Purchased	RMB/USD	January 2018	RMB21,078／USD3,000
Forward Exchange Purchased	RMB/USD	February 2018	RMB49,454／USD7,000

VIII Investment in Debt Instruments for Which No Active Market Exists

	December 31, 2017	December 31, 2016
Time deposits with original maturity date over six months	$275,547	$750,813

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

December 31, 2017	December 31, 2016
1.95%~4.90%	0.15%~3.50%

IX. Available-for-sale Financial Assets

	December 31, 2017	December 31, 2016
Domestic investment		
Listed stocks	$274,064	$229,564
Foreign investment		
Investments in bonds (I)	142,574	219,778
Funds	14,746	35,870
	$431,384	$485,212

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

Company 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) For pledged available-for-sale financial assets, please refer to Note 31.

X. Derivatives for Hedging Purpose

	December 31, 2017	December 31, 2016
Cash flow hedges - Forward exchange contracts	$ -	$ 7,557

In order to lower the cash flow exposure of the proceeds derived from disposal of non-current assets held for sale, the Group entered into forward exchange contracts to hedge the exchange rate risks from such firm foreign currency commitment and forecast transaction.

The terms of the forward exchange contracts are set in line with the terms of the hedged items. The outstanding forward exchange contracts as of the balance sheet date are as follows:

December 31, 2016

	Currency	Maturity Date	Contract Amount (in NT$1,000)
Forward Exchange Purchased	RMB/USD	May 2017	RMB 41,223／USD 6,000

XI. Notes Receivables, Accounts Receivables and Other Receivables

	December 31, 2017	December 31, 2016
Notes receivable	$ 205,622	$ 177,178
Accounts receivable	$ 2,500,861	$ 2,296,718
Less: Allowance for doubtful accounts	(81,113)	(119,132)
	$ 2,419,748	$ 2,177,586
Other receivables	$ 39,750	$ 41,819
Less: Allowance for doubtful accounts	(11,781)	(14,262)
	$ 27,969	$ 27,557

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

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

Aging analysis of accounts receivable is stated as follows:

	December 31, 2017	December 31, 2016
Not overdue	$ 2,066,709	$ 1,475,505
Less than 180 days past due	252,217	537,312
181~360 days past due	80,832	116,330
More than 361 days past due	101,103	167,571
Total	$ 2,500,861	$ 2,296,718

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

	December 31, 2017	December 31, 2016
Less than 180 days past due	$ 4,205	$185,956
181~360 days past due	25,944	-
More than 361 days past due	-	28
Total	$ 30,149	$185,984

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

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

	2017	2016
Opening balance at the beginning of the year	$133,394	$169,469
Provision (reversal) of allowance for doubtful accounts for the current year	(27,781)	29,982
Disposal of subsidiaries	(9,575)	-
Write-off for the current year	-	(53,510)
Exchange difference	(3,144)	(12,547)
Balance at the end of the year	$ 92,894	$133,394

Accounts receivables include construction retainage receivables, which are not interest-bearing, and will be recovered at the end of the retention period of each construction contract. As of December 31, 2017 and 2016, the amounts that had been more than 12 months past due but later collected were NT$ 33,009 thousand and NT$ 114,576 thousand. The aforesaid retention period, usually more than one year, is the normal business cycle of the Group.

XII Construction Contract Receivables (Payables)

	December 31, 2017	December 31, 2016
Construction costs incurred plus recognized profit less recognized loss to date	$ 14,364,168	$ 14,539,045
Less: Construction progress billings	(13,591,462)	(14,122,898)
	$ 772,706	$ 416,147
Presentation of consolidated balance sheets		
Construction contract receivable	$ 984,415	$ 724,642
Construction contract payable	(211,709)	(308,495)
	$ 772,706	$ 416,147
Construction retainage receivable (Note 11)	$ 257,121	$ 121,939
Construction retainage payable (Note 20)	$ 555,448	$ 500,670

XIII. Land Held for Construction

The Group acquired the land sitting at the northern part of the industrial zone in Xinzhuang Dist. in July 2017. The purpose of holding such land is to construct commercial buildings for sale. The land is also pledged to the financial institution for loans. Please refer to Notes 19 and 31.

XIV. Prepayments

	December 31, 2017	December 31, 2016
Prepayment for purchases	$589,736	$139,996
Prepayments construction contracts	53,645	66,802
Tax overpaid retained	19,080	6,810
Prepaid insurance premium	10,064	3,540
Others	2,831	4,579
	$675,356	$221,727

(XV) Subsidiaries

(I) Subsidiaries included in the consolidated financial statements

The entities of the consolidated financial statements are as follows:

Investor Company Name	Subsidiary Company Name	Business Activities	Shareholding percentage December 31 2017	Shareholding percentage December 31 2016	Details
The Company	Jin Gu Limited (Jin Gu)	Reinvestment	100%	100%	
	Yin Ying Holding Limited (Yin Ying)	Reinvestment	100%	100%	
	Shun Long International Electrical Engineering Co., Ltd. (Shun Long)	Mechanical, electrical and plumbing engineering, undertaking and equipment/wholesale and retail	86.61%	100%	
	Chien Kuo Development Co., Ltd. (Chien Kuo Development)	Building construction commission; public housing lease	100%	100%	
	WeBIM Services Co., Ltd. (WeBIM Services)	Construction technology	76.5%	75%	
	Anping Real Estate Co., Ltd. (hereinafter referred to as Anping Real Estate)	Housing and building development and lease	100%	100%	
Subsidiaries of Jin Gu and Yin Ying	Chien Kuo Construction Consultant (Kunshan) Co., Ltd. (Chien Kuo Construction Consultant)	Engineering technology; procurement planning; installation consultation	100%	100%	
	Jiangsu Shili Construction Co., Ltd. (Jiangsu Shili)	Engineering technology; procurement planning; installation consultation	100%	100%	
	Chien Kuo Asia Co., Ltd. (Chien Kuo Asia)	Reinvestment	100%	100%	
	Jianya (Shanghai) Information Technology Co., Ltd. (Shanghai Information)	Computer software technology development and consultation	100%	100%	
	Kunshan Jianshan Concrete Co., Ltd. (Kunshan Jianshan)	Production and sale of concrete and concrete products	-	100%	Please refer to Note 27
	Yangzhou Chien Yung Concrete Co., Ltd. (Yangzhou Chien Yung)	Production and sale of concrete and concrete products	100%	100%	
	Shun Long (Hong Kong) Limited (Hong Kong Shun Long)	International trade	100%	100%	
	Suzhou Chien Hua Concrete Co., Ltd. (Suzhou Chien Hua)	Production and sale of concrete and concrete products	100%	100%	
	Wuxi Chien Bang Concrete Co., Ltd. (Wuxi Chien Bang)	Production and sale of concrete and concrete products	100%	100%	
	Nantong Chien Cheng Concrete Co., Ltd. (Nantong Chien Cheng)	Production and sale of concrete and concrete products	100%	100%	
	Kunshan Jindi Concrete Co., Ltd. (Kunshan Jindi)	Production and sale of concrete and concrete products	100%	100%	
	Guangxi Hefa Mining Co., Ltd. (Guangxi Hefa)	Quarrying	-	100%	Please refer to Note 16 and 27.
	Changzhou Changlong Handling Co., Ltd. (Changzhou Changlong)	Cargo handling	100%	100%	

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

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

Board of Directors of the Group resolved on July 15, 2015 to dispose all shares of Guangxi Hefa. Such disposal was completed on September 22, 2017. Please refer to Note 27 for details.

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

	Amount
Cash and Cash Equivalents	$ 26,835
Notes Receivables and Accounts Receivables	40,686
Other receivables	10,527
Inventory	6,542
Prepayments	6,619
Other current assets	1,758
Property, plant and equipment	103,843
Other non-current assets	14,021
Total non-current assets held for sale	$ 210,831
Other payables	$ 19,942
Current income tax liabilities	8
Total liabilities directly associated with non-current assets held for sale	$ 19,950
Equity directly relating to non-current assets held for sale	$ 7,519

XVII. Property, Plant and Equipment

	Own Land	Buildings	Machinery	Transportation equipment	Office equipment	Leasehold Improvements	Other Equipment	Total
Cost								
Balance as of January 1, 2016	$ 15,742	$ 234,504	$ 358,052	$ 270,602	$ 33,431	$ 529	$ 101,056	$ 1,013,916
Addition	-	1,402	1,067	1,627	1,423	-	5,505	11,024
Disposal	-	-	(280)	(130,501)	(7,787)	(195)	-	(138,763)
Derecognition	-	-	(280)	-	(1,131)	-	-	(1,411)
Net exchange differences	-	(18,788)	(28,801)	(16,022)	(2,062)	-	(8,242)	(73,915)
Balance as of December 31, 2016	$ 15,742	$ 217,118	$ 329,758	$ 125,706	$ 23,874	$ 334	$ 98,319	$ 810,851
Accumulated depreciation								
Balance as of January 1, 2016	$ -	$ 87,465	$ 267,511	$ 241,715	$ 26,790	$ 32	$ 39,291	$ 662,804
Disposal	-	-	(2,309)	(126,921)	(7,702)	(49)	-	(136,981)
Depreciation	-	9,278	18,720	12,758	2,339	116	4,717	47,928
Derecognition	-	-	(280)	-	(1,131)	-	-	(1,411)
Net exchange differences	-	(7,358)	(22,250)	(14,370)	(1,648)	-	(3,283)	(48,909)
Balance as of December 31, 2016	$ -	$ 89,385	$ 261,392	$ 113,182	$ 18,648	$ 99	$ 40,725	$ 523,431
Net worth as of December 31, 2016	$ 15,742	$ 127,733	$ 68,366	$ 12,524	$ 5,226	$ 235	$ 57,594	$ 287,420
Cost								
Balance as of January 1, 2017	$ 15,742	$ 217,118	$ 329,758	$ 125,706	$ 23,874	$ 334	$ 98,319	$ 810,851
Addition	-	1,393	5,762	3,765	694	17,346	3,956	32,916
Disposal	-	(62,390)	(72,486)	(7,714)	(2,333)	-	-	(144,923)
Derecognition	-	-	-	-	(171)	-	-	(171)

	Own Land	Buildings	Machinery	Transportation equipment	Office equipment	Leasehold Improvements	Other Equipment	Total
Net exchange differences	-	(5,594)	(8,037)	(2,561)	(538)	-	(1,962)	(18,692)
Balance as of December 31, 2017	$ 15,742	$ 150,527	$ 254,997	$ 119,196	$ 21,526	$ 17,680	$ 100,313	$ 679,981
Accumulated depreciation								
Balance as of January 1, 2017	$ -	$ 89,385	$ 261,392	$ 113,182	$ 18,648	$ 99	$ 40,725	$ 523,431
Disposal	-	(24,380)	(58,792)	(5,646)	(1,847)	-	-	(90,665)
Depreciation	-	6,473	8,937	3,768	1,750	1,528	4,857	27,313
Derecognition	-	-	-	-	(171)	-	-	(171)
Reclassification	-	-	-	-	-	-	-	-
Net exchange differences	-	(2,214)	(6,374)	(2,290)	(443)	-	(757)	(12,078)
Balance as of December 31, 2017	$ 15,742	$ 69,264	$ 205,163	$ 109,014	$ 17,937	$ 1,627	$ 44,825	$ 447,830
Net worth as of December 31, 2017	$ 15,742	$ 81,263	$ 49,834	$ 10,182	$ 3,589	$ 16,053	$ 55,488	$ 232,151

The straight-line method is used to allocate the depreciable amount of an asset over its useful life, which is shown as follows:

Buildings	
Main building for plants	61 years
Rooftop construction	22 years
Yard construction	22 years
Others	22 years
Leasehold Improvements	4~6 years
Machinery	4~12 years
Transportation equipment	2~12 years
Office equipment	1~10 year(s)
Other Equipment	3~22 years

For the information about property, plant and equipment pledged as collateral, please see Note 31 for details

XVIII. Investment Property

	2017	2016
Cost		
Balance - beginning of year	$210,912	$ 47,334
Addition	722	163,578
Balance - end of year	$211,634	$210,912
Accumulated depreciation and impairment		
Balance - beginning of year	$ 39,282	$ 13,491
Depreciation	1,193	1,271
Impairment loss recognized	-	24,520
Balance - end of year	$ 40,475	$ 39,282
Net value - end of year	$171,159	$171,630

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

Increase in investment property for 2016 is mainly a result of customers compensating the Group with real estates (including lands, buildings and parking lots) for the accounts receivables of NT$ 138,900 thousand due to the Group.

As per information on the Real Estate Transaction Declaration System for 2016, the Group recognized an impairment loss of NT$ 24,520 thousand for the investment properties located in Banqiao.

The fair value of the Group's investment property as of December 31, 2017 and 2016 were NT$ 182,136 thousand and NT$ 191,206 thousand. The fair value is derived by reference to the closing prices of properties sold in the latest period.

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

XIX. Borrowings

(I) Short-term borrowing

	December 31, 2017	December 31, 2016
Unsecured loans		
Credit loans	$220,000	$ 90,000
Annual interest rate	0.96%~1.13%	1.20%

(II) Short-term Bills Payables

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

December 31, 2017

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

(III) Long-term loans

	December 31, 2017	December 31, 2016
Secured loans (Note 31)		
Syndicated loans (1)	$ 1,050,000	$ 1,200,000
Bank loans (2)	350,000	-
	1,400,000	1,200,000
Less: Current portion	(600,000)	(150,000)
Long-term loans	$ 800,000	$ 1,050,000
Annual interest rate	1.60%~2.38%	2.26%~2.38%

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

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

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

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

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

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

2. To obtain land held for construction, the Company entered into the medium and long-term loan contract with the bank in June 2017. The maturity date should be July 12, 2022. Interest should be paid monthly, and the principal should be repaid in full upon maturity. The land is pledged as collateral.

XX. Accounts Payables

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

XXI. Post-employment Benefit Plan

(I) Defined Contribution Plan

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

Employees of the Group's subsidiaries located in China are members of the post-employment benefit plan that is managed by the Chinese government. The subsidiaries are required to make contributions equal to a certain percentage of their payroll costs to fund the post-employment benefit plan. The obligation of the Group to the state-run post-employment benefit plan is limited to making certain amount of contribution.

(II) Defined Benefit Plans

The pension plan of the Group under the Labor Standards Law is a defined benefit pension plan managed by the government. Payment of pension is calculated based on the seniority and the average wages of the last 6 months prior to retirement of an employee. The Group contributes monthly an amount equal to 5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, under the name of the independent retirement fund committee. Before the end of year, if the balance at the retirement fund is not sufficient to cover all employees retiring next year, a lump-sum deposit should be made before March-end of the following year to cover the shortfall. The retirement fund is managed by the Bureau of Labor Funds, Ministry of Labor. The Group does not have rights to influence its investment management strategy.

The amounts recognized on the consolidated balance sheet for the benefit plan are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$ 43,937	$ 40,394
Fair value of planned assets	(35,239)	(34,406)

Net defined benefit liabilities (listed as other non-current liabilities)	$ 8,698	$ 5,988

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of planned assets	Net defined benefit liabilities
January 1, 2016	$ 44,820	($ 34,875)	$ 9,945
Service costs			
Current service cost	467	-	467
Interest expense (income)	556	(445)	111
Recognized in profit and loss	1,023	(445)	578
Remeasurement			
Return on planned assets (excluding amounts included in net interest)	-	198	198
Actuarial gains- changes in financial assumptions	(4,949)	-	(4,949)
Actuarial losses - Experience adjustments	787	-	787
Recognized in other comprehensive income	(4,162)	198	(3,964)
Contribution from employer	-	(571)	(571)
Benefits paid	(1,287)	1,287	-
December 31, 2016	40,394	(34,406)	5,988
Service costs			
Current service cost	424	-	424
Interest expense (income)	501	(439)	62
Recognized in profit and loss	925	(439)	486
Remeasurement			
Return on planned assets (excluding amounts included in net interest)	-	99	99
Actuarial losses- changes in financial assumptions	1,159	-	1,159
Actuarial losses -	1,459	-	1,459

Experience adjustments			
Recognized in other comprehensive income	2,618	99	2,717
Contribution from employer	-	(493)	(493)
December 31, 2017	$ 43,937	($ 35,239)	$ 8,698

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

Summary by function	2017	2016
Operating costs	$ 114	$ 132
Operating Expenses	372	446
	$ 486	$ 578

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

1. Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management by Bureau of Labor Funds, Ministry of Labor. However, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks.
2. Interest rate risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation. However, the return on the debt investments of the plan assets will also increase. Those two will partially offset each other.
3. Payroll risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants As such, an increase in the salary of the plan participants will raise the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. Material assumptions on the measurement date are stated as follows:

	December 31, 2017	December 31, 2016
Discount rate	1.00%	1.25%
Expected growth rate of salaries	2.00%	2.00%

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

	December 31, 2017	December 31, 2016
Discount rate		
Increase by 0.25%	($ 1,159)	($ 1,147)
Decrease by 0.25%	$ 1,201	$ 1,190
Expected growth rate of salaries		
Increase by 0.25%	$ 1,186	$ 1,178
Decrease by 0.25%	($ 1,151)	($ 1,141)

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

	December 31, 2017	December 31, 2016
Expected contribution amounts within 1 year	$ 712	$ 485
Average maturity period of defined benefit obligations	10 years	11 years

XXII. Equity

(I) Capital

	December 31, 2017	December 31, 2016
Authorized shares (in 1,000 shares)	500,000	500,000
Authorized capital	$ 5,000,000	$ 5,000,000
Number of issued and paid shares (in 1,000 shares)	337,900	337,900
Issued capital	$ 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

	December 31, 2017	December 31, 2016
Used to offset deficits, appropriated as cash dividends or transferred to capital stock (1).		

Share premium	$ 199,561	$ 199,561
Treasury stock transaction	623	623
<u>Used to offset deficits</u>		
Recognized Changes in ownership interests in subsidiaries accounted for using equity method	-	373
Adjustment in capital surplus of subsidiaries accounted for using equity method	73	-
<u>Not be used for any purposes</u>		
Employee stock options	205	-
	$ 200,462	$ 200,557

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

(III) Retained Earnings and Dividend Policy

Pursuant to the amendments to the Company Act in May 2015, dividends and bonus distribution is limited only to shareholders rather than to employees. An earnings distribution policy for employees, supervisors and directors was included in the Article of Incorporation that was amended and resolved on June 21, 2016 in the Company's Shareholders' Meeting.

According to the earnings appropriation policy set forth in the amended Articles of Incorporation, the annual net income, if any, should be used to pay off all the taxes and duties, as well as to compensate prior deficits. The remaining amount, if any, should be appropriated in the following order of presentation: (1) 10% as legal reserve; (2) set aside or reverse a certain amount as or of special reserve according to operating needs or laws or regulations; (3) the remaining net income plus unappropriated earnings from prior years may be used as dividends or bonus for shareholders after proposed by the Board of Directors and resolved by the shareholders meeting. For appropriation policy regarding compensation to employees and remuneration to supervisors and directors as set forth in the amended Articles of Incorporation, please refer to Note 24 (6).

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

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

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

The proposals to appropriate earnings for the years 2016 and 2015 are as follows:

	Earnings appropriation proposal		Dividends per Share (NT$)	
	2016	2015	2016	2015
Legal reserve	$ 4,208	$ -		
Cash Dividend	167,150	168,950	$ 0.50	$ 0.50

Earnings distribution and earnings per share for 2017, which were resolved by the Board of Directors of the Company on March 29, 2018, are stated as follows:

	Earnings appropriation proposal	Dividends per Share (NT$)
Legal reserve	$ 17,118	
Special reserve	28,091	
Cash Dividend	167,150	$ 0.50

The earnings distribution proposal for 2017 still awaits the resolution by the Shareholders' Meeting that will be held in June 29, 2018.

(IV) Treasury Stocks

The 3,600 thousand shares of treasury stocks held by the Company was repurchased for the purpose of transfer to employees. No changes had arisen as at December 31, 2017.

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. Operating Revenue and Expense

	2017	2016
Construction revenue	$ 3,835,445	$ 3,836,737
Sales revenue	1,898,463	1,331,424
	$ 5,733,908	$ 5,168,161
Construction costs	$ 3,498,291	$ 3,511,070
Cost of sales	1,689,989	1,233,161
	$ 5,188,280	$ 4,744,231

XXIV. Net Income for the Current Year

Net income for the current year comprises the following items:

(I) Other income

	2017	2016
Interest income	$ 79,238	$ 62,775
Dividend income	8,892	10,794
Others	29,665	54,794
	$117,795	$128,363

(II) Other Gains and Losses

	2017	2016
Net exchange loss	($ 42,287)	($ 20,040)
Net gains arising from disposal of subsidiaries	17,915	-
Valuation Gain (loss) of financial assets measured at FVTPL	(6,179)	2,030
Net loss (gain) from disposal of property, plant and equipment	(1,423)	3,728
Net loss (gain) from disposal of investments	(989)	41,737
Gains from disposal of investments accounted for using equity method	-	910
Impairment loss of investment property	-	(24,520)
Impairment loss of non-current assets held for sale	-	(26,788)
Others	(9,600)	(41,497)
	($ 42,563)	($ 64,440)

(III) Finance Costs

	2017	2016
Interest expense		
Bank loans	$ 31,076	$ 30,099
Short-term bills payable	-	275
	$ 31,076	$ 30,374

(IV) Depreciation and Amortization

	2017	2016
Property, plant and equipment	$ 27,313	$ 47,928
Investment property	1,193	1,271
Intangible assets	6,490	7,759
Total	$ 34,996	$ 56,958
Depreciation expenses summarized by functions		
Operating costs	$ 21,285	$ 41,644
Operating Expenses	6,066	6,284
Other gains and losses	1,155	1,271
	$ 28,506	$ 49,199
Depreciation expenses summarized by functions		
Operating costs	$ 1,070	$ 1,445
Operating Expenses	5,420	6,314
	$ 6,490	$ 7,759

(V) Employee Benefit Expense

	2017	2016
Short-term employee benefits	$448,958	$471,048
Post-employment benefits (Note 21)		
Defined contribution plan	27,124	29,851
Defined benefit plans	486	578
Termination benefits	98	4,771
	$476,666	$506,248
Summary by function		
Operating costs	$232,251	$271,465
Operating Expenses	244,415	234,783
	$476,666	$506,248

(VI). Renumerations for Employees and Directors and Supervisors

The Company appropriates 0.1% - 3% of its pre-tax income (before compensations to employees and remunerations to directors and supervisors are deducted from) as employee compensations, and less than 3% of such pre-tax income as remuneration to directors and supervisors. Compensation to employees and remuneration to directors and supervisors for 2017 and 2016 had been resolved by the Board of Directors as at March 29, 2018 and March 30, 2017, respectively, which are stated as follows:

	2017		2016	
	Cash	Percentage (%)	Cash	Percentage (%)
Employee compensation	$ 6,417	3%	$ 981	2%
Directors and Supervisors' Remuneration	6,417	3%	1,470	3%
	$ 12,834		$ 2,451	

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.

Information about employee compensation and remuneration to directors and supervisors approved by the Board of Directors for 2018 is available at the Taiwan Stock Exchange Market Observation Post System website.

XXV. Income Tax

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

	2017	2016
Current income tax		
Accrued in the current year	$ 74,057	$ 38,934
Adjustments for prior years	(9,051)	813
	65,006	39,747
Deferred income tax		
Accrued in the current year	14,790	-
Adjustments for prior years	8,514	(12,472)
Income tax expenses recognized in profit or loss	$ 88,310	$ 27,275

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

	2017	2016
Income before tax	$260,483	$ 68,892
Income tax calculated by applying the statutory rate to net income before tax	$ 44,282	$ 11,712
Effects on the deferred income tax of subsidiaries' earnings	25,893	(12,095)
	2017	2016
Effects arising from variation of tax rates applicable to various consolidated entities	$ 15,632	$ 2,439
Expense not deductible from tax	6,783	15,332
Exemption	(2,381)	(9,291)
Adjustments of income tax expenses of prior years	(537)	813
Reversal of deferred income tax assets	-	4,557
Others	(1,362)	13,809
Income tax expenses recognized in profit or loss	$ 88,310	$ 27,275

The tax rate for entities of the Group that apply the Income Tax Act of the Republic of China is 17%. The tax rate applicable to subsidiaries in China is 25%.

The amended Income Tax Act of the Republic of China was announced by the president in February 2018, which raised the profit-seeking enterprise income tax from 17% and 20% (to be implemented from 2018 on). In addition, the tax rate applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. The deferred tax assets and deferred tax liabilities that had been recognized as at December 31, 2017, due to changes in tax rates, are expected to increase in 2018 by NT$ 12,019 thousand and NT$ 44,637 thousand, respectively.

Since there is still an uncertainty regarding earnings appropriation for 2018 which awaits the resolution by the Shareholders' Meeting, the potential tax consequence of the additional 10% tax levied on the undistributed earnings of 2017 cannot be reliably determined.

(II) Income Tax Recognized in Other Comprehensive Income

	2017	2016
Deferred income tax		
- Translation of foreign operations	$ 31,069	$ 54,179
- Remeasurement of defined benefit plans	462	(674)
Income Tax Recognized in Other Comprehensive Income	$ 31,531	$ 53,505

(III) Deferred Income Tax Assets and Liabilities

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

2017

	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Balance - end of year
Deferred income tax assets				
Warranty cost	$ 1,703	$ 1,226	$ -	$ 2,929
Construction proceeds temporarily estimated	1,278	1,098	-	2,376
Unrealized construction loss	4,076	(935)	-	3,141
Defined benefit pension plan	1,018	(1)	462	1,479
ıpairment loss	4,168	(84)	-	4,084
Unrealized exchange losses	42	8,425	-	8,467
Loss carryforwards	52,772	(7,140)	-	45,632
	$ 65,057	$ 2,589	$ 462	$ 68,108
Deferred income tax liabilities				
Gains or losses from investment accounted for using equity method	$ 415,133	$ 25,893	$ -	$ 441,026
Exchange differences on translation of foreign operations	60,119	-	(31,069)	29,050
Reserve for Land Revaluation Increment Tax	9,192	-	-	9,192
Others	778	-	-	778
	$ 485,222	$ 25,893	($ 31,069)	$ 480,046

2016

Deferred income tax assets	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Balance - end of year
Warranty cost	$ 3,161	($ 1,458)	$ -	$ 1,703
Construction proceeds temporarily estimated	7,336	(6,058)	-	1,278
Estimated loss from halted construction	4,557	(4,557)	-	-
Unrealized construction loss	10,258	(6,182)	-	4,076
Defined benefit pension plan	1,691	1	(674)	1,018
ıpairment loss	-	4,168	-	4,168
Others	1,332	(1,290)	-	42
Loss carryforwards	146,842	(94,070)	-	52,772
	$ 175,177	($ 109,446)	($ 674)	$ 65,057

Deferred income tax liabilities	Balance - beginning of year	Recognized in profit and loss	Recognized in other comprehensive income	Balance - end of year
Gains from investment accounted for using equity method	$ 536,912	($ 121,779)	$ -	$ 415,133
Book-tax difference for depreciation	139	(139)	-	-
Exchange differences on translation of foreign operations	114,298	-	(54,179)	60,119
Reserve for Land Revaluation Increment Tax	9,192	-	-	9,192
Others	778	-	-	778
	$ 661,319	($ 121,918)	($ 54,179)	$ 485,222

(IV) Information on Unused Loss Carryforwards

Loss carryforwards of the Company as at December 31, 2017 are as follows:

Balance of unused loss carryforwards	Final deductible year
$ 83,870	113
177,139	114
$261,009	

(V) Information on Integrated Income Tax

	December 31, 2017	December 31, 2016
Undistributed earnings		
Unappropriated earnings generated after 1998	$789,811 (Note)	$783,675
Balance of shareholders' imputation credit accounts	$112,701 (Note)	$145,518

Note: Since the integrated income tax system and relevant regulations were abolished by the amendments to Income Tax Act, which were announced and effected in February 2018, information in this respect for 2017 is no longer relevant.

(VI) Income Tax Approval

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

Company Name	Latest approval year
The Company	2015
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

XXVII. Earnings per Share

Unit: NT$ per Share

	2017	2016
Basic earnings per share	$ 0.51	$ 0.13
Diluted earnings per share	$ 0.51	$ 0.13

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

Net income

	2017	2016
Net income attributable to shareholders of the Company	$171,178	$ 42,077

Number of Shares Unit: In 1,000 Shares

	2017	2016
Weighted average number of common stocks used for the calculation of basic earnings per share	334,300	334,300
Effect of dilutive potential common stocks:		
Employee compensation	584	113
Weighted average number of common stocks used for the calculation of diluted earnings per share	334,884	334,413

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 equity transfer agreements to dispose of Guangxi Hefa Mining Co., Ltd. and Kunshan Jianshan Concrete Co., Ltd. on July 20, 2015 and March 15, 2017, respectively. The disposal was completed on September 22, 2017 and August 23, 2017, respectively, resulting in the Group losing control over such subsidiaries. The disposal proceeds of Guangxi Hefa and Kunshan Jianshan were NT$ 182,155 thousand (RMB 40,312) and NT$ 424,294 thousand (RMB 95,000), respectively.

(I) Analysis of Assets and Liabilities Over Which Control Is Lost

	Guangxi Hefa	Kunshan Jianshan
Current assets		
Cash and Cash Equivalents	$ 25,289	$ 121,613
Notes receivable	-	99,757
Accounts receivable	38,342	176,823
Other receivables	9,920	3,471
Inventory	$ 6,165	$ 6,052
Prepayments	6,237	3,544
Other current assets	1,657	37
Non-current assets		
Property, plant and equipment	97,859	50,233
Other non-current assets	13,213	11,617
Current liabilities		
Accounts payable	-	(25,459)
Other payables	(18,793)	(65,854)
Current tax liabilities	(8)	(750)
Other current liabilities	-	(8,369)
Net assets being disposed of	$ 179,881	$ 372,715

(II) Gains (Losses) from Disposal of Subsidiaries

	Guangxi Hefa	Kunshan Jianshan
Consideration received	$ 182,155	$ 424,294
Net assets being disposed of	(179,881)	(372,715)
Due to the loss of control over subsidiaries, the net assets and related hedging instruments of such subsidiaries are reclassified from equity to cumulative exchange difference under profit or loss.	7,148	(17,524)
Gains and losses of cash flow hedges	(10,725)	(14,837)
Disposal (losses) gains	($ 1,303)	$ 19,218

(III) Net Cash Inflow Provided by Disposal of Subsidiaries

	Guangxi Hefa	Kunshan Jianshan
Consideration received in the form of cash and cash equivalents	$ 182,155	$ 424,294
Less: Advance receipts - beginning of year	(156,059)	-
Less: Balance of cash and cash equivalents from disposal	(25,289)	(121,613)
	$ 807	$ 302,681

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 measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
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 FVTPL				
Forward exchange contracts	$ -	$ 23,849	$ -	$ 23,849

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed stocks	$ 11,259	$ -	$ -	$ 11,259
Foreign funds	537,522	-	-	537,522
Available-for-sale financial assets				
Domestic listed stocks	229,564	-	-	229,564
Investments in foreign bonds	-	219,778	-	219,778
Foreign funds	35,870	-	-	35,870
Derivative financial assets for hedging purposes				
Forward exchange contracts	-	7,557	-	7,557
Total	$ 814,215	$ 227,335	$ -	$1,041,550

There was no fair value measurement that was transferred between Level 1 and Level 2 in 2017 and 2016.

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

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

(III) Types of Financial Instruments

	December 31, 2017	December 31, 2016
Financial assets		
Financial asset at FVTPL (merge)	$ 403,461	$ 548,781
Derivatives for hedging purpose	-	7,557
Loans and receivables (Note 1)	6,183,820	5,798,451
Available-for-sale financial assets (Note 2)	502,808	530,362
Financial liabilities		
Financial liabilities at FVTPL	23,849	-
Measured at amortized cost (Note 3)	4,154,591	2,854,788

Note 1: Balance is the balance of the loans and receivables measured at amortized cost, including cash and cash equivalents, debt instrument investments for which no active market exists, notes receivables, accounts receivables, and pledged certificate of deposits and reserve accounts.

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

Note 3: The balance includes financial liabilities at amortized cost, which comprise short-term notes and bills payable, notes payable, accounts payable, other payables and short-term loans and long-term loans.

(IV) Financial Risk Management Objectives and Policies

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

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

1. Market risk

(1) Foreign exchange rate risk

For the carrying amount of foreign currency monetary assets and foreign currency monetary liabilities that were significant on the balance sheet date, please refer to Note 33.

<u>Sensitivity Analysis</u>

The Group is mainly exposed to USD and RMB 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 year to a 1% change in the exchange rate. The number below indicates an increase/decrease in income before tax where the functional currency weakens 1% against NTD.

	Effect on Profit or Loss	
	2017	2016
USD	$ 5,979	$ 6,454
RMB	91	24

(2) Interest rate risk

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

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

	December 31, 2017	December 31, 2016
With fair value interest rate risk		
- Financial assets	$ 2,063,620	$ 2,271,297
- Financial liabilities:	1,349,948	1,290,000
With cash flow interest rate risk		
- Financial assets	727,440	930,810
- Financial liabilities:	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). The rate of 1%

is the sensitivity rate used when reporting foreign currency risk internally to the key management, and represents the management's assessment of the reasonably possible changes in foreign exchange rates.

If interest rate increases/decreases by 100 basis points, held other variables constant, the Group's income before tax will increase/decrease by NT$ 3,774 thousand and NT$ 9,308 thousand, respectively for 2017 and 2016.

(3) Other price risk

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

Sensitivity Analysis

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

If the price of equity increases/decreases by 10%, the income before tax for 2017 and 2016 will, as a result of the gains of losses from equity instruments measured at FVTPL, increase/decrease by NT$ 37,961 thousand and NT$ 54,878 thousand, respectively, whereas the shareholders' equity will, due to gains or losses from equity instruments classified as available-for-sale, increase/decrease by NT$ 28,881 thousand and NT$ 26,543 thousand, respectively.

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.

	Less than 1 Year	1~2 Year(s)	2~5 Years
December 31, 2017			
Non-interest bearing liabilities	$ 2,392,254	$ 47,820	$ 14,569
Fixed-rate instruments:	899,948	450,000	-
Floating interest rate instruments	-	-	350,000
	$ 3,292,202	$ 497,820	$ 364,569
December 31, 2016			
Non-interest bearing liabilities	$ 1,539,634	$ 19,749	$ 5,405
Fixed-rate instruments:	240,000	600,000	450,000
	$ 1,779,634	$ 619,749	$ 455,405

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) Line of credit

	December 31, 2017	December 31, 2016
credit line of unsecured bank loan		
－Amount used	$ 300,000	$ 90,000
－Amount unused	787,560	1,222,500
	$ 1,087,560	$ 1,312,500
credit line of secured bank loan		
－Amount used	$ 1,400,000	$ 1,200,000
－Amount unused	219,495	210,435
	$ 1,619,495	$ 1,410,435

XXX. Related Party Transactions

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

(I) Names and relationships of related parties

Name of related party	Relations with the Group
Jianhui Investment Co., Ltd. (Jianhui Investment)	Related party in substance
Yang, Tzu-Chiang	Director of the Company
Yang, Pang-Yen	Director of the Company

(II) Other related party transactions

Rental expense

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

Category/Name of Related Party	2017	2016
Jianhui Investment	$ 5,748	$ 5,730

Acquisition of financial assets

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

(III) Remuneration to key management

	2017	2016
Short-term employee benefits	$ 43,546	$ 45,740
Post-employment benefits	1,196	1,388
	$ 44,742	$ 47,128

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

XXXI Mortgaged Assets and Pledged Assets

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

	December 31, 2017	December 31, 2016
Land held for construction	$ 463,577	$ -
Pledged certificate of deposit and reserve accounts - current (recognized in other current assets)	357,045	78,194
Pledged certificate of deposit and reserve accounts - non-current	379,592	246,675
Investment property	32,695	33,269
Available-for-sale financial assets	26,700	158,060
Property, plant and equipment	20,816	23,144
Long-term prepaid rent	4,958	5,205
	$ 1,285,383	$ 544,547

XXII. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

(I) Significant Commitments

On June 17, 2016, the Group executed the "Contract Governing the Creation of Right of Superficies of State-owned, Non-public Use Land" with the Southern Region Office, National Property Administration. Upon mutual agreement, Chien Kuo Development Co., Ltd. (Chien Kuo Development), a subsidiary of the Group, was granted the right of superficies to Land No. 1243, Miao Shou Section, Anping District, Tainan City. The life of such superficies spanned 70 years from June 17, 2016 to June 16, 2086. According to the contract, Chien Kuo Development had to pay a royalty for the superficies in the amount of NT$ 136,680 thousand, and is required to acquire a building permit under its name as a builder within 2 years from the execution date (3 years if the application must firstly go through an urban design review) as required by the Building Act. Once the building permit has been obtained, Chien Kuo Development is required to commence the construction work, and is banned from applying for building bulk transfer with the underlying land of such superficies, nor shall such underlying land be leased or lent for others' use. In addition, Chien Kuo Development is also banned from transferring (or entrusting) such superficies and/or the ownership of buildings thereon to a third party, except in the case when the transferee is limited to 1 person, when such transferee commits to accept all rights and obligations under such contract, and when a consent in writing from the National Property Administration is obtained. Upon the termination of the superficies, Chien Kuo Development will, accompanied by the National Property Administration, cancel the superficies, and then the ownership of the buildings sitting thereon is transferred to the state without any compensation, and Chien Kuo Development is required to move out unconditionally.

In addition, Chien Kuo Development is required to calculate its annual lease payment on land at 3.5% of the value of the land that has been declared for the current year, and shall make payments on a monthly basis.

On December 19, 2016, Chien Kuo Development entered into a contract with Anping Real Estate Co., Ltd. (Anping Realestate), which resulted in the transfer of such superficies to Anping Real Estate. All rights and obligations under the "Contract Governing the Creation of Right of Superficies of State-owned, Non-public Use Land" executed by Chien Kuo Development as at June 17, 2016 were then transferred to Anping Real Estate in its entirety once the contract had become effective.

(II) Contingency:

1. In 2000, Kun Yi Construction Co., Ltd. (Kun Yi) and the Company entered into “Earthwork and Site Preparation Construction Contract” (Earthwork Contract) and “Slope Protection and Retaining Wall Construction Contract” (Slope Protection Contract). Kun Yi claimed that the Company deducted the test fees and structure analysis fees in violation of the contracts, and requested the recovery of the price differences totaling NT$7.8 million. The case is currently being tried by the Taiwan Taipei District Court.
2. Shing Tzung Development Co., Ltd (Shing Tzung) and its responsible person, Lu,Kuo-Feng, was constructing in Land No. 537, Zhangzhou Section, Kaohsiung City. the diaphragm walls for a building complex that has 3 floors below the ground and 26 floors above the ground on September 4, 2014 when the construction caused a damage to the neighbors’ structures. Owners of the buildings located on 187th lane, Ziqiang 3rd Road, Kaohsiung City saw their structures seriously tilting, their walls cracked, and houses sink below. Since the Company actively participated in the repair work, the 25 owners of the damaged houses transferred a portion of their creditor’s right to the Company. The Company and owners of the damaged houses brought Shing Tzung Development Co., Ltd to court and filed a provisional attached against its responsible person. The Company has demanded that Shing Tzung and its responsible person compensate an amount of NT$ 25 million with an annual interest of 5% accrued from the date when the indictment is delivered to the settlement date. The case is currently being tried by the Taiwan Kaohsiung District Court.
3. Chun Yuan Steel Industry Co., Ltd (Chun Yuan) undertook the steel structure construction for the Company’s Weiwuying Arts and Cultural Center Construction Project. Chun Yuan’s delay in work, together with serious occupational accidents occurred during the construction period resulting in a halt of the Company’s construction project, had caused serious damage to the Company. The Company demanded Chun Yuan compensate. At a time when both parties could not reach an agreement on the amount of

compensation, Chun Yuan had filed a lawsuit against the Company and demanded the payment being temporarily suspended by the Company be paid. The case is currently being tried by the Taiwan Taipei District Court.

4. The Company contracted a steel structure construction project to EGANG Co., Ltd. (EGANG) and a molding construction project to Yi-Xin Construction Co., Ltd. (Yi-Xin). As the steel structure collapsed on July 4, 2011, causing damage to the molding construction and materials, Yi-Xin sought compensation from the Company and EGANG for a total of NT$16.12 million. The case is currently being tried by the Taiwan Taipei District Court.
5. As of December 31, 2017, the letters of performance guarantee issued by banks for the Group for undertaking construction amounted to NT$ 1,453,429 thousand.
6. As of December 31, 2017, the guarantee notes in deposit issued by banks for the Group for business purposes amounted to NT$ 588,786 thousand.

XXXIII. Information on Foreign Currency Assets and Liabilities Wielding Significant Influence

Information on Foreign Currency Assets and Liabilities Wielding Significant Influence

Unit: Foreign currency/NT$1,000

December 31, 2017

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

December 31, 2016

	Amount in Foreign Currency	Exchange rate	Carrying Amount
Financial assets			
Monetary items			

USD	$	20,011	32.25 (USD: NTD)	$	645,355
RMB		520	0.1442 (RMB: USD)		2,417
				$	647,772

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

	2017		2016	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
Financial assets				
USD	29.7600 (USD: NTD)	($ 49,894)	32.25 (USD: NTD)	($ 205)
RMB	0.1530 (RMB: USD)	2,354	0.1442 (RMB: USD)	(1,935)
		($ 47,540)		($ 2,140)

XXXIV. Additional Disclosures

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

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

(I) Segment revenue and results

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

	Segment Revenue 2017	Segment income (loss) 2017	Segment Revenue 2016	Segment income (loss) 2016
Construction Segment	$ 3,835,445	$ 183,378	$ 3,836,737	$ 191,661
Concrete Segment	1,898,463	110,175	1,331,424	(74,011)
Total revenue from continuing operations	$ 5,733,908	293,553	$ 5,168,161	117,650
Share of profit or loss of entities accounted for using equity method		-		(32)
Other income		117,795		128,363
Other gains and losses		(42,563)		(64,440)
Headquarters management costs and directors' remuneration		(77,226)		(82,275)
Finance costs		(31,076)		(30,374)
Profit before tax of continuing operations		$ 260,483		$ 68,892

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

(II) Geographical Information

The Group mainly operates in two areas - Taiwan and China.

The Group’s revenue made by continuing operations from external customers is presented by operation areas as follows; Non-current assets by locations are also disclosed as follows:

	Revenue from external customers		Non-current assets	
	2017	2016	December 31, 2017	December 31, 2016
Taiwan	$ 3,835,445	$ 3,836,737	$ 757,473	$ 540,634
China	1,898,463	1,331,424	247,808	388,506
	$ 5,733,908	$ 5,168,161	$ 1,005,281	$ 929,140

Non-current assets do not include assets classified as financial instruments or deferred tax assets.

(III) Major Customers

Revenue from a single customer that constitutes 10% or more of the Group's total revenue is disclosed as follows:

	2017	2016
Customer A (Note 1)	$ 1,350,499	$ 393,039
Customer B (Note 1)	59,417	706,649
	$ 1,409,916	$ 1,099,688

Note 1: Comes from construction revenue.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Loans to Others

January 1, 2017 ~ December 31, 2017

Appendix Table 1

Unit: In Thousands of New Taiwan Dollars

No.	Company as creditor	Company as debtor	Financial Statement Account	Whether a Related Party	Highest balance in the current year (merge)	Balance - end of year	Actual Amount Used	Interest Rate Interval	Nature of Loans (Note 1)	Amount arising from ordinary course of business	Reason for short-term financing (merge) (merge)	Allowance for doubtful accounts	Collateral		Limit of loan to a single entity (merge)	Limit of total loans	Note
													Item	Value			
0	Chien Kuo Construction Co. Ltd.	Chien Kuo Development Co., Ltd.	Other receivables	Yes	$ 300,000	$ 300,000	$ -	1.2%	(1)	$ -	Operating capital	$ -	—	$ -	20% of the parent's net worth $ 964,032	20% of the parent's net worth $ 1,928,065	

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

1. For the purpose of short-term financing.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Endorsements and Guarantees

January 1, 2017 ~ December 31, 2017

Appendix Table 2

Unit: In Thousands of New Taiwan Dollars

No.	Endorsement/Guarantee Provider Company Name	Parties Being Guaranteed		Limit of Endorsements and Guarantees for a Single Entity (Note 1, 2, 4)	Maximum Guarantee Amount Balance (Note 1)	Outstanding Guarantee Amount - end of year (Note 1)	Actual Amount Used (Note 1)	Amount of Endorsement and Guarantee Secured with Properties (merge)	Ratio of the accumulated amount of endorsement and guarantee to the net worth on the latest financial statements	Limit of guarantee and endorsement (Notes 1, 3 and 4)	Endorsements and Guarantees Made by Parent for Subsidiaries	Endorsements and Guarantees Made by Subsidiaries for parents	Endorsements and Guarantees made for entities in China	Note
		Company Name	Relationship											
0	Chien Kuo Construction Co. Ltd.	Chien Kuo Asia Co., Ltd.	Sub-subsidiary	$ 2,410,081	$ 322,500	$ 178,560	$ -	$ -	3.70%	$ 4,820,162	Y	N	N	Financing endorsement/guarantee
		Suzhou Chien Hua Concrete Co., Ltd.	Sub-subsidiary	2,410,081	96,012	95,645	84,258	-	1.98%	4,820,162	Y	N	Y	Financing endorsement/guarantee
		Wuxi Chien Bang Concrete Co., Ltd.	Sub-subsidiary	2,410,081	96,012	95,644	81,981	-	1.98%	4,820,162	Y	N	Y	Financing endorsement/guarantee
		Shun Long International Electrical Engineering Co., Ltd.	Sub-subsidiary	2,410,081	50,000	50,000	-	-	1.04%	4,820,162	Y	N	N	Financing endorsement/guarantee
1	Jin Gu Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent company	10,414,117	350,000	-	-	-	-	10,414,117	N	Y	N	Financing endorsement/guarantee

Note 1: Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as at December 31, 2017 (US$1＝NT$29.76).

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

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

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

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

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

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

Chien Kuo Construction Co. Ltd. and Subsidiaries

Marketable Securities Held by the End of the Period

December 31, 2017

Appendix Table 3

Unit: In Thousands of New Taiwan Dollars

Holder Company	Type and Name of Marketable Securities	Relationship with the security issuer	Financial Statement Account	Ending				Note
				Number of Shares (in Thousands)	Carrying Amount	Shareholding Percentage (%)	Fair value	
Chien Kuo Construction Co. Ltd.	Stock							
	Taiwan Cement Corporation	—	Available-for-sale financial assets	5,009	$ 182,576	0.12	$ 182,576	
	Chia Hsin Cement Corporation	—	Available-for-sale financial assets	6,853	91,488	0.88	91,488	(Note 1)
	Chia Hsin Cement Corporation	—	Financial assets at FVTPL	1,114	14,878	0.14	14,878	—
Jin Gu Co., Ltd.	Funds							
	YUANTA DIAMOND FUNDS SPC - YUANTA PRIVATE EQUITY FUND SP	—	Financial assets carried at cost	10	29,760	-	29,760	—
	Stock							
	Chia Hsin Cement Corporation	—	Financial assets at FVTPL	175	2,339	0.02	2,339	—
	PVG GCN VENTURES, L.P.	—	Financial assets carried at cost	-	29,760	5.00	29,760	—
	CSVI VENTURES, L.P.	Note 3	Financial assets carried at cost	-	11,904	4.88	11,904	
	Bonds							
	POLY REAL ESTATE GROUP CO. LTD	—	Available-for-sale financial assets	1,850	56,357	-	56,357	—
	CHINA HUARONG ASSET MANAGEMENT CO. LTD	—	Available-for-sale financial assets	1,930	58,029	-	58,029	—
	GREENLAND HOLDINGS CORP LTD	—	Available-for-sale financial assets	950	28,188	-	28,188	—
Chien Kuo Asia Co., Ltd.	Funds							
	China International Fund Management Co., Ltd. Money Market Fund	—	Financial assets at FVTPL	79,533	362,231	-	362,231	—
	Jinniu China New Dynamic Fund	—	Available-for-sale financial assets	3,086	14,746	-	14,746	—
	Stock							
	Common stock of China Mobile Communications Corporation	—	Financial assets at FVTPL	82	24,013	-	24,013	—

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

Note 2: For investment in subsidiaries, please refer to Appendix Table 8 and 9.

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

Chien Kuo Construction Co. Ltd. and Subsidiaries

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

January 1, 2017 ~ December 31, 2017

Appendix Table 4

Unit: In Thousands of New Taiwan Dollars

Purchaser/ Seller	Type and name of marketable securities	Financial Statement Account	Counterparty	Relationship	Beginning balance		Buy		Sell				Share of gains or losses of investments	Changes in valuation gains or losses (Note 6)	Ending	
					Shares	Amount	Shares	Amount	Shares	Selling price	Carrying Cost	Gain (Loss) on Disposal			Shares	Amount
Chien Kuo Asia	Capital contribution certificate Kunshan Jianshan	Investments accounted for using equity method	Kunshan Shen Kun Concrete Co., Ltd.	—	- (Note 1)	$ 278,603 (Note 2)	- (Note 1)	-	- (Note 1)	$ 305,492	$ 272,863	$ 13,837 (Note 4)	$ 7,540	($ 13,280)	-	-
Nantong Chien Cheng	Capital contribution certificate Kunshan Jianshan	Investments accounted for using equity method	Kunshan Shen Kun Concrete Co., Ltd.	—	- (Note 1)	108,346 (Note 3)	- (Note 1)	-	- (Note 1)	118,802	106,114	5,381 (Note 5)	2,933	(5,165)	-	-

Note 1: A limited company.

Note 2: Including cash dividends distributed by the investee in the amount of NT$ (32,809) thousand, and adjustment of retained earnings for intra-Group organization restructuring in the amount of NT$ (2,443) thousand.

Note 3: Including cash dividends distributed by the investee in the amount of NT$ (12,759) thousand, and adjustment of retained earnings for intra-Group organization restructuring in the amount of NT$ (950) thousand.

Note 4: Including gains or losses from cash flow hedges in the amount of NT$ (10,683) thousand.

Note 5: Including gains or losses from cash flow hedges in the amount of NT$ (4,154) thousand.

Note 6: Recognize an adjustment for foreign currency translation.

Chien Kuo Construction Co. Ltd. and Subsidiaries

Acquisition of Property Amounting to At Least NT$ 300 Million or Exceeding 20% of Paid-in Capital:

January 1, 2017 ~ December 31, 2017

Appendix Table 5

Unit: In thousands of NTD, unless otherwise stated

Company that aquired the property	Name of Property	Occurrence date	Transaction Amount	Proceeds payment status	Counterparty	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition and Status in Use	Other agreed matters
							Owner	Relationship with the issuer	Transfer Date	Amount			
Chien Kuo Construction Co. Ltd.	Land located in the northern part of an industrial zone in Xinzhuang Dist.	May 1, 2017	$ 463,577 (Note 4)	Note 4	Department of Land Administration of New Taipei City	-	-	-	-	-	Bid price	For construction	-

Note 1: If the asset acquired is required to be appraised, the appraisal result shall be marked on the column titled "Price Reference".

Note 2: Paid-in capital refers to the paid-in capital of the parent. Where issuer's shares have no par value or where the par value per share is not NT$ 10, any calculations that involve paid-in capital ratio of 20% shall be replaced with the equity ratio of 10% attributable to the owners of the parent company as stated in the balance sheet.

Note 3: Occurrence date of a transaction is the earlier of the execution date, payment date, closing date, ownership transfer date, Board resolution date, or other dates that indicate explicitly the counterparty and transaction amount.

Note 4: The transaction amount includes land proceeds of NT$ 463,109 thousand, agent fee for ownership transfer and land registration fee in the amount of NT$ 468 thousand, totaling NT$ 463,577 thousand. The ownership of the land had been transferred on July 20, 2017.

Chien Kuo Construction Co. Ltd. and Subsidiaries

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

January 1, 2017 ~ December 31, 2017

Appendix Table 6

Unit: In thousands of NTD unless otherwise stated

Purchaser/ Seller	Counter- party	Relationship	Transaction status				Reasons for and status of differences in transaction terms compared to arms-length transaction (Note 1)		Notes or accounts receivable (payable)		Note (Note 2)
			Purchases (sales)	Amount	Ratio to total purchase (sales)	Credit period	Unit Price	Credit period	Balance	Ratio to Notes or accounts receivable (payable)	
Chien Kuo Construction Co. Ltd.	Shun Long International Electrical Engineering Co., Ltd.	Subsidiaries	Purchase	$ 389,352	11.18%	Pursuant to the agreement	-	-	($ 178,771)	(13.92%)	
Shun Long International Electrical Engineering Co., Ltd.	Chien Kuo Construction Co. Ltd.	Parent company	Purchase	(389,352)	(89.83%)	Pursuant to the agreement	-	-	174,086	97.68%	

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

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

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

Chien Kuo Construction Co. Ltd. and Subsidiaries

Inter-company Relationships and Significant Inter-company Transactions

January 1, 2017 ~ December 31, 2017

Appendix Table 7 Unit: In Thousands of New Taiwan Dollars

No.	Company name	Counter-party	Nature of Relationship (Note 1)	Transaction details			
				Account	Amount	Transaction Terms	Ratio to total consolidated revenue or total consolidated assets
0	Chien Kuo Construction Co. Ltd.	WeBIM Services Co., Ltd.	(1)	Miscellaneous income	$ 3,032	Note 2	0.05%
			(1)	Construction costs	5,510	Note 3	0.10%
			(1)	Prepayments construction contracts	1,102	Note 4	0.01%
		Shun Long International Electrical Engineering Co., Ltd.	(1)	Construction costs	389,352	Note 4	6.79%
			(1)	Construction contract receivable	424,950	Note 4	4.27%
			(1)	Prepayments	32,500	Note 4	0.33%
			(1)	Accounts payable	178,771	Note 4	1.80%
1	Chien Kuo Development Co., Ltd.	Anping Real Estate Co., Ltd.	(3)	Other receivables	7,200	(Note 5)	0.07%

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: This is service revenue paid by subsidiaries to Chien Kuo construction in exchange for its management service.

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

Note 4: Conducted in line with ordinary terms.

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

Chien Kuo Construction Co. Ltd. and Subsidiaries

Information on Investees and their locations

January 1, 2017 ~ December 31, 2017

Appendix Table 8

Unit: In Thousands of New Taiwan Dollars

Investor	Name of Investee	Location	Main businesses	Original Investment Amount		Balance-ending			Income (Losses) of the Investee	Investment gain or loss recognized in the current period	Note
				End of Current Period	End of the Prior Year	Shares	Ratio (%)	Carrying Amount			
Chien Kuo Construction Co. Ltd.	Jin Gu Limited	British Virgin Islands	Reinvestment	$ 656,126	$ 656,126	21,000	100	$ 2,754,833	$ 76,563	$ 76,563	Subsidiary
	Yin Ying Holding Limited	British Virgin Islands	Reinvestment	1,065,645	1,065,645	32,701	100	2,043,131	75,748	75,748	Subsidiary
	Chien Kuo Development Co., Ltd.	Taiwan	Building construction commission; public housing lease	144,065	144,065	11,100	100	98,415	421	429	Subsidiary
	Shun Long International Electrical Engineering Co., Ltd.	Taiwan	Mechanical, electrical and plumbing engineering, undertaking and equipment/wholesale and retail	44,361	19,983	6,063	86.61	48,523	14,186	13,401	Subsidiary
	WeBIM Services Co., Ltd.	Taiwan	Construction technology	15,166	15,000	1,530	76.5	9,288	1,042	833	Subsidiary
	Anping Real Estate Co., Ltd.	Taiwan	Housing and building development and lease	140,000	140,000	14,000	100	137,157	(2,763)	(2,763)	Subsidiary
Yin Ying Holding Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Reinvestment	1,177,143	1,177,143	2,258	54.78	2,042,620	138,395	Not applicable.	Sub-subsidiary
Jin Gu Limited	Chien Kuo Asia Co., Ltd.	British Virgin Islands	Reinvestment	1,047,989	1,047,989	1,864	45.22	1,686,150	138,395	Not applicable.	Sub-subsidiary
Chien Kuo Asia Co., Ltd.	Shun Long (Hong Kong) Limited	Hong Kong	International trade	0.007794	0.007794	-	100	301	(26)	Not applicable.	Sub-subsidiary

Note 1: Where there involves a foreign currency, it is translated into New Taiwan Dollars by using the exchange rate as at December 31, 2017 (US$1 = NT$29.76), except for profit or loss items, which are translated into New Taiwan Dollars by using the average exchange rate over January 1 - December 31, 2017 (US$1 = NT$30.43).

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

Chien Kuo Construction Co. Ltd. and Subsidiaries

Investments in Mainland China

January 1, 2017 ~ December 31, 2017

Appendix Table 9

Unit: In thousands of NTD, unless otherwise stated

Investee in Mainland China	Main businesses	Paid-in Capital	Investment method	Accumulated investment amount remitted from Taiwan - beginning of period	Wire-in or wire-out investment amount		Accumulated investment amount remitted from Taiwan - end of period	Profit of loss of Investee	Direct and indirect percentage of ownership	Investment gain or loss recognized in the current period (Note 1)	Carrying amount - end of period (merge) (Note 1)	Accumulated Repatriation of Investment Income as of the end of the period.	Note
					Remitted	Received							
Shanghai Chien Kuo Concrete Co., Ltd.	Production and sale of concrete and concrete products	$ 149,1	Investment through a company founded in a third region	$ 125,779	$ -	$ -	$ 125,779	$ -	-	$ -	$ -	$ -	Note 5
Jianya (Shanghai) Information Technology Co., Ltd.	Computer software technology development and consultation (merge)	107,1	Investment through a company founded in a third region	68,326	-	-	68,326	(1,858)	100%	(1,858)	154,437	-	
Suzhou Chien Hua Concrete Co., Ltd.	Production and sale of concrete and concrete products	408,4	Investment through a company founded in a third region	182,036	-	-	182,036	26,972	100%	26,972	550,480	-	
Kunshan Jianshan Concrete Co., Ltd.	Production and sale of concrete and concrete products	297,6	Investment through a company founded in a third region	230,025	-	-	230,025	10,472	100%	10,472	-	-	Note 5
Wuxi Chien Bang Concrete Co., Ltd.	Production and sale of concrete and concrete products	424,8	Investment through a company founded in a third region	214,059	-	-	214,059	120,948	100%	120,948	1,364,901	-	
Changzhou Chien An Concrete Co., Ltd.	Production and sale of concrete and concrete products	74,4	Investment through a company founded in a third region	69,342	-	-	69,342	-	-	-	-	-	Note 5
Nantong Chien Cheng Concrete Co., Ltd.	Production and sale of concrete and concrete products	209,0	Investment through a company founded in a third region	244,471	-	-	244,471	13,132	100%	13,132	451,064	-	
Yangzhou Chien Yung Concrete Co., Ltd.	Production and sale of concrete and concrete products	300,5	Investment through a company founded in a third region	197,041	-	-	197,041	(6,626)	100%	(6,626)	337,623	-	
Shanghai Chien Chung Concrete Co., Ltd.	Production and sale of concrete and concrete products	74,4	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 5
Kunshan Jindi Concrete Co., Ltd.	Production and sale of concrete and concrete products	41,6	Investment through an existing company in a third region	-	-	-	-	1,429	100%	1,429	-	-	Note 5
Zunyi Chien Bang Mining Co., Ltd.	Quarrying	159,4	Investment through an existing company in a third region	-	-	-	-	-	-	-	-	-	Note 5
Changzhou Changlong Handling Co., Ltd.	Cargo handling	2,2	Investment through an existing company in a third region	-	-	-	-	(1,106)	100%	(1,106)	965	-	
Jiangsu Shili Construction Co., Ltd.	Construction consultation	62,4	Investment through a company founded in a third region and others	23,100	-	-	23,100	(135)	100%	(135)	76,570	-	
Chien Kuo Construction Consultant (Kunshan) Co., Ltd.	Construction consultation	17,8	Investment through a company founded in a third region and others	-	-	-	-	(395)	100%	(395)	23,338	-	
Loudi Chien Kuo Mining Co., Ltd. and other six invested companies	Quarrying	1,185,0	Investment through an existing company in a third region and others	36,840	-	-	36,840	-	- (Note 4)	-	-	914,492	Note 5

Accumulated investment amount remitted from Taiwan to China as at end of current period	Approved amount through Investment Committee of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs
$1,420,697 (Note 3)	$596,038 (Note 2)	$2,937,130

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

Note 2: The amount authorized by the Investment Commission, MOEA was NT$1,604,461, of which NT$1,008,423 originated from the surpluses of invested companies in mainland China remitted to the third regions, and was not included in the calculation of the limit on investment.

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

(1) Loss on investment:

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

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

Note 4: Loudi Chien Kuo Mining Co., Ltd. and other six investees are held by the Company either directly or indirectly, with shareholding percentage between 0% and 100%.

Note 5: Changzhou Chien An Concrete Co., Ltd. was disposed of and the equity transfer was completed as at October 31, 2013. Shanghai Chien Chung Concrete Co., Ltd. and Zunyi Chien Bang Mining Co., Ltd. had been liquidated in 2015 and 2013, respectively. Loudi Chien Kuo Mining Co., Ltd. had been liquidated on August 15, 2016. Shanghai Chien Kuo Concrete Co., Ltd. had been liquidated on December 9, 2016; Kunshan Jindi Concrete Co., Ltd. had been liquidated on January 18, 2018. Kunshan Jianshan Concrete Co., Ltd. was disposed of and the equity transfer had been completed as at August 23, 2017. Guangxi Hefa Mining Co., Ltd. was disposed of and the equity transfer had been completed as at September 22, 2017.