

# Kung Sing Engineering Corporation

## 2018 Annual Report

**Notice to readers**

*This English-version annual report is a translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

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## I. Letter to Shareholders

### 1.1 2018 business results

#### 1.1.1 2018 annual business plan implementation results

Unit: NT\$ thousand

Operating income	Operating profit	Net income
3,844,011	(133,819)	(70,071)

#### 1.1.2 2018 annual budget implementation situation

Unit: NT\$ thousand

	The actual amount	Budget	Amount ratio
Operating income	3,844,011	Not announced	Not applicable
Gross profit	31,988		
Operating expenses	(165,807)		
Operating profit	(133,819)		
Non-operating income	62,570		
Non-operating expenses	(35,086)		
Pre-tax income	(106,335)		
Net income	(70,071)		

#### 1.1.3 Financial income and expenditure and profitability analysis

Unit: NT\$ thousand

Analysis Project		2018
Financial ability	Interest income	( 3,200 )
	Interest expenses	33,613
Profitability	Return on equity (%)	(1.78)%
	Pre-tax profit to paid-in capital ratio(%)	(3.06)%
	Net profit rate(%)	(1.82)%
	After-tax earnings per share (yuan)	(0.20)

#### 1.1.4 Research and development status

The Company has a long and robust history in construction, has contracted various major public works including roads, bridges, tunnels, and the rapid transit system, among which for the construction of the MRT Danshui Line, the Company cooperated with V.T. Company from Austria and adopted the “Incremental Launching

Method for Prestressed Beams”, cooperated with the DSI technology from Germany on projects 16 and 17 by using the “Cast in Place Cantilever Method”, making the construction to be completed on time, used the “Advanced Shoring Method for Bridges” on project C305, used the Continuing Tunnel Boring Steel Segment Method on project CP263 of the MART Banchiao Line; as for constructions including C359, C360, C356Z(signed), C318 (signed), and C514A (signed), etc, the construction project also included various the domestic advanced methods, such as the incremental launching method, advanced shoring method, and fullstaging method, etc.

## **1.2 Business Plan for 2019**

### 1.2.1 Operational principles

- a. Sustainable development strategy, the establishment of core values.
- b. The implementation of the budget system and strict control of the construction cost.
- c. Staff morale and the establishment of corporate culture.
- d. Talents nurturing and the enterprise physical constitution.
- e. Standardization and the enhancement of work efficiency.
- f. emphasis on safety and health, environmental protection, reduce workplace hazards.

### 1.2.2 Expected sales and the basis

The company's business strategy continues to be based on contracting public works, expanding private enterprises and overseas construction as a supplement. However, in recent years, the economic climate has fluctuated, affecting the risk of the construction industry undertaking projects. Therefore, we should continue to innovate, improve our professional capabilities with various advanced technical methods, strengthen cooperation with foreign strategic alliances, and establish lasting competitiveness, in order to show the company's overall strength and sustained momentum, and indeed condense employees' centripetal force and shareholders. A sense of identity, and the ability of the investment public to present the sustainable operation of the work letter engineering.

According to the current total amount of the company's construction in progress, the flow of funds and the above-mentioned comprehensive considerations, public works such as roads, rail transit, bridges, tunnels and port areas in 2019 will be the main tracking targets. Searched by the Public Works Committee of the Executive Yuan, the Ministry of National Defense, Taoyuan International Airport Co., Ltd., Kaohsiung City Government Works Bureau, Taiwan Port

(share) company Kaohsiung / Keelung / Taichung Port Branch, Taiwan Oil Corporation, and the Ministry of Communications The Taoyuan Municipal Government Works Bureau, Chunghwa Post Co., Ltd., the Ministry of Communications, the Ministry of Railways, the Ministry of the Interior, the Taiwan Electric Power Co., Ltd. and other agencies' websites consult the engineering tenders for possible tenders in 2019, and the selection is more appropriate according to the nature of the project. The contractor of the company has drawn up the 2019 annual business contracted amount of the company to NT\$10 billion.

The 2019 operational plan is as shown in the following:

- a. The business management in the future is still focused on integrated construction works except major public works, we will gradually expand our business services into architecture, environmental protection, machinery and electronics, building materials, and import & export, etc.
- b. Currently, the economy is still in a slump, thus the Company shall attach more importance on steady, dependable operation to ensure the expected profitability of the construction in progress and maintenance of full cash flow as well as to manage to obtain more diversified funding channels and low cost of capital for flexible use.
- c. To strengthen the implementation of project budget system and the execution of construction plan, strictly control the cost of construction as well as to continue to promote the educational training policy, actively cultivate professional personnel, and enhance the Company's overall competence and persistent momentum.
- d. To focus on sustainable management, hold on the coherent persistence, carefully select the construction project, strive for stable revenue and profit, and endlessly seek innovative ideas, have a full grasp of the up-to-date technologies and skills, strengthen our professional competence, expand a wide range of enterprise value, present the company's overall strength and momentum, further to build the loyalty in employees and identity in shareholders.

#### 1.2.3 Important production and marketing policies

- a. To strengthen research and development, enhance the professional and technical standards, and enhance the competitiveness.
- b. To strengthen the labor system, cultivate the basic mechanic strength, and have a full grasp of the construction progress.
- c. To carry out the construction management, foster a third-party team, and achieve the goals of operational plan.

- d.To establish the ERP, sophisticate the information management process, and improve the overall operating efficiency.
- e.To build loyalty in employees and identity in shareholders and enhance the excellent corporate image.

### **1.3 Development Strategy, The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions**

In 2019, the Company continued to focus on public works such as roads, rail transit, bridges, tunnels and port areas.

The Chief Executive Office of the Executive Yuan predicts that GDP will be 2.66% in 2018. It will be announced on November 30, 2018, although it is predicted to be 2019 GDP is 2.41%, but the fundamentals of the domestic economy are still good, but in the face of the global economy, many doubts and concerns about political and economic factors in various countries. Disturbance, such as Brexit, Sino-US trade disputes, increased financial market risks, and geopolitics in the Middle East and the Korean Peninsula Factors such as risks have caused the global economic growth to slow down, and its subsequent impact on the domestic economy still needs attention.

In 2019, the government will strengthen the economic recovery and drive the industrial upgrading and transformation, and revitalize the economic climate. In addition to implementing the “Forward-looking Infrastructure Project” and the “Five Plus Two Industry Innovation Plan”, the government will optimize the domestic market through the “Accelerated Investment Taiwan Project Conference”. The investment environment, the exclusion of investment barriers, the acceleration of industrial innovation and structural transformation, and the combination of economic supply and demand to stimulate private consumption and reward private participation in public construction will help drive domestic investment growth next year and stabilize economic growth momentum.

In 2019, the government's public construction design and paintings totaled NT\$292.7 billion, which is NT\$374.9 billion more than the same basic budget for 2018, and NT\$17.8 billion. Among them, the three major sub-categories of "Transportation and Construction", "Environmental Resources" and "Urban Development" in the construction industry can be combined with NT\$211 billion, and the most important traffic construction category is only NT\$127.3 billion. Among them, the two sub-projects such as road and rail transportation have a total of NT\$110.4 billion, which is only NT\$6.7 billion more than in 2018.

In recent years, the Government has actively promoted the domestic public works



standards to adopt the "minimum standard for heterogeneous procurement", "the most favorable standard" and "the most favorable standard for the turnkey package", and one to avoid the vicious competition in the domestic industry, thereby affecting the quality of the project and the efficiency of implementation to enhance the industry. Competitiveness; in addition, it combines design consultants and construction turnkey projects with the most favorable standard methods, in addition to cultivating manufacturers to integrate design, construction, mechanical and electrical equipment, financial management and other capabilities, and can introduce innovative materials and technologies through turnkey. And the construction method, driving industrial R&D and technology improvement, and then achieving considerable performance and familiarity with international standard procurement methods, and establishing the competitiveness of the engineering industry to open up markets abroad.

In order to comply with this trend, the company is still actively seeking to form an excellent team with relevant industry manufacturers and consultants to jointly cooperate and participate in public engineering bidding.

Sincerely yours,

Chairman of the board  
Chen, Huang-ming

General manager  
Chiang, Chi-ching

Accounting Supervisor  
Wen, Shu-Chiao

## II. Company Profile

### 2.1 Date of Incorporation:

Date of Incorporation: February 01, 1941

Address and telephone number of the head office, branch office and factory:

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### 2.2 Company History

The company came to Taiwan from the mainland and is a long-established construction factory in Taiwan. Due to its solid and solid foundation, it not only overcomes various difficulties, but also grows stronger.

Year	Milestones
1941	Founded by Erh-kung Lu in Shanghai in 1941, joined the national defense construction timely, during the time in the mainland China, contracted a number of major construction projects related to national defense throughout the regions including Yunnan, Kunming, Chongqing, Guangzhou, Guilin, Shanghai, and other major cities.
1947	Registered in February, the paid-in capital was NT\$16 million.
1954	Introduced the prestressed concrete, the result of the load testing of the finished product was highly praised.
1982	1. The former president, Mr. Erh-kung Lu passed away, and Ms. Shu-yi Lin took the position. 2. Mr. Chun-jun Pan et al joined the team and were vigorously in the development "Kung Sing".
1983	Because the president, Ms. Shu-yi Lin resided abroad for a long time, the Board decided to make changes in the managerial level by resolution to appoint Mr. Chun-jun Pan as the president to be in charge of the management of "Kung Sing", for a new era of Kung Sing since had begun.
1987	The society changed with each passing day, in order to follow up to the progress so that the Company could match up the development of a series of important national constructions, operating equipments must be increased and updated; therefore, the Board passed the resolution to implement a cash capital increase up to NT\$ 84 millions.
1989	As a result of the chairman's foresights and new operating equipments, the construction of various projects were highly acclaimed, thus received the

	“Excellent Engineering Award issued by the Taiwan provincial government.”
1991	The government began to promote the Six-year Plan, and the Company was able to contract a number of public works in terms of its capabilities; therefore, implemented another cash capital increase up to NT\$98 millions in order to promote the operational plan.
1993	<ol style="list-style-type: none"> <li>1.Expanded operations due to operational requirements, implemented another cash capital increase up to NT\$60.2 millions in September, purchased a new office building and increased the cash flow schedule.</li> <li>2.Approved by the Securities and Futures Commission, the Company officially became a public company.</li> <li>3. Again received the “Excellent Engineering Award issued by the Taiwan provincial government.”</li> </ol>
1994	<ol style="list-style-type: none"> <li>1.Received the “Excellent Engineering Award issued by the Taiwan Provincial Government” in terms of Tunnels 171K+200~171K+980 on Tai-Chiu Line.</li> <li>2.“Gold Dragon Award for the Priviledged Outstanding Construction Company” for the project CT206 of the Taipei MRT Danshui Line, the project CP263 of the Taipei MRT Banciao Line namely the tunnel project from Chiang-tzh-tsui to Sin-pu stations, and the construction of three-dimensional cross on the mouth of Chung Cheng Rd. in Kaohsiung.</li> </ol>
1995	Received the “Excellent Vendor and Excellent Construction Award issued by the Taiwan Provincial Government” in terms of projects of tunnel broadening and the roadbed, road improvement projects from 182K+500~190K+800 on Tai-Chiu Line.
1996	<ol style="list-style-type: none"> <li>1.The 16, 17 contracted merged project of the broadening from Xizhi to Wugu section on Chung-Shan Freeway was completed and open to traffic, and received a award issued from the Taiwan Area National Freeway Bureau.</li> <li>2. Passed the “ISO 9002” International Quality Standard System.</li> <li>3.Received the “Excellent Construction Award issued by the Taiwan Provincial Government” in terms of the tunnel project of the administration center of the Taroko National Park to the Mystery Valley.</li> <li>4.Won the “Excellent Contruction Company Award issed by the Construciton and Planning Agency, Ministry of the Interior”.</li> </ol>
1997	<ol style="list-style-type: none"> <li>1.Implemented a cash capital increase up to NT\$480 milions due to operational needs.</li> <li>2.Completed the new constructions of Chung-He Tunnel Northern on</li> </ol>

	<p>National Highway No.3 and Hsin-Au Tunnel on Tai-Chiu Line.</p> <p>3.Won the “Excellent Construction Award issued by the Taiwan Provincial Government” in terms of the Ankeng Bridge on the Hsichih and Chung-He section on National Highway No. 3.</p>
1998	<p>Due to the operational need, the Company must have one more supervisor; therefore, the original directors and supervisors resigned all together in June and a re-election took place, new directors and supervisors were: Directors: Chun-jun Pan, Ying-ling Pan, Huang-ming Chen, and Chao-chi Liu of Yi Hsin Investment Co. Ltd.; supervisors: Kuei-mei Li, Chao-ming Chen, and Yi-nan Liu.</p>
1999	<p>1.Passed the “ISO 14001” International Quality Standard System.</p> <p>2.Obtained the permission of stock trading publicly open on OTC market from GreTai Securities Market.</p>
2000	<p>1.In order to fulfill the promise to Securities &amp; Futures Institute of adding one more spot for external director and supervisor each once the stocks were permitted to be traded publicly open on OTC market, the original director, Ying-ling Pan and supervisors, Chao-ming Chen and Kuei-mei Li resigned, and a re-election took place in June, and the new directors and supervisors were: Directors: Chun-jun Pan, Huang-ming Chen, Chao-chi Liu, and Chung-he Huang of Yi Hsin Investment Co. Ltd.; supervisors: Yi-nan Liu, Hsing-hua Wen of Hung Yi Investment Co. Ltd.</p> <p>2. Based on the overall planning, through the resolution made by the Board, Mr. Huang-ming Chen was appointed as the new president and general manager, and Mr. Chun-jun Pan was invited to be the chairman of Kung Sing Group.</p> <p>3.The original spokesperson, Huang-ming Chen was promoted to the person in charge of the company, and the post of spokesperson was filled by the director of sales department, Tai-ju Liu, and the post of deputy spokesperson was filled by Shun-yi Chuang from the finance department.</p> <p>4. Selected as the “excellent construction industry manufacturer of the year 2000” by the Taipei City government.</p>
2001	<p>1. the Board had re-elected new directors and supervisors in June, and the new directors and supervisors were: Directors: Chun-jun Pan, Huang-ming Chen, Chao-chi Liu, and Ling-hua Wang, of Hsin Yi Investment Co. Ltd.; supervisors: Yi-nan Liu and Jo-ching Fan of Hung Yi Investment Co. Ltd.</p> <p>2.The director, Mr. Huang-ming Chen was appointed to the position of president and general manager in accordance with the Board’s resolution.</p>

	<p>3. The Tai-Si Kukeng line on the eastward and westward expressways was voted and rewarded as the best construction site.</p>
2002	<p>1.The new construction project of Taipei long-distance communication building, Chunghwa Telecom won the excellent engineering award issued by the ministry of transportation and communication.</p> <p>2.Reviewed and selected as the “excellent construction company of the year 2002” by the Taipei City government.</p> <p>3.The assistant manager of the administration department, Chi-ching Chiang was appointed to the position of deputy spokesperson.</p>
2003	<p>1.Broke through all difficulties to contract the civil mechanical and electrical integration project, the CB410 section on Taipei MRT Nei-Hu Line with the cost of 32.8 billion dollars making it the largest amount for a single case ever throughout the world.</p> <p>2.The assistant manager of the sales department was promoted to the supervisor of manager’s office.</p>
2004	<p>1.The 20th term of the office for directors and supervisors were expired and in accordance with the provisions of the Companies Act and the Company's Corporate charter,the Board had re-elected new directors and supervisors in May, and the new directors and supervisors were: Directors: Chun-jun Pan of Chuan Fu Investment Co. Ltd., Ling-hua Wang of Hsin Yi Investment Co. Ltd. ; supervisors: Yi-nan Liu of Hung Yi Investment Co. Ltd.</p> <p>2.The representative, Huang-ming Chen was appointed to positions of president and general manager by the Board’s resolution.</p> <p>3.Implemented a cash capital increase up to NT\$250 millions in August in order to comply with operational requirements and needs in financial improvement.</p> <p>4.Joint acquisition of land in Yu-chen section, Nankang district, Taipei City of Taiwan Provincial Agribusiness Company with Mr. Wu-hsiung Chen.</p> <p>5.Acquisition of the project, “Road Improvement Engineering on Hsin Pi Doulou Access Road” organized by the Yun-lin County government.</p> <p>6.Elected as the “Excellent environmental large-scale engineering of the year 2004” by the Department of Environmental Protection, Taipei City Government.</p> <p>7.Mr. Chi-ching Chiang was appointed to the position of spokesperson, and the manager of administrative department, Ming-fa Kuo was as the deputy spokesperson.</p> <p>8.Successfully completed the C326 National Highway No. 3 project and</p>

	<p>received a medals from the Ministry of Transportation and Communications, National Expressway Engineering Bureau.</p> <p>9.The Taipei MRT Xinzhuang Line CK570F project won the second place in the safety and health in construction site regional contest.</p>
2005	<p>1.Obtain “C605 Shuan-tung Nantou Section, National Highway No. 6” organized by the Ministry of Transportation and Communications, Taiwan Area National Expressway Engineering Bureau.</p> <p>2. The 21st supervisor, Yi-nan Liu was dismissed in January, 2006, and in accordance with the provisions of company law and the Corporate charter, a re-election for one supervisor took place during the shareholders’ meeting in May, and the new supervisor was Mr. Yun-chieh Fan.</p> <p>3. Implementation of cash capital increase to NT\$295,955,760 by the Board’s resolution.</p>
2006	<p>1.Received a ward for outstanding performance in hiring and recruiting indigenous people from the Council of Indigenous Peoples, Executive Yuan.</p> <p>2.Implementation of capital increase to NT\$106,581,540 in July in accordance with the Board’s resolution.</p> <p>3.The spokesperson, Chi-ching Chiang was promoted to the deputy general manager.</p> <p>4.Acquisition of the project, “National Highway No.1 Convergence Road, Hsinchu Science Park New Interchange Engineering” organized by Taiwan Area National Freeway Bureau.</p>
2007	<p>1. Elected as the “Excellent Employer of the year 2007” by the Department of Labor.</p> <p>2.The 21st term of the office for directors and supervisors were expired and in accordance with the provisions of the Companies Act and the Company's Corporate charter,the Board had re-elected new directors and supervisors in May, and the new directors and supervisors were: Directors: Chun-jun Pan, Chuan Fu Investment Co. Ltd., Yi Hsin Investment Co. Ltd., and Ling-hua Wang; supervisors: Hung Yi Investment Co. Ltd.and Yun-chieh Fan.</p> <p>3.Implemented a NT\$500 millions cash capital increase in August in order to comply with operational requirements and needs in financial improvements.</p>
2008	<p>1.Acquisition of two projects, “Xinsheng Overpass Modification and Chung-Shan Bridge 2 Demolition and the North End of Xinsheng</p>

	<p>Overpass Approach” organized by the New Constructive Office.</p> <p>2. Due to the overall planning and approved by the Board, the spokesperson and deputy general manager, Chi-ching Chiang was promoted to the general manager, and the original general manager, Huang-ming Chen continued his post of the president.</p> <p>3. Chi-liang Wang was made the spokesperson, and the supervisor of auditing office, Tai-ru Liu was made the deputy spokesperson.</p> <p>4. Obtain “Taiwan’s Taoyuan International Airport’s Outside Linking MRT System Construction Project”</p> <p>5. The “Integrated Construction Project of the New Interchange on National Highway No. 1 Hsinchu Science Park C564A and C564C” Won the 9th Gold Metal Award for Public Engineering and the 3rd Golden Safety Award for Public Engineering.</p>
2009	<p>1. Obtain “Tai 3 Line 418K+600 Likang Bridge Modification Engineering” organized by the Third District Maintenance Construction Office, Directorate General of Highways.</p> <p>2. Obtain “KCL211 Linlo and Chutien Section Railway Elevated of Engineering” organized by the Railway Reconstruction Bureau.</p>
2010	<p>1. Assisted and completed the “Disaster Prevention Observation of reinforcing samples of bridges and columes establishment” and received a testimonial from the Northern Region Inspection Office of the Council of Labor Affairs, Executive Yuan.</p> <p>2. Won the third place in the 2010 Taipei Labor Safety Knowledge Contest.</p> <p>3. The 22nd term of the office for directors and supervisors were expired and in accordance with the provisions of the Companies Act and the Company's Corporate charter, the Board had re-elected new directors and supervisors in June, and the new directors and supervisors were: Directors: Chun-jun Pan, Chuan Fu Investment Co. Ltd., Yi Hsin Investment Co. Ltd., and Ling-hua Wang; supervisors: Hung Yi Investment Co. Ltd. and Yun-chieh Fan.</p> <p>4. The manager of the department of public works, Tai-ru Liu was made the spokesperson, and the manager of the administrative department, Ming-fa Kuo was made the deputy spokesperson.</p> <p>5. The Taipei MRT Neihu Line CB410 Section Project won the 38th Asia-Pacific Federation Golden Award for Civil Engineering.</p> <p>6. The “KCL211 Linlo and Chutien Section Railway Elevated of Engineering” was elected as the excellent environmental protective construction engineering.</p>

2011	<ol style="list-style-type: none"> <li>1.The project of the reconstruction of Tai San Line Likang Bridge was awarded the medal of “Solid Foundation of Bridge” by the Ministry of the Transportation and Communications.</li> <li>2.Received a testimonial from the Thailand Trad and Economic Office, Taipei of the professional management and thorough care for Thai labors.</li> <li>3.Eligible for the Executive Yuan Aboriginal employment Aboriginal Committee awarded the 2011 medal of blue-chip manufacturers.</li> <li>4.Awarded with the 8th National Yushan Prize for Outstanding Business Leader by the National Competiveness of Enterprises Association.</li> <li>5.Awarded with the 8th National Yushan Prize for Outstanding Contribution by the National Competiveness of Enterprises Association.</li> <li>6.Awarded with the 13th National Architecture Golden Award for Public Engineering – Civil Engineering – Bridge Engineering by the National Competiveness of Enterprises Association and the National Architecture Golden Award Activity Committee.</li> <li>7.Obtain “Reconstruction Project B3 of the Tai-Chiu Line Suhua Highway Kufeng Tunnel” organized by the Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications.</li> <li>8.Obtain “New Construction Project B2 of Tai-Chiu Line Suhua Highway Guanyin Tunnel organized by the Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications.</li> <li>9.Won the 11th Golden Quality Award for “Particularly good” Prize organized by the Public Construction Commission, Executive Yuan.</li> <li>10.Established a Remuneration Committee in accordance with the Board’s resolution.</li> </ol>
2012	<ol style="list-style-type: none"> <li>1. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors.</li> <li>2.The project CE02 of Access MRT System to Taiwan Taoyuan International Airport won the first place in the 2011 Comprehensive Appraisal organized by the Bureau of High Speed Rail.</li> <li>3. The new directors of the 24th Board of Directors and supervisors are: Directors: Ch'uan Fu Investment Co. Ltd.,Chun Fa Investment Co. Ltd., Hsin Yi Investment Co. Ltd., and Independent Directors:Chen, chin-yueh, Independent Directors:Chang,liang-ming.</li> </ol>



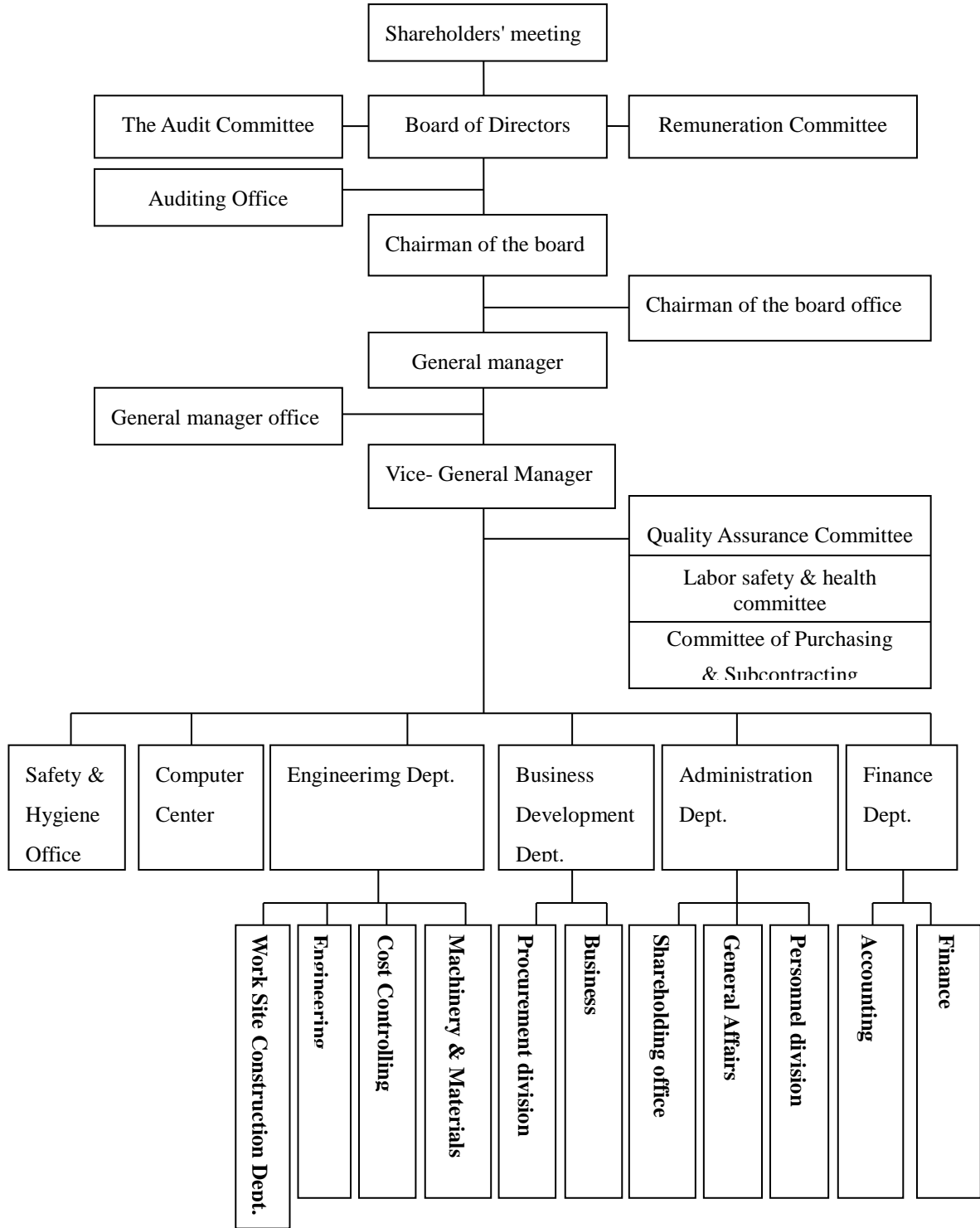
	<p>Supervisors :Wang,Ling-hua ; supervisors: Hung Yi Investment Co. Ltd.</p> <p>4.Obtain purchase project of the cylinder coal bunker of the “New Expansion Plan of Linkou Power Plant”.</p> <p>5.Switch to Listed Companies on December 18, 2012.</p>
2013	<ol style="list-style-type: none"> <li>1. The project CE02 of Access MRT System to Taiwan Taoyuan International Airport won the Environmental Impact Assessment Project Award Excellence Award in the 2012.</li> <li>2. Obtain hiring the handicapped Certification Mark by the Taipei City Government award.</li> <li>3. With the Ministry of Communications to handle the year 2013 "to maintain the transportation, health and safety, environmental protection," demonstration, by the Ministry of Transportation Highway Administration certificates of appreciation.</li> <li>4. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors.</li> <li>5. Taiwan Guanyin nine lines Suhua Highway Tunnel Engineering won new Ministry of Transportation Highway Administration issued 2013 annual results good construction Check medal.</li> </ol>
2014	<ol style="list-style-type: none"> <li>1. Han Ban Wang Zhiqiang, director of the construction of the building was awarded the outstanding management personnel.</li> <li>2. Concrete Engineering won the 2014 prize non-building category - excellent work.</li> </ol>
2015	<ol style="list-style-type: none"> <li>1.The 24nd term of the office for directors were expired and in accordance with the provisions of the Companies Act and the Company's Corporate charter,the Board had re-elected new directors in June, The new directors of the 25th Board of Directors are : Directors: Ch'uan Fu Investment Co. Ltd., Ju hsiang Investment Co. Ltd., and Independent Directors:Chen, chin- yueh, Independent Directors:Chang,liang-ming.Independent Directors:Tu,yi- yang.</li> <li>2. Establishment of an Audit Committee.</li> <li>3. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors.</li> <li>4. Eligible ROC National Competitiveness Enterprise Development Association awarded the first prize in the 17th National Gold Medal State Building 17th National Building Gold Medal.</li> <li>5. Obtain corporate governance index, corporate social responsibility Benchmarking Enterprise.</li> </ol>
2016	<ol style="list-style-type: none"> <li>1. Received a testimonial from the Thailand Trad and Economic Office,</li> </ol>

	<p>Taipei for taking care of Thai labors.</p> <ol style="list-style-type: none"> <li>Linkou power plant construction standards won the China Society of Engineers awarded the fine engineering award!</li> <li>Obtain engineering project Railway Electrification for the chaofang section of SOUTH-LINK line,civil electrical &amp; nechanical from CHAOZHOU to LINBIAN , LOT 811.</li> <li>Won the "2016 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Bronze Award.</li> <li>Concrete Engineering won the 2016 category - excellent work.</li> </ol>
2017	<ol style="list-style-type: none"> <li>Obtain C031 agent Tainan Nanping to Wanrong two-track civil and tram line project.</li> <li>Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors.</li> <li>National Gold Medal State Building 19th National Building Gold Medal.</li> <li>Won the "2017 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Bronze Award.</li> <li>Won the 17th Public Works Gold Award for a masterpiece of water conservancy engineering.</li> <li>Obtain Taichung Port 106 pier new construction project.</li> </ol>
2018	<ol style="list-style-type: none"> <li>In June 29, the Shareholders has re-elected new directors , The new directors of the 26th Board of Directors are : : Directors: Ch'uan Fu Investment Co. Ltd., Representative: Chen ,huang-ming and Chiang,chi-ching, Chia ho Investment Co. Ltd. Representative: Tseng, mei- ling, Ju hsiang Investment Co. Ltd., Representative :Chang, liang-ming. Independent Directors: Chen, chin- yueh, Independent Directors: Wang, chih- lung . Independent Directors: Tu,yi- yang.</li> <li>Won the TCSA Taiwan Enterprise Sustainability Report Award - Silver Award.</li> <li>Awarded the Excellent Project Supervision Award in 2018 by the Highway Administration of the Ministry of Communications.</li> <li>Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors.</li> <li>Obtain Construction of Danjiang Bridge and Connecting Road Network 5K+000~7K+035 project.</li> </ol>

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organizational Chart



### 3.1.2 Major Corporate Functions

Department	Functions
Auditing Office	To check and verify duties performed by various departments, including policies, regulations, and orders as well as expenses.
General Manager Office	Business data analysis, legal consultation and reconciliation, assessment and integration of construction contracts, implementations of various litigation and arbitration cases.
Labor safety & health committee	<ol style="list-style-type: none"> <li>1.To discuss and do a research on implementation plans related to regulations and safety &amp; health education.</li> <li>2.To discuss and do a research on how to prevent the hazards of machinery, equipment or raw materials, and materials.</li> <li>3.To discuss and do a research on countermeasures of operational environmental test results.</li> <li>4.To discuss and do a research on matters related to health management and labor safety &amp; health management.</li> </ol>
Quality assurance committee	<ol style="list-style-type: none"> <li>1.To verify and check the quality plan of project constructions.</li> <li>2.To supervise the implementation of quality control plan.</li> </ol>
Business Development Dept.	<ol style="list-style-type: none"> <li>1.Business:Developments of all construction projects, investment and opening operations, and contract signing, etc.</li> <li>2. Procurement division: Market survey analysis, procurement and contract out matters, information for suppliers, and data filing, etc.</li> </ol>
Engineering Dept.	<ol style="list-style-type: none"> <li>1.Machinery &amp; Materials: The management, allocation, assignment, lease, inventory, and effective reports of usage of machinery equipments.</li> <li>2.Cost Controlling: Construction quality control, analysis on differences, etc.</li> <li>3.Engineering:Construction implementation, progress, and quality managements, documentation, estimations on payment requests, and construction coordination, etc.</li> </ol>

Safety & Hygiene Office	To plan and organize labor safety & health education training programs, set up occupational hazard prevention plan, handle the processing of information related to safety & health, work on statistics and data filing, etc.
Computer Center	Information system development, maintenance training program planning, and computer equipment maintenance and management, etc.
Administration Dept.	<ol style="list-style-type: none"> <li>1. Personnel division: To simulate and do a research on systems, implementations, and revisions, organize welfares, plan human resources and training programs, etc.</li> <li>2. General Affairs: Simulations, implementations, and revisions of all general affairs, procurement, custody, recipient, allocation, maintenance of public goods, working environment and improvement, maintenance, safety, documentation, receipt and delivery, filing of equipment, registration, inventory, custody, maintenance of properties, and allowance payments, etc.</li> <li>3. Shareholding office: To handle the matters related to company stocks and shareholders, and managements of general affairs, personnel, and stock affairs.</li> </ol>
Finance Dept.	<ol style="list-style-type: none"> <li>1. Finance: Payments of all amounts, the cash dispatch, the use of control, reconciliation processing with the company, contract execution, implementation, cash, receipts, securities and payments of advance payment guarantee application and extension, etc.</li> <li>2. Accounting: Establishment and implementation of accounting systems, accounting accounts handling, cost planning analysis, budgeting, analysis on a variety of operation, managerial reports design, etc.</li> </ol>

### 3.2 Directors and Management Team

April 29, 2019

#### 3.2.1 Directors

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Taiwan Taipei	Ch'uan Fu Investme nt Co. Ltd.	Men	June, 2018	3	May , 1994	9844068	2.83	9844068	2.83	0	0.00	0	0.00	Ph.D in Business Management, Nankai University  Master degree in Geotechnical Engineering, State University of New York  Master degree in Transportation Engineering, National Taiwan University  Bachelor degree in Civil Engineering, National Taiwan University  Executive Director of General Affairs, Chinese National Federation of Industries  Director of General Affairs, Construction Engineering Industry Association of Taiwan  Executive Director, National Federation of Engineering Industries Association, R.O.C	Kung Sing Engineering Corporation Chairman Foundation for the Constructio n of Industrial Developme nt Foundation Chairman Executive Director of the National Industry Federation of the Republic of China Director of Taiwan Commodity Exchange Center (Kunshan) Co., Ltd.	None	None	None
	Republic of China	Represen tative: Chen ,hu ang-ming					0	0.00	0	0.00	0	0.00							

Director	Taiwan Taipei	Ch'uan Fu Investment Co. Ltd.	Men	June, 2015	3	May, 1994	6794068	1.95	9844068	2.83	0	0.00	0	0.00	Graduated from Tunghai Senior High School President, Chun Jun Construction Co. Ltd.	Chairman, Chin Pone Construction Company	None	None	None
	Republic of China	Representative: Chiang, Chi-ching							30145	0.01	9000	0.00	0	0.00	Executive Director, Taiwan Professional Boxing Association Executive Director, Construction Association Consultant, Executive Yuan The current Chinese KMT Central Committee The current Executive Director, National Association of Construction	Chairman, Kung Sing Engineering Corporation Chairman, Homewell China Chairman, Merit Century Investments Limited			
Director	Taiwan Taipei	Chia ho Investment Co. Ltd. (2018.06.29 Newly appointed)	woman	June, 2018	3	June, 2018	2000000	0.58	2000000	0.58	0	0.00	0	0.00	Taipei Shilin Senior Business Vocational School Business Division	Ching Kang Kuang Tien Corporation Chairman of the board	None	None	None
	Republic of China	Representative: Tseng, mei-ling (2018.06.29 Newly appointed)							100000	0.03	0	0.00	0	0.00					
Director	Taiwan Taipei	Ju hsiang Investment Co. Ltd.	Men	June, 2015	3	June, 2015	4070000	1.17	4070000	1.17	0	0.00	0	0.00	Bachelor degree in Physics, Tunghai University Section Chief of Academic Affairs,	Construction Industry Development Foundation	None	None	None

	Republic of China	Representative: Lin, Chung-chen(2018.06.29 Being replaced)							20809	0.00	0	0.00	0	0.00	Taipei Shixin High School  Director of Information Management Office, Kung Sing Engineering Corporation  Foundation construction industry Development Foundation CEO  Taiwan create Engineering Industry Association Secretary	CEO			
Director	Taiwan Taipei	Ju hsiang Investment Co. Ltd.							4070000	1.17	0	0.00	0	0.00	Department of Business Administration Northeastern University graduate  Yuan hsuan Construction Co., Ltd Vice- General Manager  Yuan hsuan Construction Co., Ltd. Vice Chairman	Yuan Hsuan Construction Co., Ltd. Vice Chairman	None	None	None
	Republic of China	Representative: Chiang, jung-ching (2018.06.29 Being replaced)	Men	June, 2015	3	June, 2015	4070000	1.17	30000	0.01	0	0.00	0	0.00					
Director	Taiwan Taipei	Ju hsiang Investment Co. Ltd.	Men	June, 2018	3	June, 2018	4070000	1.17	4070000	1.17	0	0.00	0	0.00	Waterland Venture Capital Co., Ltd. Consultants	None	None	None	None



	Republic of China	Representative: Chang, liang-ming (2018.06.29 Newly appointed)							50000	0.01	0	0.00	0	0.00					
Independent Directors	Republic of China	Chen, chin-yueh	Men	June, 2012	3	June, 2015	0	0.00	0	0.00	0	0.00	0	0.00	Hsin Fu hsing Co., Ltd. independent directors	New Fuxing Microwave Communication Co., Ltd. Independent Director	None	None	None
Independent Directors	Republic of China	Wang, chih-lung(2018.06.29 Newly appointed)	Men	June, 2018	3	June, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Taiwan University of Science and Technology Institute of Industrial Management	GREAT KNIVES MANUFACTURE CO., LTD Special assistant to the chairman EISO Enterprise Co., Ltd independent director	None	None	None
Independent Directors	Republic of China	Tu, yi-yang	Men	June, 2015	3	June, 2015	0	0.00	0	0.00	0	0.00	0	0.00	Ch'un Yi Joint CPA group Accountants	Li Yang Certified Public Accountants	None	None	None

**Major shareholders of the institutional shareholders**

April 29, 2019

Name of Institutional Shareholders	Major Shareholders
Ch'uan Fu Investment Co. Ltd.	Pan, Chun-jun ( 43.7% )、 Li, Kuei-mei ( 52.5% )、 Pan ,Yi-chen ( 0.88% )、 Pan, Chi-ju ( 0.88% )、 Pan, Ying-chuan ( 0.83% )、 Pan , Ying-hsun ( 0.7% )、 Pan , Ying-ling ( 0.51% )
Ju hsiang Investment Co. Ltd	Pan, Chun-jun ( 42.86% )、 Li, Kuei-mei ( 39.29% )、 Pan ,Yi-chen ( 3.57% )、 Pan, Chi-ju ( 3.57% )、 Pan, Ying-chuan ( 3.57% )、 Pan , Ying-hsun ( 3.57% )、 Pan , Ying-ling ( 3.57% )
Chia ho Investment Co. Ltd.	Chen, chun- sheng(50.50%)、 Chang, yu- shan (33.66%)、 Chen, hui - ching (4.95%)、 Chi, hsiu- mei (0.99%)

**Professional qualifications and independence analysis of directors and supervisors**

April 29, 2019

Criteria  Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Ch'uan Fu Representative: Chen ,huang-ming	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓		0
Ch'uan Fu Representative: Chiang,chi-ching			✓			✓	✓	✓			✓	✓		0
Chia ho Representative: Tseng, mei-ling			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Ju hsiang Representative: Chang , liang-ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chen, chin-yueh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wang, chih-lung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Tu,yi- yang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note1: The number of fields is adjusted according to the actual number.

Note2: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Note 3: On June 29, 2018, the directors were re-elected. This table lists only new directors.

### 3.2.2 Management Team

April 29, 2019

Title	Nationality / Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General manager	Republic of China	Chiang,chi-chin g	Men	08 15,2008	30,145	0.01	9,000	0.00	0	0.00	Graduated from Tunghai Senior High School President, Chun Jun Construction Co. Ltd. Executive Director, Taiwan Professional Boxing Association Executive Director, Construction Association Consultant, Executive Yuan The current Chinese KMT Central Committee The current Executive Director,National Association of Construction	Chairman, Chin Pone Construction Company Chairman, Kung Sing Engineering Corporation Chairman, Homewell China Chairman, Merit Century Investments Limited	None	None	None
Vice- General Manager	Republic of China	Liu, Tai-ru (2018.05.05 retirement )	Men	03 16,2016	50,718	0.01	781	0.00	0	0.00	Air Force Institute of Technology, Civil Engineering Manager, Public Works Department, Kung Sing Engineering Corporation	None	None	None	None
Vice- General Manager	Republic of China	Tai, Yin-chou	Men	11 01,2017	208	0	0	0	0	0	Bachelor degree in Civil Engineering, National Chung Hsin University Project Member, China Engineering	None	None	None	None
Assistant manager	Republic of China	Liu, Yung-ching	Men	01 01,2017	13,257	0.00	0	0.00	0	0.00	Department of Civil Engineering, Southeast University of Science and Technology	None	None	None	None
Director, Auditing	Republic of	Liu, Te-chang	Men	12 16,2002	0	0.00	0	0.00	0	0.00	Bachelor degree in Economics, Chinese Culture University	None	None	None	None

Office	China										Section Chief, Kung Sing Engineering Corporation				
Vice-manager, Business Development Dept.	Republic of China	Yeh, Tsan-yu	Men	07 01,2017	0	0.00	0	0.00	0	0.00	Department of Civil Engineering, National Taiwan University Graduate School of Civil Engineering, Jiaotong University	None	None	None	None
Manager, Finance Dept.	Republic of China	Huang, li-wang	woman	02 01,2012	21,570	0.01	0	0.00	0	0.00	section manager, Kung Sing Engineering Corporation	None	None	None	None
Accounting Supervisor	Republic of China	Wen, Shu Chiao	woman	12 06,2012	10,206	0.00	0	0.00	0	0.00	Deming College of Business Accounting Statistics Branch Vice- section manager, Kung Sing Engineering Corporation	None	None	None	None

### 3.2.3 Remuneration of Directors, President, and Vice President

#### Remuneration of Directors

**Unit: NT\$ thousands**

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)				The company	Companies in the consolidated financial statements			
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements						
Chairman of the board	Ch'uan Fu Representative: Chen , huang-ming	0	0	0	0	0	0	1,570	1,570	(2.28)	(2.28)	3,974	3,974	46	46	0	0	0	0	(8.11)	(8.11)	None
Directors	Ch'uan Fu Representative: Chiang ,chi-ching	0	0	0	0	0	0	1,570	1,570	(2.28)	(2.28)	2,973	4,341	168	168	0	0	0	0	(6.83)	(8.82)	None

Directors	Chia ho Representative: Tseng, mei-ling(2018.06.29 Newly appointed)	0	0	0	0	0	0	110	110	(0.16)	(0.16)	0	0	0	0	0	0	0	0	0	(0.16)	(0.16)	None
Directors	Ju hsiang Representative: Lin, Chung-chen (2018.06.29 Being replaced)	0	0	0	0	0	0	60	60	(0.09)	(0.09)	0	0	0	0	0	0	0	0	0	(0.09)	(0.09)	None
Directors	Ju hsiang Representative: Chiang, jung-ching(2018.06.29 Being replaced)	0	0	0	0	0	0	60	60	(0.09)	(0.09)	0	0	0	0	0	0	0	0	0	(0.09)	(0.09)	None



Directors	Ju Hsiang-ling (2018.06.29 Newly appointed)	0	0	0	0	0	0	110	110	(0.16)	(0.16)	0	0	0	0	0	0	0	0	0	(0.16)	(0.16)	None
Independent Directors	Chen, chin-yueh	0	0	0	0	0	0	300	300	(0.44)	(0.44)	0	0	0	0	0	0	0	0	0	(0.44)	(0.44)	None
Independent Directors	Chang, liang (2018.06.29 Being replaced)	0	0	0	0	0	0	140	140	(0.20)	(0.20)	0	0	0	0	0	0	0	0	0	(0.20)	(0.20)	None
Independent Directors	Tu, yi-yang	0	0	0	0	0	0	300	300	(0.44)	(0.44)	0	0	0	0	0	0	0	0	0	(0.44)	(0.44)	None
Independent Directors	Wang, chih-lung	0	0	0	0	0	0	160	160	(0.23)	(0.23)	0	0	0	0	0	0	0	0	0	(0.23)	(0.23)	None

In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services such as being independent contractors.

None

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Chen ,huang-ming Chiang,chi-ching Lin, Chung-chen Chiang, jung- ching Chen, chin- yueh Chang,liang-ming Tu,yi- yang Tseng, mei- ling Wang, chih- lung	Chen ,huang-ming Chiang,chi-ching Lin, Chung-chen Chiang, jung- ching Chen, chin- yueh Chang,liang-ming Tu,yi- yang Tseng, mei- ling Wang, chih- lung	Lin, Chung-chen Chiang, jung- ching Chen, chin- yueh Chang,liang-ming Tu,yi- yang Tseng, mei- ling Wang, chih- lung	Lin, Chung-chen Chiang, jung- ching Chen, chin- yueh Chang,liang-ming Tu,yi- yang Tseng, mei- ling Wang, chih- lung
NT\$2,000,001 ~ NT\$5,000,000	0	0	Chiang,chi-ching	0
NT\$5,000,001 ~ NT\$10,000,000	0	0	Chen ,huang-ming	Chen ,huang-ming Chiang,chi-ching
NT\$10,000,001 ~ NT\$15,000,000	0	0	0	0
NT\$15,000,001 ~ NT\$30,000,000	0	0	0	0
NT\$30,000,001 ~ NT\$50,000,000	0	0	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	9	9	9	9

### Remuneration of the President and Vice President

Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General manager	Chiang,chi-ching	2,697	4,065	168	168	276	276	0	0	0	0	(4.56)	(6.54)	None
Vice - General Manager	Liu, Tai-ru(2018.05.05 retirement )	557	557	15	15	193	193	0	0	0	0	(1.11)	(1.11)	None
Vice - General Manager	Tai, Yin-chou	1,460	1,460	22	22	34	34	0	0	0	0	(2.20)	(2.20)	None

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Tai, Yin-chou 、 Liu, Tai-ru	Tai, Yin-chou 、 Liu, Tai-ru
NT\$2,000,001 ~ NT\$5,000,000	Chiang,chi-ching	Chiang,chi-ching
NT\$5,000,001 ~ NT\$10,000,000	0	0
NT\$10,000,001 ~ NT\$15,000,000	0	0
NT\$15,000,001 ~ NT\$30,000,000	0	0
NT\$30,000,001 ~ NT\$50,000,000	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	3	3

Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	General manage	Chiang,chi-ching	0	0	0	0
	Vice- General Manage	Liu, Tai-ru				
	Vice- General Manage	Tai, Yin-chou				
	Assistant manager	Liu, Yung-ching				
	Manager, Finance Dept.	Huang, li-wang				
	Accounting Supervisor	Wen, Shu Chiao				

### 3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Year	Total remuneration paid to directors, supervisors, presidents and vice presidents		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
2018	13,822	15,190	(20.05)	(21.68)
2017	12,254	13,637	(3.50)	(3.84)

Directors, supervisors	Traveling expenses	Paid monthly.
	Remuneration	In accordance with the Corporate charter 15: Referring to the domestic and foreign standards, the Board makes the decision along with the approval from the Remuneration Committee.
General manager, Vice- General Manager	Salary	In accordance with the Company's personnel managing rules, and the remuneration committee's considerations.
	Bonus	In accordance with the Corporate charter 16: Referring to the domestic and foreign standards, the Board makes the decision along with the approval from the Remuneration Committee.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

Compensations for the president, directors are determined according to Corporate charter, the status of business divisions in achieving their goals, and personal performance evaluation, referring to the domestic and foreign standards and authorizing by the Board; remuneration derived from the distribution of earnings for directors are determined according to the situation of the earnings distribution of the

year and regulations, and recognition from the Board is required. In addition, remuneration for the general manager and deputy general manager from the Company include the salary, bonus, and employees' bonus derived from earnings distribution, the salary and bonus are determined according to the personnel rules along with the Company Act and the Board's resolution; employees' bonus derived from earnings distribution is determined according to the earnings distribution of the year and Corporate charter, along with the recognition from the Board.

The Board has passed the resolution and the Company has established the remuneration committee on December 28th, 2011.

Salaries for directors, supervisors, and managers are determined according to considerations made by the committee, performances of directors and managers along with the policy, regulations, standards, and the structure of salary and compensation shall take into account in determining the amount of salaries for directors and managers.

The company paid the directors, general manager and deputy general manager of standards or remuneration structure and system will be based on future

Risk adjustment factors, and should guide the directors, general manager and deputy general manager for the company to go beyond the pursuit of gratuity in the risk of behavior in order to avoid payment of remuneration to the company suffered losses but inappropriate circumstances.

### 3.3 Implementation of Corporate Governance

#### 3.3.1 Board of Directors

A total of 9 (A) meetings of the Board of Directors were held in the previous period.

The attendance of director were as follows:

On June 29, 2018, the election was elected. Four meetings were held before the election, and five meetings were held after the election.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Chairman	Ch'uan Fu Representative: Chen ,huang-ming	8	1	88.89%	re-election
Director	Ch'uan Fu Representative: Chiang,chi-ching	9	0	100%	re-election

Director	Ju hsiang Representative: Lin, Chung-chen	4	0	100%	Being replaced
Director	Ju hsiang Representative: Chiang, jung- ching	3	0	75%	Being replaced
Director	Chia ho Representative: Tseng, mei- ling	5	0	100%	Newly appointed
Director	Ju hsiang Representative: Chang , liang - ming	5	0	100%	Newly appointed
Independent director	Chen, chin- yueh	9	0	100%	re-election
Independent director	Chang,liang-ming	4	0	100%	Being replaced
Independent director	Tu,yi- yang	9	0	100%	re-election
Independent director	Wang, chih- lung	4	0	80%	Newly appointed

Other mentionable items:

1. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act : Please refer to P79-83.

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors :

A.2018.07.09 The second case of the 26th First Board of Directors: Set the benchmark for the issuance of cash for the company's capital reserve. (Director Tseng, mei- ling proposed)

Content of the proposal: The 2018 shareholders' general meeting held on June 29, 2018 has passed the capital reserve to issue cash. The cash distribution per share is 0.6 yuan. The base date for issuance is now set at July 23, 2018.

Independent Director Tu,yi- yang suggested: On the base date of this discussion, the obvious date has not met the norm. If it is set on the 23rd, the date on which the announcement must be made has exceeded. It is recommended to authorize the chairman to handle the matter, or to leave it to the next board for further discussion.

Resolution: The chairman will consult all the attending directors, and the benchmark date and release date will be reserved on the next board.

The company's handling of the independent director's proposal: The board of directors resolution of 2018.08.02 sets the benchmark date of 8/25 and the issuance date is 11/15.

B.2018.12.27 The first case of the 26th fifth Board of Directors: The company's "2019 Annual Operating Plan".

The content of the proposal: 1. In accordance with the provisions of Article 12 of the Rules of Procedure of the Board of Directors of the Company.

2. please check the 2019 annual operating plan, please refer to Annex III.

Independent director Wang, chih- lung suggested that since the annex is only an overview, it is expected to contract NT\$10 billion. The annual business plan should have some of the company's outlook for the next year, the annual budget, the commitment of the management team at the end of the year, and the annual operating conditions that should be demonstrated.

Resolution: Information on the recommendations of the independent directors will be provided in the future. All the attending directors were consulted by the chairman without objection.

The company's handling of the independent director's proposal: follow the instructions and submitted the report to the first board in 2019.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

A.2018.08.13 The first case of the 26th third board session: reviewing the remuneration of new directors, remuneration committee members and audit committee members. (By the Remuneration Committee)

Resolution: At the time of voting in this case, the interested parties will withdraw and the other directors will vote. The case was approved by all the attending directors without objection.

B.2018.12.27 The forth case of the 26th fifth board session: Year-end performance evaluation of directors and managers.(By the Remuneration Committee)

Resolution: At the time of voting in this case, the interested parties will withdraw and the other directors will vote. The case was approved by all the attending directors without objection.

3. Measures taken to strengthen the functionality of the board: In 2018, four remuneration committee meetings were held to strengthen performance appraisal and remuneration structure. At the end of each year, the company conducts self-assessment of directors and performance evaluation of the board of directors as the basis for performance appraisal of the board of directors. After evaluation by the chairman and board of directors, For review and improvement, please refer to P27, regarding the operation of corporate governance - the composition and responsibilities of the board of directors.



## **Diversity of Directors**

The company's corporate governance code of practice regarding the diversity of the board of directors is as follows:

### Chapter III Strengthens Board Functions

#### Section 1 Board Structure

Article 20: The board of directors of the company shall guide the company's strategy, supervision and management, and be responsible to the company and the shareholders' meeting. The operations and arrangements of its corporate governance system shall ensure that the board of directors exercises in accordance with the provisions of the laws and regulations, the articles of association or the resolutions of the shareholders' meeting. Authority.

The structure of the board of directors shall determine the appropriate board seats for more than five persons in consideration of the scale of the company's business development and the shareholdings of its major shareholders, and the need for practical operations.

The composition of the board of directors should be considered in a diversified manner. Except for the directors who are concurrently the company's managers, it is not appropriate to exceed one-third of the board of directors. The appropriate diversification policy should be formulated for its own operation, operational type and development needs, including but not limited to the following. The two major standards:

First, basic conditions and values: gender, age, nationality and culture.

Second, professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.

Board members should generally have the knowledge, skills and literacy necessary to perform their duties. In order to achieve the ideal goal of corporate governance, the overall ability of the board of directors should be as follows:

First, the ability to judge operations.

Second, accounting and financial analysis capabilities.

Third, business management capabilities.

Fourth, the ability to handle the crisis.

Fifth, the industry knows.

Sixth, the international market view.

Seven, the ability to guide.

Eight, decision-making ability.

### Diversity of Directors

Diversification project Name of director	Gender	Manag- -ement	Leaders- hip decision	Industry knowled- -ge	Financial Accounti- ng	Crisis manag ement	International outlook Market view
Chen ,huang-ming	Men	●	●	●		●	●
Tseng, mei- ling	woman	●	●			●	
Chiang,chi-ching	Men	●	●	●		●	●
Chang,liang-ming	Men	●			●	●	●
Wang, chih- lung	Men	●			●	●	
Tu,yi- yang	Men	●			●	●	
Chen, chin- yueh	Men	●			●	●	

This table only lists the directors after the re-election of 2018.06.26.

### 3.3.2 Audit Committee ( or Attendance of Supervisors at Board Meetings )

#### Audit Committee

The 2018 Audit Committee will meet 7 times (A), re-elect on June 29, 2018, and meet 4 times before the re-election. The three-time meeting after the re-election will be as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent director	Tu,yi- yang	7	0	100%	re-election
Independent director	Chen, chin- yueh	7	0	100%	re-election
Independent director	Chang, liang- ming	4	0	100%	Being replaced
Independent director	Wang, chih- lung	2	0	66.67%	Newly appointed

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Please refer to P83-86 for the audit committee.

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

None

2. If there are independent directors' avoidance of motions in conflict of interest, the

directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(A) communication policy between independent directors and internal audit supervisors and accountants:

1. Independent directors and accountants conduct written or face-to-face communication on each quarter of the Company's financial report completion phase to confirm the reliability of the company's disclosure of financial information, the work of the auditors, the company's significant risks and the understanding of the management reduce risk. The accountant on the company's financial report to complete the stage, a significant adjustment of entries and unadjusted entries, customs personal information, customer statement, accountant's independence and independent directors to report and communicate, in case of major abnormalities matters, and have to convene the meeting at any time.

2. Internal audit supervisors and independent, etc. are quarterly meetings, the implementation of the company's internal audit and internal control of the operation of the situation to mention report, in case of major unusual matters, may be convened with the meeting.

(B) Communication between independent directors and accountants:

1. The Company's shareholders meeting on June 29, 2018, elected three independent directors, and three independent directors were elected as members of the Audit Committee.

2. The accountant will check the financial status of the company, adjust the entries and the revision of the IFRSs bulletin and release the impact on the company, at least once a quarter in the audit committee to the independent directors. On October 30, 2018, the Independent Director (Audit Committee) interviewed the accountant (in-depth talk) to discuss matters related to corporate governance and the company's financial status.

(C) Communication between independent directors and internal audit supervisors:

1. The audit unit of the company sends the internal audit reports to the independent directors on a regular basis, and attends the report on each board of directors. It also holds non-scheduled discussions with independent directors. On October 24, 2018, the audit conducted an interview with the independent director. Report on the implementation of audit operations and other matters related to the audit business.

2. Usually, the audit supervisor and accountants and independent directors will communicate directly by email, phone or meeting as needed.

### 3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	√		The company in November 13, 2014 on the basis of "publicly traded corporate governance codes of practice" provides the final version of the corporate governance code of practice, the Board of Directors by the purposes and on December 27, 2018 the Board adopted the forth amendment to publicly expose MOPS ( <a href="http://mops.twse.com.tw/mops/web/t100sb04_1">http://mops.twse.com.tw/mops/web/t100sb04_1</a> )	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	√		Internal control of the Company set about parties on record operating procedures, the actual operation of the process in conformity to prescribed procedures and made a record, the company website investor contact zone and set up the window, a spokesman for the	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		<p>establishment of mechanisms to deal with shareholder proposals, doubts, disputes and litigation matters. .</p> <p>The Finance &amp; Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares.</p>	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		<p>Rules are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. In addition, the “Criteria of Internal Control Mechanism for a Public Company”, outlined by the Financial Supervisory Commission when drafting the guidelines for the “Supervision and Governance of Subsidiaries”, was followed in order to implement total risk control with respect to subsidiaries.</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	√		To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information(amended in August 2015 Preventing insider trading management system operations). The Company has also strongly advocated these rules in order to prevent any violations.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	√		Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The Board objectively chooses candidates to meet the goal of member	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		√	<p>diversification.</p> <p>The company is currently in addition to salary compensation committee, the audit committee was set up in 2015 (still the establishment of non-mandatory), other functional panel will assess whether to set.</p>	other functional panel will assess whether to set.
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	√		<p>The company has formulated rules and procedures for evaluating the Board’s performance and conducts it annually. The Company uses two methods to evaluate the performance of the Board.</p> <p>1. Self-assessment of Board members Board members fill in the” Self-Assessment Questionnaire for Board Members” at the end</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>of each year. To evaluate the performance of each members effectively, the questionnaire contains the following factors:</p> <ul style="list-style-type: none"> <li>A. Their grasp of the Company's goals and missions;</li> <li>B. Their recognition of director's duties;</li> <li>C. Their degree of participation in the Company's operations;</li> <li>D. Their management of internal relationships and communications;</li> <li>E. Their professionalism and continuing professional education;</li> <li>F. Internal controls.</li> </ul> <p>2. A total of 25, the end of the assessment by the directors after the assessment of the chairman of the board, the beginning of each year by the board of directors to do the final assessment, evaluation results are divided into</p>	



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?	√		<p>five levels: excellent, good, good, yet, to be strengthened. 2018 Board performance evaluation is excellent.</p> <p>(4) Based on the advice of the accountant, conduct an assessment before the announcement of the first quarter of the financial report. In 2018, the third board conducted an assessment on May 14, and the assessment was as follows: The company's internal corporate governance code of conduct is evaluated by the company as follows:</p> <p>(A) The visa accountants are not the directors, managers or major influences of the Company or the related companies of the Company, nor are they interested, and there is no direct or indirect conflict of interest.</p> <p>(B) Visa accountants are not subject to</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			disciplinary action and damage to independence. (C) There have been no cases where two visa accountants have not been replaced for five consecutive years.	
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	√		The company provides the shareholder affairs office of the administrative department according to law, handles matters such as board meetings and shareholders meetings, and constructs maintenance company website information disclosure and corporate governance, stakeholders, and corporate social responsibility related information. For other corporate governance operations and implementation, please refer to our website: <a href="http://www.kseco.com.tw/tc/index.aspx">http://www.kseco.com.tw/tc/index.aspx</a>	None
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the	√		The Company provides detailed contact information, including telephone numbers and email addresses in the “Stakeholder Area”	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
issues they care for in terms of corporate social responsibilities?			section of the corporate website. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company originally appointed taishin Bank's stock agency as a professional stock agency for the company's shareholder affairs. On October 16, 2018, the company will be replaced by the Yuanta Securities Stock Agent.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The Company has set up a Chinese/English website ( <a href="http://www.kseco.com.tw">http://www.kseco.com.tw</a> ) to disclose information regarding the Company’s financials, business and corporate governance status.	None
(2) Does the company have other information	✓		The Company has assigned an appropriate	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?			person to handle information collection and disclosure. Contact person: Shareholding office. The Company has established a spokesman system. Investor conference information is disclosed on the corporate website.	None
<p>8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p> <p>(1) The directors and supervisors of the Company are in the process of further training. ( Please refer to P52-53) The Company has established an audit committee and has no supervisors. In addition to the 6-hour course for the required directors, the company also regularly arranges related activities such as corporate governance, corporate ethics and certification, and internal transactions.</p> <p>(2) Please refer to page 36-38 for the status directors and supervisors participating in the meeting of the board of directors. For employees’ interests and care, please refer to pages 119-124.</p> <p>(3) For the risk management policy and risk assessment standard, please refer to pages 146-150. The relationship with suppliers and the status of customer policy, please refer to pages 108-115. For the relationship among investors and interests of related parties, please refer to “For investors” on the company’s website.</p> <p>(4)In addition to dedication to its regular management and profit maximization, the company as well is aware of its corporate responsibility for</p>				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>the society, and constantly pays attention to consumers’ interests and environmental protection. Please refer to pages 58-66 regarding responsibility to the society stated in the area for investors on the company’s website.( <a href="http://www.kseco.com.tw/venture/">http://www.kseco.com.tw/venture/</a>)</p> <p>(5) The company’s directors are evaded from participating in the voting of cases involved with interests and forces and may cause harm to the company’s interests listed by the Board.</p> <p>(6) The company purchased liability insurance for all directors on November 16, 2018 and has applied to the public information observatory.</p> <p>(7) In order to enhance the company’s operation, the company successively checks and complies with the authorities and set up related measures and internal operating procedure based on needs. Such as “procedure of meetings of the Board of Directors”, “procedures of the acquisition or disposition of assets”, “procedures of engaging in derivative transactions”, “procedures and rules of shareholders’ meeting”, “election measures for directors and supervisors”, “procedures of derivative transactions”, “budget management measures”, “subsidiary management measures”, “prevention of insider trading management systems”, and “public information reporting and operational control”. Among which, “prevention of insider trading management systems” and “public information reporting and operational control” are the major information processing procedures, as all related departments and staff are dealing with important information or disclosure, must follow the related procedures and regulations.</p> <p>As a site is established, the company always offers a complete internal control system to each site, and when amendments and additions are made, all staff, managers, and directors will be noticed immediately.</p>				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	

Directors training records:

Title	Name	Training hours	Study period		Sponsoring Organization	Course
			From	To		
Director	Chen ,huang-min g	3H 3H	2018/09/26 2018/10/26	2018/09/26 2018/10/26	1.Taiwan Stock Exchange Co., Ltd. 2.Securities and Futures Development Foundation	1. 2018 ESG Investment Forum. 2. 2018 Prevention of Insider Trading advocacy briefing
Director	Chiang,c hi-ching	3H 3H	2018/09/26 2018/10/26	2018/09/26 2018/10/26	1.Taiwan Stock Exchange Co., Ltd. 2.Securities and Futures Development Foundation	1. 2018 ESG Investment Forum. 2. 2018 Prevention of Insider Trading advocacy briefing
Director	Tseng, mei- ling	12H	2018/08/28	2018/08/29	Securities and Futures Development Foundation	Director and Supervisor (including independent) practical workshop
Director	Chang,li ang-min g	3H 3H	2018/07/13 2018/11/02	2018/07/13 2018/11/02	Securities and Futures Development Foundation	1.Insider trading shares of listed companies follow legal advocacy briefing. 2. 2018 Prevention of Insider Trading advocacy briefing

Evaluation Item				Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
				Yes	No	Abstract Illustration	
Independent director	Chen, chin-yueh	3H 3H 3H	2018/05/08 2018/07/10 2018/10/15	2018/05/08 2018/07/10 2018/10/15	Republic of China Securities Counter Trading Center Securities Futures Republic of China Securities and Futures Market Development Foundation Financial supervision and management committee	1. New Corporate Governance Blueprint Summit Forum 2. Insider trading shares of listed companies follow legal advocacy briefing. 3. The 12th Taipei Corporate Governance Forum	
Independent director	Wang, chih-lung	3H 3H 3H	2018/03/21 2018/05/25 2018/08/09	2018/03/21 2018/05/25 2018/08/09	Corporate Corporate Governance Association	1. Insider trading and directors' responsibility for corporate mergers and acquisitions 2. Global Trend Analysis - Risks and Opportunities 3. Trends and important norms of money laundering and fear prevention	
Independent director	Tu, yi-yang	3H 3H 3H 3H 3H	2018/01/12 2018/04/09 2018/08/09 2018/10/01 2018/10/03	2018/01/12 2018/04/09 2018/08/09 2018/10/01 2018/10/03	National Association of the Chinese Institute of Certified Public Accountants	1. Unlisted cabinet company shares under IFRS9. 2. Dealing with the international practice of preventing money laundering	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
				3. Latest revision trend and analysis of company law. 4. Relevant tax policies affecting Taiwanese businesses operating in the mainland. 5. How do accountants respond to the law of money laundering.
<p>9. Has the company implemented a self-evaluation report <sup>2</sup> on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements.</p> <p>The Company has set corporate governance codes of practice and perform in accordance with the norms of the Code. 2018 Annual Corporate Governance Evaluation (certificate-based evaluation will be carried out), the Company completed the self-assessment before the end of January 2019, 30 April 2019 will be released by the group certificate 82.60 score, the results of the assessment of all listed companies in the affected the 21-35 percent.</p> <p>Missing improvement:</p> <p>1.Strengthen the annual report and company website information disclosure.</p>				

Note: 1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

2. A self-evaluation report is defined as the company assessing its corporate governance evaluation items with appropriate explanations on current corporate operations and implementation.



### 3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

1. Composition: The Company has set up a Remuneration Committee and has three members of the Remuneration Committee on December 28, 2011, with the same term as the appointed Board of Directors.

2. Duties: The Committee shall, with the care of good management, faithfully perform the following functions and submit the recommendations to the Board for discussion.

(1) To formulate and regularly review the policies, systems, standards and structure of directors and managers' performance evaluation and payroll remuneration.

(2) to regularly assess and determine the remuneration of directors and managers.

#### A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8			
Independent director	Chen, chin-yueh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	re-election
Independent director	Chang, liang-ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Being replaced
Independent director	Tu, yi-yang		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3	re-election
Independent director	Wang, chih-lung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Newly appointed

Note1: Please fill in as a director, independent director or others.

Note2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

Note3: 2018.06.29 The shareholders of the shareholders' general meeting were re-elected, and the remuneration and audit committee members were dismissed. 2018.08.02 The Board of Directors appoints a new remuneration and audit committee.

#### **B. Attendance of Members at Remuneration Committee Meetings**

1. There are 3 members in the Remuneration Committee.
2. The term of office of this session: August 2, 2018 to June 28, 2021. The 2018 Audit Committee will meet 4 times (A), re-elect on June 29, 2018, and meet 2 times before the re-election. The 2 times meeting after the re-election will be as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Convener	Chen, chin-yueh	4	0	100%	re-election
Committee Member	Chang, liang-ming	2	0	100%	Being replaced
Committee Member	Tu, yi-yang	4	0	100%	re-election
Committee Member	Wang, chih-	2	0	100%	Newly appointed

	lung				
<p>Other mentionable items:</p> <ol style="list-style-type: none"> <li>1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.</li> <li>2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.</li> </ol>					

### 3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
<p>1. Corporate Governance Implementation</p> <p>(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?</p>	√		<p>The Company's Corporate Social Responsibility Policy:</p> <p>The company is the foundation of sustainable development foundation, integrity and fulfill the "Cost-led, time is to quality as the most important, safety first" business philosophy, and the company's operating principle of "safety, quality, schedule, environmental protection, cost," and with good to make corporate social responsibility for the mission, is committed to achieve the investors, governments, consumers, employees, communities and other stakeholders of corporate social responsibility, we would like to reveal the following CSR policy:</p> <p>A. Construction of zero accidents, full safety is guaranteed.</p> <p>B. Enhance the quality of management, enhance customer satisfaction.</p> <p>C. Work into the overall control, such as the timely completion of quality.</p> <p>D. Friends of Nature is committed to environmental conservation practices.</p> <p>E. Exact cost control, information transparency, to ensure that the interests of investors.</p> <p>F. Long-term nurturing talent, take care of the welfare of employees, creating high-quality work environment.</p> <p>G. Caring community development, it is promoting social welfare, and maintain good neighborhood relations.</p>	None

Evaluation Item	Implementation Status <sup>1</sup>		Abstract Explanation <sup>2</sup>	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
(2) Does the company provide educational training on corporate social responsibility on a regular basis?			And review the effectiveness of the implementation details of the preparation of the Company's "Corporate Social Responsibility Report" (the 2018 Corporate Social Responsibility Report will be uploaded MOPS before the end of June 2019)	None
		√	The company holds a corporate social responsibility related education and training once a year, and completed the education of relevant regulations on December 22nd in 2018.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	√		The Company to the executive branch as to promote corporate social responsibility into the operating unit, the regular report of the meeting, and a CSR report notifiable Board.  Operation process and governance structure, please refer to the company's website: <a href="http://www.kseco.com.tw/tc/responsibility.aspx?cid=27&amp;cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836">http://www.kseco.com.tw/tc/responsibility.aspx?cid=27&amp;cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836</a>	None
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	√		The company has set "personnel management approach", "staff assessment methods" as a basis for a reasonable salary remuneration of employees, and made clear rewards and penalties, and corporate social responsibility policies combining	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	√		A. Recycled asphalt concrete recycling, recycled asphalt concrete manufacturing and the use of recycled asphalt concrete. Using a secondary burner: the sizzling sand mix AC and fumes generated by the secondary treatment, in order to reduce air pollution. B. Pre-cast Original use: The company Airport MRT CE02 standard construction projects, railway stations, elevated steel structure, Pre-cast box girder, Pre-cast parapet, Pre-cast cable trenches and covers for Pre-cast elements. In the system construction methods, not only can improve the rate of construction, save money, but also reduce carbon dioxide emissions during construction. C. Steel bars are made of fixed lengths: The loss of steel can be reduced from 8.0% to 1.76%. Using about 75,349 tons, it can save about 4,702 tons of steel, which is equivalent to saving about 10,484,922kg of carbon dioxide. D. Concrete mixed with blast furnace powder BF powder instead of cement, blast furnace powder recycling, reduce the amount of cement to use. (1 tonne of cement produced 409.57 kg of carbon dioxide emissions, furnace slag cement and other alternative materials to produce 1 tonne emissions only 68.3 kg (furnace slag abrasives energy) of carbon dioxide)	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	√		The company adopted the ISO 14001 environmental management system verification, and location of the project in accordance with the local environment, set environmental protection measures, and in accordance with the owners and government agencies related environmental laws and requirements, with the implementation of environmental management systems.	None
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	√		The office turned off the lights for one hour at noon, and the offices and dormitories saved energy and reduced carbon emissions. At present, the company has taken leave, overtime, business trips, and work attendance status, all of which have been used electronically to reduce waste of paper and effectively achieve the goal of energy conservation and carbon reduction. For other relevant energy-saving, carbon reduction and greenhouse gas reduction strategies, please refer to chapter 3 of the 2018 Corporate Social Responsibility Report “Environmental Friendly”. (The 2018 report is expected to be released before 2019.06.30)	None
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to	√		The Company in accordance with the Labor Standards Law provide for personnel management practices, as the company's personnel management policy basis.	None



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
relevant regulations and the International Bill of Human Rights?				
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	√		<p>The company set up and staff suggestion box "system for handling employee complaints" to provide employee voice channel in order to strengthen cooperation between employers and employees. Employee Opinion appeal methods are as follows:</p> <p>A. Employee as verbal complaints made by various departments who accepted Record, Chen reported immediately processed.</p> <p>B. If damage to the interests of employees, or other comments, the book can be Surface appeal matters, each unit shall immediately identified at management, or layer packet processing, and processing results or circumstances apply by return Pleader.</p> <p>C. The complainant Department \ Staff: The company spokesman and deputy spokesman</p>	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	√		<p>The company provide a safe, healthy and comfortable working environment, staff health checks every year to arrange, and hold regular safety and health education and training, colleagues can be aware of safety and health related specifications.</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	√		The company set up "EIP" as an internal mechanism for network messaging and bulletin policies.	None
(5) Does the company provide its employees with career development and training sessions?	√		The company provides educational training quality management manual, staff assessment functions, training, career employees so that the plan can grow with the overall interests of the company.	None
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	√		The Company is the construction industry, mainly in technology upgrading, there is no research and development. Procurement has set procurement management system, including supplier management, please, procurement, acceptance, payment process. Production follows the building management system and related government regulations to protect consumers and the interests of stakeholders and interested parties had set up the company's website zone, as the complaint and contact the pipe.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	√		The Company is the construction industry, mainly to undertake public works projects, so as to comply with the relevant government regulations, such as government procurement law, engineering, warranty work.	None
(8) Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?	√		The company strictly regulate third-party standards in environmental protection and labor safety and health aspects of, and evaluated before the purchase operation, and in the contract set environmental and social responsibility with Ezekiel, please vendor a statement of assurance.	None
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and	√		The company strictly regulate third-party standards in environmental protection and labor safety and health, the contract expressly provided in the environmental and social responsibility with Ezekiel and stop contracting mechanism.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
society?				
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	√		The Company is a listed company, it is information on corporate social responsibility, whether in the annual report, the company's website the company, will be published, to expose, to serve in an open, transparent corporate governance, corporate social responsibility to promote the message. 2018 Corporate Social Responsibility Report will be uploaded MOPS before the end of June 2019.	None
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation:  The company in August 12, 2015 the Board of Directors through the implementation of the Code of corporate social responsibility practices. The first revision on November 9, 2016. Please refer to the operating situation of the Company "Corporate Social Responsibility Report," and the operation of the Code provides no difference.				
6. Other important information to facilitate better understanding of the company's corporate social responsibility practices :  The Company's other corporate social responsibility related operations and the specific promotion plans and implementation results have been disclosed on the corporate social responsibility section of the company's website. ( <a href="http://www.kseco.com.tw/tc/responsibility.aspx?cid=27&amp;cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836">http://www.kseco.com.tw/tc/responsibility.aspx?cid=27&amp;cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836</a> )				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:None				

Evaluation Item	Implementation Status <sup>1</sup>		Abstract Explanation <sup>2</sup>	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		

Note: 1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

2. Companies who have compiled CSR reports may cite the source from specific pages of their CSR reports instead.

### 3.3.6 Ethical Corporate Management

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	√		The Company has a "Code of integrity management Practice" to demonstrate the policies and practices of good faith operation and to implement the implementation of the Company's integrity management in the first annual report of the Board of Directors.	None
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the	√		The company's internal system has a "report illegal and immoral or not honest." Letter of the handling of cases, "clear procedures for the operation, behavioral guidelines, irregular disciplinary and appeals system, and the	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>policies?</p> <p>(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	✓		<p>implementation of the implementation.</p> <p>The Company has a "Code of Conduct" and "Measures to report cases of unlawful and unethical or dishonesty" and to promptly advise against measures to prevent dishonesty.</p>	None
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the</p>	✓		<p>The company and the manufacturer, the manufacturer of the first to assess the integrity of behavior, and the relevant provisions made in good faith behavior contract.</p> <p>The Company uses the Ministry of Administration as a part-time unit to promote integrity</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>Board to be in charge of corporate integrity?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p>	√		<p>management, and implements the implementation of integrity management in the first annual report of the Board of Directors. (For the operation and implementation, please refer to our website: <a href="http://www.kseco.com.tw/tc/responsibility.aspx?cid=27&amp;cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836">http://www.kseco.com.tw/tc/responsibility.aspx?cid=27&amp;cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836</a>)</p> <p>The Company follows the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Law Against Accepting Bribes Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and other relevant regulations for listed companies. The Company also conducts due diligence before</p>	None



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	√		trading with upstream and downstream companies to minimize the risks. At the same time, the Company has made a hotline available for submissions of regarding conflicts of interest.	None
	√		The annual handling self-assessment review by the internal audit unit and each unit its own subsidiaries inspection reports, including the control environment, risk assessment, control activities, information disclosure and so on, and with the internal audit unit found the lack of improvement in abnormal control matters case, as the Board of Directors and Managing assess the overall effectiveness of the internal control system and the internal control system statement issued by the main basis.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?			Each year, the company handles or dispatches personnel to participate in the education and training of relevant courses of integrity management handled by the Foundation and other units. (For 2018 annual integrity management education training information, please refer to P52-53 and P120-121)	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	√		The Company has a "Employee Complaint Handling System" and "the handling of cases of illegal and unethical or dishonesty", and the prosecution of the pipeline of the person.	None
(2) Does the company establish standard operating	√		Standard operating procedures for the investigation and prosecution matters related security	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>procedures for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	✓		<p>mechanisms:</p> <p>1. On receipt of report telephone or mail, receiving personnel record made, Chen reported immediately processed.</p> <p>2. If an interested party rights are infringed or when there are other opinions, to report the matter in writing, the contractor should immediately identify each process, or layer packet processing, and handling the case by return results or prosecutors.</p> <p>3. Prosecutors funded under the provisions of a Personal Data Protection Act, the investigation also absolutely confidential, and may not disclose</p> <p>The company strictly prohibits retaliation for good faith communications or persons who assist in the</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			investigation of any kind.	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	√		The Company MOPS and the company's official website Jie public integrity management Code of Practice for New staff integrity of business-related workshops, business units evaluate suppliers assessments on good faith behavior, and Administration and audit chamber to promote part of the integrity management unit, reporting to the Board of Directors. company’s website : <a href="http://www.kseco.com.tw/tc/regulations.aspx">http://www.kseco.com.tw/tc/regulations.aspx</a>	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).</p> <p>2015.03.27 The Board adopted amendments " the Code of integrity management", and report on 2015.06.26 the shareholders' meeting.</p>				

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

### **3.3.7 Corporate Governance Guidelines and Regulations**

The company's corporate governance codes of practice have been disclosed in MOPS, and the other related regulations is also disclosed on the company website investor area, at the following address:

<http://www.kseco.com.tw/tc/index.aspx>

### **3.3.8 Other Important Information Regarding Corporate Governance**

The Company is to enhance the implementation of the corporate governance operations, and another view and with the authorities and, as the need to draw the relevant procedures and measures internal operating procedures specification. For guidelines, see the company's website :

<http://www.kseco.com.tw/tc/index.aspx>

### **3.3.9 Internal Control Systems**

#### **A. Internal Control Statement:**

Kung Sing Engineering Corporation  
Internal Control Statement

Date: March 27, 2018

The company's internal control system for 2018, based on the results of its own assessment, would like to state the following:

- I. The Company is aware that the establishment, implementation and maintenance of the internal control system is the responsibility of the board of directors and managers of the Company. The Company has established this system. The purpose is to provide reasonable results in terms of operational effectiveness and efficiency (including profitability, performance and asset security, etc.), reporting reliability, timeliness, transparency, compliance with relevant regulations and compliance with relevant laws and regulations. Ensure.
- II. The internal control system has its inherent limitations. Regardless of how well the design is perfected, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives. Moreover, due to changes in the environment and conditions, the effectiveness of the internal control system may Change. However, the company's internal control system has a self-monitoring mechanism. Once the identification is missing, the company takes corrective action.
- III. The company judges whether the design and implementation of the internal control system is effective based on the judgment of the effectiveness of the internal control system as stipulated in the “Guidelines for the Establishment of

Internal Control Systems for Public Offering Companies” (hereinafter referred to as “Processing Guidelines”). The internal control system judgment project used in the “processing criteria” is based on the process of management control, and the internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervised operations. Each component also includes several items. Please refer to the “Handling Guidelines” for the above items.

- IV. The Company has adopted the above internal control system to judge the project and evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the results of the previous assessment, the Company believes that the internal control system (including the supervision and management of subsidiaries) of the Company on December 31, 2018, including the understanding of the effectiveness and efficiency objectives of the operation, and the reporting are reliable. The design and implementation of the internal control system, such as timely, transparent and in compliance with relevant regulations and relevant laws and regulations, is effective and can reasonably ensure the achievement of the above objectives.
- VI. This statement will become the main content of the company's annual report and public statement, and will be made public. If the content of the above disclosure is illegal or concealed, it will involve legal liabilities such as Articles 20, 32, 171 and 174 of the Securities Exchange Law.
- VII. This statement was approved by the board of directors of the Company on March 27, 2019. Among the 7 directors, 0 were dissent, and the rest agreed to the contents of this statement.

Kung Sing Engineering Corporation  
Chairman: Chen ,huang-ming  
General Manager: Chiang,chi-ching

- B. Entrusted accountant project to review the internal control system, should disclose the accountant review report: None.

**3.3.10 In the most recent year and the end of the annual report, the company and its internal personnel were punished according to law, and the company violated the internal control system for penalties, major defects and improvement of its internal personnel: None.**

**3.3.11 Major Resolutions of Shareholders’ Meeting and Board Meetings**

A. Important resolutions and implementation of the shareholders' meeting:

The 2018 Annual Shareholders' Meeting of the Company was held on June 29, 2018. The matters and implementation of the shareholders' resolutions were as follows:

a. 2017 annual business report and financial report.

Implementation: It is submitted to the shareholders' meeting for recognition and resolution.

b. In the 2017 profit and loss allocation case, it is proposed to use the statutory surplus reserve and capital reserve to make up the loss.

Implementation: The shareholders' meeting decided to pass the statutory surplus reserve and capital reserve to make up the loss. After making up, the company's loss at the end of the period is 0 yuan.

c. Capital reserve and cash issue.

Implementation: The shareholders' meeting decided to allocate NT\$208,516,448 to the capital reserve from the excess of the issue amount of the issued shares. The shareholders and their holdings recorded in the shareholder list on the date of issuance are worth 0.6 yuan per share. . On 8/2, the Board of Directors passed the benchmark date of 8/25 and the issue date was 11/15, which was fully issued on 11/15.

d. Full re-election of directors.

Implementation situation: Election results: The elected list is as follows:  
director:

Account number or identification number	Account name or name	Number of votes
98449	Chia ho Investment Co. Ltd. Representative: Tseng, mei-ling	1, 224, 291, 005
266	Ch'uan Fu Investment Co. Ltd. Representative: Chen ,huang-ming	213, 743, 601
266	Ch'uan Fu Investment Co. Ltd. Representative:: Chiang, chi-ching	212, 996, 551
60376	Ju hsiang Investment Co., Ltd Representative: Chang, liang- ming	212, 994, 606



Independent Directors:

Account number or identification number	Account name or name	Number of votes
F121656***	Wang, chih- lung	57, 503, 991
A120167***	Chen, chin- yueh	57, 297, 873
E121077***	Tu, yi- yang	57, 296, 503

B. Important resolutions of the board of directors:

The company's 2018 annual the main resolutions of the board of directors are as follows:

a. Board of Directors, January 26, 2018 (the 25th, first time of Board , 2018)

- The resolution passed the company's proposal to withdraw and issue the first domestic guaranteed convertible corporate bonds totaling NT\$1 billion. (Securities and Exchange Act 14-3)
- The resolution passed the case of former case through the company's plan to issue new shares through capital increase. (Securities and Exchange Act 14-3)

b. Board of Directors, March 14, 2018 (the 25th, second time of Board , 2018)

- The resolution passed the 2017 employee and director compensation distribution case. (Securities and Exchange Act 14-3)
- The resolution passed the 2017 annual business report and financial report recognition case.
- The resolution passed the 2017 profit and loss appropriation
- The resolution issued a "Statement of Internal Control System Statement" through the company. (Securities and Exchange Act 14-3)
- The resolution passed the overall re-election of directors.
- The resolution passed the nomination period and the premises of the company's director candidates.
- The resolution passed the lifting of the restrictions on the non-competition of new directors and their representatives.
- The resolution passed the relevant matters of the 2018 shareholders' meeting of the company.
- The resolution passed the company's bank guarantee quota and the comprehensive turnover of the working capital and the recall.
- The resolution passed the review of the directors' and managers' salary compensation in 2017. (Securities and Exchange Act 14-3)
- The resolution passed the adjustment of the salary of the general manager of the company.

c. Board of Directors, May 14, 2018 (the 25th, third time of Board , 2018)

- The resolution passed the revision of the operating section of the "Electronic Computer Management System" of the Company's internal control system. (Securities and Exchange Act 14-3)
- The resolution passed the examination of the candidacy of directors and independent directors.
- The resolution passed the retirement of the company's chairman Chen's seniority and deputy general manager..
- The resolution was approved by the Company to apply for approval to the Investment Appraisal Committee. Fujian Tuofu Gongxin Construction Engineering Co., Ltd. was established through third-party investment. It is planned to transfer all the shares and revoke the nuclear filing to the Investment Review Office.
- The resolution passed the announcement on the company's bank guarantee quota and the comprehensive turnover of the working capital.
- The resolution passed the 106-year profit and loss replenishment case, and it is proposed to use the statutory surplus reserve and capital reserve to make up the losses.
- The resolution issued a cash case through capital reserve. (After all the directors discussed, the resolution was approved to pass the amount of each share to one decimal place, that is, 0.6 yuan per share, and NT\$208,516,448 was charged in the capital reserve.)
- The resolution passed the amendment to the agenda of the company's 107-year shareholders' meeting (new discussion items).
- The resolution passed the assessment of the independence of the company's visa accountants.
- The resolution passed the 107 annual financial statements and profit-making business income tax of the company to check the appointment and remuneration of the visa accountant.

d. Board of Directors, June 4, 2018 (the 25th, fourth time of Board , 2018)

- The resolution passed the proposal to issue a new share issue through cash increase. (Securities and Exchange Act 14-3)

e. Board of Directors, July 9, 2018 (the 26th, first time of Board , 2018)

- The resolution passed the recommendation of the chairman of the company. (The 26th Chairman of the Board was elected by Mr. Chen huang-ming)
- Set the base date for the issuance of cash by the company's capital reserve. (This case is reserved and will be reserved for the next board of directors to discuss the resolution base date and release date)

f. Board of Directors, August 2, 2018 (the 26th, second time of Board , 2018)

- Discussion items reserved at the last meeting:  
The resolution passed the deadline for the issuance of cash issued by the company's capital reserve. (After the chairman has consulted all the directors, the benchmark date for ex-dividend is 8/25 and the date of issuance is 11/15.)
- The resolution passed the appointment of the remuneration committee. (After the chairman consulted all the attending directors, the resolution was appointed Wang, chih- lung, Tu,yi- yang and Chen, chin- yueh were appointed as members of the fourth salary remuneration committee, and three salary remuneration committees elected one each other, agreeing to recommend Chen, chin- yueh to be the convener of the current remuneration committee. )
- The resolution passed the appointment of the Audit Committee. (After the chairman consulted all the directors, he decided to appoint three independent directors of Wang, chih- lung, Tu,yi- yang and Chen, chin- yueh as the members of the second audit committee, and three audit committees elected each other and agreed to recommend Tu,yi- yang as the convener of the audit committee. )
- The resolution passed the proposal to replace the company's stock agency. (Change by the Taishinbank Stock Agent Department as the Yuanta Securities Stock Agent.)

g. Board of Directors, August 13, 2018 (the 26th, third time of Board , 2018)

- The resolution passed the review of the remuneration of new directors, remuneration committees and audit committee members. (Securities and Exchange Act 14-3)

h. Board of Directors, November 9, 2018 (the 26th, fourth time of Board , 2018)

- The resolution passed the extension of the company's bank guarantee quota and the comprehensive turnover of the working capital and the application.
- The resolution passed the relevant company's application for short-term financing to the subsidiary.

i. Board of Directors, December 27, 2018 (the 26th, fifth time of Board , 2018)

- The resolution passed the "2019 Annual Operating Plan" of the Company.  
(Independent Director Wang, chih- lung suggested: Because the following annex is only an overview, it is expected to contract NT\$10 billion. The annual operating plan should have some prospects for the company next year, the annual budget, the commitments of the management team at the end of the year, and the annual operating conditions. It should be revealed.)  
Resolution: Information on the recommendations of the independent directors will be provided in the future. All the attending directors were consulted by the chairman without objection.

- The resolution passed the "2019 Annual Audit Plan" of the Company.
  - The resolution passed the revision of the “Property Management System” and “Financial Management System” part of the internal control system of the Company. (Securities and Exchange Act 14-3)
  - The resolution passed the year-end performance evaluation of directors and managers. (At the time of voting in this case, the interested parties shall be evaded and voted by other directors. The case was passed without approval by all the attending directors.) (Securities and Exchange Act 14-3)
  - The resolution passed the amendments to the provisions of the “Acquisition or Disposition of Assets Processing Procedures” of the Company. (Securities and Exchange Act 14-3)
  - The resolution passed amendments to some of the provisions of the Company's Code of Corporate Governance.
  - The resolution was approved by the company's bank guarantee quota and the comprehensive balance of the working capital.
- j. Board of Directors, March 27, 2019 (the 26th, first time of Board , 2019)
- The resolution passed the 2018 employee and director compensation distribution case.
  - The resolution passed the 2018 annual business report and financial report.
  - The resolution passed the 2018 annual profit and loss transfer case.
  - The resolution issued a "Statement of Internal Control System Statement" through the company.
  - The resolution passed amendments to some of the provisions of the Company's "Derivatives Transaction Processing Procedures". (Securities and Exchange Act 14-3)
  - The resolution passed the convening of the company's 108-year shareholders' meeting.
  - The resolution passed the company's bank guarantee quota and the comprehensive turnover of the working capital.
  - The resolution passed the review of the remuneration of directors and managers. (Securities and Exchange Act 14-3)
  - The resolution regularly evaluates the independence of visa accountants through the company.
  - The resolution is required by the company to undertake the performance bond guarantee, prepayment repayment guarantee and engineering working capital required for the “New Project of Tamkang Bridge and its connected roads 5K+000~7K+035” . case.
- k. Board of Directors, May 7, 2019 (the 26th, second time of Board , 2019)

- The resolution passed the revision of some of the provisions of the Company's "Funding and Others' Operation Methods" and "Endorsement Guarantee Implementation Measures". (Securities and Exchange Act 14-3)
- The resolution passed the “Measures for Performance Evaluation of the Board of Directors and Functional Committees” of the Company.
- The resolution passed amendments to some of the provisions of the Company's Articles of Association.
- The resolution passed the amendment to the agenda of the 2019 shareholders' meeting of the Company (new discussion items).
- The resolution passed the company's bank guarantee quota and the comprehensive turnover of the working capital.

C. The results of the major resolutions of the Audit Committee and the handling of the situation:

a. Audit Committee, January 26, 2018(the 25th, first time of Board , 2018)

- The company intends to withdraw the entire case of raising and issuing the first domestic guaranteed convertible corporate bonds of NT\$1 billion. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting were consulted without any disapproval.

The company's handling situation: The proposal of the board of directors, through all the attending directors without any disapproval, and declared to the public information observatory to make a major message announcement and follow-up withdrawal operations.

- The company intends to replace the previous case (hereinafter referred to as the case) with the issuance of new shares by capital increase. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting were consulted without any disapproval.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors without any dispute, and uploading a public information observatory to make a major announcement.

b. Audit Committee, March 14, 2018(the 25th, second time of Board , 2018)

- 2017 annual business report and financial report. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: the proposal of the board of directors, the board of directors of all attendance was passed without any dispute, and the proposal

shareholders often passed.

- 2017 annual profit and loss account.

The result of the resolution: The accumulated loss of NT\$ 313,395,809 in this period, it is recommended that no surplus be distributed this year. All the members present at the meeting was passed without any dispute.

The company's handling situation: the proposal of the board of directors, the board of directors of all attendance was passed without any dispute, and the proposal shareholders often passed.

- The company issued the "Internal Control System Statement".

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors, without any dispute, uploading a public information observatory report.

c. Audit Committee, May 14, 2018(the 25th, third time of Board , 2018)

- Consolidated financial report for the first quarter of 2018.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: report to the board of directors, attending the directors without any disagreement, and report the first quarter earnings report to the public information observatory after the meeting.

- Revise the copy of the operating procedures of the "Electronic Computer Management System" of the Company's internal control system. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: report to the board of directors, attending the directors without any disapproval.

- The company applied to the Investment Review and Approved to establish Fujian TOFF KUNG SING Construction Engineering Co., Ltd. through third-party investment. It plans to transfer all the shares and revoke the nuclear filing to the Investment Review Committee. (Securities and Exchange Act 14-5)

The result of the resolution:All the members present at the meeting was passed without any dispute.

The company's handling situation: report to the board of directors, attending the directors without any dispute.

- In the 2017 annual profit and loss account, it is proposed to use the statutory surplus reserve and capital reserve to offset the loss.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors, without any dispute, uploading a public information observatory to declare a major message. And proposed to the shareholders' meeting.

- Capital reserve to issue cash cases.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors, without any dispute, uploading a public information observatory to declare a major message. And proposed to the shareholders' meeting. (The shareholders' meeting decided to pass the amount of each share to the decimal point, that is, 0.6 yuan per share, and NT\$208,516,448 in the capital reserve. It will be issued on November 15, 2018.)

- Evaluate the independence of the company's visa accountants.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: report to the board of directors, attending the directors without any disapproval. In line with independence, continue to appoint.

- The company's 2018 financial statements and profit-making business income tax check the appointment and remuneration of visa accountants.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: report to the board of directors, attending the directors without any disapproval. Continue to appoint PWC Taiwan.

d. Audit Committee, June 4, 2018(the 25th, fourth time of Board , 2018)

- It is proposed to apply for cash increase and issue new shares. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: report to the board of directors, attending the directors without any disagreement, and declare major information after the meeting, make announcements according to the prescribed time schedule and authorize the chairman to implement relevant matters within the laws and regulations.

e. Audit Committee, August 13, 2018(the 26th, third time of Board , 2018)

- Consolidated financial report for the second quarter of 2018. (Securities and

Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: report to the board of directors, attending the directors without any disagreement, and report the second quarter earnings report to the public information observatory after the meeting.

f. Audit Committee, November 9, 2018(the 26th, fourth time of Board , 2018)

- Consolidated financial report for the third quarter of 2018.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: report to the board of directors, attending the directors without any disagreement, and after the meeting, declare the third quarter earnings report to the public information observatory.

g. Audit Committee, December 27, 2018(the 26th, fifth time of Board , 2018)

- Revise the part of the "Property Management System" and "Financial Management System" operating procedures of the Company's internal control system. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The board of directors of the proposal, which was passed by all the directors, was passed without approval after the board of directors passed.

- Amend the provisions of the “Acquisition or Disposition of Assets Processing Procedures” of the Company. (Securities and Exchange Act 14-5)

The result of the resolution:All the members present at the meeting was passed without any dispute.

The company's handling situation: The board of directors of the proposal was approved by all the directors and was submitted to the shareholders' meeting for approval.

h. Audit Committee, March 27, 2019(the 26th, first time of Board , 2019)

- 2018 annual business report and financial report. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposed board of directors, through all the directors, passed without any dispute, and reported to the public information observatory. The proposal is submitted to the shareholders' meeting for approval.

- 2018 annual profit and loss account.



The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposed board of directors, through all the directors, passed without any dispute, and reported to the public information observatory. The proposal is submitted to the shareholders' meeting for approval.

- The company issued the "Internal Control System Statement".

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors, without any dispute, uploading a public information observatory report.

- Amend some of the provisions of the Company's "Derivatives Transaction Processing Procedures" . (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The board of directors of the proposal was approved by all the directors and was submitted to the shareholders' meeting for approval.

- The company regularly evaluates the independence of visa accountants.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: report to the board of directors, attending the directors without any disapproval. In line with independence, continue to appoint.

i. Audit Committee, May 7, 2019 (the 26th, second time of Board , 2019)

- Consolidated financial report for the first quarter of 2019.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposed board of directors, through all the attending directors, passed without any dispute, and reported the first quarter earnings report to the public information observatory after the meeting.

- Amend the sections of the Company's "Measures for the Implementation of Funds and Others" and "Implementation Measures for Endorsements". (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The board of directors of the proposal was approved by all the directors and was submitted to the shareholders' meeting for approval.

- In response to the objective environment and operational development needs, the Company intends to amend the resolution of the board of directors on June 4, 2018 to approve the issuance of new shares through capital increase, and to apply for the 2019 annual cash increase to issue new shares and issue domestic The first time a guaranteed convertible corporate bond case. (Securities and Exchange Act 14-5)  
The result of the resolution: The case was resolved by the chairman of the committee and resolved for further discussion by the next audit committee.  
The company's handling situation: In 2019, the 26th board of directors, second time of Board, this case will be revoked, and the board of directors will discuss it after the resolution of the Audit Committee is passed.

### 3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

Please refer to other items to be recorded in this year's P37.

### 3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

None

## 3.4 Information Regarding the Company's Audit Fee and Independence

### 3.4.1 Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
PWC Taiwan	Wang, Fang-yu	2018.01.01~2018.12.31	None
	Hsiao, Chin-mu		

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.  
Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000			450	450
2	NT\$2,000 ~ NT\$4,000				

3	NT\$4,000 ~ NT\$6,000	4,960		4,960
4	NT\$6,000 ~ NT\$8,000			
5	NT\$8,000 ~ NT\$10,000			
6	Over NT\$100,000			

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
PWC Taiwan	Wang, Fang-yu	4960	0	0	0	450	450	2018/01/01~ 2018/12/31	
	Hsiao, Chin-mu								

### 3.4.2 Replacement of CPA

#### A. Regarding the former CPA

None

#### B. Regarding the successor CPA

None

### 3.5 Change accountant information

The accountant was not replaced in 2018.

### 3.6 The company's chairman, general manager, manager of financial or accounting affairs, who has worked in a visa accountant's office or its related business in the past year, should disclose his or her name, title and employment in the office of the visa accountant. Or the period of its relationship with the company.

None

### 3.7 Changes in Shareholding of Directors, Supervisors, Managers and Major

#### Shareholders

Unit: Shares

Title	Name	2018		As of April 29, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman of the board	Ch'uan Fu Investment Co. Ltd.	0	0	0	0
Director Representative	Chen ,huang-ming	0	0	0	0
Director Representative	Chiang,chi-ching	0	0	0	0
Director	Ju hsiang Investment Co., Ltd	0	0	0	0
Director Representative	Chang, liang- ming	0	0	0	0
Director	Chia ho Investment Co. Ltd.	0	0	0	0
Director Representative	Tseng, mei- ling	0	0	0	0
Independent Directors	Tu,yi- yang	0	0	0	0
Independent Directors	Chen, chin- yueh	0	0	0	0
Independent Directors	Wang, chih- lung	0	0	0	0
General manager	Chiang,chi-ching	0	0	0	0
Vice-General manager	Tai, Yin-chou	0	0	0	0
Assistant manager	Liu, Yung-ching	0	0	0	0
Financial Officer	Huang, li-wang	0	0	0	0
Accounting Supervisor	Wen, Shu Chiao	0	0	0	0

#### 3.7.1 Shares Trading with Related Parties

None

#### 3.7.2 Shares Pledge with Related Parties

None

### 3.8 Relationship among the Top Ten Shareholders

As of 04/29/2019

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Standard Chartered International Commercial Bank's Sales Department is entrusted with custody of the British St. Regis Fund Investment Account	16,095,000	4.63	0	0	0	0	None	None	
Pan, kuan-ju	12,129,214	3.49	0	0	0	0	Pan, chun- jung	Father and son	
							Li, kuei- mei	Mother and son	
Pan, chun- jung	10,295,394	2.96	7,654,851	2.20	0	0	Li, kuei- mei	spouse	
							Ch'uan Fu Investment Co. Ltd	Major shareholder of the company	
							Pan, ying- hsun	Father and daughter	
							Pan, kuan-ju	Father and son	
Ch'uan Fu Investment Co. Ltd.	9,844,068	2.83	0	0	0	0	Pan, chun- jung 、 Li, kuei- mei	Major shareholder of the company	
Ch'uan Fu Representative : Pan, ying- hsun	0	0	0	0	0	0	Pan, chun- jung	Father and daughter	
							Li, kuei- mei	Mother and daughter	
Su, po-ch'eng	7,791,000	2.24	0	0	0	0	None	None	
Li, kuei- mei	7,654,851	2.20	10,295,394	2.96	0	0	Pan, chun- jung	spouse	
							Ch'uan Fu Investment Co. Ltd.	Major shareholder of the company	
							Pan, ying- hsun	Mother and daughter	
							Pan, kuan-ju	Mother and son	
Hsin yi Investment Co. Ltd.	7,040,338	2.03	0	0	0	0	None	None	

Hsin yi Representative : Lin, chun- ch'en	20,809	0.01	0	0	0	0	None	None	
Hung yi Investment Co. Ltd.	4,818,861	1.39	0	0	0	0	None	None	
Hung yi Representative : Li, shu- hsu	1,050,000	0.30	988	0	0	0	None	None	
Chen, chun- sheng	4,356,000	1.25	0	0	0	0	None	None	
Tang, chia-yu	4,316,000	1.24	0	0	0	0	None	None	

### 3.9 Ownership of Shares in Affiliated Enterprises

Unit: shares/ %

Affiliated Enterprises ( Note1)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Chan-pan Construction Co. Ltd.	59,000	100%	0	0	59,000	100%
Kung Sing International Holding Company Limited	1,700	100%	0	0	1,700	100%
Jiangsu Chingchan Engineering Consultants Co., Ltd	42,000	60%	0	0	42,000	60%
Merit Century Investments Limited	1,510	100%	0	0	1,510	100%
Kung Sing International (Hong Kong) Ltd.	1,200	100%	0	0	1,200	100%

\* Note1 : The company adopts the equity method of investment

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

##### A. Issued Shares

As of 05/01/2018

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1947.02	10	1,600,000	16,000,000	1,600,000	16,000,000	Original set-up	None	
1987.09	10	10,000,000	100,000,000	10,000,000	100,000,000	Cash capital increase	None	
1991.07	10	19,800,000	198,000,000	19,800,000	198,000,000	Cash capital increase	None	
1993.09	10	120,000,000	1,200,000,000	80,000,000	800,000,000	Cash capital increase	None	Note 1
1995.11	10	120,000,000	1,200,000,000	84,000,000	840,000,000	Capital increase via earnings	None	Note 2
1996.12	10	120,000,000	1,200,000,000	89,040,000	890,400,000	Capital increase via earnings	None	Note 3
1997.07	18	180,000,000	1,800,000,000	140,000,000	1,400,000,000	Cash capital increase and capital increase via earnings	None	Note 4
1998.07	10	180,000,000	1,800,000,000	147,000,000	1,470,000,000	Capital increase via earnings	None	Note 5
1999.07	10	180,000,000	1,800,000,000	154,350,000	1,543,500,000	Capital increase via earnings	None	Note 6
2000.09	10	180,000,000	1,800,000,000	162,067,500	1,620,675,000	Capital increase via earnings	None	Note 7
2004.09	13.2	205,000,000	2,050,000,000	187,067,500	1,870,675,000	Cash capital increase	None	Note 8
2005.09	10	250,000,000	2,500,000,000	216,663,076	2,166,630,760	Capital increase via earnings, employee bonuses, capital surplus	None	Note 9
2006.09	10	250,000,000	2,500,000,000	227,321,230	2,273,212,300	Capital surplus transferred to common stock	None	Note 10
2007.09	10	350,000,000	3,500,000,000	274,018,814	2,740,188,140	Capital increase via earnings, employee bonuses, capital surplus	None	Note 11
2007.09	15	350,000,000	3,500,000,000	324,018,814	3,240,188,140	Cash capital increase	None	Note 12
2008.09	10	350,000,000	3,500,000,000	347,527,413	3,475,274,130	Capital increase via earnings, employee bonuses, capital surplus	None	Note 13

Note 1: Approved by (82) TaiTsaiCheng(1)30906, Securites and Futures Bureau, Financial Supervisory Commission, August 7<sup>th</sup> 1993.

Note 2: Approved by (84) TaiTsaiCheng(1)39282, Securites and Futures Bureau, Financial Supervisory Commission, July 3<sup>rd</sup>, 1995.

Note 3: Approved by (85) TaiTsaiCheng(1)41856, Securites and Futures Bureau, Financial Supervisory Commission, July 13<sup>th</sup>, 1996.

Note 4: Approved by (86) TaiTsaiCheng(1)49306, Securites and Futures Bureau, Financial Supervisory Commission, June 26<sup>th</sup>, 1997; (86) TaiTsaiCheng(1)58455, Securites and Futures Bureau, Financial Supervisory Commission, July 22<sup>nd</sup>, 1997.

Note 5: Approved by (87) TaiTsaiCheng(1)59553, Securites and Futures Bureau, Financial Supervisory Commission, July 13<sup>th</sup>, 1998.

Note 6: Approved by (88) TaiTsaiCheng(1)63392, Securites and Futures Bureau, Financial Supervisory Commission, July 9<sup>th</sup>, 1999.

Note 7: Approved by (89) TaiTsaiCheng(1)61307, Securites and Futures Bureau, Financial Supervisory Commission, July 15<sup>th</sup>, 2000.

Note 8: Approved by TaiTsaiCheng1Tze0930125632, Securites and Futures Bureau, Financial Supervisory Commission, June 16<sup>th</sup>, 2004.

Note 9: Approved by TaiTsaiCheng1Tze0940124898, Securites and Futures Bureau, Financial Supervisory Commission, June 22<sup>nd</sup>, 2005.

Note 10: Approved by TaiTsaiCheng1Tze0950132742, Securites and Futures Bureau, Financial Supervisory Commission, July 26<sup>th</sup>, 2006.

Note 11: Approved by TaiTsaiCheng1Tze0960031153, Securites and Futures Bureau,

Financial Supervisory Commission, June 21<sup>st</sup>, 2007.  
 Note 12: Approved by TaiTsaiCheng1Tze0960030934, Securites and Futures Bureau,  
 Financial Supervisory Commission, June 26<sup>th</sup>, 2007.  
 Note 13: Approved by TaiTsaiCheng1Tze0970033529, Securites and Futures Bureau,  
 Financial Supervisory Commission, July 4<sup>th</sup>, 2008.

## B. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	347,527,413	102,472,587	450,000,000	None

## C. Information for Shelf Registration

None

### 4.1.2 Status of Shareholders

As of 04/29/2019

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	0	220	60	30,401	30,681
Shareholding (shares)	0	0	43,490,097	30,032,551	274,004,765	347,527,413
Percentage	0.00%	0.00%	12.51%	8.65%	78.84%	100%

### 4.1.3 Shareholding Distribution Status

#### A. Common Shares

As of 05/01/2018

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	20,025	1,148,441	0.33
1,000 ~ 5,000	6,066	14,007,671	4.03
5,001 ~ 10,000	1,786	14,088,387	4.05
10,001 ~ 15,000	724	9,148,160	2.63
15,001 ~ 20,000	449	8,453,005	2.43
20,001 ~ 30,000	517	13,328,128	3.84
30,001 ~ 40,000	244	8,870,576	2.55
40,001 ~ 50,000	165	7,733,708	2.23



50,001 ~ 100,000	351	25,263,876	7.27
100,001 ~ 200,000	167	23,792,410	6.85
200,001 ~ 400,000	78	21,227,133	6.11
400,001 ~ 600,000	29	14,620,064	4.21
600,001 ~ 800,000	14	9,658,000	2.78
800,001 ~ 1,000,000	12	10,938,000	3.15
1,000,001 or over	54	165,249,854	47.54
Total	30,681	347,527,413	100.00%

## B. Preferred Shares

The company did not issue Preferred Shares.

### 4.1.4 List of Major Shareholders

As of 04/29/2019

Shareholder's Name	Shareholding	
	Shares	Percentage
Standard Chartered International Commercial Bank's Sales Department is entrusted with custody of the British St. Regis Fund Investment Account	16,095,000	4.63
Pan, kuan-ju	12,129,214	3.49
Pan, chun- jung	10,295,394	2.96
Ch'uan Fu Investment Co. Ltd.	9,844,068	2.83
Su, po-ch'eng	7,791,000	2.24
Li, kuei- mei	7,654,851	2.20
Hsin yi Investment Co. Ltd.	7,040,338	2.03
Hung yi Investment Co. Ltd.	4,818,861	1.39
Chen, chun- sheng	4,356,000	1.25
Tang, chia-yu	4,316,000	1.24

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2017	2018	01/01/2019-03/31 /2019(Note 8)
<b>Market Price per Share(Note 1)</b>			
Highest Market Price	16.95	17.95	8.55
Lowest Market Price	9.86	6.62	7.63
Average Market Price	11.91	11.42	8.12
<b>Net Worth per Share(Note 2)</b>			
Before Distribution	10.96	10.25	10.29
After Distribution	10.36	(註 9)	-
<b>Earnings per Share</b>			
Weighted Average Shares (thousand shares)	347,527,413	347,527,413	347,527,413
Adjusted Weighted Average Shares	347,527,413	(Note 9)	-
Diluted Earnings Per Share(Note 3)	(1.01)	(0.20)	(0.05)
Adjusted Diluted Earnings Per Share	(1.01)	(Note 9)	-
<b>Dividends per Share</b>			
Cash Dividends	0.6	(Note 9)	-
Stock Dividends			
• Dividends from Retained Earnings	-	(Note 9)	NA
• Dividends from Capital Surplus	-	(Note 9)	NA
Accumulated Undistributed Dividends(Note 4)	-	-	NA
<b>Return on Investment</b>			
Price / Earnings Ratio (Note 5)	(11.79)	(57.1)	NA
Price / Dividend Ratio (Note 6)	-	-	NA
Cash Dividend Yield Rate (Note 7)	-	-	NA

\*If there is a surplus or capital reserve to increase the capital allotment, the market price and cash dividend information adjusted retrospectively based on the number of shares to be issued should be disclosed.

Note 1: The highest and lowest market prices of common stocks for each year are listed, and the average market price for each year is calculated based on the annual transaction value and volume.

Note 2: Please refer to the number of shares that have been issued at the end of the year and the allocation according to the resolution of the shareholders meeting of the next year.

Note 3: If there is a retrospective adjustment due to circumstances such as free placement of shares, the pre-adjustment and adjusted earnings per share should be presented.

Note 4: If there are provisions for the issuance of equity securities that are not issued in the current year and are distributed to the year of surplus, the accumulated unpaid dividends for the year ended.

Note 5: P/E ratio = average closing price per share / earnings per share for the year.

Note 6: The present ratio = average closing price per share / cash dividend per share.

Note 7: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 8: The net value per share and earnings per share should be filled in with the information of the account audited (audited) by the accountant in the most recent quarter of the annual report. The remaining fields should be filled in the year of the year as of the date of publication of the annual report.

Note 9: The surplus distribution has not been approved by the shareholders' meeting

#### **4.1.6 Dividend Policy and Implementation Status**

##### **A. Dividend Policy**

Dividend policy: According to the Corporate charter and related laws and regulations, earnings in the final accounts, should it exist, should be used to pay tax and duties, with the remainder being used to cover loss of previous year first, If there is still surplus, 10% of the amount should be appropriated for legal reserves and special legal reserves according to the law, and in accordance with Article 41 in Securities and Exchange Act, the remainder after transferred into the capital surplus could be allocated in accordance with the Corporate charter and the Board's resolution. The dividend policy is based on the industry environment the company is located at and its financial planning, and considerations for the company's sustainable management and stable development, as well as the maximum protection of the interests of shareholders, thus the policy is as follows:

1. Condition and timing of the dividend payout:

The company is currently in the growth stage, in a number of major public works projects are being carried out, the demand for capital for ardent. To support the required business growth, the company paid dividends to meet the future operation and development of the principle of sound financial structure and comprehensive consideration, after maintaining a stable dividend and protection of shareholders' reasonable remuneration and other conditions, and then the board of directors will begin to stimulate the distribution of earnings, and through approvals from the general shareholders' meeting and authorities, the dividend payout will take place accordingly.

2. Payout ratios of cash dividend and stock dividend

Earnings in the final accounts, should it exist, should be used to pay tax and duties, with the remainder being used to cover loss of previous year first, and then 10% of the amount should be appropriated for legal surplus reserve, and if there is still surplus, after the board's discussion, resolution will take place during the general shareholders' meeting, and there are two ways of dividend payout, which are stock dividend and cash dividend, the ratio of cash dividend cannot be lower than 10% of the total dividend for shareholders.

##### **B. Proposed Distribution of Dividend**

- (1) The company's 2018 annual dividend distribution was approved by the board of directors on March 27, 2019 through profit and loss, and the resolution was not distributed.
- (2) The case will be reported at the general meeting of shareholders on June 27, 2019.

##### **C. Expected significant changes in the dividend policy. Explanation: None.**

#### **4.1.7 The impact of the proposed free share allotment on the company's business performance and earnings per share**

**The Company has no free rights issue and has no impact on the company's operating performance and earnings per share.**

#### 4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration

A. Employee bonus and directors and supervisors Reward specified in the company's corporate charter:

When the Company in accordance with the annual profit after deducting accumulated deficit situation, as there are balance, employee compensation should be set aside 3-5%, not more than 3% of the remuneration of directors.

Employee compensation in the preceding paragraph to whom shares or cash, the payment must include the object in line with the conditions set by the Board of Directors of subordinate employees, to authorize the Board to develop the relevant measures, only to cash remuneration of directors whom.

After the above provisions of the Board of Directors resolution, and then report to the general meeting of shareholders.

B. The Estimated Basis for Calculating the Employee Bonus and Directors' and Supervisors' Remuneration:

The staff remuneration and the reward to directors and supervisors, based on the current net profit before tax to make up for losses in previous post, taking into consideration the relevant laws and regulations, the Articles of Association, and past experience of the appropriate estimate. Actual allotment amount if there are differences and estimated the number of columns, depending on changes in accounting estimates process, as the annual shareholders' meeting resolution adjustment recorded.

C. Profit Distribution for Employee Bonus and Directors' and Supervisors' Remuneration for 2018 Approved in Board of Directors Meeting

(1) Recommended Distribution of Employee Bonus and Directors' and Supervisors' Remuneration: (NT\$ thousands)

Employee Bonus – in Cash	\$ 0
Employee Bonus – in Stock	0
Directors' and Supervisors' Remuneration	<u>0</u>
Total	\$ 0

(2) Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings: Unallocated Employee stock Bonus dividend.

(3) Recounted EPS after Recommended Distribution of Employee Bonus and Directors' and Supervisors' Remuneration: The profit and loss reserve does not intend to pay employees and directors, nor does it affect the calculation of earnings per share.

D. Information of 2017 Earnings Set Aside for Employee Bonus and Directors' and Supervisors' Remuneration:

Distribution of 2017 Earnings (NT\$ thousands)	
Stock Dividends	\$ 0
Cash Dividends	\$ 0
Directors' Remuneration	\$0
Employee Bonus	\$0

The above-mentioned actual distribution of employee bonus and directors'

remuneration was in line with the recommended resolution of the Board of Directors.

#### **4.1.9 Buyback of Treasury Stock**

None

#### **4.2 Bonds**

None

#### **4.3 Special stock handling situation**

None

#### **4.4 Global Depository Receipts**

None

#### **4.5 Employee Stock Options**

None

#### **4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions**

None

#### **4.7 Fund utilization plan execution situation**

**There was no private placement before the company's annual report was printed. As of the end of the annual report, there have been no cases where project benefits have not yet occurred. None**

## **V. Operational Highlights**

### **5.1 Business Activities**

#### **5.1.1 Business Scope**

##### **A. Main areas of business operations**

1. E101011 General Construction
2. E401010 Dredging
3. E599010 Plumbing
4. E801010 Interior Renovation
5. E801020 Doors and Windows Installation
6. E801030 Interior Light Steel Frame Engineering
7. E801040 Glass Installation
8. E801070 Kitchen and Bathroom Equipment Installation
9. E901010 Painting Works
10. E903010 Corrosion and Rust-Proof Works
11. EZ02010 Crane Engineering
12. EZ207010 Drilling Engineering
13. EZ99990 Other Engineering
14. C901040 Ready-Mix Concrete Manufacturing
15. C901050 Cement and Concrete Manufacturing
16. CD01020 Rail Vehicles and Parts Manufacturing
17. CD01990 Other Vehicles and Parts Manufacturing
18. F111090 Building Materials Wholesale
19. F113010 Machinery Wholesale
20. F401010 International Trade
21. F113030 Precision Instruments Wholesale
22. H701010 Residences and Buildings Development, Sale and Lease
23. H701020 Industrial Factory Buildings Development, Sale and Lease
24. H701040 Specialized Fields Construction and Development
25. H701050 Public Works Construction and Investment
26. H701060 New County and Community Development
27. H701070 Zone Expropriation and Urban Land Consolidation Agencies
28. H703090 Real Estate Trading
29. H703100 Real Estate Lease
30. H701080 Urban Renewal
31. J101040 Wastes Treatment
32. J101990 Other Sanitation and Pollution Protection Services
33. E501011 Water Supply Piping
34. E601010 Electrical Equipment Installation
35. E602011 Frozen and Air-conditioning Engineering
36. E603040 Fire Safety Equipment Installation Engineering
37. ZZ99999 In addition to licensed businesses, the company may operate those businesses that are not prohibited or restricted by law.

## Revenue distribution

Unit : NT\$ thousands

Major Divisions	Total Sales in Year 2018	(%) of Total Sales
public construction	3,784,145	98.44
others	59,866	1.56
total	3,844,011	100.00

### B. Main products

1. Civil engineering: Airport MRT construction, railway reconstruction, the Taipei Metropolitan Area Rapid Transit project, bridge construction via special methods such as advancing shoring method and incremental launching method, and regional highway projects.
2. Marine works : Taichung Port No. 106 New Construction Project
3. Tunnel Project : Su-Hua Highway Guanyin Valley Wind Tunnel.
4. Construction works : Sin-Dian case construction project

### C. New products development

To query the projects released from the Executive Yuan's website and related press, and to select the most favored, high-tech, and value-added projects and include them into the company's annual business plan in order to prepare to be participating in the bidding, including large-scale civil constructions such as road, bridge, and MRT organized by the Ministry of Transportation and Communications, the Ministry of the Interior, and the Taipei City Government.

## 5.1.2 Industry Overview

### A. Current status and development of the industry:

The construction industry is an important people's livelihood industry. The materials and raw materials needed for construction are supplied by other industries. In the planning, design and management, it is often necessary to cooperate with related industries. In addition, the construction industry is a labor-intensive, capital-intensive industry. There are quite a lot of employment opportunities. Therefore, the development of the construction industry is not only related to the rise and fall of industry and commerce, but also closely related to the national livelihood and the overall national economic development. Therefore, advanced countries are all eager to cultivate the sound development of the construction industry and to improve the quality of construction projects.

After years of baptism in the construction industry, some poorly constructed factories have been eliminated by the market mechanism. According to the statistics of the Construction Department of the Ministry of the Interior, as of the end of 2018, there were 18,400 domestic construction plants, including 2,765 Class A construction plants. The construction industry is highly competitive in public works. In recent years, the Government has actively promoted the domestic public works standards to adopt "the lowest standard for heterogeneous procurement", "the most favorable standard" and "the most favorable standard for the turnkey package". One is to avoid the vicious competition in the domestic industry and affect the quality of the project and the efficiency of implementation. Industrial competitiveness; in addition, the combination of design and construction can be handled in the most favorable way, in addition to cultivating domestic

manufacturers to integrate design, construction, mechanical and electrical equipment, financial management and other capabilities, and can introduce innovative materials through turnkey, Technology and engineering methods drive industrial R&D energy and technology improvement, and then achieve sufficient performance and familiarity with international standard procurement methods, and establish the competitiveness of the engineering industry to open up markets abroad.

B. Industry, upper, middle and lower reaches:

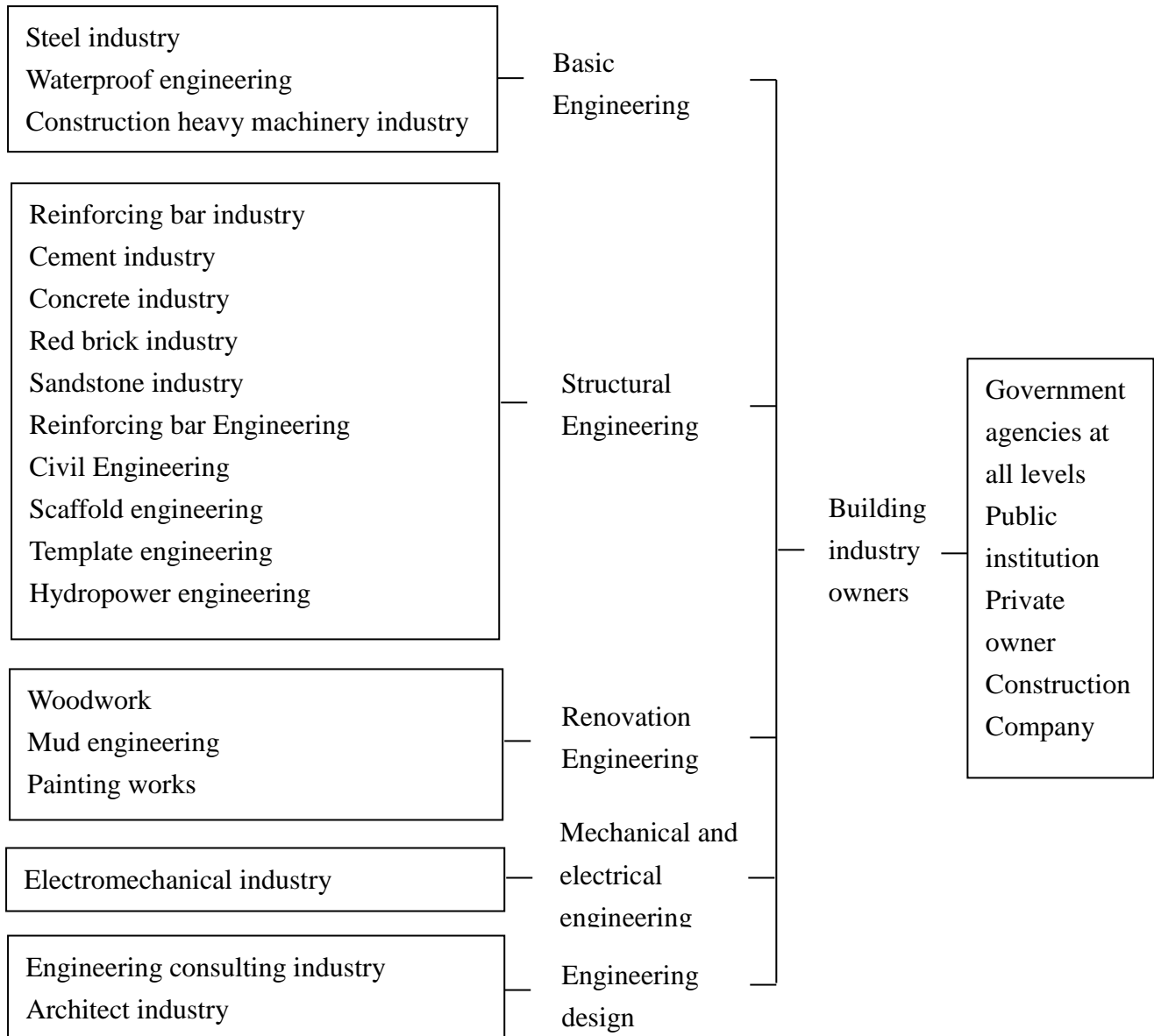
In this industry, its main business sources are government public works, private construction investment companies, citizen camps and other owners to contract construction projects, so the downstream is government units, citizen camps, civil construction companies and other types of owners, and its upstream industry includes the foundation Engineering, structural engineering, renovation engineering, electrical and mechanical engineering and engineering design.

In terms of the relationship between the construction industry and the upstream industry, the fluctuation of construction materials prices, the increase in contracting costs of professional contractors, the increase in labor costs, and the increase in equipment costs due to price fluctuations are all related to the construction cost of the construction industry. The development of the upstream industry is deeply affected by the prosperity of the construction industry, and the relationship between the two is very close.

In terms of the relationship between the construction industry and the downstream industry, there is no specific source of business in the construction industry, mainly through open bidding or comparison and bargaining, in which public works commissioned by construction operators and open tenders by government agencies are The industry's main business source is the main business source, so the industry's prosperity is mainly affected by the construction industry boom and the government's promotion of public works policies.



**construct industry relationship chart**



**C. Various development trends and competition situations of products:**

**1. Development trend**

Looking at the development results of overseas advanced state construction industry, for example, the construction industry in Europe, the United States and Japan has many financial institutions supporting each other. The capital cost is lower than that of China, and major engineering or engineering construction will be commissioned by the engineering company to handle the package. . In response to many major national construction projects, the Chinese government has also planned to adopt BOT. The domestic construction plants have responded to this trend and prevented the foreign construction plants from entering the domestic market to divide the public engineering market. We are developing towards large-scale and enterprise-oriented operations, and we are committed to improving the research and development of construction technology. The important development trends in the future of the construction industry are as

follows:

(1). The establishment of the system of the system

In the case of short-term government finances, the public will be encouraged to participate in public construction investment in the future. The construction of public works will be carried out in the form of BT. and BOT. The construction industry will be transformed in response to this development trend, and the overall planning and design of the case will be carried out. Integration of investment, construction, operation, etc., and joint ventures with the consulting industry, the financial industry and other operating professions, so the scale will be larger in the future, and the business level will also include industry, commerce, and services. Industry, etc., become a corporate complex.

(2). Internationalization and liberalization of public works

After China's accession to the World Trade Organization (WTO), the future will inevitably sign a government procurement agreement (GPA) with other countries, and open up foreign construction industry players to enter the domestic construction market, and domestic players will also take the opportunity to come to Taiwan to respond to this trend. Foreign companies collaborating or exploring ways to cooperate with foreign local players in the international market, thus deriving international cooperation contracts, international fund scheduling and national construction regulations and other related issues and issues, will affect the future business strategy of the construction industry.

(3). Building automation

Due to the problems of engineering resource allocation, industrial physique and ecological environment change, the construction industry is bound to promote industrial automation. Through construction mechanization and automation, scientific engineering management and engineering refinement, it can reduce manpower demand, increase production capacity, ensure environmental quality and enhance The effect of competitiveness to break through the current difficulties.

(4). Technology research and development

As the construction industry will develop towards large-scale development, in the fierce market competition, technology research and development will inevitably be paid more and more attention, and the competitiveness of the market will be enhanced by research and development of new work methods and new materials.

(5). The formation of professional manufacturers

For the small and medium-sized construction industry, it will move towards a specialized market segment, introduce new construction methods and machinery for a professional project, engage in professional work, coordinate with large manufacturers, and exert the overall construction effect.

(6). Enterprise management

Since the construction industry will transform itself from a technically-oriented service industry to a composite enterprise, its business model will be different from the past. The bidding decision will be transformed from the perspective of investment, introducing new technologies, and focusing on efficiency. Cost and talent use, with scientific management, long-term enterprise management as the ultimate goal.

In summary, after joining the WTO, the domestic construction market will be

fully open to the outside world, and the Taiwanese construction industry will face greater challenges as foreign players join the competition. As foreign manufacturers are superior in scale and automation to domestic players, it is necessary for operators to further enhance their competitiveness. In the future, apart from the large-scale development of the DPRK and the cooperation with foreign technology, the project will be contracted to resolve foreign competition. Quality, cost and the use of automated construction machinery, etc., must also be given more attention to enhance their competitiveness and become the future development trend of the domestic construction industry.

2. Competition situation

The company's main business projects are the contracting and construction of public works. At present, there are more than 17,000 construction plants in China, and the difference between capital and business scale is very different. At present, the business scope of the top 20 domestic construction plants includes residential Engineering and public works, the same business projects of the company include listed China Engineering, Xinlu Engineering, Jianguo Engineering, Foundation Construction, Huangchang Construction, Daxin Engineering and Xinya Construction, and have been on the company Changhong Construction, Germany Chang Construction, Double Happiness Construction, and the recently converted privately owned company from the public to the private sector are the main competitors.

**5.1.3 Research and Development**

1. Research expenses for the most recent year and the end of the annual report:

The company is in the construction industry and it aims on the enhancement of technology, thus there is no direct research cost.

2. Develop successful technologies or products:

Entry	Engineering method research	Place of execution	Execution results
1	Study of precast concrete slabs and field casting of cantilever bridge	Zhongshan Expressway Expansion 16 and 17 cases South 2 Gaojian New C359, C360, C318, C326 case	In the case of 16, 17 cases, the work rate of each machine was reached on the 5th, and the record of 105 blocks per month was set.
2	Field cast bridge section propulsion method	South Second High New Construction Project C360, C356Z	The number of hours of work for each study is 9 days, and the number of employees is 15 people, divided into two shifts.
3	System template construction method	Station structure of the MRT site Foundation of each site, beams and columns, wall	For the study of the strength of single-sided and double-sided molds, the progress and support have been applied to various construction sites. At present, the assembly of standard moment units is being carried out to facilitate the repeated use of the dimensional changes in the future.

Entry	Engineering method research	Place of execution	Execution results
4	Precipitation project	MRT Xinzhuang Line CK570F Section Project	The use of groundwater level treatment is of great help to stabilize the site and improve the safety of the site and the progress of the project.
5	Pre-cast U-beam lifting method	Nei Hu Section project CB410 of Taipei Metropolitan Area Transit System	The pre-made U-beams are factory-managed and produced to improve overall production efficiency and engineering quality and reduce costs.
6	V-bridge oblique support method	Taiwan Taoyuan international airport joint transit system construction project ,CE02 tender project.	<ul style="list-style-type: none"> <li>a. The span of the V-shaped pier column does not require the support type of the lower support.</li> <li>b. Ensure that the highway is safe for pedestrians.</li> <li>c. Structural behavior is simplistic.</li> <li>d. Reduce the number of highway traffic maintenance.</li> </ul>
7	Support advanced working vehicle mid-air propulsion method	Taiwan Taoyuan international airport joint transit system construction project ,CE02 tender project.	<ul style="list-style-type: none"> <li>a. Overcoming obstacles to the difficulty of carrying a narrow road load</li> <li>b. The construction time is shortened by 45 days (the removal, handling, assembly and hoisting of the work car takes 60 days, and it takes only 15 days according to the local airfare method).</li> <li>c. Construction safety is high.</li> <li>d. Reduce environmental impact.</li> <li>e. Construction cost savings.</li> </ul>
8	Innovative method of in-situ support system template	Taiwan Taoyuan international airport joint transit system construction project ,CE02 tender project.	<ul style="list-style-type: none"> <li>a. Various support box beams such as 2.5m, 2.8m, 3.1m can be applied.</li> <li>b. The square tube skeleton has high stiffness, and the concrete placement is not easy to produce template displacement, and the appearance quality is good.</li> <li>c. The skeleton can be repeatedly disassembled and constructed, reducing the waste of template re-production.</li> </ul>
9	Innovative method for prefabricated box girder transportation through	Taiwan Taoyuan international airport joint transit system construction project ,CE02	Each time the pre-cast beam is transported, the maximum displacement is only 1.1cm (safety value is 2.5cm), which is safe and ensures the

Entry	Engineering method research	Place of execution	Execution results
	Zhongshan Expressway	tender project.	safety of the bridge structure.
10	Innovative construction method for pier column sample frame construction	Taiwan Taoyuan international airport joint transit system construction project ,CE02 tender project.	<ul style="list-style-type: none"> <li>a. It can guarantee the construction quality, safety and reduce the application time.</li> <li>b. Won the demonstration site, the North Inspection Office to the site to hold a disaster prevention observation meeting.</li> </ul>
11	Innovative construction method for water conservation area construction	Taiwan Taoyuan international airport joint transit system construction project ,CE02 tender project.	<ul style="list-style-type: none"> <li>a. Make sure the slope is stable.</li> <li>b. The foundation of the pier is constructed by a wellbore caisson, which reduces the amount of earthwork excavated and stabilizes the footing of the slope.</li> <li>c. Apply as temporary stagnation flooding pond and clear it regularly to reduce the impact of storm runoff on river ecology</li> </ul>
12	Large span steel box beam	Ligang Bridge Reconstruction Project	<ul style="list-style-type: none"> <li>a. Improve the shock resistance and anti-collision function.</li> <li>b. Improve flood control.</li> <li>c. The driving safety is improved and beautiful.</li> </ul>
13	Caisson sliding mode engineering method	Linkou Power Plant Renewal and Expansion Project Outlet Diversion Dike, North Breakwater, Coal Unloading Terminal, Connecting Bridge and Related Facilities New Construction	<ul style="list-style-type: none"> <li>a. The concrete is continuously poured without construction joints.</li> <li>b. The wall is instantly decorated.</li> <li>c. The work frame is raised with the height of the construction and there is no need to set up a scaffold.</li> <li>d. The template does not require external support and explosion mode.</li> <li>e. The verticality of the caisson is accurately controlled.</li> </ul>

#### 5.1.4 Long-term and Short-term Development

##### 1. Short-term Development

With the rapid growth of the company's business and the fierce competition environment, and in order to improve the construction quality, reduce the construction cost and enhance the construction technology, the company will continue to develop and improve its own technology, and actively promote

automation, standardization and safety. Shorten the development of the construction period, the short-term plan will continue to cooperate with the government policy, continue to focus on the contract of public works, the future will appropriately expand the proportion of construction projects, and collect various construction methods for the development and application of domestic construction plants,

- A. Establish engineering (internal and external) numbering system
- B. Interface (inside, outside) cutting and process establishment
- C. Selection and application of geological improvement methods
- D. Research on tunnel construction method and rock plate stability
- E. Construction study of earthwork excavation support
- F. Research on the use of PC-based super high-rise collective housing composite construction method

And by cooperating with foreign construction plants, we will introduce various advanced construction methods, research and develop the strengths of each family, and strengthen our own technical capabilities. In the quality policy, we will continue to implement the existing ISO 9001 operating systems, and implement the construction plan accordingly, so that the implementation of each project not only has a comprehensive planning beforehand, but also the quality, cost, duration, and safety of the actual application. Effectively control, and lay the foundation for the future to undertake new cases and expand the scale of operations, towards the goal of improving competitiveness and sustainable operation.

## 2. Long-term Development

The company will actively participate in the bidding for various new projects while planning to implement the government's plan to expand domestic demand. It plans to gradually explore the contracting of private projects and large-scale overseas projects, and leverage the opportunities of technical cooperation with foreign construction plants to extend the reach of its business overseas. With a view to the gradual increase in the international economic cycle and the increasing emphasis on public construction, countries have embarked on the international stage and developed into an international construction factory, moving the scale of operations to a world-class direction.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### 1. Sales (Service) Region

The company is mainly focused on undertaking the national public constructions, supplemented by the and public civil engineering and architectural engineering, major products comprise the road construction, bridge construction, and tunnel construction, etc. construction sites are throughout the northern, central, and southern parts. In recent years, in response to the government's "Look East" policy, the company has been participated actively in the eastern part of development plan, which will enable the company to be unrestricted in the tender area. Our services are throughout the province, all businesses are within the country.

#### 2. Market Share (%) of Major Product Categories in the Last Two Years

Year	Turnover in the construction industry	Turnover of the company	Market share (%)
2017	2,146,522 millions	3,759 millions	0.18
2018	2,330,113 millions	3,844 millions	0.16

The future supply and demand situation and growth of the market:

(1) Supply and demand situation

The Chief Executive of the Executive Yuan predicts that GDP will be 2.66% in 2018. On November 30, 2018, although the GDP is forecast to be 2.41% in 2019, the fundamentals of the domestic economy are still good. However, the global economy has many doubts about the political and economic factors in various countries. Interferences, such as the Brexit, the rise of Sino-US trade disputes, the increased risk of financial markets, and geopolitical risks such as the Middle East and the Korean Peninsula, have caused global economic growth to slow down, and its subsequent impact on the domestic economy remains to be noted.

In 2019, the government will strengthen the economic recovery and drive the industrial upgrading and transformation, and revitalize the economic climate. In addition to implementing the “Forward-looking Infrastructure Project” and the “Five Plus Two Industry Innovation Plan”, the government will optimize the domestic market through the “Accelerated Investment Taiwan Project Conference”. The investment environment, the exclusion of investment barriers, the acceleration of industrial innovation and structural transformation, and the combination of economic supply and demand to stimulate private consumption and reward private participation in public construction will help drive domestic investment growth next year and stabilize economic growth momentum.

In 2019, the government's public construction design and paintings totaled NT\$292.7 billion, which is NT\$374.9 billion more than the 107-year base budget, and NT\$17.8 billion. Among them, the three major sub-categories of "Transportation and Construction", "Environmental Resources" and "Urban Development" in the construction industry can be combined with NT\$211 billion, and the most important traffic construction category is only NT\$127.3 billion. Among them, the two sub-projects such as road and rail transportation have a total of NT\$110.4 billion, which is only NT\$6.7 billion more than in 2018.

In 2019, the Company continued to focus on public works such as roads, rail transit, bridges, tunnels and port areas.

(2) Growth

A. According to the website of the Public Works Committee of the Executive Yuan, the government will expand public construction investment, boost the economy, and implement the “Love Taiwan 12 Construction Master Plan” to give priority to the promotion of 12 infrastructures, including:

(A). In terms of transportation, through the construction of convenient transportation network, Kaohsiung Port City Reconstruction and Taoyuan International Aviation City, it will greatly enhance Taiwan's global transportation energy.

(B). In terms of industrial development, through the new settlement of high-tech industries in the central region, smart Taiwan and industrial innovation corridors, it will accelerate the accumulation of intellectual capital and build

Taiwan's future competitiveness.

(C). In terms of urban and rural development, it will promote the renewal of urban and industrial areas, as well as rural regeneration, revitalize the economic vitality of old and backward areas, and create a new look of urban and rural areas.

(D). In terms of environmental conservation, it will give priority to environmental protection projects such as coastal renewal, green afforestation, flood control and sewer construction, and implement environmental and ecological protection and carbon reduction effects through practical actions.

The above-mentioned infrastructure construction, the company's convenient transportation network for transportation, Kaohsiung Port Redevelopment and environmental protection

Basic projects such as flood prevention and water control and sewer construction in the field of education have certain business opportunities in the next few years.

B. The government actively plans to expand the comprehensive infrastructure investment and start to build the infrastructure needed for the country's future development. It proposes a "forward-looking infrastructure design painting", including eight major construction paintings, which will lay the foundation for Taiwan's development in the next 30 years and accelerate Taiwan's economic transformation. And upgrading, boosting the country's long-term competitiveness, drawing a blueprint for happiness for the people, and building various soft and hard bodies, most of which are related to the construction industry.

(A) Construction of a safe and convenient "track construction":

a. Construction Content: Promote 5 "High-speed Rail Railways into a Network", "Taiwan Railway Upgrade and Improvement of Eastern Services", "Three-dimensional Railway or Commuter Speed", "Urban Push-Mart" and "Central-South Tourism Railway" The main axis has a total of 38 track design drawings.

b. Objective: To build Taiwan's rail system into a backbone transportation service that is friendly, seamless, industrial, safe, reliable, easy to operate, sustainable, and attractive.

(B) "Water Environment Construction" in response to climate change:

a. Construction content: Accelerate water treatment, water supply and hydrophilic infrastructure.

b. Objective: Stable water supply, continuous cycling, permeable city, land security, water and green integration, and a happy environment of quality water in Taiwan.

(C) "Green Energy Construction" to promote environmental sustainability:

a. Key points: Solar, wind power and Sharon Green Energy Science City and other related research and development and long-term development bases.

b. Objectives:

■ Energy transformation benefits: Strengthen energy security, innovate green economy, promote environmental sustainability and social equity.

■ Industrial Benefits: To build Taiwan's important base for the development of green energy industry in Asia, and to make Taiwan a place in the global green energy industry within 5-10 years.

(D) Creating a "digital construction" of the wisdom of the country:

a. Key construction: Accelerate the promotion of social ultra-wideband network social related construction.



- b. Objectives: Broadband and ultra-wideband use network connection smooth and secure, network users' human rights to obtain basic security, cultural creativity and high-value products into the industry, introduce smart urban and rural construction and establish a learning environment, and promote the creation of cultural and creative industries. Zhaoyuan industry.
- (E) Strengthening the “urban and rural construction” of regional balance:
  - a. Construction content: Promote people's sense of construction, including improving parking problems, improving road quality, urban heart project, developing in-ground industrial parks, building cultural living circles, campus community transformation, public service bases, and creating leisure sports Ten projects including environment, Hakka romantic platform 3, and original tribe construction.
  - b. Objective: To improve the quality of the public environment, improve the living conditions of the people, and enhance the overall image of the country.
- (F) In response to the need for child-friendly parenting, "space construction":
  - a. Construction content: Promote the publicity of childcare and education in children aged 0 to 5, and create a space for friendly parenting.
  - b. Objective: Accelerate the expansion of the publicity of child care and education, to create a friendly parenting space, provide affordable and quality-supported childcare and education services, reduce the financial burden on parents, reduce women's employment barriers, and reverse minority births. crisis.
- (G) "Food Safety Construction":
  - a. Construction content: build a state-level experimental building and education and training building for modern food and medicine, improve the efficiency of the border inspection and customs management system, strengthen the food safety inspection and inspection capacity of health units, and strengthen the central food safety inspection capacity.
  - b. Objective: To improve the inspection capacity and improve the safety management system to improve food safety in China.
- (H) "Talent Cultivation to Promote Employment Construction":
  - a. Construction content: Promote the international industry-academic alliance, the establishment of youth science and technology innovation and entrepreneurship bases, the training and employment of high-level talents in key industries, the development of “ young researchers”, and the optimization of the implementation environment of vocational schools.
  - b. Objective: To build Taiwan's international standard entrepreneurial settlement as the core, to promote the development of youth entrepreneurship, employment and international industry-university-research cooperation by attracting international talents to Taiwan, and to assist China's innovation and entrepreneurship ecosystem to further integrate with the international community.
- C. Government's New South-South Policy: China's engineering industry strives for new south-facing national infrastructure construction opportunities, and selects petrochemical, power plant, intelligent transportation ETC, Metro Rapid Transit and environmental protection five teams as the main output. With reference to the practices of various governments and previous successful cases, the first and foremost conditions must first assist our business to obtain the project performance, and then the conditions for the independent construction of the infrastructure by the manufacturers. Therefore, the subsidy manufacturers will be

selected and the foreign aid cases will be selected. The engineering projects with technical advantages are limited by the bidding of our business, assisting the engineering industry to achieve actual results, and the follow-up can continue to open branches and leaves, and compete in the local or neighboring countries to compete for the bidding.

The engineering industry has entered the new south to the market. In addition to integrating the resources of various ministries and departments to promote cooperation, it is necessary for the government to cooperate with the people to create a new blue ocean for the engineering industry.

### 3. Competitive niche:

The company has been awarded as an excellent construction manufacturer by government agencies at all levels over the years. It will have a competitive advantage for the company's overall corporate image and the most favorable public engineering selection process. The company will continue to develop into a comprehensive large-scale construction industry in the future. In addition to the current major public works, the company will gradually expand its business of building, environmental protection, building materials and machinery. The goal of building business contracts is still based on public works, supplemented by civil construction projects and land development, and actively participate in the island's transportation backbone construction plan. For public projects that are tendered by turnkey, actively seek for better quality and better financial cooperation. Vendors participate in the development of financial planning, overall construction, design, maintenance, operations, investment and other diversified business strength.

### 4. Favorable and Unfavorable Factors in the Long Term

#### 1. Favorable factors

- (1) The government continues to promote the significant CEPD plan.
- (2) The domestic economy gradually recovers, and continues to grow.
- (3) The Government promulgated the "Government Procurement Law.
- (4) The government is actively engaging in the rewards of excellent construction companies in order to create more competitiveness for excellent construction companies through incentives.
- (5) In order to stabilize the domestic economy, the government promoted "the expansion of domestic demand programs" and introduced the BOT models to significant constructions in order to stimulate the private capital investment.
- (6) Since 1999, regarding new project tenders above \$50 million, vendors could receive prepayments of 30% after they have provided the same amount of guarantee.
- (7) Government to expand public construction investment, boost the economy, the implementation of "12 major construction overall plan" is expected from the Republic of China from 1999 to 2016 only, priority to promote 12 infrastructure.
- (8) Accession to the WTO to expand overseas market.

#### 2. Unfavorable factors

- (1) Rigorous labor safety penalties, increase in the labor safety cost.  
Countermeasure – Strengthen the labor safety educational training, enhance the labor safety concept, impose a self-inspection system, reduce labor safety fines, and enhance safety.
- (2) Instability of the bulk material prices of construction projects.

Countermeasure – As a result of bulk materials (such as: gravel, concrete, steel, earth, oil, etc.) accounted for a high proportion of the entire cost of the project, and in order to reduce the risk, work contracts the company undertakes are still mainly public works, because after winning the bid, the price adjustment amount can be used to pay to vendors for materials, or materials can be used to make up the increased cost expenditure, raw materials reduction or increases in prices.

- (3) People’s wisdom grows, projects being protested, a delay in the construction progress.

Countermeasure –Actively engaged in establishing good interpersonal relationships in order to establish a common living body and reduce the opposition.

- (4)People are more environmentally conscious now, thus the cost of environmental protection expenditure increases.

Countermeasure –The company has passed the "ISO14001" International Environmental Management System Certification, through the implementation of the system, and with the additional provision of pollution control equipment, to increase environmental operating manpower, as well as measures to enhance staff environmental education training.

- (5) Construction regulations are not perfect, finalized contracts unfair terms still exist.

Countermeasure –In addition to coordinate with the owner, may as well apply for the conciliation from the Public Construction Commission, Executive Yuan, or arbitration from the Arbitration Association.

- (6) Maglignant low price bidding

Countermeasure –To strengthen the cost control, do careful assessments in advance, to tender with technical, special construction methods and specific qualifications, and improve the Bid rate.

- (7) After entering into the WTO, foreign vendors get to bid indenpendently, competitive forces thus have formed.

Countermeasure –Will work to improve the quality of construction, construction management capabilities of high-efficiency, and high standards of construction technology in order to expand the overseas market.

## **5.2.2 Production Procedures of Main Products**

### **A. Major Products and Their Main Uses**

- (1) Civil engineering

National Highway 3, the Taipei MRT construction, National Highway 1 widening, new methods for bridge constructions, tunnel construction, and regional elevated highways. Use to provide public transportation and people's basic livelihood needs of public facilities, and to enhance the quality of people's lives.

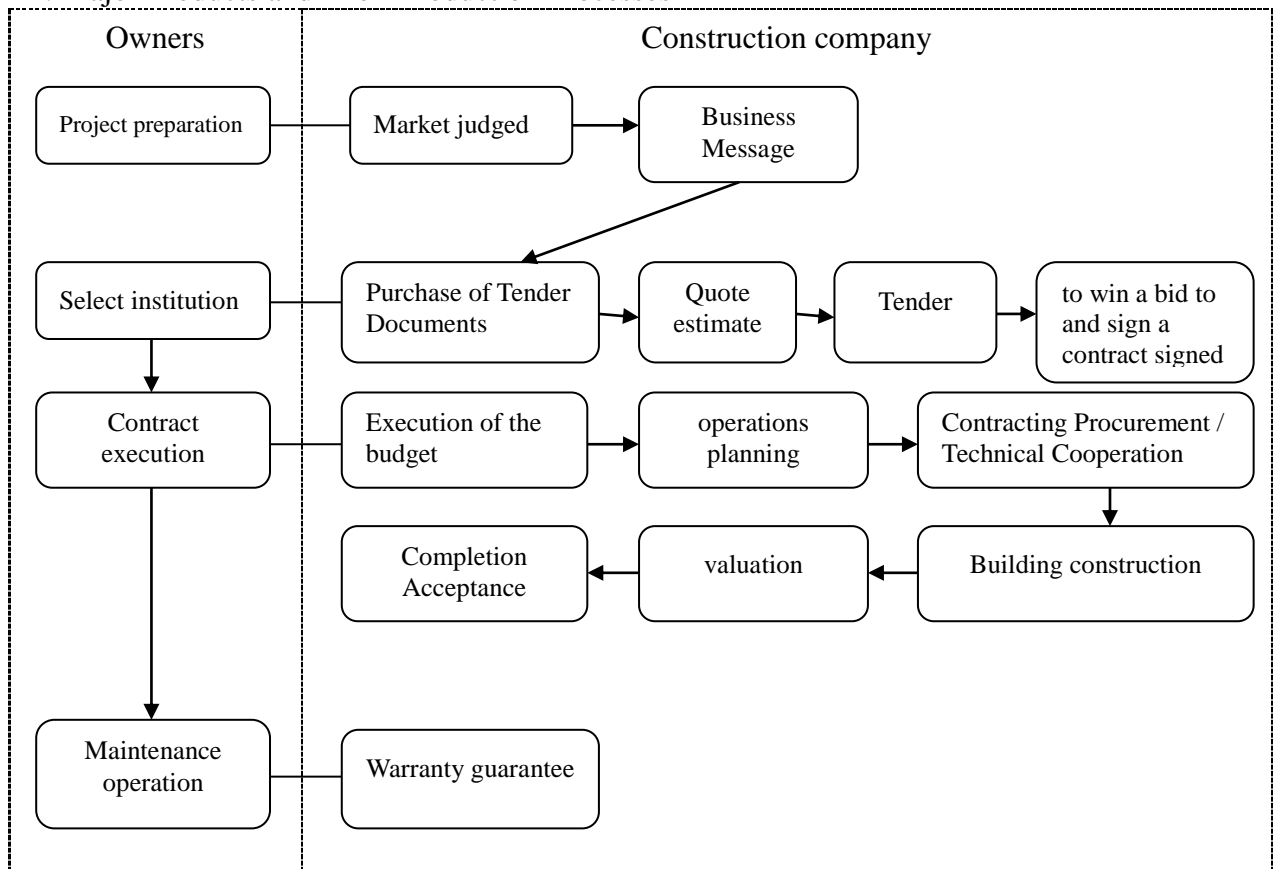
- (2) Marine works : Linkou power plant renewal and expansion project.

- (3) Tunnel Project : Su-Hua Highway Guanyin Valley Wind Tunnel. Providing convenient public transportation.

- (4)Orbital Engineering → Taitung Nanping-Wanrong Double-track Civil Engineering and Tram Line Project, “Electrical Engineering Construction Plan of Taitung Chaozhou Section of Taitung South Hui Railway” C811Z

Chaozhou Section of Civil Engineering and General Mechanical and Electrical Engineering.

B. Major Products and Their Production Processes



**5.2.3 Supply Status of Main Materials**

The company’s engineering construction is contract for labor and materials-based, except some are provided by the owner according to the contract, the rest is procured by the company itself, and its main bulk building materials are offered by domestic suppliers, some special materials are ordered from abroad. The company has been in the market for 70 years, only the national gravel and earth are in shortage, and and the price of Petroleum oil rises, the upstream and downstream raw material supply chain is very solid, if events of huge ups and downs in the prices of bulk materials take place during the construction, the company may be able to control materials and vendors, as well as to effectively control the duration period, construction quality, and costs of materials via the floating price adjustment mechanism signed with suppliers, thus no shortages or interruptions could occur.

**5.2.4 Major Suppliers and Clients**

The name of the customer who has accounted for more than 10% of the total (sales) of goods in the previous two years of the previous year and the amount and proportion of the goods entered and sold, and explains the reasons for the increase or decrease.

1. Information on major suppliers in the last two years:

### A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2017				2018				2019 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Hsueh Chih Construction company	1,060,915	31.00%	None	Asia Cement	550,617	14.95%	None	Chen feng Construction company	116,566	12.41%	None
2	Asia Cement	714,972	20.90%	None	Tung Ho Steel Enterprise Corp.	358,331	9.73%	None	Ya t'ung energy company .	88,185	9.39%	None
3	Ya t'ung energy company	395,262	11.55%	None	Ya t'ung energy company	250,796	6.81%	None	Asia Cement	74,208	7.90%	None
4	Tung Ho Steel Enterprise Corp.	314,464	9.19%	None	Shang Ting Construction company	124,096	3.37%	None	Tung Ho Steel Enterprise Corp.	63,075	6.72%	None
5	Taiwan Cement Corporation	132,647	3.88%	None	Hsueh Chih Construction company	68,310	1.86%	None	Shang Ting Construction company	52,719	5.61%	None
6	Chen feng Construction company	0	0.00%	None	Chen feng Construction company	15,016	0.41%	None	Taiwan Cement Corporation	4,459	0.48%	None
7	Shang Ting Construction company	0	0	None	Taiwan Cement Corporation	2,324	0.06%		Hsueh Chih Construction company	0	0.00%	
	Others	803,314	23.48%		Others	2,312,442	62.81%		Others	539,773	57.49%	
	Net Total Supplies	3,421,574	100.00%		Net Total Supplies	3,681,932	100.00%		Net Total Supplies	938,985	100.00%	

Note 1: The name of the supplier and the purchase amount and proportion of the purchase amount of more than 10% of the total purchase amount in the last two years are listed. However, the contract name may not disclose the name of the supplier or the transaction object is an individual and is not related, and can be coded as .

Note 2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information verified by the accountant.

## B. Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2017				2018				2019(As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Directorate General of Highways	2,481,629	66.02%	None	Directorate General of Highways	2,079,645	54.10%	None	Directorate General of Highways	337,481	41.63%	None
2	Taiwan Power Company	1,004,983	26.74%	None	Railway Bureau, MOTC	717,529	18.67%	None	Railway Bureau, MOTC	285,430	35.21%	None
3	Railway Bureau, MOTC	254,655	6.78%	None	Taiwan Power Company	533,622	13.88%	None	Taiwan International Ports Corporation, Ltd.	93,972	11.59%	None
4	Bureau of High Speed Rail, MOTC	-529	-0.01%	None	Taiwan International Ports Corporation, Ltd.	453,349	11.79%	None	Taiwan Power Company	75,717	9.34%	None
5	Taiwan International Ports Corporation, Ltd.	0	0.00%	None	Bureau of High Speed Rail, MOTC	0	0.00%	None	Bureau of High Speed Rail, MOTC	0	0.00%	None
	Others	18,197	0.48%		Others	59,866	1.56%		Others	18,022	2.22%	
	Net Sales	3,758,935	100.00%		Net Sales	3,844,011	100.00%		Net Sales	810,622	100.00%	

Note 1: The name of the customer and the sales amount and proportion of the sales volume of more than 10% of the total sales in the last two years are listed. However, the contract name may not disclose the customer name or the transaction object is personal and non-relevant. .

Note 2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information verified by the accountant.

## 5.2.5 Production in the Last Two Years

Unit: NT\$ thousands

Output Year	2018			2017		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products (or by department)						
Public construction		-	3,812,023	-	-	4,003,387
Total	-	-	3,812,023	-	-	4,003,387

### 5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Shipments & Sales Year	2018				2017			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Major Products (or by departments)								
Operating income	-	3,844,011	-	-	-	3,758,935	-	-
Total	-	3,844,011	-	-	-	3,758,935	-	-

### 5.3 Human Resources

Year		2017	2018	Data as of ending data in the current year 2019(As of March 31)
Number of Employees	Manager	10	9	8
	General staff	222	218	220
	Foreign labor	348	333	310
	Total	580	560	538
Average Age		46.33	47.52	47.72
Average Years of Service		9.81	10.37	9.92
Education	Ph.D.	0.86	0.88	0.88
	Masters	12.07	12.78	12.28
	Bachelor's Degree	34.48	33.48	32.89
	College	31.90	32.16	33.33

	Senior High School	18.10	18.06	17.98
	Below Senior High School	2.59	2.64	2.64

## 5.4 Environmental Protection Expenditure

### 5.4.1 Total Losses and Penalties

Unit: NT\$ thousands

	2017	2018	The current year as of March 31st, 2019
Pollution	Violations of air pollution law	Violations of environmental law	Violations of environmental law
Amount of penalty	\$80	\$0	\$0

### 5.4.2 Future response measures (including improvement measures):

Future response measures (including improvement measures):

The company has always attached importance to environmental protection. In addition to using low-noise equipment to work and laying out related equipment to improve road pollution, the site also employs staff to enhance cleaning to keep the environment clean, and strengthen watering and dust-proof nets to prevent air pollution. So there was no environmental pollution in 2018. In the first quarter of 2019, there was no violation of the Environmental Protection Law. .

### 5.4.3 Possible future expenditures:

Based on the recent general awareness of environmental protection and the concept of sustainable management, the company has been regarded as the responsibility of business operations for the prevention and control of pollution and environmental protection. In the construction process of each project, it is in accordance with labor safety and health regulations, and strict requirements for contractors. Do a good job in environmental protection to reduce the penalty for pollution. At present, the environmental protection work of the existing construction sites has been implemented and won the praise of the surrounding residents, which has invisibly enhanced the corporate image of the company. And the company obtained the ISO 14001 international environmental management verification in March 2009, which shows that the company attaches great importance to the prevention and control of environmental pollution. Under the premise of the company's efforts to implement various pollution prevention and control work, there should be no environmental



pollution in the future. Significant expenses incurred.

**5.4.4 In accordance with relevant laws and regulations, the impact of the “EU Directive on Restriction of Hazardous Substances” (RoHs) on the Company is disclosed:**

According to the company's industry characteristics, it is not affected by RoHs.

**5.5 Labor Relations**

A. The company's various employee welfare measures, training, training, retirement system and its implementation, as well as the agreement between labor and management and the maintenance measures of various employee rights:

1. Welfare measures:

The Company established the Staff Welfare Committee in June 1993. Each year, the annual plan and budget are set up to handle various activities, including: emergency relief, wedding support, annual gift money, employee travel and regular health check, except for labor insurance. In addition, the company insured group accident insurance and medical insurance, so that the colleagues enjoy multiple protection.

In order to enable all employees to work together to create profits, after the end of the fiscal year, if the company has a surplus, in addition to giving priority to the past years of losses and legally submitting the statutory reserves, then 3%-5% bonus will be paid from the surplus to all employees. Dividends, and each time the cash increase, a certain percentage of the funds are provided for employees to buy shares.

2. Training

Education and training is one of the key points of the company's human resources management. The development of new employees from general education to professional technology is carried out according to the plan. Through on-the-job and extra-training to enhance their technical capabilities, leadership and career development. And there are incentives added by the license to encourage employees to actively pursue further studies, strengthen their management skills and cultivate their concentration and sincere work attitude. In the future, the company will continue to carry out personnel training programs, so that the career planning of employees can grow together with the overall interests of the

company.

(1) The company's 2018 annual education and training statistics

project	Course Title	Number of people	Hours	Training cost(NT\$)
Engineering courses (quality control, labor safety and health, field directors and other technical courses)	External training for each major	47	1240.5	164,503
Human Resources, Administration, Audit, Legal, Information Courses	External training for each major	10	57	44,895
Financial accounting, director education training course	Director training and staff training	3	36	23,500
Internal education training	Prevention of insider trading and integrity management education and business English and Japanese education and training, etc.	543	105.5	142,500
total		603	1439	375,398

(2) The company and the financial information transparency related personnel obtained the training hours of the competent authority:

Date		Title/name	organizer	Course Title	Hours
Start	End				
2018/08/24	2018/08/24	Director, Auditing Office Liu, Te-chang	Financial assets of the corporation Futures Development Foundation	Shareholding Regulations and Shareholders' Meeting Practice Workshop	6
2018/11/07	2018/11/07			Talking about the Fraud Cases of Financial Statements—Taking the Type of Income Recognized as an Example	6
2018/10/04	2018/10/5	Accounting Supervisor Wen, Shu Chiao	Republic of China Accounting Research and Development Foundation	Issuer Securities Dealer Stock Exchange Accounting Supervisor Continuing Education Course	12

(3) Manager training situation: (including training and training related to corporate governance)

Date		Title/name	organizer	Course Title	Hours
Start	End				
2018/09/26	2018/09/26	General manager Chiang, chi-ching	Taiwan Stock Exchange Co., Ltd.	2018 ESG Investment Forum.	3
2018/10/26	2018/10/26		Financial assets of the corporation Futures Development Foundation	2018 Prevention of Insider Trading advocacy briefing	3

3. Retirement system and its implementation

(1). The old labor pension system of the Labor Standards Law:

The Company has established a Labor Retirement Reserves Supervision Committee and has set a monthly retirement reserve to be deposited in the Central Trustee's Pension Reserve Account. The retirement methods are handled in accordance with the provisions of the Labor Law.

(2). New Labour Pension System under the Labour Pensions Ordinance:

Since July 2005, the new system of labor pension has been implemented. The company has stipulated in accordance with the law to allow employees to voluntarily elect the "new and old" system (regardless of whether employees choose new or old systems, the seniority of the people before June 2005 will be retained and applicable. Baseline), for the selection of new employees, the company pays 6% of the monthly salary of the workers as labor pensions and deposits them into individual labor pension accounts.

4. The situation of the labor agreement:

The agreement between the employer and the employee of the company is in accordance with the provisions of the Labor Law and the company's personnel management regulations, which are stipulated when employees enter the company's services, so the implementation is in good condition. Any new or amended measures related to labor relations will be finalized after the labor and management have fully agreed to communicate, so no disputes have occurred.

B. The losses suffered by labor disputes in the most recent year and the end of the annual report, and the estimated amount and corresponding measures that may occur in the current and future:

1. Losses suffered due to labor disputes in the most recent year and the end of the

annual report.

Since the company has always attached importance to labor-management relations, there have been no labor disputes and no losses due to labor disputes.

2. Estimated amount and possible measures that may occur at present and in the future:

(1) Strengthen the shaping of the ethical concept of large family-owned labor.

(2) Establish an interactive communication and appeals pipeline.

(3) Fully comply with labor laws and strengthen welfare measures.

The company still operates in a rational and harmonious management concept. If there are no other external variables, the labor-management relationship should be normal and harmonious, and no monetary losses will occur.

C. The company's employee behavior or ethics code:

The company has a staff manual, which is issued to each new employee when they enter the company, as a yardstick for the conduct of all employees. Its main content is:

1. Employees shall accept the command and supervision of the superior supervisor and shall not arbitrarily defy.
2. Employees should abide by laws and regulations and company regulations, and should be honest, clean, cautious, and diligent. Colleagues should respect each other to ensure the company's reputation and to make progress in the company's business.
3. In addition to the regulations in accordance with the regulations, if there is no stipulation or ambiguity in the case of an employee, the employee shall consider the relevant provisions and their purposes, and shall not be afraid to evade or push the shackles.
4. Employees should respect the company's reputation and must not use the company's name except for the company's designated tasks. Anyone whose personal opinions involve the company may not be published without permission.
5. Employees are not allowed to use personal convenience to engage in malpractice.
6. Employees should be dedicated and keep all confidentiality in the business.
7. Employees should handle the business with the concept of cost, and cherish the public property, and must not arbitrarily waste, destroy, encroach or sell.

8. Employees in the office should abide by the order and must not talk about or hinder the work or other bad behavior of others.
9. Employees should cooperate with each other and cooperate with each other. There must be no quarrels, fiddling between right and wrong, and other situations that disturb the order and hinder the discipline.
10. Employees should be humble and sincere to customers and guests. There must be no arrogance, ignorance or rudeness that would damage the reputation of the company.
11. Employees should be honest and self-contained, must not be corrupt or corrupt, and must not borrow from the company's customers in the name of the company or position.
12. During the office hours, employees shall not leave their posts without the approval of the competent personnel.
13. Employees are not allowed to arbitrarily read account cards, lists, documents, correspondence, etc. that are not their own duties. They may not bring the company's chapters, accounts, documents, etc. out of the office or for viewing.
14. Employees shall be responsible for stratification, and supervisors at all levels shall perform their duties as supervisors.
15. The employee leaves the company, except for the trial personnel, the company may issue a certificate of separation.

D. Work environment and employee personal safety protection measures

The company regularly and irregularly conducts security and propaganda, and has a working environment and employee personal safety protection measures on site construction safety protection. The main contents are as follows:

1. Self-management: Establish safety and health management plans, automatic inspection plans, emergency response plans, and fall disaster prevention plans. The mechanical equipment must have a certificate of inspection, the operator (including the commander) must have a certificate of conformity, and the supervisors of each sub-project must also obtain a license.
2. Second, there is a risk of falling during construction:
  - (1) In the edge and opening part of the workplace with a height difference of more than two meters, the guardrail and protection should be set up in accordance with the regulations.  
Cover, safety net or protective measures for hanging seat belts.

(2) In workplaces with a height difference of more than 1.5 meters, safety equipment shall be provided in accordance with the regulations.

(3) When working on a roof constructed of easy-to-wear materials such as stone wool board, iron sheet, tile, and wood board, it should be in the house.

The rack is provided with a pedal that prevents stepping and width of more than 30 cm, a safety net or a safety belt.

3. In the construction, there is a risk of collapse or collapse:

(1) The vertical direction of the construction frame is 5.5 meters and the horizontal direction is 7.5 meters. It should be properly connected with the stable structure.

(2) When the excavation depth of the open excavation site is more than 1.5 meters, or there is a ground collapse and the earth and stone are falling, the facilities for retaining soil support, slope protection or fence protection shall be provided.

4. there are people who have a sense of electricity during construction:

Wires should be elevated, use wire, wire covered insulation, and welding work in accordance with CNS standards. Workers should use protective gloves and goggles.

5. Other:

Workers entering the work area should wear safety helmets and reflective vests, and the exposed steel bars in the work area should be used for protection, limited space operation checkpoints, tunnel project access control, lighting and ventilation checkpoints.

## 5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Engineering contract	Bureau of High Speed Rail, MOTC	2008.10.03~ 2015.09.02 Currently in the warranty phase	Access to Taiwan Taoyuan International Airport The MRT construction plan CE02	None
Engineering contract	Railway Reconstruction Bureau, Ministry of Transportation and Communications	2009.07.29~ 2016.01.24 Currently in the warranty phase	Project KCL211, elevated railway engineer at Lingling, Chutien section	None
Engineering contract	North Project Office of Taiwan Power (shares) Nuclear Fire Department	2010.06.4~ 2017.08.18 Currently in the warranty phase	Linkou power plant expansion plan New constructions of outlet diversion dike, northern breakwater, coal unloading terminal, the contact bridge	None
Engineering contract	Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications	2011.11.01~ 2020.02.21	Construction of Tai-Chiu Line KuanYin Tunnel (project B2)	None
Engineering contract	Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications	2011.11.01~ 2019.04.17	Construction of Tai-Chiu Line KuFeng Tunnel (project B3)	None
Engineering contract	North Project Office of Taiwan Power (shares) Nuclear Fire Department	2012.04.26~ 2019.04.02 Ready to check	Linkou power plant expansion plan, drum coal bunker system project in turn-key-basis	None
Engineering contract	Railway Reconstruction Bureau, Ministry of Transportation and Communications	2016.09.06~ 2021.03.31	Engineering project Railway Electrification for the chaofang section of SOUTH-LINK line, civil electrical & mechanical from CHAOZHOU to LINBIAN , LOT 811.	None

Engineering contract	Railway Reconstruction Bureau, Ministry of Transportation and Communications	2017.09.20~ 2021.03.21	C031 Hualien Township, Nanping to Wanrong railway line, double track civil work and tram system project.	None
Engineering contract	TIPC ,PORT OF TAICHUNG TAIWAN INTERNATIONAL PORTS CORPORATION.	2017.12.22~ 2020.01.09	Taichung harbor dock No.106 new construction project.	None
Engineering contract	Temporary Engineering Office of North Coastal Highway North District, General Administration of Highways, Ministry of Communications	2019.02.23~ 2024.09.30	Construction of Danjiang Bridge and Connecting Road Network 5K+000~7K+035	None



## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet

##### Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of the printing date of this annual report (Note 3)	
	2014	2015	2016	2017	2018		
Current assets	7,308,200	7,328,025	7,027,855	7,183,756	8,592,678	8,281,145	
Property, Plant and Equipment (Note2)	941,509	899,612	817,407	735,534	647,203	634,596	
Intangible assets	-	-	-	-	-	1,115	
Other assets	902,071	662,614	628,077	630,748	612,593	671,778	
Total assets	9,151,780	8,890,251	8,473,339	8,550,047	9,852,474	9,588,634	
Current liabilities	Before distribution	4,697,551	4,383,934	3,827,940	5,232,035	5,232,035	4,835,899
	After distribution	4,697,551	4,383,934	3,897,445	4,296,355	(Note 6)	(Note 6)
Non-current liabilities	391,471	359,583	316,985	398,147	805,137	922,936	
Total liabilities	Before distribution	5,089,022	4,743,517	4,144,925	4,485,985	6,037,172	5,758,835
	After distribution	5,089,022	4,743,517	4,214,430	4,694,502	(Note 6)	(Note 6)
Equity attributable to shareholders of the parent	4,013,509	4,099,845	4,228,310	3,810,098	3,562,459	3,577,259	
Capital stock	3,475,274	3,475,274	3,475,274	3,475,274	3,475,274	3,475,274	
Capital surplus	310,362	310,362	310,362	310,362	18,545	18,545	
Retained earnings	Before distribution	166,702	245,023	338,692	(81,428)	55,253	38,880
	After distribution	166,702	245,023	269,187	(81,428)	(Note 6)	(Note 6)
Other equity interest	61,171	69,186	103,982	105,890	13,387	44,560	
Treasury stock	-	-	-	-	-	-	
Non-controlling interest	49,249	46,889	100,104	253,964	252,843	252,540	
Total equity	Before distribution	4,062,758	4,146,734	4,328,414	4,064,062	3,815,302	3,829,799
	After distribution	4,062,758	4,146,734	4,258,909	3,855,545	(Note 6)	(Note 6)

\* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the last five years.

Note 1: Any year that has not been verified by an accountant should be indicated.

Note 2: Those who have applied for asset revaluation in the current year should be listed on the date of processing and the value of the revaluation.

Note 3: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the latest financial information reviewed by the accountant or reviewed.

Note 4: The above figures are assigned after the allocation, please fill in the situation according to the resolution of the shareholders meeting of the next year.

Note 5: Financial information should be corrected or re-edited by the competent authority upon notification. It should be compiled with corrected or re-edited numbers and indicate the circumstances and reasons.

Note 6: The shareholders' meeting will decide to allocate.

**Consolidated Condensed Balance Sheet (parent company)**

**Unit: NT\$ thousands**

Item \ Year		Financial Summary for The Last Five Years(Note 1)				
		2014	2015	2016	2017	2018
Current assets		6,056,336	6,216,400	5,797,654	5,925,689	6,926,151
Property, Plant and Equipment (Note 2)		629,787	557,075	482,650	413,316	338,780
Intangible assets		-	-	-		
Other assets		2,147,442	1,873,464	1,901,775	1,759,862	1,856,156
Total assets		8,833,565	8,646,939	8,182,079	8,098,867	9,121,087
Current liabilities	Before distribution	3,953,783	3,712,955	3,162,228	3,415,235	4,757,679
	After distribution	3,953,783	3,712,955	3,231,733	3,623,752	(Note 6)
Non-current liabilities		866,273	834,139	791,541	873,534	800,949
Total liabilities	Before distribution	4,820,056	4,547,094	3,953,769	4,288,769	5,558,628
	After distribution	4,820,056	4,547,094	4,023,274	4,497,286	(Note 6)
Equity attributable to shareholders of the parent		-	-	-	-	
Capital stock		3,475,274	3,475,274	3,475,274	3,475,274	3,475,274
Capital surplus		310,362	310,362	310,362	310,362	18,545
Retained earnings	Before distribution	166,702	245,023	338,692	(81,428)	55,253
	After distribution	166,702	245,023	269,187	(81,428)	(Note 6)
Other equity interest		61,171	69,186	103,982	105,890	13,387
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	4,013,509	4,099,845	4,228,310	3,810,098	3,562,459
	After distribution	4,013,509	4,099,845	4,158,805	3,601,581	(Note 6)

Note 1: Any year that has not been verified by an accountant should be indicated.

Note 2: Those who have applied for asset revaluation in the current year should be listed on the date of

processing and the value of the revaluation.

Note 3: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the latest financial information reviewed by the accountant or reviewed.

Note 4: The above figures are assigned after the allocation, please fill in the situation according to the resolution of the shareholders meeting of the next year.

Note 5: Financial information should be corrected or re-edited by the competent authority upon notification. It should be compiled with corrected or re-edited numbers and indicate the circumstances and reasons.

Note 6: The shareholders' meeting will decide to allocate.

## 6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

### Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item	Year					As of the printing date of this annual report (Note 2)
	Financial Summary for The Last Five Years(Note 1)					
	2014	2015	2016	2017	2018	
Operating revenue	5,846,800	7,141,468	4,289,591	3,758,935	3,844,011	810,622
Gross profit	15,145	285,426	299,580	(244,452)	31,988	26,556
Income from operations	(172,185)	130,060	121,489	(399,202)	(133,819)	(10,008)
Non-operating income & expenses	(12,215)	(46,834)	(18,081)	(18,470)	27,484	(10,257)
Income before tax	(184,400)	83,226	103,408	(417,672)	(106,335)	(20,265)
Continuing business unit Current net profit	(158,533)	80,787	83,931	(355,334)	(70,071)	(16,676)
Stop business unit loss	-	-	-	-	-	-
Net income (Loss)	(158,533)	80,787	83,931	(355,334)	(70,071)	(16,676)
Other comprehensive income (income after tax)	16,504	3,189	37,749	1,666	25,380	31,173
Total comprehensive income	(142,029)	83,976	121,680	(353,668)	(44,691)	14,497
Net income attributable to shareholders of the parent	(158,617)	83,147	90,716	(350,373)	(68,950)	(16,373)
Net income attributable to non-controlling interest	84	(2,360)	(6,785)	(4,961)	(1,121)	(303)
Comprehensive income attributable to Shareholders of the parent	(142,113)	86,336	128,465	(348,707)	(43,570)	14,800
Comprehensive income attributable to non-controlling interest	84	(2,360)	(6,785)	(4,961)	(1,121)	(303)
Earnings per share	(0.46)	0.24	0.26	(1.01)	(0.20)	(0.05)

Note:

\* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the last five years.

\*If the financial information of the International Financial Reporting Standard is less

than 5 years, the following table should be prepared separately. (2) Adopting China's financial accounting standards

Financial information.

1: Any year that has not been verified by an accountant should be indicated.

2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information checked by the accountant or reviewed.

3: The loss of the business unit is listed as the net amount after the income tax has been deducted.

4: Financial information shall be corrected or rewritten by the competent authority upon notification by the competent authority, and shall be listed in the corrected or renumbered number, with the circumstances and reasons.

**Condensed statement of comprehensive income(parent company)**

**Unit: NT\$ thousands**

Item	Financial Summary for The Last Five Years(Note 1)				
	2014	2015	2016	2017	2018
Operating revenue	5,868,453	7,257,045	4,503,755	3,836,972	3,812,581
Gross profit	6,874	286,142	316,648	(232,694)	26,479
Income from operations	(179,944)	138,647	148,201	(365,364)	(102,635)
Non-operating income & expenses	(8,832)	(52,588)	(38,149)	(47,347)	(2,579)
Income before tax	(188,776)	86,059	110,052	(412,711)	(105,214)
Continuing business unit Current net profit	(158,617)	83,147	90,716	(350,373)	(68,950)
Stop business unit loss	-	-	-		
Net income (Loss)	(158,617)	83,147	90,716	(350,373)	(68,950)
Other comprehensive income (income after tax)	16,504	3,189	37,749	1,666	25,380
Total comprehensive income	(142,113)	86,336	128,465	(348,707)	(43,570)
Net income attributable to shareholders of the parent	-	-	-		
Net income attributable to non-controlling interest	-	-	-		
Comprehensive income attributable to Shareholders of the parent	-	-	-		
Comprehensive income attributable to non-controlling interest	-	-	-		
Earnings per share	(0.46)	0.24	0.26	(1.01)	(0.20)

1: Any year that has not been verified by an accountant should be indicated.

2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information checked by the accountant or reviewed.

3: The loss of the business unit is listed as the net amount after the income tax has been deducted.

4: Financial information shall be corrected or rewritten by the competent authority upon notification by the competent authority, and shall be listed in the corrected or renumbered number, with the circumstances and reasons.

### 6.1.3 Auditors' Opinions from 2012 to 2016

Year	Accounting Firm	CPA	Audit Opinion
2014	PwC Taiwan	Chang ,Tso- ch'eng Lin, Se-kai	No opinions after revisions were made
2015	PwC Taiwan	Chang ,Tso- ch'eng Lin, Se-kai	No opinions after revisions were made
2016	PwC Taiwan	Chang ,Tso- ch'eng Wang, Fang-yu	No opinions after revisions were made
2017	PwC Taiwan	Wang, Fang-yu Hsiao,Chin-mu	No opinions after revisions were made
2018	PwC Taiwan	Wang, Fang-yu Hsiao,Chin-mu	No opinions after revisions were made



## 6.2 Five-Year Financial Analysis

### Consolidated Financial Analysis – Based on IFRS

Item \ Year		Financial Analysis for the Last Five Years					As of the printing date of this annual report
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt Ratio	55.61	53.36	48.92	52.47	61.28	60.06
	Ratio of long-term capital to property, plant and equipment	473.09	500.92	568.31	606.66	713.91	748.94
Solvency (%)	Current ratio	155.57	167.16	183.59	175.73	164.23	171.24
	Quick ratio	97.89	93.92	92.40	88.22	72.43	66.03
	Interest earned ratio (times)	(2.34)	2.98	4.36	(14.98)	(2.20)	(0.73)
Operating performance	Accounts receivable turnover (times)	4.15	4.17	2.71	3.49	3.77	1.22
	Average collection period	87.95	87.53	134.69	104.58	96.82	299.18
	Inventory turnover (times)	2.51	2.61	1.26	1.16	0.94	0.16
	Accounts payable turnover (times)	2.89	3.74	2.62	3.04	2.84	0.57
	Average days in sales	145.42	139.85	289.68	314.66	388.30	2281.25
	Property, plant and equipment turnover (times)	7.20	7.76	5.00	4.84	5.56	1.26
	Total assets turnover (times)	0.64	0.80	0.51	0.44	0.39	0.08
Profitability	Return on total assets (%)	(1.23)	1.28	1.26	(3.92)	(0.47)	(0.08)
	Return on stockholders' equity (%)	(3.80)	1.97	1.98	(8.47)	(1.78)	(0.44)
	Pre-tax income to paid-in capital (%)	(5.31)	2.39	2.98	(12.02)	(3.06)	(0.58)
	Profit ratio (%)	(2.71)	1.13	1.96	(9.45)	(1.82)	(2.06)
	Earnings per share (NT\$)	(0.46)	0.24	0.26	(1.01)	(0.2)	(0.05)
Cash flow	Cash flow ratio (%)	4.15	(29.91)	12.42	(1.65)	(14.73)	(3.84)
	Cash flow adequacy ratio (%)	(2.64)	(59.27)	(23.33)	(39.74)	(47.84)	(62.69)
	Cash reinvestment ratio (%)	2.40	(28.24)	9.92	(2.89)	(20.28)	(3.73)
Leverage	Operating leverage	1.00	1.00	1.00	1.00	1.00	1.00
	Financial leverage	0.76	1.48	1.34	0.94	0.80	0.46

**Please indicate the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease is less than 20%, it can be exempted from analysis)**

1. Increase in interest coverage ratio: Mainly due to the review of this year's review, the gross profit of some projects was reduced, which was less than the previous year's reduction. Therefore, the profit loss for this year was less than that of the previous year, resulting in an increase in interest protection multiples.
2. The increase in the average number of days of sales: the main reason for the cost of the construction in progress and the restoration of the disaster has become the original, so the inventory increased, resulting in an increase in the average number of days of sales.
3. Increase in turnover of property, plant and equipment: Mainly due to the disposal of part of the equipment property during the year, the turnover rate increased.
4. Increase in the rate of return on assets, increase in the rate of return on equity, increase in the ratio of net profit before tax to the amount of paid-in capital, increase in net profit ratio and increase in earnings per share: mainly due to the decrease in the gross profit of some projects during the current year compared with the previous year. The profit loss was less than the previous year, resulting in an increase in the rate of return on assets, an increase in the rate of return on equity, an increase in the ratio of net profit before tax to the amount of paid-in capital, an increase in the net profit margin and an increase in earnings per share.
5. Decrease in cash flow ratio, decrease in cash reinvestment ratio, and decrease in cash flow ratio: the main project is subject to catastrophic change and the cost of the item to be changed, the project contract stipulates that the staged completion of the quotation and the acquisition of land for construction and construction increase. The increase in the collection of restricted assets led to more cash outflows, which resulted in a lower cash flow ratio, cash reinvestment ratio and cash flow ratio than last year.

### Financial Analysis(parent company)

Item		Financial Analysis for the Last Five Years				
		2014	2015	2016	2017	2018
Financial structure (%)	Debt Ratio	54.57	52.59	48.32	52.96	60.94
	Ratio of long-term capital to property, plant and equipment	774.83	885.69	1040.06	1133.18	1287.98
Solvency (%)	Current ratio	153.18	167.42	183.34	173.51	145.58
	Quick ratio	99.85	101.76	105.70	102.24	75.99
	Interest earned ratio (times)	(2.63)	3.13	4.58	-14.79	-2.23
Operating performance	Accounts receivable turnover (times)	4.18	3.99	2.45	3.03	3.65
	Average collection period	87.32	91.48	148.98	120.46	100.00
	Inventory turnover (times)	3.29	3.59	1.85	1.71	1.36
	Accounts payable turnover (times)	3.12	3.96	2.76	3.11	2.84
	Average days in sales	110.94	101.67	197.30	213.45	268.38
	Property, plant and equipment turnover (times)	9.32	13.03	9.33	9.28	11.25
	Total assets turnover (times)	0.66	0.84	0.55	0.47	0.42
Profitability	Return on total assets (%)	(1.29)	1.34	1.38	(4.04)	(0.50)
	Return on stockholders' equity (%)	(3.84)	2.05	2.18	(8.72)	(1.87)
	Pre-tax income to paid-in capital (%)	(5.43)	2.48	3.17	(11.88)	(3.03)
	Profit ratio (%)	(2.70)	1.15	2.01	(9.13)	(1.81)
	Earnings per share (NT\$)	(0.46)	0.24	0.26	(1.01)	(0.20)
Cash flow	Cash flow ratio (%)	4.95	(29.50)	18.10	11.59	(7.93)
	Cash flow adequacy ratio (%)	(2.84)	(109.71)	(33.35)	(19.12)	(15.53)
	Cash reinvestment ratio (%)	2.16	(21.24)	10.79	6.60	(12.93)
Leverage	Operating leverage	0.99	1.06	1.09	0.99	1.08
	Financial leverage	0.78	1.41	1.26	0.93	0.76

**Please indicate the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease is less than 20%, it can be exempted from analysis)**

1. Reduction of quick ratio: Mainly due to the increase in bank borrowings and the receipt of new standard projects, resulting in an increase in current liabilities, resulting in a the dynamic ratio is reduced.

2. Increase in interest coverage ratio: Mainly due to the review of this year's review, the gross profit of some projects was reduced more than the previous year.

Less years to go, resulting in an increase in interest coverage.

3. The increase in accounts receivable turnover rate: The main reason is that the receivables receivables of some projects were recovered during the year, and the turnover rate of accounts receivable increased.

4. Decrease in inventory turnover rate and increase in average number of sales days: the main reason is that the cost of the construction in progress and the repair disaster have become the original the increase in inventories led to a decrease in inventory turnover and an increase in average sales days.

5. Increase in turnover rate of real estate, plant and equipment: Mainly due to the disposal of some equipment assets during the year, the turnover rate increased.

6. Increase in the rate of return on assets, increase in the rate of return on equity, increase in the ratio of net profit before tax to the amount of paid-in capital, increase in net profit ratio and increase in earnings per share: Mainly because the gross profit of some projects in this year's review was reduced from the previous year, so this year The loss on profit was less than in the previous year, resulting in an increase in the rate of return on assets, an increase in the rate of return on equity, an increase in the ratio of net profit before tax to the amount of paid-in capital, a decrease in the net profit margin and an increase in earnings per share.

7. Decrease in cash flow ratio and decrease in cash flow ratio: the main project is subject to catastrophic changes and the cost of the items to be changed, the project contract stipulates that the staged completion of the initial measurable price and the purchase of land for construction and construction increase, and the increase of the project's advance receipts. This resulted in more cash outflows, which resulted in a lower cash flow ratio and cash flow ratio than last year.

### 6.3 Audit Committee's Report for the Most Recent Year

#### **Review Report of Audit Committee**

The Board of Directors has submitted the 2018 annual business report, financial statements and consolidated financial statements. In it of which the financial statements and consolidated financial statements have been checked by accounts Wang, Fang-yu and Hsiao,Chin-mu from PwC Taiwan, and an audit report was issued.

The above-mentioned business report, financial statements and consolidated financial statements, verified by the Audit Committee, was found complied with related provisions of Company Act, in accordance with requirement in Article 219, reported as above.

For your honor's approval  
Sincerely,

The 2019 General Meeting of Shareholders, Kung Sing Engineering Corporation

Audit Committee Convenor : Tu,yi- yang

Audit Committee : Chen, chin- yueh

Audit Committee : Wang, chih- lung

March 27th, 2019

## **Review Report of Audit Committee**

The Board of Directors has submitted the 2018 profit and loss appropriation, verified by the Audit Committee, was found complied with related provisions of Company Act, in accordance with requirement in Article 219, reported as above.

For your honor's approval

Sincerely,

The 2019 General Meeting of Shareholders, Kung Sing Engineering Corporation

Audit Committee Convenor : Tu,yi- yang

Audit Committee : Chen, chin- yueh

Audit Committee : Wang, chih- lung

March 27th, 2019

**6.4 Financial statements as of 2018 and 31 December 2017 and consolidated audit reports**

Please refer to page 154-210.

**6.5 Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report**

Please refer to page 211-255.

**6.6 The company and its related companies have been in the most recent year and as of the annual report, if there is any financial difficulties:None**

## VII. Review of Financial Conditions, Financial Performance, and Risk

### Management

#### 7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2018	2017	Difference	
			Amount	%
Current Assets	8,592,678	7,183,756	1,408,922	19.61
Fixed Assets	647,203	735,543	(88,340)	(12.01)
Other Assets	612,593	630,748	(18,155)	(2.88)
<b>Total Assets</b>	<b>9,852,474</b>	<b>8,550,047</b>	<b>1,302,427</b>	<b>15.23</b>
Current Liabilities	5,232,035	4,087,838	1,144,197	27.99
Long-term Liabilities	805,137	398,147	406,990	102.22
<b>Total Liabilities</b>	<b>6,037,172</b>	<b>4,485,985</b>	<b>1,551,187</b>	<b>34.58</b>
Capital stock	3,475,274	3,475,274	0	0.00
Capital surplus	18,545	310,362	(291,817)	(94.02)
Retained Earnings	55,253	(81,428)	136,681	(167.86)
Other Adjustments	13,387	105,890	(92,503)	(87.36)
Attributable to the owners of the parent company	3,562,459	3,810,098	(247,639)	(6.50)
<b>Total Stockholders' Equity</b>	<b>3,815,302</b>	<b>4,064,062</b>	<b>(248,760)</b>	<b>(6.12)</b>

Analysis of changes in financial ratios:

1. Increase in current liabilities, increase in non-current liabilities and increase in total liabilities: mainly due to the increase in long-term and short-term bank loans during the year, to cover the cost of restoration of engineering disasters and the cost of some projects, the new project advance receipts and accounts. The company added new land loans and completed housing loans, resulting in an increase in current liabilities, an increase in long-term borrowings and an increase in total liabilities.
2. Reduction of capital reserve: This year, the capital reserve was reduced due to the distribution of dividends by capital reserve.
3. Retained increase in operating expenses and decrease in other equity: Mainly due to the adoption of IFRS9 “financial instruments” to adjust the unrealized benefits of other equity financial assets for sale to retained earnings, resulting in an increase in retained earnings and a decrease in other interests.



## 7.2 Analysis of Financial Performance

### A. Business results comparison analysis table

Unit: NT\$ thousands

Item	Year		Difference	
	2018	2017	Amount	%
Gross Sales	3,844,011	3,758,935	85,076	2.26
Operating cost	(3,812,023)	(4,003,387)	191,364	(4.78)
Operating margin	31,988	(244,452)	276,440	(113.09)
Operating expenses	(155,932)	(154,750)	(1,182)	0.76
Operating profit	(133,819)	(399,202)	265,383	(66.48)
Operating income and expenses	27,484	(18,470)	45,954	(248.80)
Pre-tax net profit	(106,335)	(417,672)	311,337	(74.54)
Income tax expense	36,264	62,338	(26,074)	(41.83)
The current net profit	(70,071)	(355,334)	285,263	(80.28)
This issue other comprehensive income net of tax	25,380	1,666	23,714	1423.41
Issue comprehensive income	(44,691)	(353,668)	308,977	(87.36)
Net profit attributable to owners of the parent company	(68,950)	(350,373)	284,423	(81.18)
Comprehensive profit attributable to owners of the parent company	(43,570)	(348,707)	305,137	(87.51)

#### Analysis of changes in financial ratios:

1. Operating gross profit, operating net profit, net profit before tax, net profit for the period, consolidated profit or loss for the period, net profit attributable to owners of the parent company and consolidated profit or loss attributable to owners of the parent company increased: Mainly due to the review of the current year, the gross profit of some projects was reduced compared to the previous year. The reduction is less, so the profit loss for the year is less than that of the previous year, resulting in gross profit, net profit before operation, net profit before tax, net profit for the period, consolidated loss for the current period, net profit attributable to owners of the parent company and comprehensive profit and loss attributable to owners of the parent company. Increased from the previous year.
2. Increase in non-operating income and expenses: Mainly due to the successful litigation in the litigation case this year, the previously prepared liability provision was reclassified as income, resulting in an increase in non-operating income.
3. Reduction of income tax benefits: The main reason is that the income tax benefits are relatively reduced due to less losses during the year.
4. Increase in net profit after other comprehensive profit and loss tax in the current period: due to the decrease in the exchange difference of the foreign exchange rate of foreign operating institutions, the net amount of other comprehensive profit and loss tax increased during the period compared with the previous year.

### B. Analysis of changes in operating gross profit:

Since the company is a construction industry, it is not applicable to price analysis.

### 7.3 Analysis of Cash Flow

#### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

1. Operating activities: Cash outflow \$770,885.
2. Investing activities: outflow \$51,016.
3. Financing activities: inflow \$898,340.

Description:

1. Net cash outflow from operating activities for the year: The main reason is the cost of the project and the cost of the project to be changed, the project contract, the phased completion of the project, and the increase in the expenditure on land for construction and construction, resulting in an increase in capital outflows.
2. Net cash outflow from investment activities during the year: The increase in restricted assets of major project advance receipts.
3. Net cash inflows from financing activities during the year: mainly due to the increase in bank borrowings.

#### 7.3.2 Remedy for Cash Deficit and Liquidity Analysis

Item	Year		
	2017	2016	Variance (%)
Cash Flow Ratio (%)	(14.73%)	(1.65%)	(792.72%)
Cash Flow Adequacy Ratio (%)	(47.84%)	(39.74%)	(20.38%)
Cash Reinvestment Ratio (%)	(20.28%)	(2.89%)	(601.73%)
<p>Analysis of financial ratio change:            Cash flow ratio/cash flow ratio/cash reinvestment ratio: main project due to the catastrophic change and the cost of the item to be changed, the project contract stipulated that the staged completion of the initial measurable price and the increase in the purchase of land for construction and construction, and the project's advance receipt of restricted assets Increases, cash flow ratios, cash flow ratios and cash reinvestment ratios have all declined.</p>			

#### 7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
739,312	729,727	1,214,201	169,891	-	1,000,000

### **1. Analysis of the changes in cash flow in the Republic of China in 2019:**

#### **(1) Business activities:**

The net cash inflow from operating activities is expected to be mainly due to the advance payment of new projects, resulting in an increase in cash inflows.

#### **(2) Investment and financing activities:**

Mainly for the project to ensure the return of deposits and bank loan repayments increased, resulting in expected net investment outflows from investment and financing activities.

### **7.4 Major Capital Expenditure Items**

None.

### **7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year**

#### **1. Reinvestment policy:**

The company's reinvestment policy is based on the core business.

#### **2. The profit generated from the reinvestment:**

The company investment interests of the year 2018, evaluated and identified by the equity methods, was \$2 thousand.

#### **3. Investment plans in the coming one year:**

To increase investments in the reinvestment businesses, Chan Pan Construction and Kung Sing Development gradually and continue to work on the development projects of Major Nankang and Major Shindian in the coming one year.

### **7.6 Analysis of Risk Management**

#### **7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures**

##### **(1) Interest rate**

In 2018, the interest expenses of the Company represented 0.9% of annual revenue. Going forward, the Company will continue to carefully monitor interest rate movements,

adopt proper hedging strategies, and make use of capital markets financing instruments to ensure that our financing costs are at a comparatively low level.

**(2) Foreign exchange rates**

The company is an engineering corporation, undertaking various domestic significant public constructions, the source of raw materials are mostly within the domestic market, thus impacts of exchange rate changes are minor.

**(3) Inflation**

The impact of inflation does not currently have a significant impact on the Company's profits and business operations.

**7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**

The Company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company's "Procedures for Lending" and "Procedures for Endorsement Guarantee". Furthermore, derivative transactions follow the "Procedures for Acquisition and Disposal of Assets".

### 7.6.3 Future Research & Development Projects and Corresponding Budget

Construction-related technology chosen by the Ministry of Public Works and various construction premises of the company's own research and development or introduction by a professional third-party abroad, does not specifically set up R & D department, no research and development expenses generated.

This year, the company undertook the Tamkang Bridge project under the jurisdiction of the General Administration of Communications of the Ministry of Communications, which is designed for the asymmetrical single-span oblique-slab steel bridge. In addition to the complex and uncertain geological terrain of the riverbed, it is still necessary to face the northeast monsoon and typhoon for half a year. Intense weather and other environmental impacts. In addition to the design of the cable-stayed steel cable, steel bridge and 200M high main tower, the construction adopts PDCA (plan, do, check, action), step by step for camp cycle operation, and cooperates with BIM (build information model) information estimation and inspection. It is committed to the integration and research of construction methods, and is more advanced and special.

Coupled with Taiwan's industrial structure changes, so that the entire fast-changing human resource allocation in Taiwan, resulting in the construction industry demand for manpower is clearly insufficient. In view of this, how will the construction industry-oriented automation engineering methods, systematic, modular, shorten the construction period and reduce manpower, improve the effectiveness of conduct direction; at the same time in order to improve management efficiency, how to manage the site construction industry number of bits of information and technology, We are all subject of future development.

It has been listed as future research plans stated as follows:

item	category	Technology Research Project
1	management	Research on the practical application of BIM in construction projects
2	design	Study selection tunnel geological Improvement and Application of the Method
3	construction	Study stone riprap embankment throw off work Law
4	construction	Study Method of sliding caissons
5	management	Research on power analysis of the tunnel
6	management	Analysis of the amount of speed shotcrete job of coagulant
7	design	Study arrangement armor blocks the best

		way
8	design	Soil and Water Conservation hillside development of highly sensitive filling area
9	design	Study selection and application of the ground improvement construction method of fly ash Coast.
10	construction	Steel bridge above the water
11	Design+ construction	Cable-stayed cable

#### **7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. During 2017 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

#### **7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

The company obtains the industrial information and has a full grasp of the newest messages circulating in the market through seminars organized by industrial and professional organizations, plus the existing outstanding technical capabilities and advantages of the basis of competition, supplemented by innovative and groundbreaking development strategies, surely will create better performances in the future.

#### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

Since its inception, the Company has consistently maintained an ethical business philosophy and fulfilled its social responsibilities. Aside from working to strengthen internal management and conforming to all relevant corporate governance requirements, the Company has also organized numerous public welfare activities.

#### **7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

The Company has no ongoing merger and acquisition activities. In considering future M&A activities, the Company will evaluate their efficiency, risks, vertical integration and other factors in accordance with its internal control system.

### **7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

NA

### **7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

Project main raw material for steel, concrete, cement, sand, brick, in addition to part of the contract by the owners according to the feed, the main bulk of the domestic large building material can be supplied, some special materials are ordered from abroad, mostly various construction equipment purchase or lease to foreign to domestic manufacturers, and uphold sustainable business philosophy, over the years has established good relations and interaction with various third-party manufacturers, the supply situation is normal, so there is no danger of the main raw material purchase concentrated.

And the company's engineering contract, nor confined to a single nature covered the tunnel engineering, bridge engineering, MRT project, roads and general residential buildings, etc., are the source of its operating income, plus stage a letter project itself general civil engineering contract also gradually, therefore, it is in terms of operating income, there is no general risk concentrated in manufacturing sales.

### **7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%**

None

### **7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights**

The company does not have operate the situation changed

### **7.6.12 Litigation or Non-litigation Matters**

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: In terms of the construction engineering controversies, appropriate loss of all cases has been entered into the accounting book.

(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

### 7.6.13 Other Major Risks

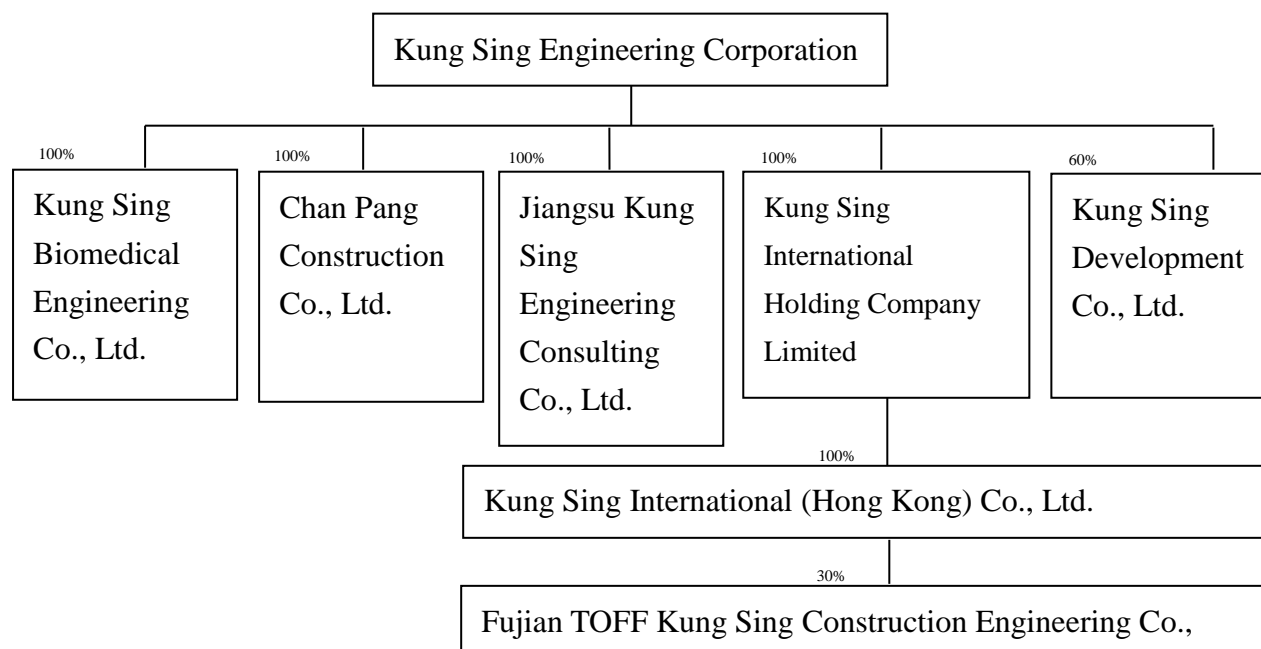
None

## VIII. Special Disclosure

### 8.1 Summary of Affiliated Companies

#### 8.1.1 Relationship business merger report

##### A. Relationship organization chart:



##### B. Basic information of each relationship company:

2018年12月31日；Unit: NT\$ thousands

Company Name (Note 1)	Date of establishment	Area	Paid-up capital	Main business or Production project
Chan Pang Construction Co., Ltd.	2006.10.14	Taipei	\$ 590,000	Construction and development of buildings and houses
Jianguo Kung Sing Engineering Consulting Co., Ltd.	2009.06.02	Kunshan, China	\$ 14,763	Investment, construction management
Kung Sing International Holding Company Limited	2003.03.07	Samoa	\$ 53,065	Holding company
Kung Sing Development Co., Ltd.	2010.08.25	Taipei	\$ 700,000	Construction and development of buildings and houses
Kung Sing International (Hong Kong) Co., Ltd.	2010.08.30	Hong Kong	\$ 44,778	General investment
Fujian TOFF Kung Sing Construction Engineering Co.,	2011.08.11	Fujian Fujian	\$ 147,570	Undertake the construction of houses and municipal public works
Kung Sing Biomedical Engineering Co., Ltd.	2016.04.25	Taipei	\$ 12,000	Pharmaceutical sales

Note 1: The above related companies do not hold shares of the company.



C. Information on directors, supervisors and general managers of various related companies:

Company Name	job title	Name or representative	Holding shares	
			Number of shares	Shareholding ratio
Chan Pang Construction Co., Ltd.	Chairman	Chiang,chi-ching	0	0.00
	Director	Lin, chun- chen	0	0.00
	Director	Tsai, pen- heng	0	0.00
	Supervisor	Li, yuan- chia	0	0.00
	General manager	-	0	0.00
Jiangsu Kung Sing Engineering Consulting Co., Ltd.	Chairman	Kung Sing Engineering Corporation representative : Chiang,chi-ching	0	0.00
	Director	-	0	0.00
	Director	-	0	0.00
	Supervisor	-	0	0.00
	General manager	-	0	0.00
Kung Sing International Holding Company Limited	Chairman	Kung Sing Engineering Corporation representative : Chiang,chi-ching	0	0.00
	Director	-	0	0.00
	Director	-	0	0.00
	Supervisor	-	0	0.00
	General manager	-	0	0.00
Kung Sing Development Co., Ltd.	Chairman	Kung Sing Engineering Corporation representative : Chiang,chi-ching-	0	0.00
	Director	-	0	0.00
	Director	Kung Sing Engineering Corporation	0	0.00
	Supervisor	representative : Chu, wei- kuo	0	0.00
	General manager	Chiang,chi-ching	0	0.00
Kung Sing Biomedical Engineering Co., Ltd.	Chairman	Kung Sing Engineering Corporation representative : Chiang,chi-ching	0	0.00
	Director	Pan, kuan- ju	0	0.00
	Director	Huang, li- wan	0	0.00
	Supervisor	Liu, tai-ju	0	0.00
	CEO	Liu, mei- yin	0	0.00

## D. Overview of the operations of various related companies:

2018

年12月31日；Unit: NT\$ thousands

Company Name	Paid-up capital	Total assets	Total liabilities	Net value	Operating income	Operating profit	Current profit and loss (after tax)	Earnings per share (yuan) (after tax)
Chan Pang Construction Co., Ltd.	590,000	1,458,019	904,341	553,678	0	(601)	(562)	(0.01)
Jiangsu Kung Sing Engineering Consulting Co., Ltd.	14,763	109,268	807	108,461	0	(20,920)	(20,775)	(1.41)
Kung Sing International Holding Company Limited	53,065	43,481	0	43,481	0	(41)	(345)	(0.01)
Kung Sing Development Co., Ltd.	700,000	908,167	276,057	632,110	59,866	(3,173)	(2,802)	(0.04)
Kung Sing International (Hong Kong) Co., Ltd.	44,778	38,264	258	38,006	0	(325)	(323)	(0.01)
Fujian TOFF Kung Sing Construction Engineering Co.,	147,570	124,486	35	124,451	0	8	8	0
Kung Sing Biomedical Engineering Co., Ltd.	12,000	4,317	133	4,184	0	(1,108)	(1,069)	(0.09)

8.1.2 Relational financial statements of the business combination: The consolidated financial statements of the Company are consistent with the consolidated financial statements of the parent and subsidiary companies, as detailed on page 95.

**8.2 Private Placement Securities in the Most Recent Years: None**

**8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None**

**8.4 Other necessary supplementary notes: None**

**8.5 Explanation of significant differences with Taiwan's shareholders' rights protection provisions: None**

**IX. In the most recent year and up to the date of publication of the annual report, stipulated in the second paragraph of Article 36, paragraph 2 of the Securities Exchange Act: None**

Kung Sing Engineering Corporation

Relationship business consolidated financial statement

The Company's 2018 year (from January 1, 2018 to December 31, 2018) shall be included in the consolidated financial statements of the company's consolidated financial statements and relationship reports in accordance with the Relationship Business Report. The company shall be the same as the company that should be included in the consolidated financial statements of the parent company in accordance with the International Financial Reporting Standard No. 10, and the relevant information disclosed in the consolidated financial statements of the company shall be disclosed in the consolidated financial statements of the former parent company. A separate financial statement for the business combination will be prepared.

Hereby declare

company name: Kung Sing Engineering  
Corporation

principal: Chen ,huang-ming

March 27, 2019

TO Kung Sing Group :

## **Opinion**

Kung Sing Group (The following is called Kung Sing Group) balance sheet for 2018 and December 31, 2017, and Consolidated income statement, Consolidated equity statement and Consolidated cash flow statement for 2018 and January 1 to December 31, 2017, and Consolidated financial statements The notes (including the summary of major accounting policies) are checked by the accountant.

Based on the opinion of the accountant, based on the audit results of the accountant and the audit report of other accountants (please refer to other issues), the above consolidated financial statements are in all material respects in accordance with the “Guidelines for the Financial Reporting of Securities Issuers” and financial supervision. The preparation of the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations approved by the Management Committee is sufficient to express the consolidated financial position of the Kung Sing Group for 2018 and 31 December 2017, and to 2018 and January 1, 2017. Consolidated financial performance and consolidated cash flows as of December 31.

## **Basis for opinion**

The accountant performs the audit in accordance with the “Accounting Rules for Checking Visas Financial Statements” and the generally accepted auditing standards of the Republic of China. The responsibilities of the accountants under these standards are further explained in the paragraph headed “Accountants’ responsibility for checking consolidated financial statements” . The personnel subject to the independence of the firm of the accountant have been in accordance with the professional ethics of the accountant of the Republic of China, and they remain detached from the Kung Sing Group and perform other duties of the code. Based on the audit results of the accountants and the audit reports of other accountants, the accountant believes that sufficient and appropriate evidence of the audit has been obtained as a basis for expressing the opinion.

## **Key audit matters**

The key auditing matters refer to the most important matters in the audit of the consolidated financial statements of Kung Sing Group in 2018

according to the professional judgment of the accountant. These matters have been dealt with in the process of checking the overall financial statements of the consolidated and forming a review opinion. The accountant does not express a separate opinion on these matters.

The key check items of the 2018 annual consolidated financial statements of Kung Sing Group are as follows:

### **To assess the estimated total cost of the construction contract**

#### Description of the matter

For the accounting policy of the construction contract, please refer to Note 4 (25) of the consolidated financial statements; the uncertainty of the important judgments, accounting estimates and assumptions adopted in the construction contract evaluation accounting policy, please refer to Note V of the consolidated financial statements; The contractual assets - engineering construction contracts and contract liabilities - engineering construction contracts of the Company on December 31, 2018 were NT\$2,953,881 (thousand) and NT\$1,058,707 (thousand), respectively, please refer to Note VI (III) of the consolidated financial statements.

The engineering revenue and cost of the construction contract of the Kung Sing Group is mainly generated by the construction of the construction project. When the result of the construction contract can be reliably estimated, the completion ratio of the completed production method accounts for the total contract price and the estimated total cost. The proportion of project revenue and project cost are recognized separately, and the completion schedule is calculated according to the proportion of each contract accepted by the owner. When the contract cost is likely to exceed the contract revenue, the expected loss is immediately recognized as a cost.

As the estimated total cost is assessed and judged by the management for different engineering properties, estimated contracted amount, duration, engineering works and construction methods, it involves subjective judgments and thus highly estimated uncertainty, which may affect the project cost and The calculation of the profit and loss of the project, therefore, the accountant listed the estimated total cost of the construction contract as one of the important matters for checking.

#### Check procedure

The accountant's response to the estimated total cost of the construction contract has been summarized as follows:

1. Evaluate the rationality of the estimated total cost of policies and procedures based on an understanding of the nature of the business and the nature of the industry, including the basis for estimating the estimated total cost of construction contracts of the same nature in the

past.

2. To obtain a project with significant changes in the estimated total cost for the period, review the change statement and relevant supporting information, and confirm the appropriate approval of the competent authority to assess the reasonableness of the estimated changes.
3. For the Accounting whom random inspection the contracted part of all contracts; and as for the contracts which hasn't been contracted yet that need to assess the basis and rationality of its estimated cost.
4. Verify that the actual cost of the investment is the proportion of the estimated total cost, and compare it with the completion schedule of the owner's acceptance to assess the reasonableness of the estimated total cost. If there is any difference, obtain the management's description and verify its rationality.

### **The achievability of deferred income tax assets**

#### Description of the matter

For the accounting policies of deferred income tax assets, please refer to Note 4 (22) of the consolidated financial statements; the uncertainty of the accounting estimates and assumptions of the deferred income tax assets, please refer to Note V of the consolidated financial statements; The deferred income tax assets of the Company Limited on December 31, 2018 are NT\$129,814(thousand). Please refer to Note VI (19) of the consolidated financial statements.

Deferred income tax assets are recognised in the estimated future income statement, and the taxable income is recognised in the future realisation of deferred income tax assets. Subjective judgment of management. The accountant believes that the above judgment project involves predictions for future years. The assumptions used are highly uncertain and the estimates have a significant impact on tax revenue. Therefore, the accountant's assessment of the achievability of deferred income tax assets is listed as one of the important checks.

#### Check procedure

The accountant's response to the achievability of deferred income tax assets has been summarized as follows:

1. Obtain a future operating plan approved by management and an estimated future profit and loss statement.
2. The estimated future earnings statement is compared with past historical results.
3. It is reasonable to review the items and amounts that are expected to be adjusted to future taxable income in the future profit and loss statement.
4. The measurability of deferred income tax assets is assessed by comparing the taxable income of the future year with the tax losses of the past year.

## **Other matters - mentioning the audit of other accountants**

The financial statements of some subsidiaries of the Kung Sing Group in 2018 and 2017 have not been checked by the accountant and have been checked by other accountants. Therefore, the opinions expressed by the accountants in respect of the above-mentioned consolidated financial statements are based on the amounts disclosed in the financial statements of these subsidiaries and the relevant information disclosed in Note XIII, based on the audit reports of other accountants. The total assets of the subsidiaries of 2018 and 31 December 2017 were NT\$912,484(thousand) and NT\$696,218(thousand), respectively, representing 9.26% and 8.14% of the total combined assets; operating income for 2018 and 2017 The net amount was NT\$59,866(thousand) and NT\$0(thousand), respectively, which accounted for 1.56% and 0% of the combined net operating income.

## **Other matters - Parent company financial report**

Kung Sing Engineering Co., Ltd. has prepared the Parent company financial statements for 2018 and 2017, and the audit report issued by the accountant with unqualified opinions plus other items is available for reference.

## **Responsibility of management and corporate governance units for consolidated financial statements**

The management's responsibility is to prepare consolidated financial statements in accordance with the "Guidelines for the Preparation of Financial Issues of Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations approved by the Financial Supervisory Committee, and maintain and consolidate financial statements. Prepare the necessary internal controls to ensure that the consolidated financial statements do not contain significant misrepresentations resulting from fraud or error.

In the preparation of the consolidated financial statements, the management's responsibilities also include an assessment of the ability of the Kung Sing Group to continue its operations, the disclosure of related matters, and the adoption of the continuing accounting basis, unless the management intends to liquidate Kung Sing Group or Stopping business, or other options other than liquidation or liquidation.

The governance unit of Kung Sing Group (including the Audit Committee) is responsible for supervising the financial reporting process.

## **Accountants are responsible for checking consolidated financial**



## statements

The purpose of the accountant to check the consolidated financial statements is to obtain reasonable assurance about the overall misrepresentation of fraud or error in the consolidated financial statements, and to issue a check report. Reasonable conviction is highly convincing, but the verification work performed in accordance with the generally accepted auditing standards of the Republic of China cannot guarantee that the financial statements of Kung Sing Group will be detected. False expression may be caused by fraud or error. If the consolidated amount or summary amount of the misrepresentation can reasonably be expected to affect the economic decision made by the users of the financial statements of Kung Sing Group it is considered to be significant.

When the accountant checks in accordance with the generally accepted auditing standards of the Republic of China, he uses professional judgment and maintains professional suspicion. The accountant also performs the following tasks:

1. Identify and assess the risk of material misrepresentation of an consolidated's financial statements due to fraud or error; design and implement appropriate countermeasures for the assessed risk; and obtain sufficient and appropriate evidence to be used as a basis for review. Because fraud may involve conspiracy, forgery, intentional omission, false statement or over-internal control, the risk of not reporting significant misrepresentation due to fraud is higher than the cause of the error.
2. Obtain the necessary understanding of the internal control of the inspection to design an appropriate check procedure at the time, but the purpose is not to express an opinion on the effectiveness of the internal control of Kung Sing Group.
3. Assess the appropriateness of the accounting policies used by management, and the reasonableness of their accounting estimates and related disclosures.
4. Based on the audit evidence obtained, whether the management adopts the appropriateness of the basis of continuing operations accounting and whether there are significant uncertainties in the events or circumstances that may cause significant doubts about the ability of Kung Sing Group to continue to operate, and draw conclusions . If the accountant believes that there is a material uncertainty in the event or situation, it is necessary to remind the consolidated financial statement user to pay attention to the relevant disclosure of the consolidated financial statements in the check report, or to amend the check opinion when the disclosure is inappropriate. The conclusions of this accountant are based

on the verification evidence obtained as of the date of the audit report. However, future events or circumstances may cause Kung Sing Group to no longer have the ability to continue to operate.

5. Evaluate the overall expression, structure and content of consolidated financial statements (including related notes) and whether consolidated financial statements are permitted to convey relevant transactions and events.
6. Obtain sufficient and appropriate evidence of the financial information of the consolidated consolidateds in the Kung Sing Group to express opinions on the consolidated financial statements. The accountant is responsible for the guidance, supervision and execution of Group audit cases, and is responsible for forming audit opinions on consolidated financial statements.

The accountants communicated with the governance unit, including the planned scope and time of the review, as well as major check findings (including significant lack of internal control identified during the audit process).

The accountant also provided the corporate governance unit with the independence statement of the independent company of the accountant's company to comply with the professional ethics of the CPA accountant, and communicated all the relationships that could be considered with the governance unit. Affect the independence of accountants. And other matters (including related protective measures).

From the matters communicated with the governance unit, the accountant decided on the key check items of the 2018 annual financial statement check of Kung Sing Group. The accountant stated the matters in the audit report, unless the law does not allow public disclosure of specific matters, or in the rare case, the accountant decides not to communicate specific matters in the audit report, as it is reasonably expected to be negative in this communication. The impact is greater than the public interest of the promotion.

Pricewaterhouse coopers

Wang, Fang-yu

accountants

Hsiao, Chin-mu

Financial supervision and management committee  
(Chinese)Approved Visa Number: No. 1030027246  
Former Treasury Securities Management Committee  
(Chinese)Approved Visa Number: (81) Taiwan  
Financial Certificate (6) No. 33095

March 27, 2019

Kung Sing Engineering Corporation  
Consolidated balance sheets  
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar  
December 31, 2017

Assets	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
1100	cash and cash equivalents	\$ 739,312	8	\$ 663,282	8
1140	Contract assets-current assets	3,095,869	31	-	-
1170	Accounts receivable, net	912,160	9	1,126,841	13
1190	Receivables from customers on construction contracts	-	-	2,152,885	25
1200	Other receivables	105,147	1	21,984	-
1220	Current income tax assets	1,450	-	-	-
130X	Inventories	1,669,435	17	1,356,044	16
1410	Prepayments	180,002	2	68,678	1
1470	Other current assets	1,889,303	19	1,794,042	21
11XX	<b>Current Assets</b>	<u>8,592,678</u>	<u>87</u>	<u>7,183,756</u>	<u>84</u>
<b>Non-current assets</b>					
1517	Financial assets at fair value through other comprehensive gains and losses—Non-current	201,394	2	-	-
1523	Available-for-sale Financial Assets—Non-current	-	-	176,070	2
1550	Investments accounted for using equity method	37,335	-	38,109	-
1600	Property, plant and equipment, net	647,203	7	735,543	9
1760	Investment property, net	180,302	2	182,675	2
1840	Deferred income tax assets	129,814	1	97,573	1
1900	Other non-current assets	63,748	1	136,321	2
15XX	<b>Non-current assets</b>	<u>1,259,796</u>	<u>13</u>	<u>1,366,291</u>	<u>16</u>
1XXX	<b>Total assets</b>	<u>\$ 9,852,474</u>	<u>100</u>	<u>\$ 8,550,047</u>	<u>100</u>

(Continued)

Kung Sing Engineering Corporation  
Consolidated balance sheets  
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

Liabilities and Equity	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(11)(30) and 8	\$ 2,507,002	25	\$ 1,848,092	22
2130	Contract liability—current	6(3)(21) and 12(5)	1,058,707	11	-	-
2150	Notes payable		800,364	8	478,291	6
2170	Accounts payable		683,887	7	725,650	8
2190	Payable to customers on construction contracts	6(3) and 12(5)	-	-	789,786	9
2200	Other payables		22,544	-	56,707	1
2230	Current income tax liabilities		-	-	322	-
2250	provisions for liabilities—current	6(13)	11,443	-	13,820	-
2300	Other current liabilities	6(12)	148,088	2	175,170	2
21XX	<b>Current Liabilities</b>		<u>5,232,035</u>	<u>53</u>	<u>4,087,838</u>	<u>48</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(12)(30) and 8	634,513	6	161,186	2
2550	provisions for liabilities—Non-current	6(13) and 9	100,530	1	132,183	1
2570	Deferred income tax liabilities	6(19)	18,066	-	18,888	-
2600	Other non-current liabilities	6(14)	52,028	1	85,890	1
25XX	<b>Non-current liabilities</b>		<u>805,137</u>	<u>8</u>	<u>398,147</u>	<u>4</u>
2XXX	<b>Total Liabilities</b>		<u>6,037,172</u>	<u>61</u>	<u>4,485,985</u>	<u>52</u>
<b>Equity</b>						
<b>Share capital</b>						
3110	Common stock	6(15)	3,475,274	35	3,475,274	41
<b>Capital surplus</b>						
3200	Capital surplus	6(16)	18,545	-	310,362	4
<b>Retained earnings</b>						
3310	Legal reserve	6(17)	-	-	230,096	3
3320	Special reserve		1,872	-	1,872	-
3350	Unappropriated retained earnings (Waiting to make up for the accumulated deficit)		53,381	1	(313,396)	(4)
<b>Other equity interest</b>						
3400	Other equity interest	6(7)(18)	13,387	-	105,890	1
31XX	<b>Total equity attributable to owners of the parent company</b>		<u>3,562,459</u>	<u>36</u>	<u>3,810,098</u>	<u>45</u>
36XX	<b>Non-control interest</b>	6(28)	<u>252,843</u>	<u>3</u>	<u>253,964</u>	<u>3</u>
3XXX	<b>Total equity</b>		<u>3,815,302</u>	<u>39</u>	<u>4,064,062</u>	<u>48</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 9,852,474</u>	<u>100</u>	<u>\$ 8,550,047</u>	<u>100</u>

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Corporation  
Consolidated Statements of comprehensive income  
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar  
(Except for loss per share of NT\$)

Items	Notes	2018		2017	
		AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(21) and 12(5)	\$ 3,844,011	100	\$ 3,758,935	100
5000 <b>Operating costs</b>	6(3)(22)(26)(27)	( 3,812,023)	( 99)	( 4,003,387)	( 107)
5900 <b>Gross Profit (Gross loss)</b>		31,988	1	( 244,452)	( 7)
<b>Operating expenses</b>	6(26)(27)				
6100 Marketing expenses		( 9,875)	( 1)	-	-
6200 General & administrative expenses		( 155,932)	( 4)	( 154,750)	( 4)
6900 <b>Operating income</b>		( 133,819)	( 4)	( 399,202)	( 11)
<b>Non-operating income and expenses</b>					
7010 Other income	6(23) and 9	62,570	2	30,114	1
7020 Other gains and losses	6(24)	727	-	( 19,059)	-
7050 Finance costs	6(25)	( 35,815)	( 1)	( 29,486)	( 1)
7060 Use of equity method to recognize the share of affiliated companies and joint ventures	6(7)	2	-	( 39)	-
7000 <b>Total Non-operating income and expenses</b>		27,484	1	( 18,470)	-
7900 <b>Profit before income tax</b>		( 106,335)	( 3)	( 417,672)	( 11)
7950 Income tax expense	6(19)	36,264	1	62,338	2
8200 <b>Net Loss</b>		( \$ 70,071)	( 2)	( \$ 355,334)	( 9)
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Remeasurement of determined benefit plans	6(14)	\$ 3,494	-	( \$ 292)	-
8316 Equity instrument investments measured at fair value through other comprehensive gains and losses are not assessed at profit or loss	6(6)(18)	25,324	1	-	-
8349 Income tax related to components of other	6(19)	( 580)	-	50	-
8310 <b>Total amount of items not reclassified to profit or loss</b>		28,238	1	( 242)	-
<b>Subsequent projects that may be reclassified to profit or loss</b>					
8361 Cumulative translation differences of foreign operations	6(18)	( 2,082)	-	( 22,493)	( 1)
8362 Unrealized loss (gain) on valuation of available-for-sale financial assets	6(18)	-	-	25,034	1
8370 Use of the equity method to recognise the share of other comprehensive gains and losses of the related companies and joint ventures - items that may be reclassified to profit or loss	6(7)(18)	( 776)	-	( 633)	-
8360 <b>Subsequent total items that may be reclassified to profit or loss</b>		( 2,858)	-	1,908	-
8300 <b>Total other comprehensive loss for the period</b>		\$ 25,380	1	\$ 1,666	-
8500 <b>Total consolidated profit and loss for the period</b>		( \$ 44,691)	( 1)	( \$ 353,668)	( 9)
<b>Net profit (loss) belongs to :</b>					
8610 Parent company owner		( \$ 68,950)	( 2)	( \$ 350,373)	( 9)
8620 Non-control interest		( \$ 1,121)	-	( \$ 4,961)	-
<b>Total comprehensive profit and loss for the period belongs to :</b>					
8710 Parent company owner		( \$ 43,570)	( 1)	( \$ 348,707)	( 9)
8720 Non-control interest		( \$ 1,121)	-	( \$ 4,961)	-
<b>Loss per share</b>	6(20)				
9750 <b>Basic earnings per share</b>		( \$ 0.20)		( \$ 1.01)	
9850 <b>Diluted earnings per share</b>		( \$ 0.20)		( \$ 1.01)	

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Corporation  
Consolidated statements of changes in equity  
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

	Notes	Retained Earnings						Other equity interest				
		Common stock	Capital surplus	Legal reserve	Special surplus reserve	Unappropriated earnings (Waiting to make up for the accumulated deficit)	Cumulative translation differences of foreign operations	Unrealized gains and losses on financial assets measured at fair value through other comprehensive gains and losses	Unrealized loss (gain) on valuation of available-for-sale financial assets	Totally	Non-control interest	Total equity
<u>2017</u>												
Balance at January 1, 2017		\$3,475,274	\$ 310,362	\$ 221,024	\$ 1,872	\$ 115,796	\$ 10,426	\$ -	\$ 93,556	\$4,228,310	\$ 100,104	\$4,328,414
Net Loss		-	-	-	-	( 350,373 )	-	-	-	( 350,373 )	( 4,961 )	( 355,334 )
Components of other	6(18)	-	-	-	-	( 242 )	( 23,126 )	-	25,034	1,666	-	1,666
Total comprehensive income for the period		-	-	-	-	( 350,615 )	( 23,126 )	-	25,034	( 348,707 )	( 4,961 )	( 353,668 )
appropriations of retained earnings	6(17)											
Statutory surplus reserve		-	-	9,072	-	( 9,072 )	-	-	-	-	-	-
Cash dividend		-	-	-	-	( 69,505 )	-	-	-	( 69,505 )	-	( 69,505 )
Non-controlling equity changes	6(28)	-	-	-	-	-	-	-	-	-	158,821	158,821
Balance at December 31, 2017		<u>\$3,475,274</u>	<u>\$ 310,362</u>	<u>\$ 230,096</u>	<u>\$ 1,872</u>	<u>(\$ 313,396)</u>	<u>(\$ 12,700)</u>	<u>\$ -</u>	<u>\$ 118,590</u>	<u>\$3,810,098</u>	<u>\$ 253,964</u>	<u>\$4,064,062</u>
<u>2018</u>												
Balance at January 1, 2018		\$3,475,274	\$ 310,362	\$ 230,096	\$ 1,872	(\$ 313,396)	(\$ 12,700)	\$ -	\$ 118,590	\$3,810,098	\$ 253,964	\$4,064,062
Tracing the number of impacts	6(18)	-	-	-	-	119,417	-	3,621	( 118,590 )	4,448	-	4,448
Re-edited balance on January 1		<u>3,475,274</u>	<u>310,362</u>	<u>230,096</u>	<u>1,872</u>	<u>( 193,979 )</u>	<u>( 12,700 )</u>	<u>3,621</u>	<u>-</u>	<u>3,814,546</u>	<u>253,964</u>	<u>4,068,510</u>
Net Loss		-	-	-	-	( 68,950 )	-	-	-	( 68,950 )	( 1,121 )	( 70,071 )
Components of other	6(18)	-	-	-	-	2,914	( 2,858 )	25,324	-	25,380	-	25,380
Total comprehensive income		-	-	-	-	( 66,036 )	( 2,858 )	25,324	-	( 43,570 )	( 1,121 )	( 44,691 )
Statutory surplus reserve to make up for losses	6(17)	-	-	( 230,096 )	-	230,096	-	-	-	-	-	-
Capital reserve to make up for losses	6(17)	-	( 83,300 )	-	-	83,300	-	-	-	-	-	-
Capital reserve cash return	6(17)	-	( 208,517 )	-	-	-	-	-	-	( 208,517 )	-	( 208,517 )
Balance at December 31, 2018		<u>\$3,475,274</u>	<u>\$ 18,545</u>	<u>\$ -</u>	<u>\$ 1,872</u>	<u>\$ 53,381</u>	<u>(\$ 15,558)</u>	<u>\$ 28,945</u>	<u>\$ -</u>	<u>\$3,562,459</u>	<u>\$ 252,843</u>	<u>\$3,815,302</u>

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Corporation  
Consolidated statements of cash flows  
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>LOWS FROM OPERATING ACTIVITIES</u>			
before tax		(\$ 106,335 )	(\$ 417,672 )
adjustments			
adjustments to reconcile profit (loss)			
Depreciation expense (including	6(8)(9)		
investment real estate)		73,680	82,658
Amortization expense	6(25)(26)	2,584	3,964
Long-term borrowing costs amortization	6(25)	198	-
Interest expense	6(25)	33,613	26,144
Interest income	6(23)	( 3,200 )	( 10,011 )
Dividends revenue	6(23)	( 6,933 )	( 9,150 )
Shares of investment losses (benefits)	6(7)		
of subsidiaries and related companies			
recognized by equity method		( 2 )	39
Loss(Gain) on disposal of property,	6(24)		
plant and equipment		( 4,377 )	1,831
Disposal of investment using equity	6(24)		
method - investment loss of			
subsidiaries		-	1,640
Loss of financial assets for sale	6(24)	-	6,299
Investment property impairment loss	6(9)(24)	-	544
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets		( 256,585 )	-
Accounts receivable		( 466,158 )	( 97,237 )
Receivables from customers on			
construction contracts		-	3,380
Other receivables		( 83,439 )	8,987
Inventories		( 267,910 )	( 132,255 )
Prepayments		( 111,324 )	42,233
Changes in operating liabilities			
Contract liability		268,921	-
Notes payable		322,073	( 48,803 )
Accounts payable		( 41,763 )	( 176,843 )
Payable to customers on construction			
contracts		-	620,406
Other payables		( 34,515 )	( 11,862 )
Debt preparation		( 34,030 )	50,798
Other current liabilities		( 16,544 )	12,109
Defined benefit liability		( 15,724 )	( 10,863 )
Cash inflow(outflow) generated from operations		( 747,770 )	( 53,664 )
Interest received		3,213	7,716
Dividends received		6,933	9,150
Interest paid		( 33,261 )	( 26,398 )
Income tax paid		-	( 4,286 )
Net cash flows(outflow) from operating activities		( 770,885 )	( 67,482 )

(Continued)



Kung Sing Engineering Corporation  
Consolidated statements of cash flows  
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

	Notes	2018	2017
<u>LOWS FROM INVESTING ACTIVITIES</u>			
of control of subsidiary cash impact		\$ -	(\$ 1,640)
rease in other current assets		( 95,260 )	( 686,646)
ining financial assets for sale		-	( 5,550)
ision of property, plant and	6(8)		
ment		( 1,276 )	( 12,404)
eds from disposal of property, plant			
equipment		21,013	11,044
back in other non-current assets		24,507	76,127
Net cash flows used in investing			
activities		( 51,016 )	( 619,069)
<u>LOWS FROM FINANCING ACTIVITIES</u>			
ow short-term loans	6(30)	1,315,000	786,440
yment of short-term borrowings	6(30)	( 656,090 )	( 671,191)
ow long-term loans	6(30)	1,111,165	400,000
yment of long-term borrowings	6(30)	( 648,574 )	( 602,910)
r non-current liabilities decreased		( 14,644 )	( 1,650)
dividends paid	6(17)	-	( 69,505)
tal reserve cash return	6(17)	( 208,517 )	-
controlling equity changes	6(28)	-	158,821
Net cash flows from (used in)			
financing activities		898,340	5
ge rate impact		( 409 )	( 21,386)
crease (loss) in cash and cash			
lents		76,030	( 707,932)
nd cash equivalents at beginning of year		663,282	1,371,214
nd cash equivalents at end of year		\$ 739,312	\$ 663,282

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Company  
Consolidated financial statement notes  
2018 and 2017

Unit : NT\$ thousand Dollar  
(unless otherwise specified)

1. Company history

(1) The company established in 1947. The company's and its subsidiaries (hereinafter referred to as the "Group") are principally engaged in the construction of roads and bridges, residential buildings and buildings. Development and so on.

(2) The company's stock was bought and sold at the Securities and Futures Trading Centre of the Republic of China on November 18, 1999. It was officially terminated on December 18, 2012 and listed on the Taiwan Stock Exchange.

2. Date and procedure for passing the financial report

The consolidated financial report was released by the board of directors on March 27, 2019.

3. Application of new standards ,amendments and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards , interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealized	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle -	January 1, 2018
Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018

Annual improvements to IFRSs 2014-2016 cycle –  
Amendments to IFRS 12, ‘Disclosure of interests in  
other entities’

January 1, 2017

Annual improvements to IFRSs 2014-2016 cycle -  
Amendments to IAS 28, ‘Investments in associates  
and joint ventures’

January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

① IFRS 9, ‘Financial instruments’

A. Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

B. The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

C. The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(4).

② International Financial Reporting Standard 15 "Revenue of Customer Contracts" and related amendments.

A. IFRS 15 “Revenue of Contracts for Customers” supersedes IAS 11 “Construction Contracts”, IAS 18 “Revenues” and its related interpretations and interpretations. Revenue is determined by the standard when the customer obtains control over the goods or services. When the customer has the ability to use the dominant asset and obtain almost all of the remaining benefits of the asset, the customer is in control of the goods or services. The core principle of this standard is that “the enterprise recognizes the income to describe the transfer of goods or services promised to the customer, and the amount of the income reflects the expected price of the goods or services in exchange for the expected price.” When the enterprise recognizes the income according to the core principle, the following five steps are required to determine the time and amount of income recognition:

Step 1: Identify the customer contract.

Step 2: Identify the performance obligations in the contract.

Step 3: Decide on the transaction price.

Step 4: Amortize the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or with) the company meets its performance obligations.

In addition, the standard also includes an integrated disclosure requirement that will enable the company to provide users of financial statements with comprehensive information on the nature, amount, timing and uncertainty of revenue and cash flows generated by customer contracts.

B. When the Group first applied the International Financial Reporting Standard No. 15 (hereinafter referred to as “IFRS 15”), it chose not to rewrite the previous financial statements, and recognized the cumulative impact of the initial application on the retained surplus on January 1, 2018 ( Hereinafter referred to as “corrected traceability”, the Group adopts the expediency of the IFRS 15 transitional provisions and selects only the IFRS for the contract that has not been completed on January 1, 2018. The retrospective transitional approach to adopting the revised retrospective approach to January 2018 The major impacts on the 1st are summarized as follows:

- a. The Group discounts the amount of receivables retained in the project by NT\$5,560. It does not have a significant financial component in accordance with IFRS 15. On January 1, 2018, the amount of receivables retained by the project is NT\$5,560 and the retained surplus is NT\$4,448. And increase the deferred income tax liability of NT\$1,112. The Group's increase in receivables for projects receivable is NT\$686,399 (accounted for “accounts receivable”). As a result of unconditional collection, it is expressed as IFRS 15 on January 1, 2018. Contract assets are NT\$686,399.
- b. The Group will recognize the construction contract amount of NT\$2,152,885 and the construction contract amount of NT\$789,786, which will be expressed on January 1, 2018 as contract assets of NT\$2,152,885 and contract liabilities of NT\$789,786.
- c. Please refer to Note 12(5) for additional disclosures on the initial application of IFRS 15.

C. Amendments to IAS 7 Information Disclosure Initiative.

This amendment requires companies to increase the disclosure of changes in liabilities related to (from) financing activities, including changes from cash and non-cash.

The amendments will enable the Group to increase the disclosure of changes in liabilities from (from) financing activities, including changes from cash and non-cash.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment:

IFRS 16, ‘Leases’

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognize a ‘right-of-use asset’ and a lease liability (except for

those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group intends to adopt the revised retrospective transitional provisions of the International Financial Reporting Standard No. 16 “Leases” to adjust the lease contract of the lessee to the effect of the International Financial Reporting Standard No. 16 on January 1, 2019, possibly Increase the right to use assets and lease liabilities of NT\$16,718.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts	January 1, 2021

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. Summary of significant accounting policies.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
  - a. Financial assets measured at fair value through other comprehensive gains and losses, measured at fair value.
  - b. Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International

Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies, and detail of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- a. All subsidiaries are included in the Group's consolidated financial statements.  
Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- b. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- c. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed 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.
- d. When the Group loses control of the subsidiary, the remaining investment in the former subsidiary is re-measured at fair value and is the fair value of the original recognized financial asset or the cost of the original recognized investment-related enterprise or joint venture, fair value and carrying amount. The difference is recognized as current profit and loss. For all amounts previously recognised in other comprehensive gains and losses relating to the subsidiary, the accounting treatment is the same as the Group's direct disposal of the related assets or liabilities, that is, the benefits or losses previously recognised as other comprehensive gain or loss. When the relevant assets or liabilities are disposed of, they are reclassified to profit or loss. When the control of the subsidiary is lost, the interest or loss is reclassified from equity to profit or loss.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
Kung Sing Engineering Company	Chan Pang Construction. Co., Ltd	Construction and development of buildings and houses	100.00	100.00	Note
Kung Sing Engineering Company	Jiangsu Kung Sing. Engineering Consulting Co., Ltd	Investment, construction management	100.00	100.00	Note
Kung Sing Engineering Company	Kung Sing International Holding Company Limited	Holding company	100.00	100.00	Note
Kung Sing Engineering Company	Kung Sing Development Co., Ltd	Construction and development of buildings and houses	60.00	60.00	Note
Kung Sing Engineering Company	Kung Sing Biomedical Engineering Co., Ltd.	Pharmaceutical sales	100.00	100.00	Note
Kung Sing International Holding Company Limited	Kung Sing International (Hong Kong). Co., Ltd	General investment Holding company	100.00	100.00	Note

Note: It is included in the consolidated financial statements based on the financial statements audited by the company during the same period.

C. Subsidiaries not included in the consolidated financial statements

None.

D. Adjustments for subsidiaries with different balance sheet date

None

E. Subsidiary's ability to transfer funds to the parent company is significantly limited

None

F. Subsidiaries that have non-controlling interests that are material to the Group

None

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency

A. Foreign currency transactions and balances

- a. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- b. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- c. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- d. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- a. The operating results and financial position of all the group entities, associates have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - (c) All resulting exchange differences are recognised in other comprehensive income.
- b. When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

(5) Classification of current and non-current items

The operating contracts contracted by the Group are generally longer than one year. The assets and liabilities of the construction projects are classified as current or non-current according to the business cycle; the remaining and non-current standards for the following

subjects are as follows:

- A. Assets that meet one of the following criteria are classified as current assets:
- a. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - b. Assets held mainly for trading purposes;
  - c. Assets that are expected to be realized within twelve months from the balance sheet date;
  - d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Those that do not meet the above are classified as non-current assets.

- B. Liabilities that meet one of the following criteria are classified as current liabilities:
- a. Liabilities that are expected to be settled within the normal operating cycle;
  - b. Liabilities arising mainly from trading activities;
  - c. Liabilities that are to be settled within twelve months from the balance sheet date;
  - d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Those that do not meet the above are classified as non-current liabilities.

(6) Cash equivalents

Cash on hand is a short-term, highly liquid investment that can be converted into fixed deposits and investments with a defined risk of cash and with minimal risk of changes in value.

(7) Financial assets measured at fair value through other comprehensive gains and losses

- A. It is an irrevocable option to present changes in fair value of investments in equity instruments that are not held for trading in other comprehensive gains and losses.
- B. The Group's financial assets measured at fair value through other comprehensive gains and losses in accordance with the trading conventions are accounted for on the trade date.
- C. The Group's fair value of the equity instruments is measured at fair value through profit or loss. Other changes in fair value are recognised in other comprehensive gains and losses. Subsequent interests or losses may not be reclassified to profit or loss and are transferred to retained earnings. When the right to receive dividends is established and the economic benefits associated with dividends are likely to flow in, and the amount of dividends can be reliably measured, the Group recognises dividend income in profit or loss.

(8) Loans and receivables

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services. For accounts receivable without unconditional collection rights, the contractual assets are listed under contract assets.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.



(10) Derecognition of financial assets

Derecognition of financial assets when the Group's contractual rights to receive cash flows from financial assets are lapsed.

(11) Inventories

- A. The land for construction and the land under construction are based on the cost of acquisition. The construction land is transferred to the construction site when it is actively developed, and the interest is capitalized during the period from the active development or construction work to the completion date.
- B. At the end of the period and when the cost and net realizable value are low, when the comparative cost and the net realizable value are low, the item-by-item comparison method, the net realizable value refers to the estimated selling price under normal circumstances minus the completion of the investment. The balance of the cost and sales expenses.

(12) Investments accounted for using the equity method/associates/joint operations

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. For the equity of the joint operations, the Group recognises its direct rights (and its share) to the joint operating assets, liabilities, income and expenses and is included in the applicable items in the financial report.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any

change is accounted for as a change in estimate under IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

House and building	37~53 years
Machine equipment	4~7 years
Other equipment	3~9 years

(14) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 53 years.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. In addition to company goodwill, When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

(16) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(19) Provisions

Provisions (estimated warranty liabilities and contingent liabilities , etc.) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(20) Operating lease

Operating lease means the lease other than a finance lease, lease income and expenses (net of any incentives given to the lessee and the lessor) within the period of the lease straight-line amortization recognized as profit or loss.

(21) Employee benefits

- A. Short-term employee benefits Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

## B. Pensions

### a. Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

### b. Defined benefit plans

(a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

(b) Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(c) Past service costs are recognised immediately in profit or loss.

## C. Employees' compensation, directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. In addition, the employee is paid by the stock, and the basis for calculating the number of shares is the closing price of the day before the resolution of the board of directors.

## (22) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. The deferred income tax liabilities arising from the goodwill arising from the original recognition are not recognized, if the deferred income tax is derived from the original recognition of the asset or liability in the transaction (excluding business combination) and at the time of the transaction. If the accounting profit or taxable income (taxable loss) is not affected, it will not be recognized. If there is a temporary difference arising from the investment of the subsidiary, the Group can control the timing of the temporary difference in reversal, and the temporary difference is likely to not be recognized in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. When the tax rate changes during the interim period, the Group recognises the change in the amount of the change in the period in which the change occurs. For the item related to the income tax and the item recognized in profit or loss, the variable impact is recognized in other comprehensive profit or loss or equity items. Income tax related to items recognized in profit or loss, the variable impact is recognized in profit or loss.

(23) Common share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities. The distribution of stock dividends is recognized as dividends to be distributed and is transferred to ordinary shares on the base date of the issuance of new shares.

(25) Revenue recognition

A. Project revenue from construction contracts

The Group's engineering income is mainly generated by contracting construction contracts and is a performance obligation that is gradually satisfied over time. When the result of the construction contract can be reliably estimated, the completion ratio method recognizes the project income according to the progress of the project. The completion schedule is calculated as the percentage of the total contract price of each contract as a percentage of the total contract price. When the contract costs are likely to exceed the contract revenue, the expenses and liabilities of the loss-making contract are immediately recognized. Changes in contract work, claims and awards shall be corrected for the estimated total cost of the contract, the estimated total cost and the proportion of completion, and will be reflected in the current period when the management is informed of the change in circumstances and the amendments are made. profit and loss.

The Group accounts for the total amount of accounts that should be received from customers for contract work, that is, the cost incurred in the contract under construction plus the recognized profit exceeds the amount of the progress of the project, expressed as assets, and the contract assets are accounted for. In the case of a construction contract, the amount of the project progress exceeds the sum of the incurred costs plus the recognized profits, expressed as liabilities, and the contract liabilities are accounted for.

B. Real estate sales

The Group operates and sells real estate and recognizes revenue when the control of the real estate is transferred to the customer. For the contracted sales contract, the real property has no other use for the Group based on the terms of the contract, but until the legal ownership of the real property is transferred to the customer, the group has an enforceable right to the contractual amount and therefore transfers the legal title. Recognize revenue when you give customers.

(26) Operating segments

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments.

5. Critical accounting judgements, estimates and key sources of assumption uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Construction contract

The Group's construction contract is based on the percentage of the total contract price and the estimated total cost. The project revenue and project cost are calculated based on the ratio of each contract to the owner's acceptance. When the estimated total cost is likely to exceed the contract revenue, the expected loss is immediately recognized as an expense. In the event of a change in contract work, a claim and a bonus, the range of income that is likely to generate revenue and that can be reliably measured is included in the contract revenue.

Since the estimated total cost and contract items are evaluated and judged by the management for the characteristics of different projects, the estimated amount of the contract, the construction period and the construction method, it may affect the calculation of the project cost.

The completion ratio of the construction contracts of the Group and the recognized gains and losses are described in Note 6 (3).

(2) The achievability of deferred income tax assets

Deferred income tax assets are recognized in the future when it is probable that there will be sufficient taxable income for deducting temporary differences. When assessing the achievability of deferred income tax assets, it must involve significant accounting judgments and estimates of management, including assumptions about expected future sales revenue growth, profit margin and available income tax credits.

On December 31, 2018, the deferred income tax assets recognized by the Group were NT\$129,814.

6. Details of significant accounts

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand and revolving funds	\$ 7,023	\$ 8,700
Checking accounts and demand deposits	728,289	627,582
Time deposits	4,000	27,000
	<u>\$ 739,312</u>	<u>\$ 663,282</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The above cash and approximate cash are not provided as collateral guarantees.

(2) Accounts receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts receivable	<u>\$ 912,160</u>	<u>\$ 446,002</u>

A. The Group's retention receivables for construction projects arising from construction contracts at 2018 and 31 December 2017 were NT\$141,988 ("Contracted Assets") and

NT\$680,839 ("Accounts Receivable"). The expected recovery is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
2018	\$ -	\$ 370,633
2019	95,239	302,302
After 2020 (inclusive)	<u>46,749</u>	<u>7,904</u>
	<u>\$ 141,988</u>	<u>\$ 680,839</u>

B. The Group's receivables and retention payments are in compliance with the Company's credit criteria and are not past due and not Impairment, its main customer object analysis is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Government units and public utilities	<u>\$ 1,054,148</u>	<u>\$ 1,126,841</u>

C. The Group does not hold any collateral and, in the absence of consideration of the collateral or other credit enhancements, is the most representative of the Group's receivables and receivables retained in 2018 and 2017. The maximum risk of credit risk on the 31st of the month was NT\$1,054,148 and NT\$1,126,841 respectively.

(3) Construction in progress

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Total costs incurred and recognized profits and losses	\$ 69,424,449	\$ 64,862,744
Less: The amount of project progress requests	( 67,529,275)	( 63,499,645)
Ongoing contract net assets and liabilities	<u>\$ 1,895,174</u>	<u>\$ 1,363,099</u>
Reported as:		
Contract Assets - Current(December 31, 2017)Reported as "Available for Construction Contracts")	\$ 2,953,881	\$ 2,152,885
Contract Liability - Current (December 31, 2017)Reported as "payable construction contract")	<u>( 1,058,707)</u>	<u>( 789,786)</u>
	<u>\$ 1,895,174</u>	<u>\$ 1,363,099</u>

A. As of 2018 and December 31, 2017, the retention receivables for construction contracts related to construction contracts were NT\$141,988 and NT\$680,839, respectively.

B. The cost of the construction of the construction contracts contracted by the Group in 2018 and 2017 respectively It is NT\$3,752,387 and NT\$3,996,324.

C. As of December 31, 2018, the main items that the Group has signed but have not yet completed are as follows:

<u>project name</u>	<u>Total contract price</u>	<u>Estimated total cost</u>	<u>Completion ratio</u>	<u>Scheduled completion year</u>	<u>Cumulative recognized gains and losses</u>
KSC036	\$ 38,343,312	\$ 37,448,440	98.83	2019	\$ 504,168
KSC053	8,166,871	7,840,593	97.87	2019	319,341
KSC055	9,177,019	8,779,616	79.47	2019	315,801
KSC056	7,226,612	7,003,593	90.37	2019	201,530
KSC057	6,600,625	6,472,848	85.16	2019	108,817
KSC062	1,799,628	1,771,102	39.27	2021	11,202
KSC065	1,097,638	1,048,329	25.68	2020	12,663
KSC066	1,134,307	1,068,236	39.97	2019	26,407
KSC067	11,898,679	11,115,398	-	2024	-

(4) inventory

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Real estate waiting for sale	\$ 528,313	\$ -
Construction land	588,749	202,698
Real estate under construction	<u>552,373</u>	<u>1,153,346</u>
	<u>\$ 1,669,435</u>	<u>\$ 1,356,044</u>

A. The capitalization amount of inventory interest in 2018 and 2017 was NT\$23,520 and NT\$20,404 respectively.

B. Please refer to Note 8 for information on the Group's guarantees provided by inventory.

(5) Prepayments

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Prepaid materials and engineering	\$ 97,385	\$ -
Prepaid premium	32,262	25,669
Offset Against Business Tax Payable	37,805	27,617
Advance Payment and Performance		
Bond handling fee	6,804	4,902
Prepaid rent	1,325	2,591
other	<u>4,421</u>	<u>7,899</u>
	<u>\$ 180,002</u>	<u>\$ 68,678</u>

(6) Financial assets at fair value through other comprehensive income-Non-current

<u>Items</u>	<u>December 31, 2018</u>
Equity instruments	
Listed stocks	\$ 100,440
Non-Listed stocks	<u>72,009</u>
Subtotal	172,449
Valuation adjustment	143,914
Cumulative impairment	<u>( 114,969)</u>
Total	<u>\$ 201,394</u>

A. The group chooses to classify the rights and interests of strategic investment into other comprehensive gains and losses. The financial assets measured by value, the fair value of these investments on December 31, 2018 was NT\$201,394.

B. The above-mentioned equity instruments that are measured at fair value through other comprehensive gains and losses are recognized in other comprehensive gains and losses in 2018 as NT\$25,324.

C. Without prejudice to the possession of other warrants or other credit enhancements, it is best to represent the Group's financial assets held at fair value through other comprehensive gains and losses on December 31, 2018. The biggest risk of daily credit risk is NT\$201,394.

D. Please refer to Note 8 for the information provided by the Group with the guarantee of the listed company's stock.

E. Relevant financial assets and credit risk information measured by fair value through other comprehensive gains and losses Please attach Note 12(2) Description.

F. For the sale of the financial assets on December 31, 2017, please refer to Note 12 (4) for details.

(7) Investments accounted for under the equity method

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Fujian TOFF Kung Sing Construction Engineering Co.,	<u>\$ 37,335</u>	<u>\$ 38,109</u>

A. Not an important affiliate

a. The basic information of the associates to the Group follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2018	December 31, 2017		
Fujian TOFF Kung Sing Construction Engineering Co.,	Fujian China	30%	30%	Hold more than 20% right to vote	Equity method

b. The share of the results of the Group's related business operations is as follows:

	2018	2017
Continued business unit net profit (loss)	\$ 8	(\$ 132)
Other comprehensive (loss) profit	-	-
Total consolidated (loss) benefits in the current period	<u>\$ 8</u>	<u>(\$ 132)</u>

B. The details of the relevant company changes are as follows:

	2018	2017
January 1 balance	\$ 38,109	\$ 38,781
profit share of affiliated companies using the equity method (loss)	2	( 39)
Other changes in equity (differences in foreign currency translation)	<u>( 776)</u>	<u>( 633)</u>
December 31 balance	<u>\$ 37,335</u>	<u>\$ 38,109</u>

C. On May 14, 2018, the Company decided to sell the entire equity of the above-mentioned affiliated companies through the resolution of the Board of Directors, and to sell the entire shareholding of the listed companies.

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery	Others	Total
<u>January 1, 2018</u>					
Cost	\$ 342,826	\$ 359,711	\$ 380,853	\$ 33,308	\$1,116,698
Accumulated depreciation	-	( 92,376)	( 266,355)	( 22,424)	( 381,155)
	<u>\$ 342,826</u>	<u>\$ 267,335</u>	<u>\$ 114,498</u>	<u>\$ 10,884</u>	<u>\$ 735,543</u>
<u>2018</u>					
January 1	\$ 342,826	\$ 267,335	\$ 114,498	\$ 10,884	\$ 735,543
Additions	-	-	-	1,276	1,276
Disposals	-	-	( 16,636)	-	( 16,636)
Depreciation charge	-	( 15,290)	( 51,803)	( 4,214)	( 71,307)
Net exchange differences	-	( 1,673)	-	-	( 1,673)
December 31	<u>\$ 342,826</u>	<u>\$ 250,372</u>	<u>\$ 46,059</u>	<u>\$ 7,946</u>	<u>\$ 647,203</u>
<u>December 31, 2018</u>					
Cost	\$ 342,826	\$ 345,881	\$ 276,491	\$ 20,661	\$ 985,859
Accumulated depreciation	-	( 95,509)	( 230,432)	( 12,715)	( 338,656)
	<u>\$ 342,826</u>	<u>\$ 250,372</u>	<u>\$ 46,059</u>	<u>\$ 7,946</u>	<u>\$ 647,203</u>



	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Others</u>	<u>Total</u>
<u>January 1, 2017</u>					
Cost	\$ 342,826	\$ 353,804	\$ 426,788	\$ 29,011	\$ 1,152,429
Accumulated depreciation	-	( 78,214)	( 238,773)	( 18,035)	( 335,022)
	<u>\$ 342,826</u>	<u>\$ 275,590</u>	<u>\$ 188,015</u>	<u>\$ 10,976</u>	<u>\$ 817,407</u>
<u>2017</u>					
January 1	\$ 342,826	\$ 275,590	\$ 188,015	\$ 10,976	\$ 817,407
Additions	-	7,076	780	4,548	12,404
Disposals	-	-	( 12,866)	( 9)	( 12,875)
Depreciation charge	-	( 14,224)	( 61,431)	(4,631)	( 80,826)
Net exchange differences	-	( 1,107)	-	-	( 1,107)
December 31	<u>\$ 342,826</u>	<u>\$ 267,335</u>	<u>\$ 114,498</u>	<u>\$ 10,884</u>	<u>\$ 735,543</u>
<u>December 31, 2017</u>					
Cost	\$ 342,826	\$ 359,771	\$ 380,853	\$ 33,308	\$ 1,116,698
Accumulated depreciation	-	( 92,376)	( 266,355)	( 22,424)	( 381,155)
	<u>\$ 342,826</u>	<u>\$ 267,335</u>	<u>\$ 114,498</u>	<u>\$ 10,884</u>	<u>\$ 735,543</u>

The Group provides information on the security of the property, plant and equipment. Please note the description of the eight.

(9) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2018</u>			
Cost	\$ 128,312	\$ 128,355	\$ 256,667
Accumulated depreciation	-	( 73,992)	( 73,992)
	<u>\$ 128,312</u>	<u>\$ 54,363</u>	<u>\$ 182,675</u>
<u>2018</u>			
January 1	\$ 128,312	\$ 54,363	\$ 182,675
Depreciation charge	-	( 2,373)	( 2,373)
December 31	<u>\$ 128,312</u>	<u>\$ 51,990</u>	<u>\$ 180,302</u>
<u>December 31, 2018</u>			
Cost	\$ 128,312	\$ 128,355	\$ 256,667
Accumulated depreciation	-	( 76,365)	( 76,365)
	<u>\$ 128,312</u>	<u>\$ 51,990</u>	<u>\$ 180,302</u>
<u>At January 1, 2017</u>			
Cost	\$ 128,312	\$ 128,355	\$ 256,667
Accumulated depreciation	-	( 71,076)	( 71,076)
	<u>\$ 128,312</u>	<u>\$ 57,279</u>	<u>\$ 185,591</u>
<u>2017</u>			
January 1	\$ 128,312	\$ 57,279	\$ 185,591
Depreciation charge	-	( 2,372)	( 2,372)
Impairment loss	-	( 544)	( 544)
December 31	<u>\$ 128,312</u>	<u>\$ 54,363</u>	<u>\$ 182,675</u>
<u>December 31, 2017</u>			
Cost	\$ 128,312	\$ 128,355	\$ 256,667
Accumulated depreciation	-	( 73,992)	( 73,992)
	<u>\$ 128,312</u>	<u>\$ 54,363</u>	<u>\$ 182,675</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from

the investment property are shown below:

	<u>2018</u>	<u>2017</u>
Rental income from investment property	\$ 2,925	\$ 2,927
Direct operating expenses arising from the investment property that generated rental income in the period	\$ 2,195	\$ 2,308
Direct operating expenses arising from the investment property that did not generate rental income in the period	\$ 913	\$ 917

B. The fair value of the investment real estate held by the Group in 2018 and December 31, 2017 was NT\$290,876 and NT\$279,667, respectively, which were based on 2018 and December 31, 2017. As the evaluation result of the independent evaluation experts on the base date, the evaluation adopts the comparative method, the cost method, the land development analysis method and the income method, which are the third-class fair value, 2018 and 2017. Independent evaluation of December 31 The main assumptions of the experts adopting the income method are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Income capitalization rate	1.73%-2.05%	1.73%~1.80%

C. The estimated recoverable amount of some of the Group's buildings and buildings is less than the book value, and the impairment losses recognized in 2018 and 2017 are NT\$0 and NT\$544, respectively, which are included in the "Other Benefits and Losses" subject. under. This group uses the fair value as the recoverable amount of the impairment test.

D. The Group's information on the provision of guarantees for investment in real estate is detailed in Note 8.

(10) Other non-current assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Restricted assets (time deposits and cash)	\$ 29,154	\$ 34,337
Refundable deposits	29,433	41,600
Prepaid bank loan guarantee operation and management fee	4,307	6,010
Prepaid premises and equipment	-	53,051
Others	854	1,323
	<u>\$ 63,748</u>	<u>\$ 136,321</u>

For details of the Group's guarantees for restricted assets, please refer to Note 8 for details.

(11) Short-term borrowings

<u>Type</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Guaranteed bank loan	\$ 2,257,002	\$ 1,698,092
Unsecured bank loan	250,000	150,000
	<u>\$ 2,507,002</u>	<u>\$ 1,848,092</u>
Interest rate range	<u>1.30%~3.319%</u>	<u>1.20%~3.187%</u>

Note: Please refer to Note 8 for details of the pledge warranty.

(12) Long term loan

<u>Type of borrowing</u>	<u>Repayment period</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Medium term secured loan	Amortization from 2015 to 2022	\$ 86,139	\$ 90,506
Medium term secured loan	Repayment in 2023	269,575	-
Medium term secured loan	Amortization from 2018 to 2020	220,000	-
Medium-term unsecured loan	Amortization from 2018 to 2020	75,000	100,000
Medium-term unsecured loan	Amortization from 2018 to 2020	119,516	-
Medium-term unsecured loan	Amortization from 2013 to 2018	-	11,895
Medium term secured loan	10% completion rate of the project		
Medium-term unsecured joint loan	After each period of construction 22.5% amortization	-	105,040

Subtotal	770,230	307,441
Less: due within one year		
Part of the account		
His current liabilities")	( 135,717)	( 146,255)
total	<u>\$ 634,513</u>	<u>\$ 161,186</u>
Interest rate range	<u>1.80% ~ 2.37%</u>	<u>1.80% ~ 2.27%</u>

Note: Please refer to Note 8 for details of the pledge warranty.

- A. The Company has signed a medium-term non-guaranteed joint lending and project performance guarantee bond contract with nine financial institutions such as Taiwanese Mainland Bank Bank. The main limitation is that the financial ratio of the annual consolidated financial statements should be maintained as follows:
- The ratio of flows (current assets/current liabilities) must not be less than 110%.
  - The debt ratio (total debt/shareholders' equity) must not exceed 180%.
  - Interest coverage ratio [(pre-tax net profit + depreciation + amortization + interest expense) / interest expense] must not be low.
  - The net value must not be lower than NT\$3,500,000.

The company reimbursed this joint lending in 2018 and is therefore not subject to the financial ratio.

- B. The details of the company's unutilized loan amount are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Floating rate		
Due within one year	\$ 100,000	\$ 550,000
Expires in more than one year	-	650,000
	<u>\$ 100,000</u>	<u>\$ 1,200,000</u>

- C. The liquidity risk of the Group is detailed in Note 12 (2) C. (c).

(13) Debt preparation

	2018		
	<u>Warranty</u>	<u>Litigation loss</u>	<u>total</u>
January 1 balance	\$ 82,203	\$ 63,800	\$ 146,003
New in the current period	2,559	-	2,559
Used in this issue	( 1,446)	-	( 1,446)
Current income	( 2,143)	( 33,000)	( 35,143)
December 31 balance	<u>\$ 81,173</u>	<u>\$ 30,800</u>	<u>\$ 111,973</u>
The report is listed as			
Debt Preparation –current	<u>\$ 11,443</u>	<u>\$ -</u>	<u>\$ 11,443</u>
Debt preparation - non- current	<u>\$ 69,730</u>	<u>\$ 30,800</u>	<u>\$ 100,530</u>
	2017		
	<u>Warranty</u>	<u>Litigation loss</u>	<u>total</u>
January 1 balance	\$ 31,405	\$ 63,800	\$ 95,205
New in the current period	50,946	-	50,946
Used in this issue	( 148)	-	( 148)
December 31 balance	<u>\$ 82,203</u>	<u>\$ 63,800</u>	<u>\$ 146,003</u>
The report is listed as			
Debt Preparation –current	<u>\$ 13,820</u>	<u>\$ -</u>	<u>\$ 13,820</u>
Debt preparation - non- current	<u>\$ 68,383</u>	<u>\$ 63,800</u>	<u>\$ 132,183</u>

- A. Warranty

The Group's warranty liability preparation is mainly related to the construction contract, and the warranty liability is based on historical warranty data. The warranty liability is expected to expire from 2018 to 2021.]

- B. Litigation loss

The Group's litigation losses are mainly related to the lawsuits and work safety incidents under the construction contract, the lawsuits arising from the relevant engineering matters, and the management of the most probable litigation losses after the assessment and

reference to the legal opinions.

(14) Net defined benefit liabilities

A. The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

a. The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	(\$ 69,129)	(\$ 88,605)
Fair value of plan assets	<u>51,853</u>	<u>52,111</u>
Net defined benefit liability	<u>(\$ 17,276)</u>	<u>(\$ 36,494)</u>

b. Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>2018</u>			
January 1 balance	(\$ 88,605)	\$ 52,111	(\$ 36,494)
Current service cost	( 866)	-	( 866)
Interest expense (income)	( 853)	494	( 359)
prior period service cost	<u>1,051</u>	<u>-</u>	<u>1,051</u>
	<u>( 89,273)</u>	<u>52,605</u>	<u>( 36,668)</u>
Remeasurements:			
Returns on plan assets	-	1,614	1,614
Change in demographic assumptions	208	-	208
Change in financial assumptions	( 1,599)	-	( 1,599)
Experience adjustments	<u>3,271</u>	<u>-</u>	<u>3,271</u>
	<u>1,880</u>	<u>1,614</u>	<u>3,494</u>
Pension fund contribution	<u>-</u>	<u>5,789</u>	<u>5,789</u>
Paid pension	<u>18,264</u>	<u>( 8,155)</u>	<u>10,109</u>
December 31 balance	<u>(\$ 69,129)</u>	<u>\$ 51,853</u>	<u>(\$ 17,276)</u>

	defined benefit obligations	Present value of Fair value of plan assets	Net defined benefit liability
<u>2017</u>			
January 1 balance	(\$ 93,696)	\$ 46,631	(\$ 47,065)
Current service cost	( 960)	-	( 960)
Interest expense (income)	( 1,129)	558	( 571)
prior period service cost	44	-	44
Pay off profit and loss	<u>1,138</u>	<u>( 307)</u>	<u>831</u>
	<u>( 94,603)</u>	<u>46,882</u>	<u>( 47,721)</u>
Remeasurements:			
Returns on plan assets	-	( 71)	( 71)
Change in demographic assumptions	( 4)	-	( 4)
Change in financial assumptions	( 1,931)	-	( 1,931)
Experience adjustments	<u>1,714</u>	<u>-</u>	<u>1,714</u>
	<u>( 221)</u>	<u>( 71)</u>	<u>( 292)</u>
Pension fund contribution	<u>-</u>	<u>11,519</u>	<u>11,519</u>
Paid pension	<u>6,219</u>	<u>( 6,219)</u>	<u>-</u>
December 31 balance	<u>(\$ 88,605)</u>	<u>\$ 52,111</u>	<u>(\$ 36,494)</u>

c. The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

d. The principal actuarial assumptions used were as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	<u>0.75%</u>	<u>1.00%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

(a) Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

(b) Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ 1,553)	\$ 1,607	\$ 1,583	(\$ 1,538)
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ 1,930)	\$ 1,998	\$ 1,973	(\$ 1,916)

(a) The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(b) The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

e. Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to \$947.

f. As of December 31, 2018, the weighted average duration of the retirement plan was 9 years. The maturity analysis of pension payments is as follows:

Less than 1 year	\$ 6,348
1-2 years	1,590
2-5 years	8,348
More than 5 years	<u>56,355</u>
	<u>\$ 72,641</u>

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were \$10,169 and \$10,246, respectively.

C. The remaining merged individuals did not appoint employees in the local area, so no relevant retirement schemes were established, and the pension costs were not recognized.

(15) Capital - common stock

As of 2018 and December 31, 2017, the company's rated capital is NT\$4,500,000, divided into 450,000 shares, the paid-up capital is NT\$3,475,274, and the number of outstanding shares is 347,527 shares. The denomination per share is NT\$10. The shares of the issued shares of the Company have been received. The ordinary shares of the company are the same as the number of shares outstanding at the beginning and end of the period.

(16) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

- A. The company's articles of association stipulate that if there is a surplus in the annual final accounts, the tax should be paid first to make up for the previous year's losses, and 10% is the statutory surplus reserve. If there is still surplus plus the initial distributable surplus, the board of directors proposes After the resolution of the shareholders meeting. The dividends of its shareholder dividends are distributed in two ways: the dividends of the stocks and the cash dividends. The ratio of cash dividends is not less than 10% of the total dividends of the shareholders. In the preceding paragraph, the surplus distribution may be distributed separately after the special surplus reserve is required.
- B. The statutory surplus reserve shall not be used except for the loss of the company and the issuance of new shares or cash according to the proportion of the original shares of the shareholders. However, if the new shares or cash are issued, the reserve shall not exceed 25% of the paid-up capital.
- C. When the company distributes the surplus, it is required by law to provide a special surplus reserve starting score for the debit balance of other equity items on the balance sheet date of the current year. When the debit balance of other equity items is reversed, the amount of revolving is included in the distribution. In the surplus.  
When adopting IFRSs for the first time, according to the special surplus reserve mentioned in the letter of the financial management certificate issued on April 6, 2012, the company will use the special surplus reserve when the company uses, disposes or reclassifies the relevant assets. The proportion will be reversed. If the above-mentioned related assets are investment real estate, the land part will be revolved when it is disposed of or reclassified, and the part other than the land will be rotated during the period of use.
- D. On June 29, 2018, the company resolved to make up for the accumulated loss in 2017 by the shareholders' meeting with a statutory surplus reserve of NT\$230,096 and a capital reserve of NT\$83,300 for a total of NT\$313,396. In addition, the resolution is NT\$208,517 in capital reserve and NT\$0.6 per invoicing.
- E. The Company's 2016 annual surplus distribution as determined by the shareholders' meeting on June 14th, 2017 is as follows:

	2016	
	Amount	Dividends per share(in NT dollars)
Set aside as legal reserve	\$ 9,072	
Cash dividends	69,505	\$ 0.2

- F. The company's board of directors decided on March 27, 2019 that there would be no surplus allocation in 2018.
- G. For details of employee compensation and directors' remuneration, please refer to Note 6(27).

(18) Other rights

	2018			
	Foreign currency conversion	Equity instrument investments measured at fair value through other comprehensive gains and losses are not assessed (loss)	Provision for sale of financial assets does not realize benefits	total
January 1 balance	(\$ 12,700)	\$ -	\$ 118,590	\$ 105,890
Modified traceability	-	3,621	( 118,590)	( 114,969)
Evaluation adjustment				
- the Group	-	25,324	-	25,324
Foreign currency conversion differences				
- the Group	( 2,082)	-	-	( 2,082)
Foreign currency conversion differences				
- affiliates	( 776)	-	-	( 776)
December 31 balance	<u>(\$ 15,558)</u>	<u>\$ 28,945</u>	<u>\$ -</u>	<u>\$ 13,387</u>

	2017			
	Foreign currency conversion	Provision for sale of financial assets does not realize benefits		total
January 1 balance	\$ 10,426	\$ 93,556	\$	103,982
Financial Assets				
Evaluation Adjustment				
- The Group	-	25,034		25,034
Foreign currency conversion differences				
- the Group	( 22,493)	-		( 22,493)
Foreign currency conversion differences				
- affiliates	( 633)	-		( 633)
December 31 balance	<u>(\$ 12,700)</u>	<u>\$ 118,590</u>	<u>\$</u>	<u>105,890</u>

(19) Income tax

A. Income tax expense

a. Components of income tax expense:

	2018	2017
Current tax:		
Current tax on profits for the period	\$ -	\$ -
Undistributed surplus plus income tax	-	1,509
Prior year income tax (over) under estimation	( 1,509)	433
	<u>( 1,509)</u>	<u>1,942</u>
Deferred tax:		
Origination and reversal of temporary differences	6,004	( 10,118)
Tax losses	( 26,992)	( 54,162)
Impact of change in tax rate	( 13,767)	-
	<u>( 34,755)</u>	<u>( 64,280)</u>
Income tax benefit	<u>(\$ 36,264)</u>	<u>(\$ 62,338)</u>



b. Income tax related to other comprehensive gains and losses:

	<u>2018</u>	<u>2017</u>
Determine the remeasurement of welfare obligations	(\$ 699)	\$ 50
Impact of tax rate changes	<u>119</u>	<u>-</u>
	<u>(\$ 580)</u>	<u>\$ 50</u>

B. Income tax expenses and accounting profit relationship:

	<u>2018</u>	<u>2017</u>
Income tax calculated by applying statutory rate to the profit before tax	(\$ 27,022)	(\$ 76,811)
Income from tax exemption under the Income Tax Law and fees that should be excluded	348	5,881
Deferred income tax achievability assessment change	( 293)	-
Tax loss allowance evaluation impact number	5,979	6,650
Previous annual income tax (high) underestimation	( 1,509)	433
Income tax impacts of tax law amendments	( 13,767)	-
Undistributed surplus plus income tax	<u>-</u>	<u>1,509</u>
Income tax benefit	<u>(\$ 36,264)</u>	<u>(\$ 62,338)</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2018			
	<u>At January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>At December 31</u>
Deferred income tax assets:				
-Temporary differences:				
Unrealized litigation loss	\$ 10,846	(\$ 4,686)	\$ -	\$ 6,160
Net defined benefit liability	6,204	( 2,169)	( 580)	3,455
Investment real estate loss loss	2,457	434	-	2,891
Warranty liability	13,975	2,260	-	16,235
Real estate, factory and Equipment loss	3,598	635	-	4,233
Unrealized sales gross profit	5,132	( 644)	-	4,488
Other	1,199	441	-	1,640
- tax loss	<u>54,162</u>	<u>36,550</u>	<u>-</u>	<u>90,712</u>
	<u>\$ 97,573</u>	<u>\$ 32,821</u>	<u>(\$ 580)</u>	<u>\$ 129,814</u>
Deferred income tax liabilities:				
- Temporary differences:				
Long-term foreign investment income	<u>(\$ 18,888)</u>	<u>\$ 822</u>	<u>\$ -</u>	<u>(\$ 18,066)</u>

	2017			
	<u>At January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>At December 31</u>
Deferred income tax assets:				
-Temporary differences:				
Unrealized litigation loss	\$ 10,846	\$ -	\$ -	\$ 10,846
Net defined benefit liability	7,860	( 1,706)	50	6,204
Investment real estate loss loss	2,365	92	-	2,457
Warranty liability	5,339	8,636	-	13,975
Real estate, factory and Equipment loss	3,598	-	-	3,598
Unrealized sales gross profit	4,301	831	-	5,132
Other	1,199	-	-	1,199
- tax loss	<u>-</u>	<u>54,162</u>	<u>-</u>	<u>54,162</u>
	<u>\$ 35,508</u>	<u>\$ 62,015</u>	<u>\$ 50</u>	<u>\$ 97,573</u>
Deferred income tax liabilities:				
- Temporary differences:				
Long-term foreign investment income	<u>(\$ 21,153)</u>	<u>\$ 2,265</u>	<u>\$ -</u>	<u>(\$ 18,888)</u>

The taxable losses arising from the Company in 2018 and 2017 are recognized as deferred income tax assets as the estimated taxable income in the future year exceeds the accumulated taxable losses.

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2018				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2009	\$ 4,560	\$ 4,560	\$ 4,560	2019
2010	10,265	9,582	9,582	2020
2011	12,104	12,104	12,104	2021
2012	14,299	14,299	14,299	2022
2013	15,578	15,578	15,578	2023
2014	184,196	8,777	8,777	2024
2015	15,662	15,662	15,662	2025
2016	11,563	11,563	11,563	2026
2017	338,059	338,059	17,996	2027
2018	162,260	162,260	27,299	2028

December 31, 2017				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2008	\$ 6,845	\$ 6,845	\$ 6,845	2018
2009	4,560	4,560	4,560	2019
2010	10,265	9,582	9,582	2020
2011	12,104	12,104	12,104	2021
2012	14,299	14,299	14,299	2022
2013	15,578	15,578	15,578	2023
2014	184,196	8,777	8,777	2024
2015	15,662	15,662	15,662	2025
2016	11,563	11,563	11,563	2026
2017	338,059	338,059	17,996	2027

E. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(20) Loss per share

	<u>2018</u>		
	<u>After-tax amount</u>	<u>Weighted average number of issued shares (thousand shares)</u>	<u>Loss per share (NT\$ dollors)</u>
Basic and diluted loss per share			
Current loss attributable to ordinary shareholders of the parent company	(\$ 68,950)	347,527	(\$ 0.20)

	<u>2017</u>		
	<u>After-tax amount</u>	<u>Weighted average number of issued shares (thousand shares)</u>	<u>Loss per share (NT\$ dollors)</u>
Basic and diluted loss per share			
Current loss attributable to ordinary shareholders of the parent company	(\$ 350,373)	347,527	(\$ 1.01)

(21) Operating revenue

	<u>2018</u>
A. Revenue from contracts with customer contracts	<u>\$ 3,844,011</u>

The Group's revenue for the year 2018 is derived from the provision of engineering contracts that are gradually recognized over time. The main income of the construction and sales income over time is as follows:

	<u>2018</u>
Project contract income	\$ 3,784,145
Construction sales revenue	59,866
	<u>\$ 3,844,011</u>

B. Contract assets and liabilities

The Group recognizes contractual assets and contract liabilities related to customer contract revenue as follows:

Contract assets:

Construction contract	\$ 2,953,881
Retainables for receivables	141,988
	<u>\$ 3,095,869</u>

Contract liability - construction contract (\$ 1,058,707)

The initial contract liability is recognized in 2018 as the amount of income of NT\$789,786.

C. Please refer to Note 12 (5) B for the relevant disclosure of 2017 annual operating income.

(22) Operating cost

	<u>2018</u>	<u>2017</u>
Project contract cost	\$ 3,752,387	\$ 3,996,324
Labor cost	14,642	7,063
Cost of goods sold	44,994	-
	<u>\$ 3,812,023</u>	<u>\$ 4,003,387</u>

(23) Other income

	<u>2018</u>	<u>2017</u>
Interest income :		
Interest income from bank deposits	\$ 3,189	\$ 4,614
Other interest income	11	5,397
Rental income	3,593	3,593
Dividend income	6,933	9,150
Debt reserve transfer income	35,143	-
Payables transferred income	11,563	5,449
Other income	<u>2,138</u>	<u>1,911</u>
	<u>\$ 62,570</u>	<u>\$ 30,114</u>

(24) Other gains and losses

	<u>2018</u>	<u>2017</u>
Gains on disposal of property, plant and equipment (loss)	\$ 4,377	(\$ 1,831)
Loss on disposal of investments	-	( 1,640)
Foreign exchange (losses)	( 970)	( 1,627)
Financial asset impairment loss	-	( 6,299)
Investment real estate loss loss	-	( 544)
Investment real estate depreciation expense	( 2,373)	( 2,372)
Other	<u>( 307)</u>	<u>( 4,746)</u>
	<u>\$ 727</u>	<u>(\$ 19,059)</u>

(25) Finance costs

	<u>2018</u>	<u>2017</u>
Interest expense		
Bank loan	\$ 33,238	\$ 26,144
Other	375	-
Bank joint loan fee	2,004	2,027
Issue corporate bond processing fee	-	1,315
Other financial expenses	<u>198</u>	<u>-</u>
	<u>\$ 35,815</u>	<u>\$ 29,486</u>

(26) Expenses by nature

	<u>2018</u>	<u>2017</u>
Employee benefit expense	<u>\$ 425,908</u>	<u>\$ 463,013</u>
Depreciation of property, plant and equipment	<u>\$ 71,307</u>	<u>\$ 80,286</u>
Amortization fee	<u>\$ 580</u>	<u>\$ 622</u>

(27) Employee benefit expense

	2018		
	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 301,596	\$ 57,647	\$ 359,243
Labor and health insurance fees	27,372	4,807	32,179
Pension costs	8,303	2,040	10,343
Director's remuneration	-	1,580	1,580
Other personnel expenses	18,901	3,662	22,563
	<u>\$ 356,172</u>	<u>\$ 69,736</u>	<u>\$ 425,908</u>

	2017		
	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 330,815	\$ 56,399	\$ 387,214
Labor and health insurance fees	30,805	4,976	35,781
Pension costs	9,052	2,681	11,733
Director's remuneration	-	1,080	1,080
Other personnel expenses	22,707	4,498	27,205
	<u>\$ 356,172</u>	<u>\$ 69,634</u>	<u>\$ 463,013</u>

A. According to the company's articles of association, after deducting the accumulated losses according to the profitability of the current year, if there is a balance, the employee should be paid 3% to 5% and the directors' compensation should not be higher than 3%.

B. The Company's 208 and 2017 annual losses are pre-tax, so no employee compensation is estimated and the compensation of the directors.

The 2017 annual employee compensation and directors' compensation as determined by the board of directors are NT\$0, which is in line with the amount recognized in the 2017 financial report.

Information on the remuneration of employees and directors approved by the board of directors of the Company can be obtained from the "Market Observation Post System"

C. As of 2018 and 31 December 2017, the employees of the Group include foreign workers and points. The number of workers is 648 and 666 respectively, of which the number of directors who are not concurrent employees is 6 people.

(28) Non-control interest

	<u>2018</u>	<u>2017</u>
January 1 balance	\$ 253,964	\$ 100,104
Subsidiary cash increase	-	160,000
Non-controlling equity loss	( 1,121)	( 4,961)
Subsidiary liquidation return of shares	-	( 1,179)
December 31 balance	<u>\$ 252,843</u>	<u>\$ 253,964</u>

(29) Cash flow supplement information

The company sold Merit Century Investments Limited in December 2017 all shares were lost, so control was lost. The net assets of the company at the time of sale were NT\$313,378 (both in cash). The sale price is NT\$311,738, and the loss is NT\$1,640.

(30) Changes in liabilities from financing activities

	<u>short-term loan</u>	<u>Long-term loan</u>	<u>Total liabilities from financing activities</u>
January 1, 2018	\$ 1,848,092	\$ 307,441	\$ 2,155,533
Changes in cash flow from financing	658,910	462,789	1,121,699
December 31, 2018	<u>\$ 2,507,002</u>	<u>\$ 770,230</u>	<u>\$ 3,277,232</u>

(31) Joint operation

The joint control agreement signed by the Group with the joint operation is as follows:

<u>Project name</u>	<u>Jointly building members</u>	<u>location</u>	<u>Nature of construction</u>	<u>Estimated completion year</u>
Da Nangang case	Seven companies including, Chan Pang Construction Co., Ltd.	Second Section of Yucheng Section, Nangang District, Taipei City	Joint investment and construction	Undecided

The Group holds a 12.5% share of the Dayanang case, and the current assets held by 2018 and December 31, 2017 are NT\$1,047,606 and NT\$1,029,878, respectively. NT\$852,699 and NT\$864,797, while the 2018 and 2017 profit and loss shares are NT\$173 respectively. And NT\$146, which has been consolidated into the consolidated balance sheet and consolidated consolidated income statement. This joint operation project has not yet generated operating income. In addition, the current assets held are NT\$475,333 which is an internal transaction. Nature, has been written off in the consolidated financial statements.

7. Related party transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Chen, huang- ming	Major management members
Chiang, chi- ching	Major management members
Pan, chun- jung	Other related people

(2) Significant transactions and balances with related parties

A. Provision for endorsements and guarantees

- The portion of the borrowings borrowed by the Group from the Group is endorsed by the Group's major management members and other related parties.
- As of December 31, 2018 (2017: Nil), the Group's portion of the amount of borrowings borrowed from banks by the co-creators is a mutual endorsement guarantee provided by the Group and other related parties in accordance with the terms of the loan contract. NT\$236,000, and the actual amount of the move is NT\$180,000.

B. Co-construction and separate sales

The Group entered into a contract for co-construction with other related parties, and the other parties provided the small section of the Great Lakes section of the Ankeng section of Xindian City by means of joint construction and sale. The Group financed the construction of the house. As of December 31, 2018, the construction of the case has been completed, and the income from the sale of houses in 2018 is NT\$59,866, and other related parties pay a joint construction cost of NT\$85,143 (2017:No), the account is listed under "Other receivables".

(3) Key management compensation

	<u>2018</u>	<u>2017</u>
short-term employee benefits	\$ 14,939	\$ 13,366
Post-employment benefits	251	271
	<u>\$ 15,190</u>	<u>\$ 13,637</u>

## 8. Pledged assets

<u>Pledged assets</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	
Other current assets	\$ 1,889,303	\$ 1,794,042	Provided to banks and owners as project performance and prepaid projects
- Pledged time deposits			Guarantee, bid and brief
Reserve account and deposit cash			Guarantee period loan
Inventory	1,669,435	728,630	Long-term and short-term loan guarantee
Other non-current assets - subject to restricted assets	29,154	34,337	Provide the owner as a retention money, foreign labor guarantee and short-term loans
Through other comprehensive gains and losses Measured by fair value and ready-to-sell financial asset-non-current	131,976	101,520	Guarantee
Real estate, plant and equipment	347,768	355,774	Short-term loan guarantee
Investment real estate	<u>111,119</u>	<u>112,582</u>	Long-term and short-term loan guarantee
	<u>\$ 4,178,755</u>	<u>\$ 3,126,885</u>	

## 9. Significant contingent liabilities and unrecognised contract commitments

As of December 31, 2018, in addition to the important engineering contracts of Note 6(3), the Group's other commitments and contingent liabilities are as follows:

- (1) As of December 31, 2018, the Group has not used the amount of NT\$24,047 for the purchase of the goods, and the amount of the guarantee issued by the bank for the performance guarantee, prepayment guarantee and warranty guarantee of the project contract. NT\$4,012,666.
- (2) The creditor of the company's engineering contractor filed a lawsuit against the company to confirm the claim, and on April 14, 2005, the Changhua District Court ruled that the contractor's monetary claim for the company was in the amount of NT\$40,237 and new. Within the range of NT\$48,284, the Company has deducted the amount of the retained amount from the original judgment and calculated the total loss of NT\$33,000, which is accounted for under the "Debt Preparation – Non-current" subject.  
On April 11, 2018, the case was rejected by the Supreme Court of Taiwan, and the creditor of the contractor was dismissed. The amount of the loss that the company has already reclassified is determined in this case.
- (3) The CT206A project of the MRT fresh water line contracted by the Company was officially accepted and accepted in April 1995, and was officially opened to traffic in March 1997. However, the employees of the Taipei MRT Outsourcing Sound Insulation Wall were not injured during the construction in September 2000, and they filed a lawsuit with the Shilin District Court of Taiwan on March 21, 2013. The company is required to compensate NT\$174,345 and its interest. The company believes that the project has been formally accepted for 15 years, which is more than the maximum ten-year requirement that the engineering contractor should be responsible for the guarantee. The company shall have no liability. However, on March 2, 2016,



the Taiwan Shilin District Court ruled that the company should compensate NT\$27,027 and its interest. The company refused to accept the judgment and has appealed it. It is still pending before the court. However, the company has accrued relevant compensation losses and interest expenses. NT\$30,800, which is accounted for under the “Debt Preparation – Non-current” subject.

10. Significant disaster loss

None

11. Significant event after the balance sheet date

None

12. Other

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total borrowings are including ‘current and non-current borrowings’ Cash and cash equivalents deduction as shown in the consolidated balance sheet. Total capital is calculated as ‘equity’ as shown in the consolidated balance sheet.

The Group's strategy in 2018 remains the same as in 2017, and is committed to maintaining the Group's debt-to-capital ratio below 50%. The Group's debt-to-capital ratio is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Total borrowings	\$ 3,277,232	\$ 2,155,533
Less: Cash and cash equivalents	<u>( 739,312)</u>	<u>( 663,282)</u>
Net debt (A)	<u>\$ 2,537,920</u>	<u>\$ 1,492,251</u>
Total equity	<u>\$ 3,815,302</u>	<u>\$ 4,064,062</u>
Total capital (C=A+B)	<u>\$ 6,353,222</u>	<u>\$ 5,556,313</u>
Gearing ratio	<u>39.95%</u>	<u>26.86%</u>

(2) Financial risk of financial instruments

A. Financial instruments by category

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Selected equity investment in financial assets measured by fair value through other comprehensive gains and losses	\$ 201,394	\$ -
Available-for-sale financial assets	-	176,070
Financial assets at amortised cost		
Cash and cash equivalents	739,312	663,282
Accounts receivable(Contains retention for receivables	1,054,148	1,126,841
Other receivables	105,147	21,984
Pledged time deposits, reserve accounts and cash deposits (accounted for "other liquid assets")	1,889,303	1,794,042
Restricted assets and deposit deposit (Accounting "Other non-current assets")	58,587	75,937
	<u>\$ 4,047,891</u>	<u>\$ 3,858,156</u>

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial liabilities</u>		
Short-term borrowings	\$ 2,507,002	\$ 1,848,092
Notes payable	800,364	478,291
Accounts payable	683,887	725,650
Other payables	22,544	56,707
Other current liabilities	574	-
Long-term borrowing (including one year or one business cycle) period)	770,230	307,441
Other non-current liabilities	34,752	49,396
	<u>\$ 4,819,353</u>	<u>\$ 3,465,577</u>

B. Risk management policies

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors.

C. Significant financial risks and degrees of financial risks

a. Market risk

Foreign exchange risk

(a) The business of the Group involves a number of non-functional currencies, which are subject to exchange rate fluctuations. Information on foreign currency assets and liabilities that have significant exchange rate fluctuations are as follows:

December 31, 2018			
(Foreign currency: functional currency)	Foreign Currency		
	Amount ( In Thousands)	Exchange Rate	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 631	30.715	\$ 19,420
RMB : NTD	14,144	4.472	63,250

December 31, 2017			
(Foreign currency: functional currency)	Amount		
	( In Thousands)	Exchange Rate	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 1,714	29.760	\$ 51,032
RMB : NTD	13,785	4.565	62,928

- (b) The Group's monetary items were affected by exchange rate fluctuations in 2018 and 2017. The total amount of exchange (loss) benefits (including realized and unrealized) recognized in NTD is NT\$(970) and NT\$(1,627).
- (c) The impact of the appreciation or depreciation of major foreign currency monetary items on the Group's profit and loss at the end of the financial reporting period. When the New Taiwan dollar appreciates or depreciates by 1%, the Group's profit and loss will increase or decrease by NT\$827 and 1,140 respectively in 2018 and 2017. New Taiwan dollars.

#### Price risk

- (a) The equity instruments exposed by the Group to price risk are accounted for by other Financial assets at fair value through profit or loss and financial assets available for sale.
- (b) The Group invests primarily in equity instruments issued by domestic companies and the prices of such equity instruments the grid will be affected by the uncertainty of the future value of the investment target. If such wages with the price rising or falling by 1%, while all other factors remain unchanged, the other consolidated gains and losses for 2018 and 2017 will increase or decrease by NT\$2,014 and NT\$1,761 respectively.

#### Cash flow and fair value interest rate risk

The long-term and short-term borrowings borrowed by the Group are floating-rate debts and are not expected to generate significant interest rate risk. In addition, changes in market interest rates will cause the effective interest rate of borrowing to change, which will cause fluctuations in future cash flows. If the market interest rate increases or decreases by 0.25%, the Group's cash outflow will be increased or decreased by NT\$8,193 and NT\$5,389, respectively, based on the balance of the Group's borrowings from 2018 and December 31, 2017.

#### b. Credit risk

- (a) The Group's credit risk is not achievable due to the counterparty of the client or financial instrument the risk of financial loss of the Group due to obligations, mainly due to the inability of the counterparty to clear receivables payable on the basis of collection conditions, retention receivables from projects and classified as amortization Financial assets measured by post-cost.
- (b) The Group adopts the assumptions under IFRS 9, if the contract payments were past due

over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the customers' contract payments are past due over 90 days.

- (c) The debtors of the Group's receivables are mainly government units or state-owned enterprises, etc. If it is used well, it is expected that it will not cause significant credit risk. Please refer to Note 6(2) for details.

c. Liquidity risk

- (a) Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. The Group has not used the loan amount, please refer to Note 6(12) for details.
- (b) The following table is the Group's non-derivative financial liabilities grouped according to the relevant maturity date. The financial liabilities are based on the remaining period from the balance sheet date to the contractual maturity date. analyse as below:

Non-derivative financial liabilities:

<u>December 31, 2018</u>	<u>Less than one year</u>	<u>1~2 years</u>	<u>2~3 years</u>	<u>over 3 years</u>
Short-term borrowings	\$ 2,544,669	\$ -	\$ -	\$ -
Notes payable	800,364	-	-	-
Accounts payable	629,862	54,025	-	-
Other payables	22,544	-	-	-
Long-term borrowings (including current portion)	161,512	287,321	12,786	363,982

Non-derivative financial liabilities:

<u>December 31, 2017</u>				
Short-term borrowings	\$ 1,878,333	\$ -	\$ -	\$ -
Notes payable	478,291	-	-	-
Accounts payable	633,307	78,081	14,262	-
Other payables	56,707	-	-	-
Long-term borrowings (including current portion)	150,299	59,776	31,306	90,102

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quotations from the same assets or liabilities that the company can obtain in the active market (unadjusted). Active market means assets with sufficient frequency and quantity or negative debt transactions take place in a market that provides pricing information on an ongoing basis. our group Financial assets measured at fair value through other comprehensive gains and losses and the fair value of the financial assets available for sale is the property.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs to assets or liabilities. Part of the Group's investment through other Financial assets at fair value through profit or loss and financial assets for sale and disposal fair value.

- B. Financial instruments not measured at fair value

The Group includes cash and cash equivalents, accounts receivable, other receivables, other current assets, other non-current assets (excluding prepaid premises and equipment, prepaid mortgage guarantee operations and management fees), long-term and short-term loans, Book

payables, accounts payable, other payables, other current liabilities (excluding long-term borrowings and advances due within one year or within one business cycle) and other non-current liabilities (excluding net defined benefit liabilities) The amount is a reasonable approximation of the fair value.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Fair value through other comprehensive gains and losses				
Financial assets measured - equity securities	<u>\$ 131,976</u>	<u>\$ -</u>	<u>\$ 69,418</u>	<u>\$ 201,394</u>
<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Fair value through other comprehensive gains and losses				
Financial assets measured - equity securities	<u>\$ 101,520</u>	<u>\$ -</u>	<u>\$ 74,550</u>	<u>\$ 176,070</u>

D. The methods and assumptions the Group used to measure fair value are as follows:

- a. The instruments the Group used market quoted prices as their fair values (that is, Level 1)
- b. In addition to the above “a” financial instruments with active markets, the fair value of the remaining financial instruments (ie the third level) is evaluated according to the evaluation model.

The output of the evaluation model is the estimated value of the estimate, and the evaluation technique may not reflect all the factors that the Group holds in financial instruments. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to additional parameters, such as liquidity risk. According to the Group's fair value evaluation model management policy and related control procedures, the management believes that it is appropriate and necessary to evaluate the fair value of the financial instruments in the balance sheet. The price information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted to current market conditions.

c. The Group's equity securities classified as Level 3 of fair value are regularly evaluated by the financial department of the Group or evaluated by an external appraiser. The relevant evaluation models are summarized as follows:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Unlisted shares	\$ 60,232	Market comparable companies	Price to book ratio multiple, discount for lack of marketability	The higher the multiplier, the higher the fair value; the lower the market circulation, the higher the fair value, the lower the fair value.
	<u>9,186</u>	Net asset value method	NA	NA
	<u>\$ 69,418</u>			
	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Unlisted shares	\$ 64,865	Market comparable companies	Price to book ratio multiple, discount for lack of marketability	The higher the multiplier, the higher the fair value; the lower the market circulation, the higher the fair value, the lower the fair value.
	<u>9,685</u>	Net asset value method	NA	NA
	<u>\$ 74,550</u>			

E. The Group's investment real estate measured by cost is regularly evaluated by external financial experts of the Group's financial department. The fair value information is described in Note 6(9).

F. The Group has no transfer between the first level and the second level in 2018 and 2017.

G. The table below shows the changes in the third grade in 2018 and 2017:

	2018	2017
January 1	\$ 74,550	\$ 72,297
Obtained at this stage	-	5,550
Equity instrument investments measured at fair value through other comprehensive gains and losses are not assessed at profit or loss	<u>( 5,132)</u>	<u>( 3,297)</u>
December 31	<u>\$ 69,418</u>	<u>\$ 74,550</u>

H. The Group did not transfer into and transfer out of the Level 3 in 2018 and 2017.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017.

A. Summary of significant accounting policies adopted in 2017:

a. Available-for-sale financial assets

- (a) They are non-derivatives that are either designated in this category or not classified in any of the other categories.
- (b) On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognised using settlement date accounting.
- (c) They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value.

b. Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

c. Impairment of financial assets

- (a) The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

- (b) The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

- Ⓐ Significant financial difficulty of the issuer or debtor;
- Ⓑ A breach of contract, such as a default or delinquency in interest or principal payments;
- Ⓒ The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- Ⓓ It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Ⓔ The disappearance of an active market for that financial asset because of financial difficulties;
- Ⓕ Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- Ⓖ Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- Ⓗ A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

- (c) When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

- Ⓐ Financial assets at amortised cost

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 discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously.

Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

ⓑ Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

The equity instruments classified as "sales-for-sale financial assets" in IAS 39 are NT\$176,070. Since the Group is not held for trading purposes, it is categorized when IFRS 9 is first applied. "Financial assets (equity instruments) measured at fair value through other comprehensive gains and losses" and increased retained earnings of NT\$114,969 and other interests of NT\$114,969.

C. The significant accounts as of December 31, 2017, are as follows:

Provision for sale of financial assets

<u>Items</u>	<u>December 31, 2017</u>
non-current items:	
Listed company stock	\$ 100,440
Non-listed company stock	72,009
Subtotal	172,449
Valuation adjustment	118,590
Cumulative impairment	( 114,969)
Total	<u>\$ 176,070</u>

The net (loss) gains recognized by the Group for the sale of financial assets in 2017 are NT\$(6,299), and the amount recognized in other comprehensive gains and losses is NT\$25,034.

(5) Effects of initial application of IFRS 15 and information on application of IAS11 and IAS 18 in 2017.

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below:

a. Construction contracts project income

The Group's engineering income is mainly generated by contracting construction contracts. When the results of the contract are constructed, it can be reliably estimated. The



completion ratio method recognizes the project revenue according to the progress of the project. The completion rate is calculated as the percentage of the total contract price for each contract based on the owner's acceptance. When the contract cost is likely to exceed the contract revenue, the expected loss is immediately recognized as an expense.

b. Sales revenue

The Group's sales and purchase of pots, income is the fair value of the consideration received or receivable for sales of goods to customers outside the Group during normal business activities, deducted from the net value of value added tax, sales return, quantity discount and discount. Commodity sales are delivered to the buyer, the amount of sales can be reliably measured, and future economic benefits are likely to be recognized when they flow into the company. When the significant risks and rewards related to ownership have been transferred to the customer, the Group does not continue to participate in the management and maintains effective control of the goods and the customer accepts the goods according to the sales contract, or there is objective evidence that all acceptance terms have been met. The delivery of the goods occurs.

c. Labor income

The Group's labor income is mainly provided by the project management consultant. When the transaction result of the provision of labor services can be reliably estimated, the income is recognized on schedule according to the contract period. When the outcome of the transaction cannot be reliably estimated, the revenue is recognized within the range in which the recognized costs are likely to be recovered.

B. The income recognized by the Group in the above accounting policies in 2017 is as follows:

	<u>2017</u>
Project contract income	\$ 3,758,745
Sales revenue	<u>190</u>
	<u>\$ 3,758,935</u>

C. The construction contract accounting policies adopted on December 31, 2017 are as follows:

- a. The construction contract contracted by the Group is designated by the entrusting party (owner) as the main structural element of the engineering design before the construction. The project is also led by the entrusting party to change the main structure. The Group has no controlling power and is in line with international accounting. The definition of "Construction Contract" No. 11 and the contracted revenue and cost are recognized in the contractual period according to the contract completion degree. When the total contract cost is likely to exceed the total contract revenue, the expected loss is immediately recognized as an expense. When the outcome of a construction contract cannot be reliably estimated, the contract revenue is recognized only within the scope in which contract costs are likely to be recovered.
- b. Changes in Contract Work, Claims and Awards The extent to which the Employer has agreed and can be reliably measured is included in the contract revenue.
- c. The Group's total amount of accounts receivable from customers for contract work, that is, the cost incurred in the construction in progress plus the recognized profit (or less recognized losses) exceeds the progress of the project. The portion of the amount, expressed as an asset, is accounted for by the construction contract. In the case of a construction contract, the amount of the project progress exceeds the sum of the incurred cost plus the recognized profit (or the deducted loss), expressed as a liability, and the account payable for the construction contract.

D. If the Group continues to apply the above accounting policies on December 31, 2018, the impacts on the current balance sheet and the consolidated profit and loss statement line items are as follows:

Balance sheet item	Description	December 31, 2017		
		Adopted the balance recognized by IFRS 15	The balance recognized in the original accounting policy	The impact of changes in accounting policies
Contract assets	(a)	\$ 3,095,869	\$ -	(\$ 3,095,869)
Accounts receivable	(a)(b)	912,160	1,059,708	147,548
Construction contract receivable	(a)	-	2,953,881	2,953,881
Contract liability	(a)	1,058,707	-	( 1,058,707)
The amount of the contract that should be paid	(a)	-	1,058,707	1,058,707
Undistributed surplus	(a)	53,381	47,821	( 5,560)

Note: (1) The Group expresses the construction contract receivables, the project receivables retained and the construction contract payable as contract assets and contract liabilities in accordance with IFRS 15.

(2) The Group treats the discount on the retention of receivables in accordance with the provisions of IFRS 15 as has a significant financial component.

### 13. Supplementary disclosures

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries and associates): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Derivative financial instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

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

- A. Basic information on investing in mainland companies: Please refer to table 6.
- B. Significant events incurred by the Company directly or indirectly through the investment in the

third regional business and investment in the mainland, and its prices, payment terms, unrealized gains and losses and other information that helps to understand the mainland investment in the financial statements: Please refer to table 6.

#### 14. Department information

##### (1) General information

A. The management of the Group has identified the reporting department based on the reporting information used by the operating decision makers in making decisions.

B. The Group's operating decision makers operate and manage from a company perspective.

##### (2) Department information

The Group's operating decision makers assess the performance of the operating department based on the profit and loss of the operating department. The departmental profit and loss refers to the benefits earned by the operating departments to be provided to the chief operating decision makers to allocate resources to the department and assess performance.

The information of the reporting department provided to the chief operating decision maker is as follows:

A. 2018 Year:

	Kung Sing Corporation Co., Ltd.	Chan Pang	Kung Sing Development	Jiangsu Kung Sing	Kung Sing International Holding Company Limited	Kung Sing Biomedical	Adjustment and reversal	Total
External income	\$ 3,784,145	\$ -	\$ 59,866	\$ -	\$ -	\$ -	\$ -	\$ 3,844,011
Internal departmental income	<u>28,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 28,436)</u>	<u>-</u>
Departmental income	<u>\$ 3,812,581</u>	<u>\$ -</u>	<u>\$ 59,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 28,436)</u>	<u>\$ 3,844,011</u>
Departmental after-tax profit and loss	<u>(\$ 45,166)</u>	<u>(\$ 562)</u>	<u>(\$ 2,802)</u>	<u>(\$ 20,775)</u>	<u>(\$ 345)</u>	<u>(\$ 1,069)</u>	<u>\$ 648</u>	<u>(\$ 70,071)</u>
Depreciation, impairment and amortization	<u>\$ 71,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,462</u>
Interest income	<u>\$ 2,958</u>	<u>\$ 39</u>	<u>\$ 419</u>	<u>\$ 123</u>	<u>\$ 20</u>	<u>\$ 39</u>	<u>(\$ 398)</u>	<u>\$ 3,200</u>
Interest expense	<u>\$ 33,179</u>	<u>\$ -</u>	<u>\$ 832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 398)</u>	<u>\$ 33,613</u>
Equity method Investment (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>
Departmental assets	<u>\$ 8,060,336</u>	<u>\$ 1,458,018</u>	<u>\$ 908,167</u>	<u>\$ 109,268</u>	<u>\$ 43,738</u>	<u>\$ 4,317</u>	<u>(\$ 731,370)</u>	<u>\$ 9,852,474</u>

B. 2017 Year:

	Kung Sing Corporation		Merit Century Investments Limited		Kung Sing Development	Jiangsu Kung Sing	Kung Sing International Holding Company Limited	Kung Sing Biomedical	Adjustment and reversal	Total
External income	\$ 3,758,745	\$ 190	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,758,935
Internal departmental income	<u>78,227</u>	-	-	-	-	-	-	-	( 78,227)	-
Departmental income	<u>\$ 3,836,972</u>	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 78,227)</u>	<u>\$ 3,758,935</u>
Departmental after-tax profit and loss	<u>(\$ 317,804)</u>	<u>\$ 453</u>	<u>(\$ 1,042)</u>	<u>\$ 1,052</u>	<u>(\$ 12,705)</u>	<u>(\$ 13,327)</u>	<u>(\$ 109)</u>	<u>(\$ 5,775)</u>	<u>(\$ 6,527)</u>	<u>(\$ 355,334)</u>
Depreciation, impairment and amortization	<u>\$ 82,310</u>	<u>\$ 39</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,166</u>
Interest income	<u>\$ 14,460</u>	<u>\$ 1</u>	<u>\$ 55</u>	<u>\$ 1,789</u>	<u>\$ 25</u>	<u>\$ 148</u>	<u>\$ 11</u>	<u>\$ 49</u>	<u>(\$ 6,527)</u>	<u>\$ 10,011</u>
Interest expense	<u>\$ 26,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,144</u>
Equity method										
Investment (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 39)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 39)</u>
Departmental assets	<u>\$ 7,098,467</u>	<u>\$ -</u>	<u>\$ 1,115,052</u>	<u>\$ -</u>	<u>\$ 690,139</u>	<u>\$ 132,160</u>	<u>\$ 44,486</u>	<u>\$ 6,079</u>	<u>(\$ 536,336)</u>	<u>\$ 8,550,047</u>

(3) Adjustment of departmental profit and loss

- A. The external income reported to the chief operating decision maker is measured in a consistent manner with the income in the income statement.
- B. The reporting department shall assess the performance of the operating department with post-tax profit and loss. The total profit and loss is consistent with the post-tax profit and loss amount of the company's continuing business unit, so no adjustment is required.
- C. Provide the total amount of assets of the chief operating decision maker, which is consistent with the measurement of the assets in the financial statements. In this period, the adjustment and write-off of the assets of the department should be reported. Please refer to Note 14(2) for details.

(4) Information on products and services

The Group's revenue is mainly comprised of construction project income and sales of real estate income. The income composition is as follows:

	<u>2018</u>	<u>2017</u>
Project contract income	\$ 3,784,145	\$ 3,758,745
Construction case and income from sales of goods	<u>59,866</u>	<u>190</u>
	<u>\$ 3,844,011</u>	<u>\$ 3,758,935</u>

(5) Geographical information

The Group's revenue from external customers is differentiated from the location of non-current assets by customer location and is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>income</u>	<u>Non-current assets</u>	<u>income</u>	<u>Non-current assets</u>
Taiwan	\$ 3,844,011	\$ 752,392	\$ 3,758,935	\$ 891,782
China mainland area	<u>-</u>	<u>117,609</u>	<u>-</u>	<u>124,929</u>
	<u>\$ 3,844,011</u>	<u>\$ 870,001</u>	<u>\$ 3,758,935</u>	<u>\$ 1,016,711</u>

Note: Non-current assets do not include financial assets and deferred income tax assets.

(6) Major customer information

The important customer information of the Group for 2018 and 2017 is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>income</u>	<u>Department</u>	<u>income</u>	<u>Department</u>
Directorate General of Highways	\$ 2,079,645	Kung Sing parent company	\$ 2,481,629	Kung Sing parent company
Railway Bureau, MOTC	717,529	Kung Sing parent company	254,655	Kung Sing parent company
Taiwan Power Company	533,622	Kung Sing parent company	1,004,983	Kung Sing parent company
Taiwan International Ports Corporation, Ltd.	453,349	Kung Sing parent company	-	Kung Sing parent company

Kung Sing Engineering Corporation  
Loans to others  
January 1 to December 31, 2018

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum amount of the current period	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Value	Limit on loans granted to a single party (Note 3 & 4)	Ceiling on total loans granted (Note 3 & 4)	Footnote
0	Kung Sing parent company	Kung Sing Development company	Other receivables	Yes	\$ 400,000	\$ -	\$ -	Basic loan Interest rate +1%	2	\$ 33,716	For operational Need	\$ -	None	\$ -	\$ 356,246	\$ 1,424,984	
1	Kung Sing Development company	Kung Sing parent company	Other receivables	Yes	200,000	200,000	200,000	Bank indicator Interest rate plus 1.6%	2	33,716	For operational Need	\$ -	None	\$	252,844	252,844	

Note 1: The description of the number column is as follows:

- (1). The issuer fills in 0.
- (2). The invested company is numbered sequentially by the Arabic number 1 according to the company.

Note 2: The method of filling out the capital loan and nature is as follows:

- (1). If you have business contacts, please fill in 1.
- (2). If you have short-term financing, please fill in 2.

Note 3: The company's fund loans and total amount are limited to 40% of the net value, and the amount of the loan to a single enterprise is limited to 10% of the net value.

Note 4: The credits and total amount of the subsidiary's work letter development funds are based on 40% of the net value of the subsidiary.

Kung Sing Engineering Corporation  
Provision of endorsements and guarantees to others  
January 1 to December 31, 2018

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Maximum outstanding		Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
			Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party (Note 4)	endorsement/ guarantee amount as of December 31, 2018	endorsement/ guarantees amount at December 31, 2018								
1	Chan Pang	Note 1	(5)	\$ 6,950,548	\$ 5,322,300	\$ 5,322,300	\$ 5,233,100	\$ 5,322,300	1.49	\$ 13,901,096	N	N	N	
1	Chan Pang	Note 2	(5)	6,950,548	1,056,750	1,056,750	808,725	1,056,750	0.30	13,901,096	N	N	N	
2	Kung Sing Development	Note 3	(5)	6,950,548	236,000	236,000	180,000	236,000	0.07	13,901,096	N	N	N	

Note 1: Guoyang Industrial Co., Ltd., Hexincheng Co., Ltd., Zhanbang Construction Co., Ltd., Honghui Development Co., Ltd., Dingli Development Co., Ltd., Power International Development Co., Ltd. and Yusheng Development Co., Ltd.

Note 2: Power International Development Co., Ltd., Yusheng Development Co., Ltd. and Zhanbang Construction Co., Ltd.

Note 3: Landlord Development Co., Ltd. and the landlord of the joint construction (other related persons - Pan Junrong).

Note 4: The company's endorsement guarantee limit is stipulated in the "Endorsement Guarantee Implementation Measures". The total amount of endorsement guarantees is not more than eight times the company's paid-in capital. The amount of endorsement guarantee for a single enterprise does not exceed the company. The calculation of the amount of paid-up capital is four times; the company The endorsement guarantee limit of the subsidiary is in accordance with the "Endorsement Guarantee Implementation Measures", and the total amount of the endorsement guarantee is not more than four times the amount of the parent company's paid-in capital, and the amount of guarantee for the endorsement of the single enterprise does not exceed the paid-up capital of the parent company. The amount is calculated twice.

Note 5: (5) Inter-insurance companies based on contractual requirements for inter-departmental or co-creation between contractors.



Kung Sing Engineering Corporation  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
For the year ended December 31, 2018

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Types of securities and names	Relationship with the securities issuer	General ledger account	As of December 31, 2018				Footnote
				Number of shares/ denominations	Book value	Ownership (%)	Market value	
Kung Sing Engineering Corporation	Lung yuan Information company	-	Financial asset at fair value through other comprehensive income- non-current	248,400	\$ -	1.80	\$ -	Note 1&2
Kung Sing Engineering Corporation	Kung ting Steel company	-	Financial asset at fair value through other comprehensive income- non-current	3,240,000	60,232	18.00	60,232	Note 1
Kung Sing Engineering Corporation	Chieh pang management consultant	-	Financial asset at fair value through other comprehensive income- non-current	300,000	3,366	6.00	3,366	Note 1
Kung Sing Engineering Corporation	Taiwan High Speed Rail company	-	Financial asset at fair value through other comprehensive income- non-current	4,320,000	131,976	0.08	131,976	Note 3
Kung Sing Engineering Corporation	Cross-Strait Business company	-	Financial asset at fair value through other comprehensive income- non-current	1,000,000	5,820	10.00	5,820	Note 1
Kung Sing Biomedical	Chien ping technology company	-	Financial asset at fair value through other comprehensive income- non-current	370,000	-	14.23	-	Note 1&2

Note 1: No pledge guarantee.

Note 2: The company has fully recognized the losses due to operating losses.

Note 3: Short-term loan mortgage guarantee.

Kung Sing Engineering Corporation  
 Significant inter-company transactions during the reporting years  
 For the year ended December 31, 2018

Table 4

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Number	Company name	Counterparty	Relationship	Transaction		Percentage of consolidated total operating revenues or total assets	
				General ledger account	Amount		
0	Kung Sing Engineering Corporation	Chan Pang company	Parent company to subsidiary.	Other liabilities – other	\$ 475,333	Note 2	5
0		Kung Sing Development	Parent company to subsidiary.	Accounts receivable	27,021	Note 3	-
0		"	"	Other payables	200,398	Note 1	2
0		"	"	Project income	28,436	-	-
0		"	"	Engineering cost	33,716	-	-
0		"	"	Unrealized sales loss	5,280	-	-
0		"	"	Realized sales margin	2,467	-	-
0		"	"	rental income	1,542	Note 1	-
1	Chan Pang company	Kung Sing Engineering Corporation	Subsidiary to parent company.	inventory	475,333	Note 2	5
2	Kung Sing Development	Kung Sing Engineering Corporation	Subsidiary to parent company.	Other receivables	200,398	Note 1	2
2		"	"	Accounts payable	27,021	Note 3	-
2		"	"	inventory	28,319	-	-
2		"	"	Rent expense	1,542	Note 1	-

Note 1: Payment is received according to the contract.

Note 2: The unrealized gains and losses of the land sold to the related enterprise.

Note 3: The payment is based on the estimated cost of the project, and the payment and payment conditions are 90 days.

Kung Sing Engineering Corporation  
Information on investees (not including investees in Mainland China)  
For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		End of term hold by			Current period net profit (loss) of the investee	Recognition of investment gains and losses in the current period	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Kung Sing Engineering Corporation	Chan Pang company	Taiwan	Construction and development of buildings and houses	\$ 590,000	\$ 510,000	59,000,000	100.00	\$ 553,678	(\$ 562)	(\$ 562)	A Subsidiary
Kung Sing Engineering Corporation	Kung Sing International Holding Company Limited	Samoa	Holding company	53,065	53,065	1,700,000	100.00	43,481	( 345)	( 345)	A Subsidiary
Kung Sing Engineering Corporation	Kung Sing Development	Taiwan	Construction and development of buildings and houses	420,000	420,000	42,000,000	60.00	350,947	( 2,802)	( 1,035)	A Subsidiary
Kung Sing Engineering Corporation	Kung Sing Biomedical	Taiwan	Pharmaceutical sales	12,000	12,000	1,200,000	100.00	4,184	( 1,069)	( 1,069)	A Subsidiary
Kung Sing International Holding Company	Kung Sing International (Hong Kong) Co., Ltd.	Hong Kong	General investment	44,778	44,778	1,510,000	100.00	38,006	( 323)	( 323)	A Subsidiary

Kung Sing Engineering Corporation  
Mainland China Investment Information - Basic Information  
For the year ended December 31, 2018

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

1. Basic information on investing in mainland companies:

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Jiangsu Kung Sing Company Engineering Consulting Co., Ltd.	Investment, construction management	\$ 14,763	1	\$ 14,763	\$ -	\$ -	\$ 14,763	(\$ 20,775)	100%	(\$ 20,775)	\$ 108,461	\$ -	
Fujian TOFF Kung Sing Construction Engineering Co.,	Undertake industrial plants, Municipal public building engineering	147,570	2	43,172	-	-	43,172	8	30%	2	37,335	-	

Note 1: Direct investment is 100%.

Note 2: The company invested 100% of its shareholding company, Kung Sing International Hong Kong Co., Ltd., with its own funds of US\$1,460.

<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>
Kung Sing Engineering Corporation	\$ 57,935	\$ 505,262	\$ 2,289,181

2. Significant events incurred by the Company directly or indirectly through the investment in the third regional business and investment in the mainland, and its prices, payment terms, unrealized gains and losses and other information that helps to understand the mainland investment in the financial statements: Please refer to table 4 of the Company's consolidated financial statements

TO Kung Sing Engineering Corporation :

## **Opinion**

Kung Sing Engineering Corporation parent company balance sheet for 2018 and December 31, 2017, and Parent company income statement, Parent company equity statement and Parent company cash flow statement for 2018 and January 1 to December 31, 2017, and Parent company financial statements The notes (including the summary of major accounting policies) are checked by the accountant.

Based on the opinion of the accountant, based on the audit results of the accountant and the audit report of other accountants (please refer to other issues), the parent company financial statements are prepared in accordance with the “Guidelines for the Financial Reporting of Securities Issuers” in all material respects. Represents the individual financial status of Kung Sing Engineering Co., Ltd. for 2018 and December 31, 2017, and individual financial performance and individual cash flow for 2018 and January 1 to December 31, 2017.

## **Basis for opinion**

The accountant performs the audit in accordance with the “Accounting Rules for Checking Visas Financial Statements” and the generally accepted auditing standards of the Republic of China. The responsibilities of the accountants under these standards are further explained in the paragraph headed “Accountants’ responsibility for checking Parent company financial statements” . The personnel subject to the independence of the firm of the accountant have been in accordance with the professional ethics of the accountant of the Republic of China, and they remain detached from the Kung Sing Engineering Corporation and perform other duties of the code. Based on the audit results of the accountants and the audit reports of other accountants, the accountant believes that sufficient and appropriate evidence of the audit has been obtained as a basis for expressing the opinion.

## **Key audit matters**

The key auditing matters refer to the most important matters in the audit of the Parent company financial statements of Kung Sing Engineering Corporation in 2018 according to the professional judgment of the accountant. These matters have been dealt with in the process of checking the overall

financial statements of the individual and forming a review opinion. The accountant does not express a separate opinion on these matters.

The key check items of the 2018 annual Parent company financial statements of Kung Sing Engineering Corporation are as follows:

### **To assess the estimated total cost of the construction contract**

#### Description of the matter

For the accounting policy of the construction contract, please refer to Note 4 (24) of the parent company financial statements; the uncertainty of the important judgments, accounting estimates and assumptions adopted in the construction contract evaluation accounting policy, please refer to Note V of the parent company financial statements; The contractual assets - engineering construction contracts and contract liabilities - engineering construction contracts of the Company on December 31, 2018 were NT\$2,953,881 (thousand) and NT\$1,058,707 (thousand), respectively, please refer to Note VI (III) of the Parent company financial statements.

The engineering revenue and cost of the construction contract of the Kung Sing Engineering Corporation is mainly generated by the construction of the construction project. When the result of the construction contract can be reliably estimated, the completion ratio of the completed production method accounts for the total contract price and the estimated total cost. The proportion of project revenue and project cost are recognized separately, and the completion schedule is calculated according to the proportion of each contract accepted by the owner. When the contract cost is likely to exceed the contract revenue, the expected loss is immediately recognized as a cost.

As the estimated total cost is assessed and judged by the management for different engineering properties, estimated contracted amount, duration, engineering works and construction methods, it involves subjective judgments and thus highly estimated uncertainty, which may affect the project cost and The calculation of the profit and loss of the project, therefore, the accountant listed the estimated total cost of the construction contract as one of the important matters for checking.

#### Check procedure

The accountant's response to the estimated total cost of the construction contract has been summarized as follows:

1. Evaluate the rationality of the estimated total cost of policies and procedures based on an understanding of the nature of the business and the nature of the industry, including the basis for estimating the estimated total cost of construction contracts of the same nature in the past.

2. To obtain a project with significant changes in the estimated total cost for the period, review the change statement and relevant supporting information, and confirm the appropriate approval of the competent authority to assess the reasonableness of the estimated changes.
3. For the Accounting whom random inspection the contracted part of all contracts; and as for the contracts which hasn't been contracted yet that need to assess the basis and rationality of its estimated cost.
4. Verify that the actual cost of the investment is the proportion of the estimated total cost, and compare it with the completion schedule of the owner's acceptance to assess the reasonableness of the estimated total cost. If there is any difference, obtain the management's description and verify its rationality.

### **The achievability of deferred income tax assets**

#### Description of the matter

For the accounting policies of deferred income tax assets, please refer to Note 4 (21) of the Parent company financial statements; the uncertainty of the accounting estimates and assumptions of the deferred income tax assets, please refer to Note V of the Parent company financial statements; The deferred income tax assets of the Company Limited on December 31, 2018 are NT\$129,814(thousand). Please refer to Note VI (19) of the Parent company financial statements.

Deferred income tax assets are recognised in the estimated future income statement, and the taxable income is recognised in the future realisation of deferred income tax assets. Subjective judgment of management. The accountant believes that the above judgment project involves predictions for future years. The assumptions used are highly uncertain and the estimates have a significant impact on tax revenue. Therefore, the accountant's assessment of the achievability of deferred income tax assets is listed as one of the important checks.

#### Check procedure

The accountant's response to the achievability of deferred income tax assets has been summarized as follows:

1. Obtain a future operating plan approved by management and an estimated future profit and loss statement.
2. The estimated future earnings statement is compared with past historical results.
3. It is reasonable to review the items and amounts that are expected to be adjusted to future taxable income in the future profit and loss statement.
4. The measurability of deferred income tax assets is assessed by comparing the taxable income of the future year with the tax losses of the past year.



## **Other matters - mentioning the audit of other accountants**

In the 2018 and 2017 years of the work, the financial statements of the Kung Sing Engineering Corporation were not checked by the accountant but were checked by other accountants. Therefore, the opinions expressed by the accountants in respect of the above-mentioned Parent company financial statements are based on the amounts disclosed in the financial statements of these companies and the relevant information disclosed in Note 13 are based on the audit reports of other accountants. The investment balances of the equity method before 2018 and December 31, 2017 were NT\$355,131(thousand) and NT\$350,238(thousand), respectively, representing 3.89% and 4.32% of the total assets; total consolidated profit and loss recognized in 2018 and 2017 The net loss was NT\$2,855,000(thousand) and NT\$19,925(thousand), respectively, which accounted for 6.55% and 5.71% of the total consolidated profit and loss respectively.

## **Responsibility of management and corporate governance units for Parent company financial statements**

It is the responsibility of the management to prepare Parent company financial statements that are expressed in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and maintain the necessary internal controls related to the preparation of Parent company financial statements to ensure that Parent company financial statements are not affected by fraud or error. Significant misrepresentation.

In the preparation of the Parent company financial statements, the management’s responsibilities also include an assessment of the ability of the Kung Sing Engineering Corporation to continue its operations, the disclosure of related matters, and the adoption of the continuing accounting basis, unless the management intends to liquidate Kung Sing Engineering Corporation or Stopping business, or other options other than liquidation or liquidation.

The governance unit of Kung Sing Engineering Corporation (including the Audit Committee) is responsible for supervising the financial reporting process.

## **Accountants are responsible for checking Parent company financial statements**

The purpose of the accountant to check the Parent company financial

statements is to obtain reasonable assurance about the overall misrepresentation of fraud or error in the Parent company financial statements, and to issue a check report. Reasonable conviction is highly convincing, but the verification work performed in accordance with the generally accepted auditing standards of the Republic of China cannot guarantee that the financial statements of Kung Sing Engineering Corporation will be detected. False expression may be caused by fraud or error. If the individual amount or summary amount of the misrepresentation can reasonably be expected to affect the economic decision made by the users of the financial statements of Kung Sing Engineering Corporation it is considered to be significant.

When the accountant checks in accordance with the generally accepted auditing standards of the Republic of China, he uses professional judgment and maintains professional suspicion. The accountant also performs the following tasks:

1. Identify and assess the risk of material misrepresentation of an individual's financial statements due to fraud or error; design and implement appropriate countermeasures for the assessed risk; and obtain sufficient and appropriate evidence to be used as a basis for review. Because fraud may involve conspiracy, forgery, intentional omission, false statement or over-internal control, the risk of not reporting significant misrepresentation due to fraud is higher than the cause of the error.
2. Obtain the necessary understanding of the internal control of the inspection to design an appropriate check procedure at the time, but the purpose is not to express an opinion on the effectiveness of the internal control of Kung Sing Engineering Corporation.
3. Assess the appropriateness of the accounting policies used by management, and the reasonableness of their accounting estimates and related disclosures.
4. Based on the audit evidence obtained, whether the management adopts the appropriateness of the basis of continuing operations accounting and whether there are significant uncertainties in the events or circumstances that may cause significant doubts about the ability of Kung Sing Engineering Corporation to continue to operate, and draw conclusions. If the accountant believes that there is a material uncertainty in the event or situation, it is necessary to remind the individual financial statement user to pay attention to the relevant disclosure of the Parent company financial statements in the check report, or to amend the check opinion when the disclosure is inappropriate. The conclusions of this accountant are based on the verification evidence obtained as of the date of the audit report. However, future events or circumstances may cause

Kung Sing Engineering Corporation to no longer have the ability to continue to operate.

5. Evaluate the overall expression, structure and content of Parent company financial statements (including related notes) and whether Parent company financial statements are permitted to convey relevant transactions and events.
6. Obtain sufficient and appropriate evidence of the financial information of the individual individuals in the Kung Sing Engineering Corporation to express opinions on the Parent company financial statements. The accountant is responsible for the guidance, supervision and execution of individual audit cases, and is responsible for forming audit opinions on Parent company financial statements.

The accountants communicated with the governance unit, including the planned scope and time of the review, as well as major check findings (including significant lack of internal control identified during the audit process).

The accountant also provided the corporate governance unit with the independence statement of the independent company of the accountant's company to comply with the professional ethics of the CPA accountant, and communicated all the relationships that could be considered with the governance unit. Affect the independence of accountants. And other matters (including related protective measures).

From the matters communicated with the governance unit, the accountant decided on the key check items of the 2018 annual financial statement check of Kung Sing Engineering Corporation. The accountant stated the matters in the audit report, unless the law does not allow public disclosure of specific matters, or in the rare case, the accountant decides not to communicate specific matters in the audit report, as it is reasonably expected to be negative in this communication. The impact is greater than the public interest of the promotion.

Pricewaterhouse Coopers

Wang, Fang-yu

accountants

Hsiao, Chin-mu

Financial supervision and management committee  
(Chinese) Approved Visa Number: No. 1030027246  
Former Treasury Securities Management Committee  
(Chinese) Approved Visa Number: (81) Taiwan  
Financial Certificate (6) No. 33095

March 27, 2019

Kung Sing Engineering Corporation  
Parent company balance sheets  
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

Assets	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
1100	cash and cash equivalents	\$ 638,354	7	\$ 546,125	7
1140	Contract assets-current assets	3,095,869	34	-	-
1170	Accounts receivable, net	939,181	10	1,150,832	14
1190	Receivables from customers on construction contracts	-	-	2,192,968	27
1200	Other receivables	5,024	-	738	-
1220	Current income tax assets	1,450	-	-	-
130X	Inventories	203,396	2	202,698	3
1410	Prepayments	153,574	2	38,285	-
1470	Other current assets	1,889,303	21	1,794,043	22
11XX	<b>Current Assets</b>	<u>6,926,151</u>	<u>76</u>	<u>5,925,689</u>	<u>73</u>
<b>Non-current assets</b>					
1517	Financial assets at fair value through other comprehensive gains and losses—Non-current	201,394	2	-	-
1523	Available-for-sale Financial Assets—Non-current	-	-	175,319	2
1550	Investments accounted for using equity method	1,060,751	12	1,000,399	13
1600	Property, plant and equipment, net	338,780	4	413,316	5
1760	Investment property, net	408,450	4	418,081	5
1840	Deferred income tax assets	129,814	1	97,573	1
1900	Other non-current assets	55,747	1	68,490	1
15XX	<b>Non-current assets</b>	<u>2,194,936</u>	<u>24</u>	<u>2,173,178</u>	<u>27</u>
1XXX	<b>Total assets</b>	<u>\$ 9,121,087</u>	<u>100</u>	<u>\$ 8,098,867</u>	<u>100</u>

(Continued)

Kung Sing Engineering Corporation  
Parent company balance sheets  
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

Liabilities and Equity	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(11)(27) and 8	\$ 1,875,000	21	\$ 1,210,000	15
2130	Contract liability – current	6(3)(21) and 12(5)	1,058,707	12	-	-
2150	Notes payable		798,342	9	475,721	6
2170	Accounts payable		669,983	7	724,675	9
2190	Payable to customers on construction contracts	6(3) and 12(5)	-	-	789,786	10
2200	Other payables		15,793	-	52,967	-
2220	Other payables - related parties	7	200,398	2	-	-
2230	Current income tax liabilities		-	-	322	-
2250	provisions for liabilities – current	6(13)	11,443	-	13,820	-
2300	Other current liabilities	6(12)	128,013	1	147,944	2
21XX	<b>Current Liabilities</b>		<u>4,757,679</u>	<u>52</u>	<u>3,415,235</u>	<u>42</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(12)(27) and 8	154,938	2	161,186	2
2550	provisions for liabilities – Non-current	6(13) and 9	100,530	1	132,183	2
2570	Deferred income tax liabilities	6(19)	18,066	-	18,888	-
2600	Other non-current liabilities	6(14) and 7	527,415	6	561,277	7
25XX	<b>Non-current liabilities</b>		<u>800,949</u>	<u>9</u>	<u>873,534</u>	<u>11</u>
2XXX	<b>Total Liabilities</b>		<u>5,558,628</u>	<u>61</u>	<u>4,288,769</u>	<u>53</u>
<b>Equity</b>						
<b>Share capital</b>						
3110	Common stock	6(15)	3,475,274	38	3,475,274	43
<b>Capital surplus</b>						
3200	Capital surplus	6(16)	18,545	-	310,362	4
<b>Retained earnings</b>						
3310	Legal reserve	6(17)	-	-	230,096	3
3320	Special reserve		1,872	-	1,872	-
3350	Unappropriated retained earnings (Waiting to make up for the accumulated deficit)		53,381	1	(313,396)	(4)
<b>Other equity interest</b>						
3400	Other equity interest	6(7)(18)	13,387	-	105,890	1
3XXX	<b>Total equity</b>		<u>3,562,459</u>	<u>39</u>	<u>3,810,098</u>	<u>47</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 9,121,087</u>	<u>100</u>	<u>\$ 8,098,867</u>	<u>100</u>

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Corporation  
Parent company Statements of comprehensive income  
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar  
(Except for loss per share of NT\$)

Items	Notes	2018		2017	
		AMOUNT	%	金額	%
4000 <b>Operating revenue</b>	6(21) 、 7 and 12(5)	\$ 3,812,581	100	\$ 3,836,972	100
5000 <b>Operating costs</b>	6(3)(25)(26) and 7	( 3,786,102)	( 99)	( 4,069,666)	( 106)
5900 <b>Gross Profit (Gross loss)</b>		<u>26,479</u>	<u>1</u>	<u>232,694</u>	<u>( 6)</u>
5910 Unrealized sales loss (interest)	6(7)	5,280	-	4,885	-
5920 Realized gain from sale	6(7)	2,467	-	-	-
5950 <b>Operating gross profit (loss) net</b>		<u>34,226</u>	<u>1</u>	<u>( 237,579)</u>	<u>( 6)</u>
<b>Operating expenses</b>					
6200 General & administrative expenses	6(25)(26)	( 136,861)	( 4)	( 127,785)	( 4)
6900 <b>Operating income</b>		<u>( 102,635)</u>	<u>( 3)</u>	<u>( 365,364)</u>	<u>( 10)</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6(22) 、 7 and 9	63,130	2	35,329	1
7020 Other gains and losses	6(23)	( 6,542)	-	( 20,621)	-
7050 Finance costs	6(24)	( 35,381)	( 1)	( 29,486)	( 1)
7070 Shares of subsidiaries, affiliates and joint ventures and losses recognized by the equity method	6(7)	( 23,786)	( 1)	( 32,569)	( 1)
7000 <b>Total non-operating income and expenses</b>		<u>( 2,579)</u>	<u>-</u>	<u>( 47,347)</u>	<u>( 1)</u>
7900 <b>Profit before income tax</b>		<u>( 105,214)</u>	<u>( 3)</u>	<u>( 412,711)</u>	<u>( 11)</u>
7950 Income tax expense	6(19)	36,264	1	62,338	2
8200 <b>Net Loss</b>		<u>( \$ 68,950)</u>	<u>( 2)</u>	<u>( \$ 350,373)</u>	<u>( 9)</u>
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Remeasurement of determined benefit plans	6(14)	\$ 3,494	-	( \$ 292)	-
8316 Equity instrument investments measured at fair value through other comprehensive gains and losses are not assessed at profit or loss	6(6)(18)	26,075	1	-	-
8330 Shares of other consolidated gains and losses of subsidiaries, affiliates and joint ventures recognized using the equity method - items not reclassified to profit or loss	6(7)(18)	( 751)	-	-	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(19)	( 580)	-	50	-
8310 <b>Total amount of items not reclassified to profit or loss</b>		<u>28,238</u>	<u>1</u>	<u>( 242)</u>	<u>-</u>
<b>Subsequent projects that may be reclassified to profit or loss</b>					
8361 Cumulative translation differences of foreign operations	6(18)	( 2,858)	-	( 23,126)	( 1)
8362 Unrealized loss (gain) on valuation of available-for-sale financial assets	6(18)	-	-	25,034	1
8360 <b>Subsequent total items that may be reclassified to profit or loss</b>		<u>( 2,858)</u>	<u>-</u>	<u>1,908</u>	<u>-</u>
8300 <b>Total other comprehensive loss for the period</b>		<u>\$ 25,380</u>	<u>1</u>	<u>\$ 1,666</u>	<u>-</u>
8500 <b>Total comprehensive income for the period</b>		<u>( \$ 43,570)</u>	<u>( 1)</u>	<u>( \$ 348,707)</u>	<u>( 9)</u>
<b>Loss per share</b>					
9750 <b>Basic earnings per share</b>	6(20)	<u>( \$ 0.20)</u>	<u>( \$ 1.01)</u>		
9850 <b>Diluted earnings per share</b>		<u>( \$ 0.20)</u>	<u>( \$ 1.01)</u>		

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Corporation  
Parent company statements of changes in equity  
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

	Notes	Retained Earnings					Other equity interest			Total equity
		Common stock	Capital surplus	Legal reserve	Special surplus reserve	Unappropriated earnings (Waiting to make up for the accumulated deficit)	Cumulative translation differences of foreign operations	Unrealized gains and losses on financial assets measured at fair value through other comprehensive gains and losses	Unrealized loss (gain) on valuation of available-for-sale financial assets	
<u>For the year ended December 31, 2017</u>										
Balance at January 1, 2017		\$3,475,274	\$ 310,362	\$ 221,024	\$ 1,872	\$ 115,796	\$ 10,426	\$ -	\$ 93,556	\$4,228,310
Net Loss		-	-	-	-	( 350,373 )	-	-	-	( 350,373 )
Components of other	6(18)	-	-	-	-	( 242 )	( 23,126 )	-	25,034	1,666
Total comprehensive income for the period		-	-	-	-	( 350,615 )	( 23,126 )	-	25,034	( 348,707 )
appropriations of retained earnings	6(17)									
Statutory surplus reserve		-	-	9,072	-	( 9,072 )	-	-	-	-
Cash dividend		-	-	-	-	( 69,505 )	-	-	-	( 69,505 )
Balance at December 31, 2017		<u>\$3,475,274</u>	<u>\$ 310,362</u>	<u>\$ 230,096</u>	<u>\$ 1,872</u>	<u>(\$ 313,396)</u>	<u>(\$ 12,700)</u>	<u>\$ -</u>	<u>\$ 118,590</u>	<u>\$3,810,098</u>
<u>For the year ended December 31, 2018</u>										
Balance at January 1, 2018		\$3,475,274	\$ 310,362	\$ 230,096	\$ 1,872	(\$ 313,396)	(\$ 12,700)	\$ -	\$ 118,590	\$3,810,098
Tracing the number of impacts	6(18)	-	-	-	-	119,417	-	3,621	( 118,590 )	4,448
Re-edited balance on January 1		<u>3,475,274</u>	<u>310,362</u>	<u>230,096</u>	<u>1,872</u>	<u>( 193,979 )</u>	<u>( 12,700 )</u>	<u>3,621</u>	<u>-</u>	<u>3,814,546</u>
Net Loss		-	-	-	-	( 68,950 )	-	-	-	( 68,950 )
Components of other	6(18)	-	-	-	-	2,914	( 2,858 )	25,324	-	25,380
Total comprehensive income		-	-	-	-	( 66,036 )	( 2,858 )	25,324	-	( 43,570 )
Statutory surplus reserve to make up for losses	6(17)	-	-	( 230,096 )	-	230,096	-	-	-	-
Capital reserve to make up for losses	6(17)	-	( 83,300 )	-	-	83,300	-	-	-	-
Capital reserve cash return	6(17)	-	( 208,517 )	-	-	-	-	-	-	( 208,517 )
Balance at December 31, 2017		<u>\$3,475,274</u>	<u>\$ 18,545</u>	<u>\$ -</u>	<u>\$ 1,872</u>	<u>\$ 53,381</u>	<u>(\$ 15,558)</u>	<u>\$ 28,945</u>	<u>\$ -</u>	<u>\$3,562,459</u>

The accompanying notes are an integral part of these Individual financial statements.



Kung Sing Engineering Corporation  
Parent company statements of cash flows  
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

	Notes	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(\$ 105,214 )	(\$ 412,711 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including investment real estate)	6(8)(9)	68,807	77,802
Amortization expense	6(24)(25)	2,584	3,964
Long-term borrowing costs amortization	6(24)	198	-
Interest expense	6(24)	33,179	26,144
Interest income	6(22)	( 2,958 )	( 14,460 )
Dividends revenue	6(22)	( 6,933 )	( 9,150 )
Shares of investment losses (benefits) of subsidiaries and related companies recognized by equity method	6(7)	23,786	32,569
Loss(Gain) on disposal of property, plant and equipment	6(23)	( 4,377 )	1,831
Disposal of investment using equity method - investment loss of subsidiaries	6(23)	-	1,640
Loss of financial assets for sale	6(23) and 12(4)	-	1,500
Investment property impairment loss affiliate affiliated company (already)	6(9)(23)	-	544
unrealized gross profit	6(7)	( 7,747 )	4,885
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets		( 192,510 )	-
Accounts receivable		( 493,180 )	226,869
Receivables from customers on construction contracts		-	( 36,580 )
Other receivables		( 4,563 )	21,485
Inventories		( 698 )	( 621 )
Prepayments		( 115,289 )	58,291
Changes in operating liabilities			
Contract liability		268,921	-
Notes payable		322,621	( 46,623 )
Accounts payable		( 54,692 )	( 173,236 )
Payable to customers on construction contracts		-	619,781
Other payables		( 37,453 )	( 11,450 )
Debt preparation		( 34,030 )	50,798
Other current liabilities		607	( 5,107 )
Defined benefit liability		( 15,724 )	( 10,032 )
Cash inflow(outflow) generated from operations		( 354,665 )	408,133
Interest received		2,972	9,057
Dividends received		6,933	9,150
Interest paid		( 32,502 )	( 26,398 )
Income tax paid		-	( 4,286 )
Net cash flows(outflow) from operating activities		( 377,262 )	395,656

(Continued)

Kung Sing Engineering Corporation  
Parent company statements of cash flows  
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

	Notes	2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other current assets		(\$ 95,260 )	(\$ 686,647 )
Acquired investment using equity method - subsidiary price	6(7)	( 80,000 )	( 240,000 )
Disposal of the equity method of investment - the price of the subsidiary	6(7)	-	311,738
Return of shares using the equity method of liquidation	6(7)	-	3,217
Acquisition of property, plant and equipment	6(8)	( 1,276 )	( 12,160 )
Proceeds from disposal of property, plant and equipment		21,013	11,044
Acquired investment real estate price	6(9)	-	( 243 )
Cut back in other non-current assets		<u>10,159</u>	<u>76,889</u>
Net cash flows used in investing activities		<u>( 145,364 )</u>	<u>( 536,162 )</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Borrow short-term loans	6(27)	1,315,000	786,440
Repayment of short-term borrowings	6(27)	( 650,000 )	( 666,440 )
Borrow long-term loans	6(27)	621,590	400,000
Repayment of long-term borrowings	6(27)	( 648,574 )	( 602,910 )
Other non-current liabilities decreased		( 14,644 )	( 1,650 )
Increase relationship person accommodation of funds	7	200,000	-
Cash dividends paid	6(17)	-	( 69,505 )
Capital reserve cash return	6(17)	<u>( 208,517 )</u>	<u>-</u>
Net cash flows from (used in) financing activities		<u>614,855</u>	<u>( 154,065 )</u>
Net increase (loss) in cash and cash equivalents		92,229	( 294,571 )
Cash and cash equivalents at beginning of year		<u>546,125</u>	<u>840,696</u>
Cash and cash equivalents at end of year		<u>\$ 638,354</u>	<u>\$ 546,125</u>

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Company  
Notes to the parent company only financial statement  
2018 and 2017

Unit : NT\$ thousand Dollar  
(unless otherwise specified)

1. Company history

- (1) Kung Sing Engineering Corporation Co., Ltd. (hereinafter referred to as “the Company”) was established in February 1947 and opened in the same year. The main business items are construction repairs for roads and bridges.
- (2) The company's stock was bought and sold at the Securities and Futures Trading Centre of the Republic of China on November 18, 1999. It was officially terminated on December 18, 2012 and listed on the Taiwan Stock Exchange.

2. Date and procedure for passing the financial report

The parent company financial report was released by the board of directors on March 27, 2019.

3. Application of new standards ,amendments and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission (“FSC”)

New standards , interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15, Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealized	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018

Annual improvements to IFRSs 2014-2016 cycle –  
Amendments to IFRS 12, ‘Disclosure of interests in  
other entities’

January 1, 2017

Annual improvements to IFRSs 2014-2016 cycle -  
Amendments to IAS 28, ‘Investments in associates  
and joint ventures’

January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company financial condition and financial performance based on the Company assessment.

① IFRS 9, ‘Financial instruments’

A. Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

B. The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

C. The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(4).

② International Financial Reporting Standard 15 "Revenue of Customer Contracts" and related amendments.

A. IFRS 15 “Revenue of Contracts for Customers” supersedes IAS 11 “Construction Contracts”, IAS 18 “Revenues” and its related interpretations and interpretations. Revenue is determined by the standard when the customer obtains control over the goods or services. When the customer has the ability to use the dominant asset and obtain almost all of the remaining benefits of the asset, the customer is in control of the goods or services. The core principle of this standard is that “the enterprise recognizes the income to describe the transfer of goods or services promised to the customer, and the amount of the income reflects the expected price of the goods or services in exchange for the expected price.” When the enterprise recognizes the income according to the core principle, the following five steps are required to determine the time and amount of income recognition:

Step 1: Identify the customer contract.

Step 2: Identify the performance obligations in the contract.

Step 3: Decide on the transaction price.

Step 4: Amortize the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or with) the company meets its performance obligations. In addition, the standard also includes an integrated disclosure requirement that will enable the company to provide users of financial statements with comprehensive information on the nature, amount, timing and uncertainty of revenue and cash flows generated by customer contracts.

B. When the Company first applied the International Financial Reporting Standard No. 15 (hereinafter referred to as “IFRS 15”), it chose not to rewrite the previous financial statements, and recognized the cumulative impact of the initial application on the retained surplus on January 1, 2018 ( Hereinafter referred to as “corrected traceability”, the Company adopts the expediency of the IFRS 15 transitional provisions and selects only the IFRS for the contract that has not been completed on January 1, 2018. The retrospective transitional approach to adopting the revised retrospective approach to January 2018 The major impacts on the 1st are summarized as follows:

- a. The Company discounts the amount of receivables retained in the project by NT\$5,560. It does not have a significant financial component in accordance with IFRS 15. On January 1, 2018, the amount of receivables retained by the project is NT\$5,560 and the retained surplus is NT\$4,448. And increase the deferred income tax liability of NT\$1,112. The Company's increase in receivables for projects receivable is NT\$686,399 (accounted for “accounts receivable”). As a result of unconditional collection, it is expressed as IFRS 15 on January 1, 2018. Contract assets are NT\$686,399.
- b. The Company will recognize the construction contract amount of NT\$2,152,885 and the construction contract amount of NT\$789,786, which will be expressed on January 1, 2018 as contract assets of NT\$2,152,885 and contract liabilities of NT\$789,786.
- c. Please refer to Note 12(5) for additional disclosures on the initial application of IFRS 15.

C. Amendments to IAS 7 Information Disclosure Initiative.

This amendment requires companies to increase the disclosure of changes in liabilities related to (from) financing activities, including changes from cash and non-cash.

The amendments will enable the Company to increase the disclosure of changes in liabilities from (from) financing activities, including changes from cash and non-cash.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment:

IFRS 16, ‘Leases’

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company intends to adopt the revised retrospective transitional provisions of the International Financial Reporting Standard No. 16 "Leases" to adjust the lease contract of the lessee to the effect of the International Financial Reporting Standard No. 16 on January 1, 2019, possibly Increase the right to use assets and lease liabilities of NT\$16,718.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. Summary of significant accounting policies.

The principal accounting policies applied in the preparation of these parent financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent financial report is prepared in accordance with the financial issuer's financial reporting standards.

(2) Basis of preparation

- A. Except for the following items, the parent financial statements have been prepared under the historical cost convention:
  - a. Financial assets measured at fair value through other comprehensive gains and losses, measured at fair value.
  - b. Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the

financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies, and detail of significant accounts.

(3) Foreign currency translation

This parent financial report is presented in the company's functional currency "New Taiwan Dollar"

as the expression currency.

A. Foreign currency transactions and balances

- a. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- b. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- c. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- d. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- a. The operating results and financial position of all the Company entities, associates have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - (c) All resulting exchange differences are recognised in other comprehensive income.
- b. When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

(4) Classification of current and non-current items

The operating contracts contracted by the Company are generally longer than one year. The

assets and liabilities of the construction projects are classified as current or non-current according to the business cycle; the remaining and non-current standards for the following subjects are as follows:

- A. Assets that meet one of the following criteria are classified as current assets:
- a. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - b. Assets held mainly for trading purposes;
  - c. Assets that are expected to be realized within twelve months from the balance sheet date;
  - d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Those that do not meet the above are classified as non-current assets.

- B. Liabilities that meet one of the following criteria are classified as current liabilities:
- a. Liabilities that are expected to be settled within the normal operating cycle;
  - b. Liabilities arising mainly from trading activities;
  - c. Liabilities that are to be settled within twelve months from the balance sheet date;
  - d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Those that do not meet the above are classified as non-current liabilities.

(5) Cash equivalents

Cash on hand is a short-term, highly liquid investment that can be converted into fixed deposits and investments with a defined risk of cash and with minimal risk of changes in value.

(6) Financial assets measured at fair value through other comprehensive gains and losses

- A. It is an irrevocable option to present changes in fair value of investments in equity instruments that are not held for trading in other comprehensive gains and losses.
- B. The Company's financial assets measured at fair value through other comprehensive gains and losses in accordance with the trading conventions are accounted for on the trade date.
- C. The Company's fair value of the equity instruments is measured at fair value through profit or loss. Other changes in fair value are recognised in other comprehensive gains and losses. Subsequent interests or losses may not be reclassified to profit or loss and are transferred to retained earnings. When the right to receive dividends is established and the economic benefits associated with dividends are likely to flow in, and the amount of dividends can be reliably measured, the Company recognises dividend income in profit or loss.

(7) Loans and receivables

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services. For accounts receivable without unconditional collection rights, the contractual assets are listed under contract assets.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For debt instruments measured financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has



increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

Derecognition of financial assets when the Company's contractual rights to receive cash flows from financial assets are lapsed.

(10) Inventories

- A. The land for construction and the land under construction are based on the cost of acquisition. The construction land is transferred to the construction site when it is actively developed, and the interest is capitalized during the period from the active development or construction work to the completion date.
- B. At the end of the period and when the cost and net realizable value are low, when the comparative cost and the net realizable value are low, the item-by-item comparison method, the net realizable value refers to the estimated selling price under normal circumstances minus the completion of the investment. The balance of the cost and sales expenses.

(11) Investment/subsidiary using equity method

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity
- B. Inter-company transactions, balances and unrealized gains or losses on transactions between the Company and subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize the losses in proportion to the ownership.
- D. When the Company loses control of the subsidiary, the residual investment of the former subsidiary is re-measured at fair value. The difference between the fair value and the carrying amount is recognized as current profit and loss. For all amounts previously recognised in other comprehensive gains and losses relating to the subsidiary, the accounting treatment is the same as the basis for the disposal of the related assets or liabilities of the Company, that is, the benefits or losses previously recognized as other comprehensive gains and losses. When the relevant assets or liabilities are disposed of, they are reclassified to profit or loss. When the control of the subsidiary is lost, the interest or loss is reclassified from equity to profit or loss.
- E. Pursuant to the "Rules Governing the Preparation of Financial Statements by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate

asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

House and building     37~53 years

Machine equipment     4~7 years

Other equipment        3~9 years

(13) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 53 years.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. In addition to company goodwill, When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

(15) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(16) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(18) Provisions

Provisions (estimated warranty liabilities and contingent liabilities, etc.) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that

reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(19) Operating lease

Operating lease means the lease other than a finance lease, lease income and expenses (net of any incentives given to the lessee and the lessor) within the period of the lease straight-line amortization recognized as profit or loss.

(20) Employee benefits

- A. Short-term employee benefits Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.
- B. Pensions
- a. Defined contribution plans
- For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.
- b. Defined benefit plans
- (a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.
- (b) Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- (c) Past service costs are recognised immediately in profit or loss.
- C. Employees' compensation, directors' and supervisors' remuneration
- Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. In addition, the employee is paid by the stock, and the basis for calculating the number of shares is the closing price of the day before the resolution of the board of directors.

(21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary

differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent balance sheet. The deferred income tax liabilities arising from the goodwill arising from the original recognition are not recognized, if the deferred income tax is derived from the original recognition of the asset or liability in the transaction (excluding business combination) and at the time of the transaction. If the accounting profit or taxable income (taxable loss) is not affected, it will not be recognized. If there is a temporary difference arising from the investment of the subsidiary, the Company can control the timing of the temporary difference in reversal, and the temporary difference is likely to not be recognized in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. When the tax rate changes during the interim period, the Company recognises the change in the amount of the change in the period in which the change occurs. For the item related to the income tax and the item recognized in profit or loss, the variable impact is recognized in other comprehensive profit or loss or equity items. Income tax related to items recognized in profit or loss, the variable impact is recognized in profit or loss.

(22) Common share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities. The distribution of stock dividends is recognized as dividends to be distributed and is transferred to ordinary shares on the base date of the issuance of new shares.

(24) Revenue recognition

Project revenue from construction contracts

The Company's engineering income is mainly generated by contracting construction contracts and is a performance obligation that is gradually satisfied over time. When the result of the construction contract can be reliably estimated, the completion ratio method recognizes the project income according to the progress of the project. The completion schedule is calculated as the percentage of the total contract price of each contract as a percentage of the total contract price. When the contract costs are likely to exceed the contract revenue, the expenses and liabilities of the loss-making contract are immediately recognized. Changes in contract work, claims and awards shall be corrected for the estimated total cost of the contract, the estimated total cost and the proportion of completion, and will be reflected in the current period when the management is informed of the change in circumstances and the amendments are made. profit and loss.

The Company accounts for the total amount of accounts that should be received from customers for contract work, that is, the cost incurred in the contract under construction

plus the recognized profit exceeds the amount of the progress of the project, expressed as assets, and the contract assets are accounted for. In the case of a construction contract, the amount of the project progress exceeds the sum of the incurred costs plus the recognized profits, expressed as liabilities, and the contract liabilities are accounted for.

5. Critical accounting judgements, estimates and key sources of assumption uncertainty

The preparation of these parent financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Construction contract

The Company's construction contract is based on the percentage of the total contract price and the estimated total cost. The project revenue and project cost are calculated based on the ratio of each contract to the owner's acceptance. When the estimated total cost is likely to exceed the contract revenue, the expected loss is immediately recognized as an expense. In the event of a change in contract work, a claim and a bonus, the range of income that is likely to generate revenue and that can be reliably measured is included in the contract revenue.

Since the estimated total cost and contract items are evaluated and judged by the management for the characteristics of different projects, the estimated amount of the contract, the construction period and the construction method, it may affect the calculation of the project cost.

The completion ratio of the construction contracts of the Company and the recognized gains and losses are described in Note 6 (3).

(2) The achievability of deferred income tax assets

Deferred income tax assets are recognized in the future when it is probable that there will be sufficient taxable income for deducting temporary differences. When assessing the achievability of deferred income tax assets, it must involve significant accounting judgments and estimates of management, including assumptions about expected future sales revenue growth, profit margin and available income tax credits.

On December 31, 2018, the deferred income tax assets recognized by the Company were NT\$129,814.

6. Details of significant accounts

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand and revolving funds	\$ 6,990	\$ 8,600
Checking accounts and demand deposits	631,364	510,525
Time deposits	-	27,000
	<u>\$ 638,354</u>	<u>\$ 546,125</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The above cash and approximate cash are not provided as collateral guarantees.

(2) Accounts receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts receivable	<u>\$ 939,181</u>	<u>\$ 446,001</u>

A. The Company's retention receivables for construction projects arising from construction

contracts at 2018 and 31 December 2017 were NT\$141,988 ("Contracted Assets") and NT\$704,831 ("Accounts Receivable"). The expected recovery is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
2018	\$ -	\$ 394,625
2019	95,239	302,302
After 2020 (inclusive)	<u>46,749</u>	<u>7,904</u>
	<u>\$ 141,988</u>	<u>\$ 704,831</u>

B. The Company's receivables and retention payments are in compliance with the Company's credit criteria and are not past due and not Impairment, its main customer object analysis is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Government units and public utilities	\$ 1,054,148	\$ 1,126,840
All customers except government agencies and public utilities	<u>27,021</u>	<u>23,992</u>
	<u>\$ 1,081,169</u>	<u>\$ 1,150,832</u>

C. The Company does not hold any collateral and, in the absence of consideration of the collateral or other credit enhancements, is the most representative of the Company's receivables and receivables retained in 2018 and 2017. The maximum risk of credit risk on the 31st of the month was NT\$1,081,169 and NT\$1,150,832 respectively.

(3) Construction in progress

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Total costs incurred and recognized profits and losses	\$ 69,424,449	\$ 65,365,996
Less: The amount of project progress requests	<u>( 67,529,275)</u>	<u>( 63,962,814)</u>
Ongoing contract net assets and liabilities	<u>\$ 1,895,174</u>	<u>\$ 1,403,182</u>
Reported as:		
Contract Assets - Current(December 31, 2017)Reported as "Available for Construction Contracts")	\$ 2,953,881	\$ 2,192,968
Contract Liability - Current (December 31, 2017)Reported as "payable construction contract")	<u>( 1,058,707)</u>	<u>( 789,786)</u>
	<u>\$ 1,895,174</u>	<u>\$ 1,403,182</u>

A. As of 2018 and December 31, 2017, the retention receivables for construction contracts related to construction contracts were NT\$141,988 and NT\$704,831, respectively.

B. The cost of the construction of the construction contracts contracted by the Company in 2018 and 2017 respectively It is NT\$3,786,102 and NT\$4,069,666.

C. As of December 31, 2018, the main items that the Company has signed but have not yet completed are as follows:

<u>project name</u>	<u>Total contract price</u>	<u>Estimated total cost</u>	<u>Completion ratio</u>	<u>Scheduled completion year</u>	<u>Cumulative recognized gains and losses</u>
KSC036	\$ 38,343,312	\$ 37,448,440	98.83	2019	\$ 504,168
KSC053	8,166,871	7,840,593	97.87	2019	319,341
KSC055	9,177,019	8,779,616	79.47	2019	315,801
KSC056	7,226,612	7,003,593	90.37	2019	201,530
KSC057	6,600,625	6,472,848	85.16	2019	108,817
KSC062	1,799,628	1,771,102	39.27	2021	11,202
KSC065	1,097,638	1,048,329	25.68	2020	12,663
KSC066	1,134,307	1,068,236	39.97	2019	26,407
KSC067	11,898,679	11,115,398	-	2024	-

(4) inventory

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Construction land	<u>203,396</u>	<u>202,698</u>

Please refer to Note 8 for information on the Company's guarantees provided by inventory.

(5) Prepayments

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Prepaid materials and engineering	\$ 97,385	\$ -
Prepaid premium	32,262	25,669
Offset Against Business Tax Payable	11,447	-
Advance Payment and Performance		
Bond handling fee	6,804	4,902
Prepaid rent	1,309	2,495
other	<u>4,367</u>	<u>5,219</u>
	<u>\$ 153,574</u>	<u>\$ 38,285</u>

(6) Financial assets at fair value through other comprehensive income-Non-current

<u>Items</u>	<u>December 31, 2018</u>
Equity instruments	
Listed stocks	\$ 100,440
Non-Listed stocks	<u>66,459</u>
Subtotal	166,899
Valuation adjustment	144,665
Cumulative impairment	( <u>110,170</u> )
Total	<u>\$ 201,394</u>

A. The Company chooses to classify the rights and interests of strategic investment into other comprehensive gains and losses. The financial assets measured by value, the fair value of these investments on December 31, 2018 was NT\$201,394.

B. The above-mentioned equity instruments that are measured at fair value through other comprehensive gains and losses are recognized in other comprehensive gains and losses in 2018 as NT\$26,075.

C. Without prejudice to the possession of other warrants or other credit enhancements, it is best to represent the Company's financial assets held at fair value through other comprehensive gains and losses on December 31, 2018. The biggest risk of daily credit risk is NT\$201,394.

- D. Please refer to Note 8 for the information provided by the Company with the guarantee of the listed company's stock.
- E. Relevant financial assets and credit risk information measured by fair value through other comprehensive gains and losses Please attach Note 12(2) Description.
- F. For the sale of the financial assets on December 31, 2017, please refer to Note 12 (4) for details.

(7) Investments accounted for under the equity method

Subsidiary	December 31, 2018	December 31, 2017
Chan Pang Construction Co., Ltd.	\$ 553,678	\$ 474,240
Kung Sing International Holding Company Limited	43,481	44,406
Jiangsu Kung Sing Engineering Consulting Co., Ltd.	108,461	131,515
Kung Sing Development Co., Ltd.	350,947	344,234
Kung Sing Biomedical Engineering Co., Ltd.	4,184	6,004
	\$ 1,060,751	\$ 1,000,399

- A. The share of the subsidiary's (loss) gains recognized by the Company's investment in equity method in 2018 and 2017 is NT\$(23,786) and NT\$(32,569), respectively, based on the financial statements of the investee company audited by the accountant during the same period. Evaluation. The details of the changes in this subject are as follows:

	2018	2017
January 1 balance	\$ 1,000,399	\$ 1,137,574
Increase investment using equity method	80,000	240,000
Dispose the investment using equity method	-	( 313,378)
Return of shares using the equity method of liquidation	-	( 3,217)
Investment (loss) share of equity using equity method	( 23,786)	( 32,569)
Already (not) achieved sales gross profit	7,747	( 4,885)
Other changes in equity	( 3,609)	( 23,126)
December 31 balance	\$ 1,060,751	\$ 1,000,399

- B. The Company's 2018 and 2017 annual transactions due to the contracted subsidiary project have already (not yet) realized benefits of NT\$7,747 and NT\$(4,885) respectively, which have been sold as "Equity Method". a reduction in the investment.
- C. The company sold Merit Century Investments Limited in December 2017. The share price of the shares was NT\$311,738 and the loss on sale was NT\$1,640.
- D. For information about the subsidiaries of the Company, please refer to Note 4(3) of the Company's 2018 consolidated financial statements.



(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Others</u>	<u>Total</u>
<u>January 1, 2018</u>					
Cost	\$ 261,340	\$ 90,436	\$ 380,853	\$ 33,257	\$ 765,886
Accumulated depreciation	<u>-</u>	<u>( 63,838)</u>	<u>( 266,355)</u>	<u>( 22,377)</u>	<u>( 352,570)</u>
	<u>\$ 261,340</u>	<u>\$ 26,598</u>	<u>\$ 114,498</u>	<u>\$ 10,880</u>	<u>\$ 413,316</u>
<u>2018</u>					
January 1	\$ 261,340	\$ 26,598	\$ 114,498	\$ 10,880	\$ 413,316
Additions	-	-	-	1,276	1,276
Disposals	-	-	( 16,636)	-	( 16,636)
Depreciation charge	<u>-</u>	<u>( 3,161)</u>	<u>( 51,803)</u>	<u>( 4,214)</u>	<u>( 59,176)</u>
December 31	<u>\$ 261,340</u>	<u>\$ 23,437</u>	<u>\$ 46,059</u>	<u>\$ 7,944</u>	<u>\$ 338,780</u>
<u>December 31, 2018</u>					
Cost	\$ 261,340	\$ 78,696	\$ 276,491	\$ 20,611	\$ 637,138
Accumulated depreciation	<u>-</u>	<u>( 55,259)</u>	<u>( 230,432)</u>	<u>( 12,667)</u>	<u>( 298,358)</u>
	<u>\$ 261,340</u>	<u>\$ 23,437</u>	<u>\$ 46,059</u>	<u>\$ 7,944</u>	<u>\$ 338,780</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Others</u>	<u>Total</u>
<u>January 1, 2017</u>					
Cost	\$ 261,340	\$ 83,604	\$ 426,788	\$ 28,774	\$ 800,506
Accumulated depreciation	<u>-</u>	<u>( 61,239)</u>	<u>( 238,773)</u>	<u>( 17,844)</u>	<u>( 317,856)</u>
	<u>\$ 261,340</u>	<u>\$ 22,365</u>	<u>\$ 188,015</u>	<u>\$ 10,930</u>	<u>\$ 482,650</u>
<u>2017</u>					
January 1	\$ 261,340	\$ 22,365	\$ 188,015	\$ 10,930	\$ 482,650
Additions	-	6,832	780	4,548	12,160
Disposals	-	-	( 12,866)	( 9)	( 12,875)
Depreciation charge	<u>-</u>	<u>( 2,599)</u>	<u>( 61,431)</u>	<u>(4,589)</u>	<u>( 68,619)</u>
December 31	<u>\$ 261,340</u>	<u>\$ 26,598</u>	<u>\$ 114,498</u>	<u>\$ 10,880</u>	<u>\$ 413,316</u>
<u>December 31, 2017</u>					
Cost	\$ 261,340	\$ 90,436	\$ 380,853	\$ 33,257	\$ 765,886
Accumulated depreciation	<u>-</u>	<u>( 63,838)</u>	<u>( 266,355)</u>	<u>( 22,377)</u>	<u>( 352,570)</u>
	<u>\$ 261,340</u>	<u>\$ 26,598</u>	<u>\$ 114,498</u>	<u>\$ 10,880</u>	<u>\$ 413,316</u>

The Company provides information on the security of the property, plant and equipment. Please note the description of the eight.

(9) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
At January 1, 2018			
Cost	\$ 209,798	\$ 294,730	\$ 504,528
Accumulated depreciation	<u>-</u>	<u>( 86,447)</u>	<u>( 86,447)</u>
	<u>\$ 209,798</u>	<u>\$ 208,283</u>	<u>\$ 418,081</u>
<u>2018</u>			
January 1	\$ 209,798	\$ 208,283	\$ 418,081
Depreciation charge	<u>-</u>	<u>( 9,631)</u>	<u>( 9,631)</u>
December 31	<u>\$ 209,798</u>	<u>\$ 198,652</u>	<u>\$ 408,450</u>
<u>December 31, 2018</u>			
Cost	\$ 209,798	\$ 294,730	\$ 504,528
Accumulated depreciation	<u>-</u>	<u>( 96,078)</u>	<u>( 96,078)</u>
	<u>\$ 209,798</u>	<u>\$ 198,652</u>	<u>\$ 408,450</u>
<u>2017</u>			
At January 1, 2017			
Cost	\$ 209,798	\$ 294,722	\$ 504,520
Accumulated depreciation	<u>-</u>	<u>( 76,955)</u>	<u>( 76,955)</u>
	<u>\$ 209,798</u>	<u>\$ 217,767</u>	<u>\$ 427,565</u>
January 1	\$ 209,798	\$ 217,767	\$ 427,565
Additions	-	243	243
Depreciation charge	-	( 9,183)	( 9,183)
Impairment loss	<u>-</u>	<u>( 544)</u>	<u>( 544)</u>
December 31	<u>\$ 209,798</u>	<u>\$ 208,283</u>	<u>\$ 418,081</u>
<u>December 31, 2017</u>			
Cost	\$ 209,798	\$ 294,730	\$ 504,528
Accumulated depreciation	<u>-</u>	<u>( 86,447)</u>	<u>( 86,447)</u>
	<u>\$ 209,798</u>	<u>\$ 208,283</u>	<u>\$ 418,081</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	<u>2018</u>	<u>2017</u>
Rental income from investment property	<u>\$ 4,524</u>	<u>\$ 5,407</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 9,453</u>	<u>\$ 9,118</u>
Direct operating expenses arising from the investment property that did not generate rental income in the period	<u>\$ 913</u>	<u>\$ 917</u>

B. The fair value of the investment real estate held by the Company on 2018 and 31 December 2017 was NT\$530,808 and NT\$519,668, respectively, based on the evaluation results of independent evaluation experts. The evaluation uses comparative method, cost method, The land development analysis method and income method are classified as the third level of fair value. The main assumptions of the income approach are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Income capitalization rate	1.73%-2.05%	1.73%~1.80%

C. The estimated recoverable amount of some of the Company's buildings and buildings is less than the book value, and the impairment losses recognized in 2018 and 2017 are NT\$0 and

NT\$544, respectively, which are included in the "Other Benefits and Losses" subject under. This Company uses the fair value as the recoverable amount of the impairment test.

D. The Company's information on the provision of guarantees for investment in real estate is detailed in Note 8.

(10) Other non-current assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Restricted assets (time deposits and cash)	\$ 29,154	\$ 34,337
Refundable deposits	21,432	26,820
Prepaid bank loan guarantee operation and management fee	4,307	6,010
Others	<u>854</u>	<u>1,323</u>
	<u>\$ 55,747</u>	<u>\$ 68,490</u>

For details of the Company's guarantees for restricted assets, please refer to Note 8 for details.

(11) Short-term borrowings

<u>Type</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Guaranteed bank loan	\$ 1,625,000	\$ 1,060,000
Unsecured bank loan	<u>250,000</u>	<u>150,000</u>
	<u>\$ 1,875,000</u>	<u>\$ 1,210,000</u>
Interest rate range	<u>1.30%~2.60%</u>	<u>1.20%~2.60%</u>

Note: Please refer to Note 8 for details of the pledge warranty.

(12) Long term loan

<u>Type of borrowing</u>	<u>Repayment period</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Medium term secured loan	Amortization from 2015 to 2022	\$ 86,139	\$ 90,506
Medium-term unsecured loan	Amortization from 2018 to 2020	75,000	100,000
Medium-term unsecured loan	Amortization from 2018 to 2020	119,516	-
Medium term secured loan	Amortization from 2013 to 2018	-	11,895
Medium-term unsecured joint loan	10% completion rate of the project After each period of construction 22.5% amortization	<u>-</u>	<u>105,040</u>
Subtotal		280,655	307,441
Less: due within one year	Part of the account His current liabilities")	<u>( 125,717)</u>	<u>( 146,255)</u>
total		<u>\$ 154,938</u>	<u>\$ 161,186</u>
Interest rate range		<u>1.80%~2.01%</u>	<u>1.80%~2.27%</u>

Note: Please refer to Note 8 for details of the pledge warranty.

- A. The Company has signed a medium-term non-guaranteed joint lending and project performance guarantee bond contract with nine financial institutions such as Taiwanese Mainland Bank Bank. The main limitation is that the financial ratio of the annual consolidated financial statements should be maintained as follows:
- The ratio of flows (current assets/current liabilities) must not be less than 110%.
  - The debt ratio (total debt/shareholders' equity) must not exceed 180%.
  - Interest coverage ratio [(pre-tax net profit + depreciation + amortization + interest expense) / interest expense] must not be low.
  - The net value must not be lower than NT\$3,500,000.

The company reimbursed this joint lending in 2018 and is therefore not subject to the financial ratio.

B. The details of the company's unutilized loan amount are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Floating rate		
Due within one year	\$ 100,000	\$ 550,000
Expires in more than one year	<u>-</u>	<u>650,000</u>
	<u>\$ 100,000</u>	<u>\$ 1,200,000</u>

C. The liquidity risk of the Company is detailed in Note 12 (2) C. (c).

(13) Debt preparation

	2018		
	Warranty	Litigation loss	total
January 1 balance	\$ 82,203	\$ 63,800	\$ 146,003
New in the current period	2,559	-	2,559
Used in this issue	( 1,446)	-	( 1,446)
Current income	( 2,143)	( 33,000)	( 35,143)
December 31 balance	<u>\$ 81,173</u>	<u>\$ 30,800</u>	<u>\$ 111,973</u>
The report is listed as			
Debt Preparation –current	<u>\$ 11,443</u>	<u>\$ -</u>	<u>\$ 11,443</u>
Debt preparation - non- current	<u>\$ 69,730</u>	<u>\$ 30,800</u>	<u>\$ 100,530</u>
	2017		
	Warranty	Litigation loss	total
January 1 balance	\$ 31,405	\$ 63,800	\$ 95,205
New in the current period	50,946	-	50,946
Used in this issue	( 148)	-	( 148)
December 31 balance	<u>\$ 82,203</u>	<u>\$ 63,800</u>	<u>\$ 146,003</u>
The report is listed as			
Debt Preparation –current	<u>\$ 13,820</u>	<u>\$ -</u>	<u>\$ 13,820</u>
Debt preparation - non- current	<u>\$ 68,383</u>	<u>\$ 63,800</u>	<u>\$ 132,183</u>

A. Warranty

The Company's warranty liability preparation is mainly related to the construction contract, and the warranty liability is based on historical warranty data. The warranty liability is expected to expire from 2018 to 2021.

B. Litigation loss

The Company's litigation losses are mainly related to the lawsuits and work safety incidents under the construction contract, the lawsuits arising from the relevant engineering matters, and the management of the most probable litigation losses after the assessment and reference to the legal opinions.

(14) Net defined benefit liabilities

A. The Company have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

a. The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	(\$ 69,129)	(\$ 88,605)
Fair value of plan assets	<u>51,853</u>	<u>52,111</u>

Net defined benefit liability (\$ 17,276) (\$ 36,494)

b. Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>2018</u>			
January 1 balance	(\$ 88,605)	\$ 52,111	(\$ 36,494)
Current service cost	( 866)	-	( 866)
Interest expense (income)	( 853)	494	( 359)
prior period service cost	<u>1,051</u>	<u>-</u>	<u>1,051</u>
	<u>( 89,273)</u>	<u>52,605</u>	<u>( 36,668)</u>
Remeasurements:			
Returns on plan assets	-	1,614	1,614
Change in demographic assumptions	208	-	208
Change in financial assumptions	( 1,599)	-	( 1,599)
Experience adjustments	<u>3,271</u>	<u>-</u>	<u>3,271</u>
	<u>1,880</u>	<u>1,614</u>	<u>3,494</u>
Pension fund contribution	<u>-</u>	<u>5,789</u>	<u>5,789</u>
Paid pension	<u>18,264</u>	<u>( 8,155)</u>	<u>10,109</u>
December 31 balance	<u>(\$ 69,129)</u>	<u>\$ 51,853</u>	<u>(\$ 17,276)</u>

	<u>defined benefit obligations</u>	<u>Present value of Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>2017</u>			
January 1 balance	(\$ 92,558)	\$ 46,324	(\$ 46,234)
Current service cost	( 960)	-	( 960)
Interest expense (income)	( 1,129)	558	( 571)
prior period service cost	<u>44</u>	<u>-</u>	<u>44</u>
	<u>( 94,603)</u>	<u>46,882</u>	<u>( 47,721)</u>
Remeasurements:			
Returns on plan assets	-	( 71)	( 71)
Change in demographic assumptions	( 4)	-	( 4)
Change in financial assumptions	( 1,931)	-	( 1,931)
Experience adjustments	<u>1,714</u>	<u>-</u>	<u>1,714</u>
	<u>( 221)</u>	<u>( 71)</u>	<u>( 292)</u>
Pension fund contribution	<u>-</u>	<u>11,519</u>	<u>11,519</u>
Paid pension	<u>6,219</u>	<u>( 6,219)</u>	<u>-</u>
December 31 balance	<u>(\$ 88,605)</u>	<u>\$ 52,111</u>	<u>(\$ 36,494)</u>

c. The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor

Retirement Fund” (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

d. The principal actuarial assumptions used were as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	<u>0.75%</u>	<u>1.00%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

- (a) Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.
- (b) Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2018				
Effect on present value of defined benefit obligation	<u>(\$ 1,553)</u>	<u>\$ 1,607</u>	<u>\$ 1,583</u>	<u>(\$ 1,538)</u>
December 31, 2017				
Effect on present value of defined benefit obligation	<u>(\$ 1,930)</u>	<u>\$ 1,998</u>	<u>\$ 1,973</u>	<u>(\$ 1,916)</u>

- Ⓐ The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.
- Ⓑ The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.
- e. Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2019 amount to \$947.
- f. As of December 31, 2018, the weighted average duration of the retirement plan was 9 years. The maturity analysis of pension payments is as follows:

Less than 1 year	\$	6,348
1-2 years		1,590
2-5 years		8,348
More than 5 years		<u>56,355</u>
	<u>\$</u>	<u>72,641</u>

- B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company

and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2018 and 2017 were \$10,011 and \$10,097, respectively.

C. The remaining merged individuals did not appoint employees in the local area, so no relevant retirement schemes were established, and the pension costs were not recognized.

(15) Capital - common stock

As of 2018 and December 31, 2017, the company's rated capital is NT\$4,500,000, divided into 450,000 shares, the paid-up capital is NT\$3,475,274, and the number of outstanding shares is 347,527 shares. The denomination per share is NT\$10. The shares of the issued shares of the Company have been received. The ordinary shares of the company are the same as the number of shares outstanding at the beginning and end of the period.

(16) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

A. The company's articles of association stipulate that if there is a surplus in the annual final accounts, the tax should be paid first to make up for the previous year's losses, and 10% is the statutory surplus reserve. If there is still surplus plus the initial distributable surplus, the board of directors proposes After the resolution of the shareholders meeting. The dividends of its shareholder dividends are distributed in two ways: the dividends of the stocks and the cash dividends. The ratio of cash dividends is not less than 10% of the total dividends of the shareholders. In the preceding paragraph, the surplus distribution may be distributed separately after the special surplus reserve is required.

B. The statutory surplus reserve shall not be used except for the loss of the company and the issuance of new shares or cash according to the proportion of the original shares of the shareholders. However, if the new shares or cash are issued, the reserve shall not exceed 25% of the paid-up capital.

C. When the company distributes the surplus, it is required by law to provide a special surplus reserve starting score for the debit balance of other equity items on the balance sheet date of the current year. When the debit balance of other equity items is reversed, the amount of revolving is included in the distribution. In the surplus.

When adopting IFRSs for the first time, according to the special surplus reserve mentioned in the letter of the financial management certificate issued on April 6, 2012, the company will use the special surplus reserve when the company uses, disposes or reclassifies the relevant assets. The proportion will be reversed. If the above-mentioned related assets are investment real estate, the land part will be revolved when it is disposed of or reclassified, and the part other than the land will be rotated during the period of use.

D. On June 29, 2018, the company resolved to make up for the accumulated loss in 2017 by the shareholders' meeting with a statutory surplus reserve of NT\$230,096 and a capital reserve of NT\$83,300 for a total of NT\$313,396. In addition, the resolution is NT\$208,517 in capital reserve and NT\$0.6 per invoicing.

E. The Company's 2016 annual surplus distribution as determined by the shareholders' meeting on June 14th, 2017 is as follows:

	Amount	2016	
		Dividends per share(in NT dollars)	
Set aside as legal reserve	\$ 9,072		
Cash dividends	69,505	\$	0.2

F. The company's board of directors decided on March 27, 2019 that there would be no surplus allocation in 2018.

G. For details of employee compensation and directors' remuneration, please refer to Note 6(26).

(18) Other rights

	2018			
	Foreign currency conversion	Equity instrument investments measured at fair value through other comprehensive gains and losses are not assessed (loss)	Provision for sale of financial assets does not realize benefits	total
January 1 balance	(\$ 12,700)	\$ -	\$ 118,590	\$ 105,890
Modified traceability	-	3,621	( 118,590)	( 114,969)
Evaluation adjustment - the Company	-	26,075	-	26,075
Evaluation adjustment - the Subsidiary	-	( 751)	-	( 751)
Foreign currency conversion differences - the Company	( 2,858)	-	-	( 2,858)
December 31 balance	<u>(\$ 15,558)</u>	<u>\$ 28,945</u>	<u>\$ -</u>	<u>\$ 13,387</u>
	2017			
	Foreign currency conversion	Provision for sale of financial assets does not realize benefits		total
January 1 balance	\$ 10,426	\$	93,556	\$ 103,982
Foreign currency conversion differences - the Company	( 23,126)	-	-	( 23,126)
Evaluation adjustment - the Company	-	-	25,034	25,034
December 31 balance	<u>(\$ 12,700)</u>	<u>\$</u>	<u>118,590</u>	<u>\$ 105,890</u>



(19) Income tax

A. Income tax expense

a. Components of income tax expense:

	<u>2018</u>	<u>2017</u>
Current tax:		
Current tax on profits for the period	\$ -	\$ -
Undistributed surplus plus income tax	-	1,509
Prior year income tax (over) under estimation	<u>( 1,509)</u>	<u>433</u>
	<u>( 1,509)</u>	<u>1,942</u>
Deferred tax:		
Origination and reversal of temporary differences	6,004	( 10,118)
Tax losses	( 26,992)	( 54,162)
Impact of change in tax rate	<u>( 13,767)</u>	<u>-</u>
	<u>( 34,755)</u>	<u>( 64,280)</u>
Income tax benefit	<u>(\$ 36,264)</u>	<u>(\$ 62,338)</u>

b. Income tax related to other comprehensive gains and losses:

	<u>2018</u>	<u>2017</u>
Determine the remeasurement of welfare obligations	(\$ 699)	\$ 50
Impact of tax rate changes	<u>119</u>	<u>-</u>
	<u>(\$ 580)</u>	<u>\$ 50</u>

B. Income tax expenses and accounting profit relationship:

	<u>2018</u>	<u>2017</u>
Income tax calculated by applying statutory rate to the profit before tax	(\$ 21,043)	( \$ 70,161)
Income from tax exemption under the Income Tax Law and fees that should be excluded	348	5,881
Deferred income tax achievability assessment change	( 293)	-
Previous annual income tax (high) underestimation	( 1,509)	433
Income tax impacts of tax law amendments	( 13,767)	-
Undistributed surplus plus income tax	<u>-</u>	<u>1,509</u>
Income tax benefit	<u>(\$ 36,264)</u>	<u>(\$ 62,338)</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2018			
	<u>At January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>At December 31</u>
Deferred income tax assets:				
-Temporary differences:				
Unrealized litigation loss	\$ 10,846	(\$ 4,686)	\$ -	\$ 6,160
Net defined benefit liability	6,204	( 2,169)	( 580)	3,455
Investment real estate loss loss	2,457	434	-	2,891
Warranty liability	13,975	2,260	-	16,235
Real estate, factory and Equipment loss	3,598	635	-	4,233
Unrealized sales gross profit	5,132	( 644)	-	4,488
Other	1,199	441	-	1,640
- tax loss	<u>54,162</u>	<u>36,550</u>	<u>-</u>	<u>90,712</u>
	<u>\$ 97,573</u>	<u>\$ 32,821</u>	<u>(\$ 580)</u>	<u>\$ 129,814</u>
Deferred income tax liabilities:				
- Temporary differences:				
Long-term foreign investment income	<u>(\$ 18,888)</u>	<u>\$ 822</u>	<u>\$ -</u>	<u>(\$ 18,066)</u>

	2017			
	<u>At January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>At December 31</u>
Deferred income tax assets:				
-Temporary differences:				
Unrealized litigation loss	\$ 10,846	\$ -	\$ -	\$ 10,846
Net defined benefit liability	7,860	( 1,706)	50	6,204
Investment real estate loss loss	2,365	92	-	2,457
Warranty liability	5,339	8,636	-	13,975
Real estate, factory and Equipment loss	3,598	-	-	3,598
Unrealized sales gross profit	4,301	831	-	5,132
Other	1,199	-	-	1,199
- tax loss	<u>-</u>	<u>54,162</u>	<u>-</u>	<u>54,162</u>
	<u>\$ 35,508</u>	<u>\$ 62,015</u>	<u>\$ 50</u>	<u>\$ 97,573</u>
Deferred income tax liabilities:				
- Temporary differences:				
Long-term foreign investment income	<u>(\$ 21,153)</u>	<u>\$ 2,265</u>	<u>\$ -</u>	<u>(\$ 18,888)</u>

The taxable losses arising from the Company in 2018 and 2017 are recognized as deferred income tax assets as the estimated taxable income in the future year exceeds the accumulated taxable losses.

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2017			
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Expiry year</u>
2017 (number of declarations)	11,563	11,563	2026
2018 (estimated)	338,059	338,059	2027

E. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(20) Loss per share

	2018		
	<u>After-tax amount</u>	<u>Weighted average number of issued shares (thousand shares)</u>	<u>Loss per share (NT\$ dollors)</u>
Basic and diluted loss per share			
Current loss attributable to ordinary shareholders	(\$ 68,950)	347,527	(\$ 0.20)

	2017		
	<u>After-tax amount</u>	<u>Weighted average number of issued shares (thousand shares)</u>	<u>Loss per share (NT\$ dollors)</u>
Basic and diluted loss per share			
Current loss attributable to ordinary shareholders	(\$ 350,373)	347,527	(\$ 1.01)

(21) Operating revenue

	2018
A. Project contract income	\$ 3,812,581

The revenue of the Company for the year 2018 is derived from the provision of construction construction contract revenues that are gradually recognized over time.

B. Contract assets and liabilities

The Company recognizes contractual assets and contract liabilities related to customer contract revenue as follows:

Contract assets:

Construction contract	\$ 2,953,881
Retainables for receivables	141,988

	<u>\$</u>	<u>3,095,869</u>
Contract liability - construction contract	<u>(\$</u>	<u>1,058,707)</u>

The initial contract liability is recognized in 2018 as the amount of income of NT\$789,786.

C. Please refer to Note 12 (5) B for the relevant disclosure of 2017 annual operating income.

(22) Other income

	<u>2018</u>	<u>2017</u>
Interest income :		
Interest income from bank deposits	\$ 2,955	\$ 2,544
Other interest income	3	11,916
Rental income	4,621	5,502
Dividend income	6,933	9,150
Debt reserve transfer income	35,143	-
Payables transferred income	11,563	5,449
Other income	1,912	768
	<u>\$ 63,130</u>	<u>\$ 35,329</u>

(23) Other gains and losses

	<u>2018</u>	<u>2017</u>
Gains on disposal of property, plant and equipment (loss)	\$ 4,377	(\$ 1,831)
Loss on disposal of investments	-	( 1,640)
Foreign exchange (losses)	( 980)	( 1,360)
Financial asset impairment loss	-	( 1,500)
Investment real estate loss loss	-	( 544)
Investment real estate depreciation expense	( 9,631)	( 9,183)
Other	( 308)	( 4,563)
	<u>(\$ 6,542)</u>	<u>(\$ 20,621)</u>

(24) Finance costs

	<u>2018</u>	<u>2017</u>
Interest expense		
Bank loan	\$ 32,574	\$ 26,144
Other	605	-
Bank joint loan fee	2,004	2,027
Issue corporate bond processing fee	-	1,315
Other financial expenses	198	-
	<u>\$ 35,381</u>	<u>\$ 29,486</u>

(25) Expenses by nature

	<u>2018</u>	<u>2017</u>
Employee benefit expense	<u>\$ 425,721</u>	<u>\$ 459,853</u>
Depreciation of property, plant and equipment	<u>\$ 59,176</u>	<u>\$ 68,619</u>
Amortization fee	<u>\$ 580</u>	<u>\$ 622</u>

(26) Employee benefit expense

	2018		
	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 301,596	\$ 54,941	\$ 356,537
Labor and health insurance fees	27,372	4,561	31,933
Pension costs	8,303	1,882	10,185
Director's remuneration	-	1,580	1,580
Other personnel expenses	18,901	3,585	22,486
	<u>\$ 356,172</u>	<u>\$ 66,549</u>	<u>\$ 422,721</u>

	2017		
	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Salaries and wages	\$ 330,815	\$ 53,727	\$ 384,542
Labor and health insurance fees	30,805	4,727	35,532
Pension costs	9,052	2,532	11,584
Director's remuneration	-	1,080	1,080
Other personnel expenses	22,707	4,408	27,115
	<u>\$ 393,379</u>	<u>\$ 66,474</u>	<u>\$ 459,853</u>

- A. According to the company's articles of association, after deducting the accumulated losses according to the profitability of the current year, if there is a balance, the employee should be paid 3% to 5% and the directors' compensation should not be higher than 3%.
- B. The Company's 208 and 2017 annual losses are pre-tax, so no employee compensation is estimated and the compensation of the directors.  
The 2017 annual employee compensation and directors' compensation as determined by the board of directors are NT\$0, which is in line with the amount recognized in the 2017 financial report.  
Information on the remuneration of employees and directors approved by the board of directors of the Company can be obtained from the "Market Observation Post System"
- C. As of 2018 and 31 December 2017, the employees of the Company include foreign workers and points. The number of workers is 637 and 655 respectively, of which the number of directors who are not concurrent employees is 5 people.

(27) Changes in liabilities from financing activities

	<u>short-term loan</u>	<u>Long-term loan</u>	<u>Total liabilities from financing activities</u>
January 1, 2018	\$ 1,210,000	\$ 307,441	\$ 1,517,441
Changes in cash flow from financing	<u>665,000</u>	<u>( 26,786)</u>	<u>638,214</u>
December 31, 2018	<u>\$ 1,875,000</u>	<u>\$ 280,655</u>	<u>\$ 2,155,655</u>

## 7. Related party transactions

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Kung Sing Development Co., Ltd.( Kung Sing Development)	Subsidiary
Chan Pang Construction Co., Ltd.( Chan Pang Construction)	Subsidiary
Jiangsu Kung Sing Engineering Consulting Co., Ltd. (Jiangsu Kung Sing)	Subsidiary
Kung Sing Biomedical Engineering Co., Ltd. (Kung Sing Biomedical)	Subsidiary
Kung Sing International Holding Company Limited	Subsidiary
Kung Sing International (Hong Kong) Co., Ltd.	Grandson Company
Chen, huang- ming	Major management members
Chiang, chi- ching	Major management members
Pan, chun- jung	Other related people

### (2) Significant transactions and balances with related parties

#### A. Project income (accounting for "operating income")

The Company's engineering projects for the Kung Sing development , the project revenues recognized in the 2018 and 2017 according to the percentage of completion method were NT\$28,436 and NT\$78,227, respectively, and the project costs were NT\$33,716 and NT\$73,342, respectively, and as of 2018. As of December 31, 2017, the accounts receivable balances were NT\$27,021 and NT\$23,992, respectively.

#### B. Rental income (included in "other income")

	<u>2018</u>	<u>2017</u>
Kung Sing Development	\$ 1,542	\$ 2,399
Subsidiary	<u>57</u>	<u>81</u>
	<u>\$ 1,599</u>	<u>\$ 2,480</u>

#### C. Capital Finance - Other Payables (2017: None)

	<u>December 31, 2018</u>
Kung Sing Development	<u>\$ 200,398</u>

The Company developed a financing of NT\$200,000 to Kung Sing Development. The terms of the loan were repaid in the following year and the interest in 2018 was calculated at the annual interest rate of 2.689% as NT\$398, and other payables were accounted for.

#### D. Land for sale

The Company sold the Nancheng Yucheng section of land on October 21, 2006. Only part of the land was sold to Zhanbang Construction, and the unrealized gains were NT\$475,333, and the deferred income was recorded. Under the non-current liabilities category).

#### E. Acquired an investment using the equity method

			<u>2018</u>
	<u>Number of shares traded</u>	<u>Transaction target</u>	<u>Payment price</u>
Chan Pang Construction	8,000 (thousand shares)	Common stock (cash increase)	<u>\$ 80,000</u>
			<u>2017</u>
	<u>Number of shares traded</u>	<u>Transaction target</u>	<u>Payment price</u>
Kung Sing Development	24,000 (thousand shares)	Common stock (cash increase)	<u>\$ 240,000</u>

F. Endorsement guarantee

As of 2018 and December 31, 2017, part of the loan amount borrowed by the Company from the Bank was endorsed by the Company's major management and other related parties.

(3) Key management compensation

	<u>2018</u>	<u>2017</u>
short-term employee benefits	\$ 13,571	\$ 11,983
Post-employment benefits	<u>251</u>	<u>271</u>
	<u>\$ 13,822</u>	<u>\$ 12,254</u>

8. Pledged assets

<u>Pledged assets</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	
Other current assets	\$ 1,889,303	\$ 1,794,043	Provided to banks and owners as project performance and prepaid projects
- Pledged time deposits			
Reserve account and deposit cash			Guarantee, bid and brief Guarantee period loan
Inventory- Construction land	203,396	202,698	short-term loan guarantee
Other non-current assets - subject to restricted assets	29,154	34,337	Provide the owner as a retention money, foreign labor guarantee and short-term loans
Through other comprehensive gains and losses Measured by fair value and ready-to-sell financial asset-non-current	131,976	101,520	Guarantee
Real estate, plant and equipment	119,620	120,368	Short-term loan guarantee
Investment real estate	<u>339,267</u>	<u>347,988</u>	Long-term and short-term loan guarantee
	<u>\$ 2,712,716</u>	<u>\$ 2,600,954</u>	Long-term and short-term loan guarantee

9. Significant contingent liabilities and unrecognised contract commitments

As of December 31, 2018, in addition to the important engineering contracts of Note 6(3), the Company's other commitments and contingent liabilities are as follows:

- (1) As of December 31, 2018, the Company has not used the amount of NT\$24,047 for the purchase of the goods, and the amount of the guarantee issued by the bank for the performance guarantee, prepayment guarantee and warranty guarantee of the project contract. NT\$4,012,666.
- (2) The creditor of the company's engineering contractor filed a lawsuit against the company to confirm the claim, and on April 14, 2005, the Changhua District Court ruled that the contractor's monetary claim for the company was in the amount of NT\$40,237 and new. Within the range of NT\$48,284, the Company has deducted the amount of the retained amount from the original judgment and calculated the total loss of NT\$33,000, which is accounted for under the "Debt Preparation – Non-current" subject.

On April 11, 2018, the case was rejected by the Supreme Court of Taiwan, and the creditor of the contractor was dismissed. The amount of the loss that the company has already reclassified is

determined in this case.

- (3) The CT206A project of the MRT fresh water line contracted by the Company was officially accepted and accepted in April 1995, and was officially opened to traffic in March 1997. However, the employees of the Taipei MRT Outsourcing Sound Insulation Wall were not injured during the construction in September 2000, and they filed a lawsuit with the Shilin District Court of Taiwan on March 21, 2013. The company is required to compensate NT\$174,345 and its interest. The company believes that the project has been formally accepted for 15 years, which is more than the maximum ten-year requirement that the engineering contractor should be responsible for the guarantee. The company shall have no liability. However, on March 2, 2016, the Taiwan Shilin District Court ruled that the company should compensate NT\$27,027 and its interest. The company refused to accept the judgment and has appealed it. It is still pending before the court. However, the company has accrued relevant compensation losses and interest expenses. NT\$30,800, which is accounted for under the “Debt Preparation – Non-current” subject.

10. Significant disaster loss

None

11. Significant event after the balance sheet date

None

12. Other

(1) Capital management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total borrowings are including ‘current and non-current borrowings’ Cash and cash equivalents deduction as shown in the parent balance sheet. Total capital is calculated as ‘equity’ as shown in the parent balance sheet.

The Company's strategy in 2018 remains the same as in 2017, and is committed to maintaining the Company's debt-to-capital ratio below 50%. The Company's debt-to-capital ratio is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Total borrowings	\$ 3,277,232	\$ 2,155,533
Less: Cash and cash equivalents	( 739,312)	( 663,282)
Net debt (A)	<u>\$ 2,537,920</u>	<u>\$ 1,492,251</u>
Total equity	<u>\$ 3,815,302</u>	<u>\$ 4,064,062</u>
Total capital (C=A+B)	<u>\$ 6,353,222</u>	<u>\$ 5,556,313</u>
Gearing ratio	<u>39.95%</u>	<u>26.86%</u>



(2) Financial risk of financial instruments

A. Financial instruments by category

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Selected equity investment in financial assets measured by fair value through other comprehensive gains and losses	\$ 201,394	\$ -
Available-for-sale financial assets	-	175,319
Financial assets at amortised cost		
Cash and cash equivalents	638,354	546,125
Accounts receivable(Contains retention for receivables	1,081,169	1,150,832
Other receivables	5,024	738
Pledged time deposits, reserve accounts and cash deposits (accounted for "other liquid assets")	1,889,303	1,794,043
Restricted assets and deposit deposit (Accounting "Other non-current assets")	50,586	61,157
	<u>\$ 3,865,830</u>	<u>\$ 3,728,214</u>

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial liabilities</u>		
Short-term borrowings	\$ 1,875,000	\$ 1,210,000
Notes payable	798,342	475,721
Accounts payable	669,983	724,675
Other payables	216,191	52,967
Other current liabilities	574	-
Long-term borrowing (including one year or one business cycle) period)	280,655	307,441
Other non-current liabilities	34,806	49,450
	<u>\$ 3,875,551</u>	<u>\$ 2,820,254</u>

B. Risk management policies

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors.

C. Significant financial risks and degrees of financial risks

a. Market risk

Foreign exchange risk

(a) The business of the Company involves a number of non-functional currencies, which are subject to exchange rate fluctuations. Information on foreign currency assets and liabilities that have significant exchange rate fluctuations are as follows:

December 31, 2018			
(Foreign currency: functional currency)	Foreign Currency		
	Amount ( In Thousands)	Exchange Rate	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 631	30.715	\$ 19,420
RMB : NTD	14,144	4.472	63,250
<u>Investment in equity method</u>			
USD : NTD	\$ 1,416	30.715	\$ 43,481
RMB : NTD	24,254	4.472	108,461
December 31, 2017			
(Foreign currency: functional currency)	Amount		
	( In Thousands)	Exchange Rate	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 1,708	29.760	\$ 50,845
RMB : NTD	13,785	4.565	62,928
<u>Investment in equity method</u>			
USD : NTD	\$ 1,492	29.760	\$ 44,406
RMB : NTD	28,809	4.565	131,515

(b) The Company's monetary items were affected by exchange rate fluctuations in 2018 and 2017. The total amount of exchange (loss) benefits (including realized and unrealized) recognized in NTD is NT\$(980) and NT\$(1,627).

(c) The impact of the appreciation or depreciation of major foreign currency monetary items on the Company's profit and loss at the end of the financial reporting period. When the New Taiwan dollar appreciates or depreciates by 1%, the Company's profit and loss will increase or decrease by NT\$827 and 1,140 respectively in 2018 and 2017. New Taiwan dollars.

#### Price risk

(a) The equity instruments exposed by the Company to price risk are accounted for by other Financial assets at fair value through profit or loss and financial assets available for sale.

(b) The Company invests primarily in equity instruments issued by domestic companies and the

prices of such equity instruments the grid will be affected by the uncertainty of the future value of the investment target. If such wages with the price rising or falling by 1%, while all other factors remain unchanged, the other parent gains and losses for 2018 and 2017 will increase or decrease by NT\$2,014 and NT\$1,753 respectively.

#### Cash flow and fair value interest rate risk

The long-term and short-term borrowings borrowed by the Company are floating-rate debts and are not expected to generate significant interest rate risk. In addition, changes in market interest rates will cause the effective interest rate of borrowing to change, which will cause fluctuations in future cash flows. If the market interest rate increases or decreases by 0.25%, the Company's cash outflow will be increased or decreased by NT\$21,557 and NT\$15,174,

respectively, based on the balance of the Company's borrowings from 2018 and December 31, 2017.

b. Credit risk

- (a) The Company's credit risk is not achievable due to the counterparty of the client or financial instrument the risk of financial loss of the Company due to obligations, mainly due to the inability of the counterparty to clear receivables payable on the basis of collection conditions, retention receivables from projects and classified as amortization Financial assets measured by post-cost.
- (b) The Company adopts the assumptions under IFRS 9, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the customers' contract payments are past due over 90 days.
- (c) The debtors of the Company's receivables are mainly government units or state-owned enterprises, etc. If it is used well, it is expected that it will not cause significant credit risk. Please refer to Note 6(2) for details.

c. Liquidity risk

- (a) Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. The Company has not used the loan amount, please refer to Note 6(12) for details.
- (b) The following table is the Company's non-derivative financial liabilities Companyed according to the relevant maturity date. The financial liabilities are based on the remaining period from the balance sheet date to the contractual maturity date. analyse as below:

Non-derivative financial liabilities:

<u>December 31, 2018</u>	<u>Less than one year</u>	<u>1~2 years</u>	<u>2~3 years</u>	<u>over 3 years</u>
Short-term borrowings	\$ 1,891,658	\$ -	\$ -	\$ -
Notes payable	798,342	-	-	-
Accounts payable	615,958	54,025	-	-
Other payables( Include associated person)	216,191	-	-	-
Long-term borrowings (including current portion)	128,560	79,505	6,128	83,881

Non-derivative financial liabilities:

<u>December 31, 2017</u>				
Short-term borrowings	\$ 1,219,886	\$ -	\$ -	\$ -
Notes payable	475,721	-	-	-
Accounts payable	632,332	78,081	14,262	-
Other payables	52,967	-	-	-
Long-term borrowings (including current portion)	150,299	59,776	31,306	90,102

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quotations from the same assets or liabilities that the company can obtain in the active market(unadjusted). Active market means assets with sufficient frequency and quantity or negative debt transactions take place in a market that provides pricing information on an ongoing basis. our Company Financial assets measured at fair value through other comprehensive gains and losses and the fair value of the financial assets available for sale is the property.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs to assets or liabilities. Part of the Company's investment through other Financial assets at fair value through profit or loss and financial assets for sale and disposal fair value.

B. Financial instruments not measured at fair value

The Company includes cash and cash equivalents, accounts receivable, other receivables, other current assets, other non-current assets (excluding prepaid premises and equipment, prepaid mortgage guarantee operations and management fees), long-term and short-term loans, Book payables, accounts payable, other payables, other current liabilities (excluding long-term borrowings and advances due within one year or within one business cycle) and other non-current liabilities (excluding net defined benefit liabilities) The amount is a reasonable approximation of the fair value.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Fair value through other comprehensive gains and losses Financial assets measured - equity securities	<u>\$ 131,976</u>	<u>\$ -</u>	<u>\$ 69,418</u>	<u>\$ 201,394</u>
<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Fair value through other comprehensive gains and losses Financial assets measured - equity securities	<u>\$ 101,520</u>	<u>\$ -</u>	<u>\$ 73,799</u>	<u>\$ 175,319</u>

D. The methods and assumptions the Company used to measure fair value are as follows:

- The instruments the Company used market quoted prices as their fair values (that is, Level 1)
- In addition to the above "a" financial instruments with active markets, the fair value of the remaining financial instruments (ie the third level) is evaluated according to the evaluation model.

The output of the evaluation model is the estimated value of the estimate, and the evaluation technique may not reflect all the factors that the Company holds in financial instruments. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to additional parameters, such as liquidity risk. According to the Company's fair value evaluation model management policy and related control procedures, the management believes that it is appropriate and necessary to evaluate the fair value of the financial instruments in the balance sheet. The price information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted to current market conditions.

c. The Company's equity securities classified as Level 3 of fair value are regularly evaluated by the

financial department of the Company or evaluated by an external appraiser. The relevant evaluation models are summarized as follows:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Unlisted shares	\$ 60,232	Market comparable companies	Price to book ratio multiple, discount for lack of marketability	The higher the multiplier, the higher the fair value; the lower the market circulation, the higher the fair value, the lower the fair value.
	<u>9,186</u>	Net asset value method	NA	NA
	<u>\$ 69,418</u>			
	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Unlisted shares	\$ 64,865	Market comparable companies	Price to book ratio multiple, discount for lack of marketability	The higher the multiplier, the higher the fair value; the lower the market circulation, the higher the fair value, the lower the fair value.
	<u>8,934</u>	Net asset value method	NA	NA
	<u>\$ 73,799</u>			

E. The Company's investment real estate measured by cost is regularly evaluated by external financial experts of the Company's financial department. The fair value information is described in Note 6(9).

F. The Company has no transfer between the first level and the second level in 2018 and 2017.

G. The table below shows the changes in the third grade in 2018 and 2017:

	2018	2017
January 1	\$ 73,799	\$ 72,297
Equity instrument investments measured at fair value through other comprehensive gains and losses are not assessed at profit or loss	( 4,381)	1,502
December 31	\$ 69,418	\$ 73,799

H. The Company did not transfer into and transfer out of the Level 3 in 2018 and 2017.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017.

A. Summary of significant accounting policies adopted in 2017:

a. Available-for-sale financial assets

- (a) They are non-derivatives that are either designated in this category or not classified in any of the other categories.
- (b) On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognised using settlement date accounting.
- (c) They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value.

b. Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

c. Impairment of financial assets

- (a) The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a Company of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated.
- (b) The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:
  - Ⓐ Significant financial difficulty of the issuer or debtor;
  - Ⓑ A breach of contract, such as a default or delinquency in interest or principal payments;
  - Ⓒ The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
  - Ⓓ It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
  - Ⓔ The disappearance of an active market for that financial asset because of financial difficulties;
  - Ⓕ Observable data indicating that there is a measurable decrease in the estimated future cash flows from a Company of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the Company, including adverse changes in the payment status of borrowers in the Company or national or local economic conditions that correlate with defaults on the assets in the Company;
  - Ⓖ Information about significant changes with an adverse effect that have taken place in the

technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

ⓑ A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

(c) When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

ⓐ Financial assets at amortised cost

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 discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

ⓑ Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, a.IAS 39, to January 1, IFRS 9, were as follows:

The equity instruments classified as "sales-for-sale financial assets" in IAS 39 are NT\$175,319. Since the Company is not held for trading purposes, it is categorized when IFRS 9 is first applied. "Financial assets (equity instruments) measured at fair value through other comprehensive gains and losses" and increased retained earnings of NT\$110,170 and other interests of NT\$110,170.

b. The company recognizes the investment using the equity method based on its shareholding ratio because of its IFRS 9 classification. The adjusted amount will be adjusted. Therefore, on January 1, 2018, the retained surplus will be increased by NT\$4,799 and other interests will be reduced by NT\$4,799.

C. The significant accounts as of December 31, 2017, are as follows:

Provision for sale of financial assets

<u>Items</u>	<u>December 31,2017</u>
non-current items:	
Listed company stock	\$ 100,440
Non-listed company stock	<u>66,459</u>
Subtotal	166,899
Valuation adjustment	118,590
Cumulative impairment	<u>( 110,170)</u>
Total	<u>\$ 175,319</u>

The net (loss) gains recognized by the Company for the sale of financial assets in 2017 are NT\$(1,500), and the amount recognized in other comprehensive gains and losses is NT\$25,034.

(5) Effects of initial application of IFRS 15 and information on application of IAS11 and IAS 18 in 2017.

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below:

a. Construction contracts project income

The Company's engineering income is mainly generated by contracting construction contracts. When the results of the contract are constructed, it can be reliably estimated. The completion ratio method recognizes the project revenue according to the progress of the project. The completion rate is calculated as the percentage of the total contract price for each contract based on the owner's acceptance. When the contract cost is likely to exceed the contract revenue, the expected loss is immediately recognized as an expense.

b. Labor income

The Company's labor income is mainly provided by the project management consultant. When the transaction result of the provision of labor services can be reliably estimated, the income is recognized on schedule according to the contract period. When the outcome of the transaction cannot be reliably estimated, the revenue is recognized within the range in which the recognized costs are likely to be recovered.

B. The income recognized by the Company in the above accounting policies in 2017 is as follows:

	<u>2017</u>
Project contract income	<u>\$ 3,836,972</u>

C. The construction contract accounting policies adopted on December 31, 2017 are as follows:

a. The construction contract contracted by the Company is designated by the entrusting party (owner) as the main structural element of the engineering design before the construction.

The project is also led by the entrusting party to change the main structure. The Company has no controlling power and is in line with international accounting. The definition of "Construction Contract" No. 11 and the contracted revenue and cost are recognized in the contractual period according to the contract completion degree. When the total contract cost is likely to exceed the total contract revenue, the expected loss is immediately recognized as an expense. When the outcome of a construction contract cannot be reliably estimated, the contract revenue is recognized only within the scope in which contract costs are likely to be recovered.

b. Changes in Contract Work, Claims and Awards The extent to which the Employer has agreed and can be reliably measured is included in the contract revenue.

c. The Company's total amount of accounts receivable from customers for contract work, that



is, the cost incurred in the construction in progress plus the recognized profit (or less recognized losses) exceeds the progress of the project. The portion of the amount, expressed as an asset, is accounted for by the construction contract. In the case of a construction contract, the amount of the project progress exceeds the sum of the incurred cost plus the recognized profit (or the deducted loss), expressed as a liability, and the account payable for the construction contract.

D. If the Company continues to apply the above accounting policies on December 31, 2018, the impacts on the current balance sheet and the parent profit and loss statement line items are as follows:

Balance sheet item	Description	December 31, 2017		
		Adopted the balance recognized by IFRS 15	The balance recognized in the original accounting policy	The impact of changes in accounting policies
Contract assets	(a)	\$ 3,095,869	\$ -	(\$ 3,095,869)
Accounts receivable	(a)(b)	939,181	1,086,729	147,548
Construction contract receivable	(a)	-	2,953,881	2,953,881
Contract liability	(a)	1,058,707	-	( 1,058,707)
The amount of the contract that should be paid	(a)	-	1,058,707	1,058,707
Undistributed surplus	(a)	53,381	47,821	( 5,560)

Note: (1) The Company expresses the construction contract receivables, the project receivables retained and the construction contract payable as contract assets and contract liabilities in accordance with IFRS 15.

(2) The Company treats the discount on the retention of receivables in accordance with the provisions of IFRS 15 as has a significant financial component.

### 13. Supplementary disclosures

#### (1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries and associates): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or

more: None.

I. Derivative financial instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to Note 13 of the Company's consolidated financial report.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 4.

(3) Information on investments in Mainland China

A. Basic information on investing in mainland companies: Please refer to table 5.

B. Significant events incurred by the Company directly or indirectly through the investment in the third regional business and investment in the mainland, and its prices, payment terms, unrealized gains and losses and other information that helps to understand the mainland investment in the financial statements: Please refer to table 5.

14. Departmental Information

Please refer to the company's 2018 consolidated financial report.

Kung Sing Engineering Corporation  
Loans to others  
January 1 to December 31, 2018

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum amount of the current period	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Value	Limit on loans granted to a single party (Note 3 & 4)	Ceiling on total loans granted (Note 3 & 4)	Footnote
0	Kung Sing parent company	Kung Sing Development company	Other receivables	Yes	\$ 400,000	\$ -	\$ -	Basic loan Interest rate +1%	2	\$ 33,716	For operational Need	\$ -	None	\$ -	\$ 356,246	\$ 1,424,984	
1	Kung Sing Development company	Kung Sing parent company	Other receivables	Yes	200,000	200,000	200,000	Bank indicator Interest rate plus 1.6%	2	33,716	For operational Need	\$ -	None	\$	252,844	252,844	

Note 1: The description of the number column is as follows:

- (1). The issuer fills in 0.
- (2). The invested company is numbered sequentially by the Arabic number 1 according to the company.

Note 2: The method of filling out the capital loan and nature is as follows:

- (1). If you have business contacts, please fill in 1.
- (2). If you have short-term financing, please fill in 2.

Note 3: The company's fund loans and total amount are limited to 40% of the net value, and the amount of the loan to a single enterprise is limited to 10% of the net value.

Note 4: The credits and total amount of the subsidiary's work letter development funds are based on 40% of the net value of the subsidiary.

Kung Sing Engineering Corporation  
Provision of endorsements and guarantees to others  
January 1 to December 31, 2018

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Maximum outstanding		Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of endorsement/ guarantee asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
			Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party (Note 4)	endorsement/ guarantee amount as of December 31, 2018	endorsement/ guarantees amount at December 31, 2018								
1	Chan Pang	Note 1	(5)	\$ 6,950,548	\$ 5,322,300	\$ 5,322,300	\$ 5,233,100	\$ 5,322,300	1.49	\$ 13,901,096	N	N	N	
1	Chan Pang	Note 2	(5)	6,950,548	1,056,750	1,056,750	808,725	1,056,750	0.30	13,901,096	N	N	N	
2	Kung Sing Development	Note 3	(5)	6,950,548	236,000	236,000	180,000	236,000	0.07	13,901,096	N	N	N	

Note 1: Guoyang Industrial Co., Ltd., Hexincheng Co., Ltd., Zhanbang Construction Co., Ltd., Honghui Development Co., Ltd., Dingli Development Co., Ltd., Power International Development Co., Ltd. and Yusheng Development Co., Ltd.

Note 2: Power International Development Co., Ltd., Yusheng Development Co., Ltd. and Zhanbang Construction Co., Ltd.

Note 3: Landlord Development Co., Ltd. and the landlord of the joint construction (other related persons - Pan Junrong).

Note 4: The company's endorsement guarantee limit is stipulated in the "Endorsement Guarantee Implementation Measures". The total amount of endorsement guarantees is not more than eight times the company's paid-in capital. The amount of endorsement guarantee for a single enterprise does not exceed the company. The calculation of the amount of paid-up capital is four times; the company The endorsement guarantee limit of the subsidiary is in accordance with the "Endorsement Guarantee Implementation Measures", and the total amount of the endorsement guarantee is not more than four times the amount of the parent company's paid-in capital, and the amount of guarantee for the endorsement of the single enterprise does not exceed the paid-up capital of the parent company. The amount is calculated twice.

Note 5: (5) Inter-insurance companies based on contractual requirements for inter-departmental or co-creation between contractors.

Kung Sing Engineering Corporation  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
For the year ended December 31, 2018

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Types of securities and names	Relationship with the securities issuer	General ledger account	As of December 31, 2018				Footnote
				Number of shares/ denominations	Book value	Ownership (%)	Market value	
Kung Sing Engineering Corporation	Lung yuan Information company	-	Financial asset at fair value through other comprehensive income- non-current	248,400	\$ -	1.80	\$ -	Note 1&2
Kung Sing Engineering Corporation	Kung ting Steel company	-	Financial asset at fair value through other comprehensive income- non-current	3,240,000	60,232	18.00	60,232	Note 1
Kung Sing Engineering Corporation	Chieh pang management consultant	-	Financial asset at fair value through other comprehensive income- non-current	300,000	3,366	6.00	3,366	Note 1
Kung Sing Engineering Corporation	Taiwan High Speed Rail company	-	Financial asset at fair value through other comprehensive income- non-current	4,320,000	131,976	0.08	131,976	Note 3
Kung Sing Engineering Corporation	Cross-Strait Business company	-	Financial asset at fair value through other comprehensive income- non-current	1,000,000	5,820	10.00	5,820	Note 1
Kung Sing Biomedical	Chien ping technology company	-	Financial asset at fair value through other comprehensive income- non-current	370,000	-	14.23	-	Note 1&2

Note 1: No pledge guarantee.

Note 2: The company has fully recognized the losses due to operating losses.

Note 3: Short-term loan mortgage guarantee.

Kung Sing Engineering Corporation  
Information on investees (not including investees in Mainland China)  
For the year ended December 31, 2018

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		End of term hold by			Current period net profit (loss) of the investee	Recognition of investment gains and losses in the current period	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Kung Sing Engineering Corporation	Chan Pang company	Taiwan	Construction and development of buildings and houses	\$ 590,000	\$ 510,000	59,000,000	100.00	\$ 553,678	(\$ 562)	(\$ 562)	A Subsidiary
Kung Sing Engineering Corporation	Kung Sing International Holding Company Limited	Samoa	Holding company	53,065	53,065	1,700,000	100.00	43,481	( 345)	( 345)	A Subsidiary
Kung Sing Engineering Corporation	Kung Sing Development	Taiwan	Construction and development of buildings and houses	420,000	420,000	42,000,000	60.00	350,947	( 2,802)	( 1,035)	A Subsidiary
Kung Sing Engineering Corporation	Kung Sing Biomedical	Taiwan	Pharmaceutical sales	12,000	12,000	1,200,000	100.00	4,184	( 1,069)	( 1,069)	A Subsidiary
Kung Sing International Holding Company	Kung Sing International (Hong Kong) Co., Ltd.	Hong Kong	General investment	44,778	44,778	1,510,000	100.00	38,006	( 323)	( 323)	Grandson Company

Kung Sing Engineering Corporation  
Mainland China Investment Information - Basic Information  
For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

1. Basic information on investing in mainland companies:

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Jiangsu Kung Sing Company Engineering Consulting Co., Ltd.	Investment, construction management	\$ 14,763	1	\$ 14,763	\$ -	\$ -	\$ 14,763	(\$ 20,775)	100%	(\$ 20,775)	\$ 108,461	\$ -	
Fujian TOFF Kung Sing Construction Engineering Co.,	Undertake industrial plants, Municipal public building engineering	147,570	2	43,172	-	-	43,172	8	30%	2	37,335	-	

Note 1: Direct investment is 100%.

Note 2: The company invested 100% of its shareholding company, Kung Sing International Hong Kong Co., Ltd., with its own funds of US\$1,460.

<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>
Kung Sing Engineering Corporation	\$ 57,935	\$ 505,262	\$ 2,289,181

2. Significant events incurred by the Company directly or indirectly through the investment in the third regional business and investment in the mainland, and its prices, payment terms, unrealized gains and losses and other information that helps to understand the mainland investment in the financial statements: Please refer to table 4 of the Company's consolidated financial statements