Stock Code: 5514

Sunfon Construction Co., Ltd.

2020 Annual Report

Yun Ji Project

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V. The name of any exchanges where the Company's securities are traded offshore: None

The method by which to access information on said offshore securities: None

VI. Company website: www.sunfon.com.tw/

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One. Report to Shareholders

I. Operating results for the previous year (2020)

(I) Implementation results of 2020 business plans:

The Company's consolidated operating revenue for 2020 totaled NT$666,812 thousand, down 48.8% compared to the consolidated operating revenue of NT$1,302,273 thousand for 2019. The consolidated net income after tax for 2020 totaled NT$204,618 thousand, down 39.8% from the consolidated net income after tax of NT$339,639 thousand for 2019. Earnings per share were NT$1.1. The results for operations are as follows:

1. Consolidated profit or loss　　Unit: NT$ thousand

Item	Amount in 2020	Amount in 2019	Increase/decrease amount	Change in percentage %
Operating income	666,812	1,302,273	(635,461)	(48.8)
Operating costs	406,147	873,885	(467,738)	(53.5)
Operating profit	260,665	428,388	(167,723)	(39.2)
Operating expenses	49,886	49,460	426	0.9
Operating income (loss)	210,779	378,928	(168,149)	(44.4)
Non-operating income and (expenditures)	41,544	30,027	11,517	38.4
Net income before tax	252,323	408,955	(156,632)	(38.3)
Income tax benefit (expense)	(47,705)	(69,316)	21,611	(31.2)
Net profit (loss) for the period	204,618	339,639	(135,021)	(39.8)
Earnings per share (NT$)	1.1	1.82		

2. Individual profit or loss　　Unit: NT$ thousand

Item	Amount in 2020	Amount in 2019	Increase/decrease amount	Change in percentage %
Operating income	666,932	1,302,393	(635,461)	(48.8)
Operating costs	393,386	862,942	(469,556)	(54.4)
Operating profit	273,546	439,451	(165,905)	(37.8)
Operating expenses	38,607	41,903	(3,296)	(7.9)
Operating income (loss)	234,939	397,548	(162,609)	(40.9)
Non-operating income and (expenditures)	17,395	11,419	5,976	52.3
Net income before tax	252,334	408,967	(156,633)	(38.3)

Income tax benefit (expense)	(47,705)	(69,316)	21,611	(31.2)
Net profit (loss) for the period	204,629	339,651	(135,022)	(39.8)
Earnings per share (NT$)	1.1	1.82		

(II) Budget implementation: The Company does not disclose financial forecasts.

(III) Analysis of receipts, expenditures, and profitability

1. Liquidity analysis

(1) Consolidated liquidity analysis

Item \ Year	2020.12.31	2019.12.31	Percentage of increase/decrease %
Cash flow ratio (%)	(10.38)	124.05	(134.43)
Cash flow adequacy ratio (%)	(12.07)	(36.59)	24.52
Cash reinvestment ratio (%)	(5.18)	26.77	(31.95)

Analysis of changes in the increase/decrease percentage:

◎ The decrease in cash flow ratio and cash reinvestment ratio from the previous year was primarily due to the increase in inventories and the decrease in cash inflows from operating activities in the period, resulting in the decrease in cash flow ratio and cash reinvestment ratio from the previous year.

◎ The increase in cash flow adequacy ratio was primarily due to the increase in cash inflows from operating activities in the past five years.

(2) Individual liquidity analysis

Item \ Year	2020.12.31	2019.12.31	Percentage of increase/decrease %
Cash flow ratio (%)	(8.45)	129.11	(137.56)
Cash flow adequacy ratio (%)	(9.66)	(30.52)	20.86
Cash reinvestment ratio (%)	(4.83)	27.11	(31.94)

Analysis of changes in the increase/decrease percentage:

◎ The decrease in cash flow ratio and cash reinvestment ratio from the previous year was primarily due to the increase in inventories and the decrease in cash inflows from operating activities in the period, resulting in the decrease in cash flow ratio and cash reinvestment ratio from the previous year.

◎ The increase in cash flow adequacy ratio was primarily due to the increase in cash inflows from operating activities in the past five years.

2. Profitability analysis

(1) Consolidated profitability analysis

Item \ Year		2020	2019	Increase/decrease %
Return on assets (%)		6.25	10.22	(3.97)
Shareholder return on equity (%)		7.62	14.10	(6.48)
Percentage to paid-in capital (%)	Operating income	10.85	21.45	(10.60)
	Net income before tax	12.99	23.15	(10.16)
Net profit rate (%)		30.69	26.08	4.61
Earnings per share (NT$)		1.10	1.82	

(2) Individual profitability analysis

Item \ Year		2020	2019	Increase/decrease %
Return on assets (%)		6.30	10.23	(3.93)
Shareholder return on equity (%)		7.62	14.10	(6.48)
Percentage to paid-in capital (%)	Operating income	12.09	22.51	(10.42)
	Net income before tax	12.99	23.15	(10.16)
Net profit rate (%)		30.68	26.08	4.60
Earnings per share (NT$)		1.10	1.82	

(IV) Research and development (R&D) status

1. R&D expenditures and results for the most recent fiscal year

(1) Through applications for incentives urban renewal and unsafe and old buildings, as well as jointly developing and building quality mixed residential and commercial buildings in old communities with landowners, we are able to keep land acquisition costs down to generate more profits.

(2) We are proactively seeking desirable locations with reasonable land prices to promote quality residences for steady sales. With our strategy that focuses on small volumes but a large number of projects, we hope to build our company brand within the public's awareness.

(3) Our product design and planning take the requirements of building coverage ratio and floor area ratio into account in order to fully utilize the buildable area. Moreover, we aim to design and construct tall buildings with deep foundations and high floors, and giving them life so that they are reasonable, practical, humanized and refined, meeting the market demand.

(4) We select first-rate vendors through evaluation of their information sheets

and final reports, while strengthening budget management and improving schedule control to reduce costs, elevating operational efficiency.

(5) Our construction projects located in Datong District completed in recent years – "Feng Hua Hui", "Wen Ding Hui", "Di Yi Hui" and the "The Twin Cities" – as well as construction projects currently under construction – "City Meeting Point" – have been highly praised by customers in terms of the design and construction quality.

2. Future R&D plans

(1) Strengthening land development ability by adopting the strategy of purchasing land and joint construction to ensure the acquisition of land resources.

(2) Adopting new construction methods and collecting information on new building materials to keep track of construction progress cost and quality.

(3) Promoting full institutionalized management by strengthening authorization and fostering labor division. By doing this, our manpower can be put into full practice to enhance the Company's work quality and highly efficient operations.

(4) Promoting all businesses to improve computerized operations and enhance work efficiency. This enables us to provide the best service to customers, build product reputation and increase brand awareness, and achieve the goal of sustainable business.

(5) As we primarily provide land development and construction services, R&D investment is not applicable.

(V) Concluding note

Dear shareholders, First of all, I would like to thank you for your long-term support and encouragement of Sunfon Construction. The Company's Grand Landmark Collection – Di Yi Hui was successfully completed and handed over in June last year. The City Meeting Point project launched in the beginning of last year was quickly sold out. Its construction began in June last year and is expected to be completed in September 2022. At the end of last year, we sold the entire project of No. 138, Section 3, Chongqing North Road to Baoan Temple to build the "Baosheng Dadi Memorial Hall" on their behalf. During the past year, we also developed several old and unsafe buildings. For instance, we have obtained the demolition license for the Minsheng West Road Project, which is expected to be pre-sold once the building permit is acquired in April. The name of the Project is scheduled to be "Yun Ji". Moreover, we have also obtained the demolition license for the Guisui and Minle Street Project which is currently being demolished. After urban design review and building permits are completed, the Project is expected to begin construction and pre-sale in June this year. The building permit is also scheduled to be obtained for the Nanchang Road Project for pre-sale in August this year. At the end of last year, the building permit and demolition license were also obtained for the Chengde Road Project, an urban renewal development. It is scheduled to begin its urban renewal in March this year. We hope that, after renewal, this Project will better meet the market demand, achieving better sales performance. In addition, there are also a number of projects pending completion this year, which suggests that our profitability can be expected for the coming years.

Although the overall economy last year was severely disrupted by the COVID-19 pandemic and the U.S.-China trade war, the stock market in Taiwan rose from 8,523 points in March to 14,760 points in December, up over 52%, and in January this year, it even surpassed 16,000 points. Given the fact that international hot money and domestic floating capital were sufficient, the real estate industry will definitely be driven by this trend. As we have a number of developed projects that will be available for pre-sale this year, we are firmly convinced that we will have strong sales performance. For many years now, we have developed projects involving the reconstruction of unsafe and old buildings and urban renewal. Our objective is not only enhancing the appearance of these buildings, but also improving the safety of local landlords. It is worth mentioning that our long-term dedication in Datong District has received recognition and acknowledgement by the majority of customers in the area. With the hard work of all our colleagues, we believe our business will grow stronger. We thank you again for your continued support and encouragement.

II. Business plan for this year (2021)

(I) Management policy

We adhere to the business motto of "sustainable management and steady growth" and create reasonable profits, which are given back to society and shared with employees and shareholders. As a means to put the motto into practice, our management policy includes:

1. Strengthening land development ability by adopting the strategy of purchasing land and joint construction to ensure the acquisition of land resources.
2. Using market demand as a guide to plan quality products that are user-friendly so as to facilitate sales and reduce the inventory of houses.
3. Emphasizing construction quality and after-sales service to build a sound corporate image and reputation, while increasing the dependence and recognition of customers.
4. Properly planning and utilizing human resources and placing importance on the employee's education and training and the welfare system to enhance work efficiency.
5. Improving the financial structure and strictly controlling budgets and audits to ensure our profitability and operating performance.

(II) Expected sales volume and its basis

1. The base for the "City Meeting Point" project located at Chang'an West Road is 119.14 ping (393.8 m^2), with 49 residential units planned. The project was launched in the fourth quarter of 2019, with a 100% sales rate by the end of 2020.
2. The base for the "Chongqing North No.138" project located at No. 138, Section 3, Chongqing North Road is 108.6 ping (359 m^2), planned to be built as a social and educational facility building, which was 100% sold out at the end

of 2020.

3. The base for the "Yun Ji" project located near Minsheng West Road and Chongqing North Road and Ningxia Night Market is 668.83 ping (2211 m^2), with 5 general shops and 207 residential units planned. The project is to be launched in the second quarter of 2021 and the sales rate is expected to reach 70% by the end of 2021.
4. The base for the "Minle Street" project located at Guisui Street and Minle Street is 346.67 ping (1,146 m^2), with 8 general shops and 104 residential units planned. The project is to be launched in the third quarter of 2021 and the sales rate is expected to reach 60% by the end of 2021.
5. The estimated sales volume for 2021 was based on the expectation that the construction industry will remain stable in 2021.

(III) Important production and sales policies

1. Production strategy:
   (1) Develop marketable land and work with landlords to build quality mixed residential and commercial buildings in old communities. This reduces land acquisition costs and generates more profits.
   (2) Our product design and planning take the requirements of building coverage ratio and floor area ratio into account in order to fully utilize the buildable area. Moreover, we aim to design and construct high buildings with deep foundations to build reasonable, practical, humanized and refined buildings, meeting the market demand.
   (3) We select first-rate vendors through evaluation of their information sheets and final reports, while strengthening budget management and improving schedule control to reduce costs, elevating operations management efficiency.
2. Sales strategy:
   (1) Adopt sensible operating principles by means of pre-sales and selling while building or selling after building completion depending on market trends, and launch sales at the best time chosen.
   (2) Entrust reliable and professional proxies to reach the objective of expected sales targets through diversified media design and strong advertising planning ability in conjunction with the bank's generous loan terms.
   (3) Enhance the training of customer sales service to improve the quality of professional and comprehensive after-sales services in order to increase the satisfaction and trust of customers.
   (4) Build the customer's brand recognition of the Company's and improve the corporate image through the visibility of the Company's listed stock and past project performances.

III. Future company development strategy

(I) To reduce risks, the main area for our future land development will still be Greater Taipei.

(II) We have long been dedicated to the research of urban renewal and carrying out land integration. Our main development direction is to renew old communities to improve the quality of living.

(III) To ensure the acquisition of land materials for sustainable management and development, not only do we continue with the business of joint construction and urban renewal, we also assess suitable land in New Taipei City, Taoyuan or even Taichung for purchase and construction. This will strengthen the Company's business volume and profitability.

IV. The effect of external competition, the legal environment, and the overall business environment.

As a result of the spread of COVID-19, global financial markets suffered tremendously, causing a serious impact on corporate revenue and solvency. Due to the situation, central banks all over the world offered easing policies to help companies and people get through the difficulties. Coupled with the result of the U.S. presidential election, the possible easing of the U.S.-China trade war and the launch of COVID-19 vaccines are also expected to help the global economy bounce back.

Taking a look at the housing market in Taiwan, the continuous hot money coming from overseas has driven rapid growth in the housing market, prompting the government's policy on real estate speculation. The policy mainly limits land purchase fund sources targeting residential mortgages on non-self- occupied housing or non-replacement housing needs. It also expects the construction sector to speed up the selling of the homes on their books to curb housing and land hoarding and further take on the issue of real estate speculation and investment in Taiwan. These measures will pose a considerable impact on the residential housing market.

Looking ahead, while the Income Tax on House and Land Transactions introduced by the government shows the determination to curb housing and land speculation and is beneficial to the healthy development of the housing market in the long run, it may, however, affect the transaction volume in the housing market in the near future. On the plus side, as the government continuously puts effort into urban renewal and the reconstruction of unsafe and old houses, together with the low interest environment and the support of the housing market's rigid demand, real estate is expected to remain the center in terms of market investment.

Two. Company Profile

I. Date of establishment: January 21, 1988

II. Company history

◎	January 1988	Approved for establishment with a capital of NT$50 million; the Company was established at 6F-5, No. 31, Section 2, Chang'an East Road, Taipei.
◎	June 1989	The extraordinary general meeting resolved to approve an increase in capital by NT$125 million in cash, increasing the paid-in capital to NT$175 million.
◎	April 1990	An increase in capital by NT$175 million in cash and start of public offering. The paid-in capital was increased to NT$350 million.
◎	June 1990	The 1st product "Sunfon Enterprise Center" was completed. The Company moved to its self-built office at 7F., No. 173, Section 2, Chang'an East Road, Taipei in August to continue its business.
◎	July 1990	The extraordinary general meeting resolved to approve an increase in capital by NT$100 million in cash, increasing the paid-in capital to NT$450 million.
◎	November 1991	The 2nd building, "Sunfon Financial Center", an OA automation office building, was completed.
◎	February 1993	The 3rd building, "Cui Ti Xiang Xie", a 20-story quality residential building and the first open space located in Lane 39, Zhulin Road, Yonghe City, was completed.
◎	June 1993	The annual general meeting approved an increase in capital by NT$54 million from the 1992 earnings, increasing the paid-in capital to NT$504 million.
◎	April 1994	The 4th building, "Sunfon Cui Ti", a 12-story building with the first floor being offices and shops and collective housing above the second floor located at the end of Lane 39, Zhulin Road, Yonghe City at Huanhe East Road, was completed.
◎	June 1994	The annual general meeting approved an increase in capital by NT$50.4 million from the 1993 earnings, increasing the paid-in capital to NT$554.4 million.
◎	March 1995	The 5th building, "Cui Ti Ya Chu", a 5-story apartment building located in Alley 42, Lane 39, Zhulin Road, Yonghe City, was completed.
◎	April 1995	The annual general meeting approved an increase in capital by NT$110.88 million from the 1994 earnings, increasing the paid-in capital to NT$665.28 million.

◎	October 1995	The 6th building, "Sanfon Yongji", a 14-story residential and commercial building located at No. 298 Yongji Road, Taipei, was completed.
◎	May 1996	The annual general meeting approved an increase in capital by NT$34.72 million from the 1995 earnings, increasing the paid-in capital to NT$700 million.
◎	May 1997	The annual general meeting approved an increase in capital by NT$70 million from the 1996 earnings, increasing the paid-in capital to NT$770 million.
◎	April 1997	The 7th building, "Sunfon Li Jing", is a 12-story residential and commercial building located at No. 7 Huanhe South Road, Sanchong City.
◎	June 1997	The 8th building, "Sunfon Jie Yuan", is a 9-story residential and commercial building located at No. 110, Yumin 6th Road, Taipei.
◎	January 1998	The 9th building, "Shi Mao Guo Xi", a 8-story residential building located at Lane 53, Songyong Road, Taipei, was completed.
◎	June 1998	The annual general meeting approved an increase in capital by NT$77 million from the 1997 earnings, increasing the paid-in capital to NT$847 million.
◎	August 1998	The Company's products and efforts were recognized by receiving the "Identification Label for Construction and Investment Industry, M.O.I." by the Ministry of the Interior.
◎	December 1998	The Company's shares were approved to be listed on TPEx.
◎	May 1999	The shareholders meeting approved an increase in capital by NT$67.76 million from the 1998 earnings, increasing the paid-in capital to NT$914.76 million.
◎	May 1999	The 10th building, "Tianmu Huang Shi", a 7-story residential building located at Section 6, Zhongshan North Road, was completed.
◎	June 1999	The 11th building, "Liu Zhong Yuan", a 14-story residential and commercial building located at No. 282, Yongji Road, Taipei, was completed.
◎	July 1999	The 12th building, "You Yuan", a 6-story residential building located at Lane 30, Yongji Road, Taipei, was completed.
◎	November 1999	The 13th building, "Sunfon Jin Cheng", a 9-story residential building located at Lane 7, Shuangcheng Street, Taipei, was completed.
◎	June 2000	The 14th building, "Pu Shi", a 8-story residential building located at Lane 99, Xiamen Street, Taipei, was completed.
◎	July 2000	The shareholders meeting approved an increase in capital by NT$54,885,600 from the 1999 earnings, increasing the paid-in capital to NT$969,645,600.

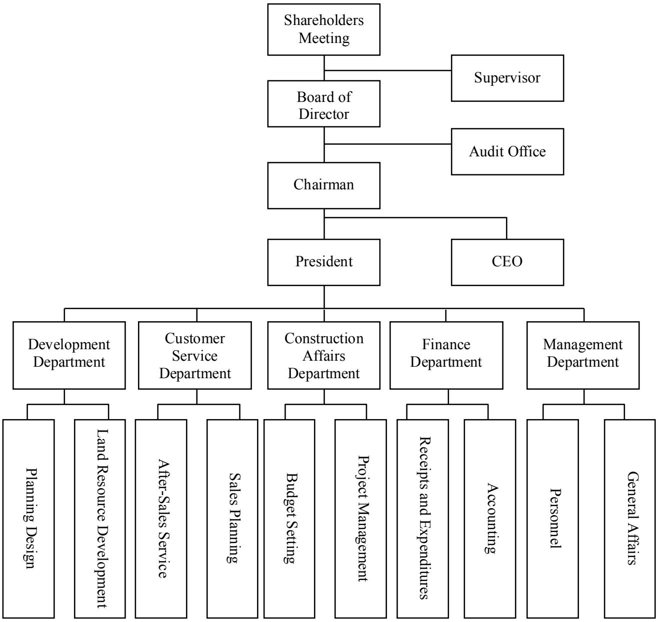
◎	July 2000	The 15th building, "Ren Ai Guan Di", a 7-story residential building located at Section 3, Ren'ai Road, Taipei, was completed.
◎	August 2000	The 16th building, "He Ti", a 17-story residential and commercial building located at Fude South Road, Sanchong City, was completed.
◎	November 2000	The 17th building, "Zhong Zheng Xue Fu", a 6-story residential building located at Lane 108, Nanchang Street, Taipei, was completed.
◎	December 2000	The 18th building, "Song Jiang Gui Guan", a 7-story residential building located at Lane 77, Songjiang Road, Taipei, was completed.
◎	April 2001	The 19th building, "Wei Wa Di", a 14-story residential and commercial building located at Section 3, Chongqing North Road, Taipei, was completed.
◎	November 2001	The 20th building, "Ye Lu", a 7-story residential building located at Section 1, Zhicheng Road, Taipei, was completed.
◎	March 2002	The 21st building, "Kai Sa Guo Bao", a 14-story residential and commercial building located at Section 2, Chongqing North Road, Taipei, was completed.
◎	December 2002	In order to protect the Company's credit and shareholders' rights and interests, the Company bought back 3,000 thousand shares of treasury stock. The Ministry of Economic Affairs approved the change of the Company's registration by issuing Letter Jing-Shou-Shang-Zi No. 09101495190 dated December 10, 2002. The paid-in capital was NT$939.66 million after the cancellation of capital.
◎	June 2003	The 22nd building, "Guo Ding", a 14-story residential building located at Section 3, Chongqing North Road, Taipei, was completed.
◎	July 2004	The shareholders meeting approved an increase in capital by NT$46,982,280 from the 2003 earnings, increasing the paid-in capital to NT$986,627,880.
◎	May 2005	The 23rd building, "Fu Yuan," a 8-story residential building located at Section 2, Shipai Road, Taipei, was completed.
◎	May 2005	The 24th building, "Guo Xi", a 14-story residential building located at Section 3, Chongqing North Road, Taipei, was completed.
◎	February 2007	The 25th building, "Da Dao Zhi Cheng", a 13-story residential building located at Section 2, Yanping North Road, Taipei, was completed.
◎	September 2007	The 26th building, "Guo Pin", a 15-story residential building located at Section 2, Chongqing North Road, Taipei, was completed.

◎	December 2009	The 27th building, “Ding Feng”, a 14-story residential building located at Section 2, Yanping North Road, Taipei, was completed.
◎	June 2010	The shareholders meeting approved an increase in capital by NT$78,930,240 from the 2009 earnings, increasing the paid-in capital to NT$1,065,558,120.
◎	July 2011	The shareholders meeting approved an increase in capital by NT$95,900,240 from the 2010 earnings, increasing the paid-in capital to NT$1,161,458,360.
◎	June 2012	The shareholders meeting approved an increase in capital by NT$174,218,760 from the 2010 earnings, increasing the paid-in capital to NT$1,335,677,120.
◎	July 2013	The shareholders meeting approved an increase in capital by NT$200,351,570 from the 2012 earnings, increasing the paid-in capital to NT$1,536,028,690.
◎	August 2013	The 28th building, “Ding Ji”, a 15-story residential building located at Section 2, Chongqing North Road, Taipei, was completed.
◎	November 2013	The Company passed the ISO 9001:2008 certification and obtained the GLOBAL registration certificate.
◎	April 2014	The 29th building, “Jiu Ding”, a 12-story residential building located at Section 1, Yanping North Road, Taipei, was completed.
◎	November 2014	The Company received the Golden Laurel Award by TPEx.
◎	June 2015	The shareholders meeting approved an increase in capital by NT$230,404,310 from the 2014 earnings, increasing the paid-in capital to NT$1,766,433,000.
◎	March 2017	The 30th building, “The Twin Cities”, a 12-story residential and commercial building located at Jingping Road, New Taipei City, was completed.
◎	November 2018	The 31st building, “Feng Hua Hui”, a 14-story residential building located at Section 2, Chongqing North Road, Taipei, was completed.
◎	April 2019	The 32nd building, “Wen Ding Hui”, a 12-story residential building located at Section 2, Chongqing North Road, Taipei, was completed.
◎	February 2020	The 33rd building, “Di Yi Hui”, a 15-story residential building located at Section 2, Chongqing North Road, Taipei, was completed.
◎	August 2020	The shareholders meeting approved an increase in capital by NT$176,643,300 from the 2019 earnings, increasing the paid-in capital to NT$1,943,076,300.

Three. Corporate Governance Report

I. Company Organizational System

(I) Organizational structure



(II) Tasks of departments

Department	Supervisor name	Title	Main duties
President	Yu Jui-Hsing	President	Manages the Company's business in accordance with resolutions of the Board of Directors.
Audit Office	Pan Ping-Hung	Main audit	Responsible for internal control planning implementation and audit, operational performance variance analysis and improvement suggestions and follow-up.
Development Department	Wang Chin-Ching	Manager	Responsible for land resource development, planning design and market trend analysis.
Customer Service Department	Huang Kuo-Chin	Vice President	Responsible for sales planning, customer contracts, collection and delivery of projects, sales as well as after-sales service, repair and remaining house rental management.
Construction Affairs Department	Wu Chung-Hsien	Vice President	Construction project budget setting, auditing, contracting and procurement, project management, supervising and acceptance at delivery.
Finance Department	Shih Shu-Ying	Assistant General Manager	Oversees the Company's operations related to capital budgeting, auditing, coordinating and accounting and receipts and expenditures
Management Department	Liu Hun-Ting	Manager	Responsible for planning and promoting the development of general affairs, personnel and human resources.

II. Information on the Company’s directors, supervisors, president, vice presidents, assistant general managers, and the supervisors of all the Company’s departments and branch units.

(I) Information on directors and supervisors:

March 29, 2021

Title	Nationality or place of registration	Name	Gender	Date of election (assumption) of office	Term of office	Commencement date of the first term	Number of shares held at the time election of office		Shares currently held		Shares currently held by their spouse, children of minor age		Shares held in the name of others		Principal work (academic) experience	Position(s) held concurrently in the Company and/or in any other company	Other directors or supervisors who are a spouse or a relative within the second degree of kinship of another			Remark
							Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %			Title	Name	Relations	
Director	Taiwan	Don Tai Development Co., Ltd.	Legal person	2018.5	3	2015.5	10,000,000	5.66	12,550,000	6.46	0	0	0	0	None	None	None	None	None	
Representative Chairperson	Republic of China	Hung Min-Fu	Male	2018.5	3	2012.6	4,800,000	2.72	5,280,000	2.72	0	0	0	0	Manager, Environmental & Ocean Technology Inc. Project Manager, EO.T Engineering Consultants, Inc.	Chairperson and CEO, Sunfon Construction Co., Ltd. Chairperson, Don Tai Development Co., Ltd.	None	None	None	Same as the CEO as he is a professional manageria l officer
Representative	Republic of China	Lin I-Wei	Male	2018.5	3	2012.6	4,400,000	2.49	5,060,000	2.60	0	0	0	0	Vice President, Lee Heng Academic Managing Consultancy Co., Ltd.	Chairperson, Trans-idea Educational Laboratory Co., Ltd. Adjunct lecturer, National Taipei University of Business	None	None	None	
Director	Taiwan	Yo-Li Investment Co., Ltd.	Legal person	2018.5	3	2009.6	9,000,000	5.10	12,360,000	6.36	0	0	0	0	None	None	None	None	None	
Representative	Republic of China	Jean Jyi-Dean	Male	2018.5	3	2012.6	0	0	0	0	0	0	0	0	Chairperson, Jing-Tai Greening Co., Ltd.	None	None	None	None	

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Title	Nationality or place of registration	Name	Gender	Date of election (assumption) of office	Term of office	Commencement date of the first term	Number of shares held at the time election of office		Shares currently held		Shares currently held by their spouse, children of minor age		Shares held in the name of others		Principal work (academic) experience	Position(s) held concurrently in the Company and/or in any other company	Other directors or supervisors who are a spouse or a relative within the second degree of kinship of another			Remark
							Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %			Title	Name	Relations	
Representative	Republic of China	Chuang Yu-Te	Male	2018.5	3	2009.6	27,600	0.02	36,960	0.02	0	0	0	0	Electrical and Mechanical Engineer, Underground Railway Engineering Division, Ministry of Transportation	Member of Construction Quality Inspection Committee, Public Construction Commission	None	None	None	
Director	Taiwan	Hong Ding Investment Co., Ltd.	Legal person	2018.5	3	2015.5	2,099,707	1.19	2,309,677	1.19	0	0	0	0	None	None	None	None	None	
Representative	Republic of China	Chen Teh-Fong	Male	2018.5	3	2015.5	953,827	0.54	1,049,209	0.54	562,588	0.29	0	0	Director, Hong Ding Investment Co., Ltd.	None	None	None	None	
Independent director	Republic of China	Huang Tse-Jen	Male	2018.5	3	2015.5	0	0	0	0	0	0	0	0	Director, Sheng-Xin Accounting Firm	Independent director, Genmont Biotech, Inc. Independent director, Sunplus Technology Co. Ltd.	None	None	None	
Independent director	Republic of China	Lin Wen-Fang	Male	2018.5	3	2015.5	0	0	0	0	0	0	0	0	Adjunct lecturer, Hsing Wu University	Vice President, Tronpsen Enterprise Co., Ltd.	None	None	None	
Supervisor	Taiwan	Golden Plaza Cultural & Education Foundation	Legal person	2018.5	3	2009.6	3,050,000	1.73	1,980,000	1.02	0	0	0	0	None	None	None	None	None	
Representative	Republic of China	Huang Cheng-Yuan	Male	2018.5	3	2009.6	1,544,422	0.87	1,698,864	0.87	0	0	0	0	President, De-Cheng Assets Management Co., Ltd.	None	None	None	None	

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Title	Nationality or place of registration	Name	Gender	Date of election (assumption) of office	Term of office	Commencement date of the first term	Number of shares held at the time election of office		Shares currently held		Shares currently held by their spouse, children of minor age		Shares held in the name of others		Principal work (academic) experience	Position(s) held concurrently in the Company and/or in any other company	Other directors or supervisors who are a spouse or a relative within the second degree of kinship of another			Remark
							Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %			Title	Name	Relations	
Supervisor	Republic of China	Yen Kuo-Lung	Male	2018.5	3	2003.5	0	0	0	0	0	0	0	0	CPA, Answer CPAs Firm	Independent director, Win Win Precision Technology Co., Ltd. Independent director, Nichidenbo Corp. Independent director, Hong Pu Real Estate Development Co., Ltd.	None	None	None	

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(II) Major shareholders of institutional shareholders (top ten shareholders and their shareholding percentage)

Name of institutional shareholder	Major shareholders of institutional shareholders
Don Tai Development Co., Ltd.	Yi-Fu Investment Co., Ltd. – 99.62%
Yo-Li Investment Co., Ltd.	Hung I-Hua – 100%
Hong Ding Investment Co., Ltd.	Chen Teh-Cheng – 44%, Chen Teh-Jung – 26%, Chen Teh-Fong – 20%, Chen-Tseng Chao-Jung – 4%
Golden Plaza Cultural & Education Foundation	Hung Ping-Yao – 35.56%, Hung Min-Fu – 5.69%, Hung I-Hua – 2.84%

(III) Major shareholders of institutional shareholders who are major shareholders of legal persons (top ten shareholders and their shareholding percentage)

Name of legal person	Major shareholders of legal entities
Yi-Fu Investment Co., Ltd.	Yi-Sheng Investment Co., Ltd. – 49.54%, Jin-Zan Business Development Co., Ltd. – 48.33%

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(IV) Independence assessment form for directors and supervisors:

Qualification / Name (Note 1)	Having at least five years of work experience and the following professional qualifications			State of compliance with independence (Note 2)												Number of other public companies in which the individual is concurrently serving as an independent director
	Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Judge, public prosecutor, attorney-at-law, 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	Work experience in commerce, law, finance, accounting or other fields required by the business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Don Tai Development Co., Ltd. Representative: Hung Min-Fu			✓						✓		✓	✓	✓	✓	✓	0
Don Tai Development Co., Ltd. Representative: Lin I-Wei			✓	✓			✓		✓		✓	✓	✓	✓	✓	0
Yo-Li Investment Co., Ltd. Representative: Chuang Yu-Te			✓	✓		✓	✓	✓	✓		✓	✓	✓	✓	✓	0
Yo-Li Investment Co., Ltd. Representative: Jean Jyi-Dean			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hong Ding Investment Co., Ltd. Representative: Chen Teh-Fong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Huang Tse-Jen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Lin Wen-Fang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Golden Plaza Cultural & Education Foundation Representative: Huang Cheng-Yuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

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Yen Kuo-Lung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

Note 1: The number of columns is adjusted as needed.

Note 2: A "✓" is placed in the box if the director or supervisor met the following conditions at any time during their term of office and two years prior to the date elected.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of an affiliate of the Company (this restriction does not apply, however, in case the person is an independent director of the company or its parent company, subsidiary or a subsidiary of the same parent company established in pursuant to the Act or local laws).

(3) Not a natural-person shareholder holding shares, together with a spouse, minor children, or under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking among the top 10 in shareholdings.

(4) Not a managerial officer listed in criteria (1) or a spouse, relative of second degree of kinship, or direct kin of third degree or closer of persons listed in criteria (2) and (3).

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or of an institutional shareholder that ranks among the top five in shareholdings or of an institutional shareholder assigned as director or supervisor of the company in accordance with Paragraph 1 or Paragraph 2 of Article 27 of the Company Act (this restriction does not apply, however, in case the person is an independent director of the company and its parent company, subsidiary or a subsidiary of the same parent company established in pursuant to the Act or local laws).

(6) Not a director, supervisor, or employee, holding a majority of the company's director seats or voting shares and those of any other company controlled by the same person (this restriction does not apply, however, in case the person is an independent director of the company and its parent company, subsidiary or a subsidiary of the same parent company established in pursuant to the Act or local laws).

(7) Not the same person as or the spouse of the company's director, general manager, or person of an equivalent post of any other company or institution's director, supervisor, or employee (this restriction does not apply, however, in case the person is an independent director of the company and its parent company, subsidiary or a subsidiary of the same parent company established in pursuant to the Act or local laws).

(8) Not a director, supervisor, managerial officer, or shareholder holding 5% of a company or institution that has a financial or business relationships with the company (this restriction does not apply, however, to certain companies or institutions holding more than 20% but no more than 50% of the total issued shares of the Company, and in case the person is an independent director of the company and its parent company, subsidiary or a subsidiary of the same parent company established in pursuant to the Act or local laws).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer and their spouses of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received a cumulative remuneration not exceeding NT$500,000, or a spouse thereof. This restriction does not apply to a member of the Salary and Remuneration Committee, public tender offer review committee, or special committee for mergers and acquisitions, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not a spouse or relative of second degree or closer to any other directors.

(11) Not having any circumstances stipulated in Article 30 of the Company Act.

(12) Not elected as a government, legal person or their representative according to Article 27 of the Company Act.

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(V) Information on the Company's president, vice president, assistant general managers, and the supervisors of all the Company's departments and branch units

Title	Nationality	Name	Gender	Date of election (assumption) of office	Number of shares held		Number of shares held by their spouse, children of minor age		Shares held in the name of others		Principal work (academic) experience	Position(s) held concurrently in any other company	Managerial officers who are spouses or within second degree of kinship of another			Remark
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relations	
CEO	Republic of China	Hung Min-Fu	Male	2014.8	5,280,000	2.72%	0	0	0	0	Project Manager, Environmental & Ocean Technology Inc. Project Manager, EO.T Engineering Consultants, Inc.	Chairperson, Don Tai Development Co., Ltd.	None	None	None	Same as the CEO as he is a professional managerial officer (Note 1)
President	Republic of China	Yu Jui-Hsing	Male	2012.7	0	0%	0	0	0	0	Vice President, Development Department, Sunfon Construction Co., Ltd.	None	None	None	None	(Note 2)
Vice President	Republic of China	Huang Kuo-Chin	Male	2016.7	11,000	0.01%	0	0	0	0	Manager, Customer Service Department, Sunfon Construction	None	None	None	None	

As the Company does not have branch units, there is no related information.

Note 1. Hung Min-Fu was appointed as president on August 7, 2014; he became CEO on January 7, 2021.

Note 2. Yu Jui-Hsing was appointed as vice president on July 1, 2012; he became president on January 7, 2021.

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(IV) Remuneration to general directors, independent directors, supervisors, president and vice presidents in the most recent fiscal year

(1) Remuneration to general directors and independent directors (individual disclosure of names and remuneration method)

Unit: NT$ thousand

Title (Code)	Name	Director remuneration								The sum of A, B, C and D as a percentage of net income after tax (Note 10)		Remuneration for concurrently serving as the Company's employee								The sum of A, B, C, D, E, F, and G as a percentage of net income after tax (Note 10)		Remuneration from investment business other than subsidiaries or parent company (Note 11)
		Returns (A) (Note 2)		Pension (B)		Remuneration to directors (C) (Note 3)		Fees for services rendered (D) (Note 4)				Salaries, bonuses, special allowances, etc. (E) (Note 5)		Pension (F)		Employee remuneration (G) (Note 6)						
		The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company		All companies included in the financial reports (Note 7)		The Company	All companies included in the financial reports (Note 7)	
																Cash amount	Stock amount	Cash amount	Stock amount			
Director	Don Tai Development Co., Ltd. Representative: Hung Min-Fu, Lin I-Wei	0	0	0	0	772	772	100	100	0.43%	0.43%	1,948	1,948	0	0	228	0	228	0	1.49%	1.49%	0
Director	Yo-Li Investment Co., Ltd. Representative: Jean Jyi-Dean, Chuang Yu-Te	0	0	0	0	515	515	100	100	0.30%	0.30%	0	0	0	0	0	0	0	0	0.30%	0.30%	0
Director	Hong Ding Investment Co., Ltd. Representative: Chen Teh-Fong	0	0	0	0	258	258	50	50	0.15%	0.15%	0	0	0	0	0	0	0	0	0.15%	0.15%	0
Independent director	Huang Tse-Jen	0	0	0	0	258	258	50	50	0.15%	0.15%	0	0	0	0	0	0	0	0	0.15%	0.15%	0
Independent director	Lin Wen-Fang	0	0	0	0	258	258	50	50	0.15%	0.15%	0	0	0	0	0	0	0	0	0.15%	0.15%	0

1. Please explain the policy, system, standards and structure by which remuneration to independent directors is paid, and association between the amount paid and independent directors' responsibilities, risks and time committed:
   The policy, system, standards and structure by which remuneration to independent directors is paid and association between the amount paid are the same as those for general directors; please refer to (4).
2. Remuneration to directors for rendering services (such as consultants to non-employees) to the companies included in the financial statements in the most recent fiscal year other than the disclosures in the above table: None.

Note 1: Names of directors are presented separately (for institutional shareholders, the name of the institutional shareholder and its representatives are stated separately), whereas the amount of benefits and allowances for general directors and independent directors are disclosed in aggregate. Any directors who also serve as president or vice president are disclosed in this table and the following table (3).

Note 2: Refers to remuneration of directors in the most recent fiscal year (including directors' salaries, allowances, severance pay, various bonuses and incentives, etc.).

Note 3: Represents the amount of remuneration distributed to directors approved by the Board meeting in the most recent fiscal year.

Note 4: Refers to remuneration to directors for services rendered (including business travel allowances, special expenses, various allowances, accommodation, corporate vehicle and other in-kind benefits) for the most recent fiscal year. Where housing, cars, vehicles, or personal allowances were provided, the nature and cost of assets, the rental rates calculated based on actual or fair value, cost of petrol and other

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subsidies are also disclosed. Where a personal driver was allocated, please add a note explaining the amount of salary paid to the driver, but do not count it as part of the remuneration.

Note 5: Refers to any salaries, allowances, severance pay, bonuses, incentives, business travel allowances, special allowances, subsidies, accommodation, vehicles and other in-kind benefits that the director received in the most recent fiscal year for assuming the role of a company employee (such as president, vice president, other managerial officers or employees). Where housing, cars, vehicles, or personal allowances were provided, the nature and cost of assets, the rental rates calculated based on actual or fair value, cost of petrol and other subsidies are also disclosed. Where a personal driver was allocated, please add a note explaining the amount of salary paid to the driver, but do not count it as part of the remuneration. Part of the salary expense was recognized according to IFRS2 “Share-based Payment”. Amounts including the acquisition of employee stock options, new restricted employee shares and subscription of new shares for raising capital are treated as remuneration.

Note 6: Refers to any remuneration that the director has received (in cash or in shares) in the last year for assuming the role of an employee (such as president, vice president, other managerial officers or employees). The amount of employee remuneration proposed by the Board of Directors in the most recent fiscal year should be disclosed. Where the amount can not be estimated, a calculation should be made based on last year’s payout ratio, and Attachment 1-3 should also be completed for reference.

Note 7: The total amount of remuneration paid to the Company’s directors by all companies in the consolidated report (including the Company) should be disclosed.

Note 8: The total amount of remuneration paid to directors and their names are disclosed in remuneration ranges.

Note 9: The total amount of remuneration paid to the Company’s directors by all companies in the consolidated report (including the Company) should be disclosed, with the names of the directors disclosed in remuneration ranges.

Note 10: Net income after tax is the after-tax profit in the Parent Only or individual financial statements in the most recent fiscal year.

Note 11:
a. This column should clearly represent all forms of remuneration that directors received from invested businesses other than subsidiaries or from the parent company.
b. For directors who received remuneration from investment businesses other than subsidiaries or from the parent company, amounts received from these invested businesses or from the parent company should be added to column I of the remuneration brackets table. In this case, column I should be renamed “Parent Company and all Invested Businesses”.
c. Remuneration refers to any returns, remuneration (including remuneration received as an employee, director and supervisor) and professional service fees which the parent company’s director received for serving as director, supervisor or managerial officer in invested businesses other than subsidiaries or in the parent company.

* The basis of remuneration disclosed in the table is different from the basis of the Income Tax Act; hence the table has been prepared solely for information disclosure and not for tax purpose.

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(2) Remuneration to supervisors (individual disclosure of names and remuneration method) Unit: NT$ thousand

Title (Code)	Name	Remuneration to supervisors						The sum of A, B and C as a percentage of net income after tax (Note 8)		Remuneration from investment business other than subsidiaries or parent company (Note 9)
		Returns (A) (Note 2)		Remuneration (B) (Note 3)		Fees for services rendered (C) (Note 4)				
		The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	
Supervisor	Golden Plaza Cultural & Education Foundation Representative: Huang Cheng-Yuan	-	-	257	257	50	50	0.15%	0.15%	0
Supervisor	Yen Kuo-Lung	-	-	257	257	50	50	0.15%	0.15%	0

Note 1: Names of supervisors are presented separately (for institutional shareholders, the name of the institutional shareholder and its representatives are stated separately), whereas the amount of benefits and allowances are disclosed in aggregate.

Note 2: Refers to remuneration to supervisors in the most recent fiscal year (including salaries, allowances, severance pay, various bonuses and incentives, etc.)

Note 3: Represents the amount of remuneration distributed to supervisors approved by the Board meeting in the most recent fiscal year.

Note 4: Refers to remuneration to supervisors for services rendered (including business travel expenses, special expenses, various allowances, accommodation, corporate vehicle and other in-kind benefits) for the most recent fiscal year. Where housing, cars, vehicles, or personal allowances were provided, the nature and cost of assets, the rental rates calculated based on actual or fair value, cost of petrol and other subsidies are also disclosed. Where a personal driver was allocated, please add a note explaining the amount of salary paid to the driver, but do not count it as part of the remuneration.

Note 5: The total amount of remuneration paid to the Company's supervisors by all companies in the consolidated report (including the Company) should be disclosed.

Note 6: The total amount of remuneration paid to supervisors and their names are disclosed in remuneration ranges.

Note 7: The total amount of remuneration paid to the Company's supervisors by all companies in the consolidated report (including the Company) should be disclosed, with the names of the supervisors disclosed in remuneration ranges.

Note 8: Net income after tax is the after-tax profit in the Parent Only or individual financial statements in the most recent fiscal year.

Note 9: a. This column should clearly represent all forms of remuneration that supervisors received from invested businesses other than subsidiaries or from the parent company.

b. For supervisors who received remuneration from invested businesses other than subsidiaries or from the parent company, amounts received from these invested businesses or from the parent company should be added to column D of the remuneration brackets table. In this case, column D should be renamed "Parent Company and all Invested Businesses".

c. Remuneration refers to any returns, remuneration (including remuneration received as an employee, director and supervisor) and professional service fees which the Company's supervisor received for serving as director, supervisor or managerial officer in invested businesses other than subsidiaries or in the parent company.

* The basis of remuneration disclosed in the table is different from the basis of the Income Tax Act; hence the table has been prepared solely for information disclosure and not for tax purpose.

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(3) Remuneration to the president and vice presidents (the aggregate is in conjunction with names disclosed in ranges) Unit: NT$ thousand

Title (Code)	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and special allowances (C) (Note 3)		Amount of remuneration to employees (D) (Note 4)				The sum of A, B, C and D as a percentage of net income after tax (%) (Note 8)		Remuneration from investment business other than subsidiaries or parent company (Note 9)
		The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company		All companies included in the financial reports (Note 5)		The Company	All companies included in the financial reports (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
CEO	Hung Min-Fu	4,535	4,535	138	138	634	634	652	0	652	0	2.91%	2.91%	0
President	Yu Jui-Hsing													
Vice President	Huang Kuo-Chin													

Note: The actual amount of pension payment was NT$0 for 2020, and the amount contributed to retirement pension expense was NT$207 thousand.

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Remuneration Range Table

Range of remuneration to the Company's president and vice presidents	Names (codes) of president and vice presidents	
	The Company (Note 6)	All companies included in the financial reports (E) (Note 7)
Below NT$1,000,000	-	-
NT$1,000,000 (inclusive) – NT$2,000,000 (exclusive)	Huang Kuo-Chin	Huang Kuo-Chin
NT$2,000,000 (inclusive) – NT$3,500,000 (exclusive)	Hung Min-Fu, Yu Jui-Hsing	Hung Min-Fu, Yu Jui-Hsing
NT$3,500,000 (inclusive) – NT$5,000,000 (exclusive)	-	-
NT$5,000,000 (inclusive) – NT$10,000,000 (exclusive)	-	-
NT$10,000,000 (inclusive) – NT$15,000,000 (exclusive)	-	-
NT$15,000,000 (inclusive) – NT$30,000,000 (exclusive)	-	-
NT$30,000,000 (inclusive) – NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive) – NT$100,000,000 (exclusive)	-	-
Above NT$100,000,000	-	-
Total	3	3

Note 1: Names of presidents and vice presidents' are presented separately; the amount of each payment is disclosed in aggregate. Any directors who also serve as president or vice president are disclosed in this table and the above table (1).

Note 2: Refers to presidents and vice presidents' salaries, allowances and severance pay for the most recent fiscal year.

Note 3: Refers to various bonuses, incentives, business travel allowances, special allowances, subsidies, accommodation, vehicles and other in-kind benefits that the president and vice presidents received in the most recent fiscal year. Where housing, cars, vehicles, or personal allowances were provided, the nature and cost of assets, the rental rates calculated based on actual or fair value, cost of petrol and other subsidies are also disclosed. Where a personal driver was allocated, please add a note explaining the amount of salary paid to the driver, but do not count it as part of the remuneration. Part of the salary expense was recognized according to IFRS2 “Share-based Payment”. Amounts including the acquisition of employee stock options, new restricted employee shares and subscription of new shares for raising capital are treated as remuneration.

Note 4: Represents the amount of employee remuneration to the president and vice presidents (including in cash or in shares), which the Board of Directors has proposed as part of the most recent earnings appropriation. Where the amount can not be estimated, a calculation should be made based on last year’s payout ratio, and Attachment 1-3 should also be completed for reference.

Note 5: The total amount of remuneration paid to the Company’s president and vice president by all companies in the consolidated report (including the Company) should be disclosed.

Note 6: The total amount of remuneration paid to president and vice presidents and their names are disclosed in remuneration ranges.

Note 7: The total amount of remuneration paid to the Company’s president and vice presidents by all companies in the consolidated report (including the Company) should be disclosed, with the names of the president and vice presidents disclosed in remuneration ranges.

Note 8: Net income after tax is the after-tax profit in the Parent Only or individual financial statements in the most recent fiscal year.

Note 9: a. This column should clearly represent all forms of remuneration that president and vice presidents received from invested businesses other than subsidiaries or from the parent company.

b. For president and vice president who received remuneration from invested businesses other than subsidiaries or from the parent company, amounts received from these invested businesses or from the parent company should be added to column E of the remuneration brackets table. In this case, column E should be renamed “Parent Company and all Invested Businesses”.

c. Remuneration refers to any returns, remuneration (including remuneration received as an employee, director and supervisor) and professional service fees which the Company’s president or vice president received for serving as director, supervisor or managerial officer in invested businesses other than subsidiaries or in the parent company.

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* The basis of remuneration disclosed in the table is different from the basis of the Income Tax Act; hence the table has been prepared solely for information disclosure and not for tax purpose.

Names of managerial officers who received employee remuneration and the distribution situation

December 31, 2020 Unit: NT$ thousand

	Title	Name	Stock amount	Cash amount	Total	Total amount as a percentage of net income after tax (%)
Managerial officer	CEO	Hung Min-Fu	0	807	807	0.39%
	President	Yu Jui-Hsing				
	Vice President	Huang Kuo-Chin				
	Assistant general manager of the Finance Department	Shih Shu-Ying				

(4) Describe total remuneration, as a percentage of net income after tax stated in the Parent Only financial reports and consolidated financial statements, as paid by the Company and by each company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents, and assistant general managers:

Year	2020				2019			
Item	The Company	Percentage of net income after tax	Consolidated statements	Percentage of net income after tax	The Company	Percentage of net income after tax	Consolidated statements	Percentage of net income after tax
Director	4,585	2.24%	4,585	2.24%	5,952	1.75%	5,952	1.75%
Supervisor	615	0.30%	615	0.30%	935	0.28%	935	0.28%
President and vice president	3,783	1.85%	3,783	1.85%	3,974	1.17%	3,974	1.17%

Describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

(I) Policies, standards, and packages of remuneration

Directors and supervisors: 1. Business travel allowance of NT$10,000 for each attendance.

2. Remuneration to directors and supervisors: As stipulated in the Company’s Articles of Incorporation, the remuneration allocated to directors and supervisors shall be based on the net income before tax and shall not exceed 1%. However, if the Company still has accumulated losses, the Company should first make up for losses before allocating remuneration to directors and supervisors in the proportion described above.

3. The chairperson’s monthly salary and year-end bonus.

President and vice presidents: 1. Monthly salary and year-end bonus.

2. Remuneration to employees: As stipulated in the Company’s Articles of Incorporation, the remuneration allocated to employees shall be based on the net income before tax and shall not be less than 1%. However, if the Company still has accumulated losses, the Company should first make up for losses before allocating remuneration to employees in the proportion described above.

(II) The procedure for determining remuneration:

Remuneration to directors and supervisors is determined based on the net income before tax of the year as well as on the proportion stipulated in the Articles of Incorporation followed by the resolution of the Board of Directors.

Salaries and bonuses of the president and vice presidents are determined on the basis of the Company’s employee salary and bonus standards. Remuneration to the president and vice presidents is determined based on the net income before tax of the year as well as the proportion stipulated in the Articles of Incorporation followed by the resolution of the Board of Directors.

The remuneration mentioned above has been submitted to the Salary and Remuneration Committee for discussion followed by the resolution of the Board of Directors since 2012.

(III) Linkage to operating performance and future risk exposure:

The remuneration to directors, supervisors, CEO, president and vice presidents is based on their degree of participation in the operations of the Company, as well as their contribution and loyalty and the value of their responsibilities, while also taking full account of the Company’s operating performance.

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III. The state of the Company's implementation of corporate governance:

(I) The state of operations of the Board of Directors:

The Board of Directors held 6 meetings (A) in the most recent fiscal year; the attendance for each director and supervisor is as follows:

Title	Name	Actual attendance B	Number of proxy attendances	Percentage of actual attendance (in non-voting capacity) (%) [B/A]	Remark
Chairperson	Don Tai Development Co., Ltd. Representative: Hung Min-Fu	6	0	100	
Director	Don Tai Development Co., Ltd. Representative: Lin I-Wei	6	0	100	
Director	Yo-Li Investment Co., Ltd. Representative: Chuang Yu-Te	6	0	100	
Director	Yo-Li Investment Co., Ltd. Representative: Jean Jyi-Dean	6	0	100	
Director	Hong Ding Investment Co., Ltd. Representative: Chen Teh-Fong	6	0	100	
Independent director	Huang Tse-Jen	6	0	100	
Independent director	Lin Wen-Fang	6	0	100	

Any other matters that require reporting:

I. For Board of Directors meetings that meet any of the following descriptions, state the date, session, the motion discussed, independent directors' opinions and how the Company has responded to such opinions: None.

(I) Matters listed in Article 14-3 of the Securities and Exchange Act.

(II) Any other documented objections or qualified opinions raised by independent directors against Board resolutions in relation to matters other than those described above.

II. For the implementation and state of directors' recusal for conflicts of interests (the name of the director, the content of the motion, reasons for the required recusal, and participation in the voting process should be stated): The second meeting of the 11th Board held on June 14, 2018, regarding the motion for the candidate list for the appointment of the Salary and Remuneration Committee members and their remuneration: As independent directors Huang Tse-Jen and Lin Wen-Fang are members of the Salary and Remuneration Committee, they had to recuse themselves to avoid conflicts of interest.

III. TWSE/TPEx Listed Companies should disclose information including the evaluation cycle and period, evaluation scope, method and evaluation content of the Board's self (or peer) evaluation, and the Evaluation of the Board of Directors in Attachment 2 (2) should be filled in: None.

IV. Goals for strengthening the functions of the Board of Directors (e.g., setting up an Audit Committee or enhancing information transparency) for the year and the most recent fiscal year and the evaluation of the implementation state: At the second meeting of the 11th Board held on June 14, 2018, the Company elected the members for the 4th Salary and Remuneration Committee. The appointment of Huang Tse-Jen, Lin Wen-Fang and Hung I-Hsun as Salary and Remuneration Committee members was unanimously approved by all directors present. At the first meeting of the 4th Salary and Remuneration Committee held on July 24, 2018, Huang Tse-Jen was elected as the convener and chair of the Salary and Remuneration Committee. We regularly update the financial information on our website for shareholders. Our directors perform their duties in a professional manner and they strive for best interests of all shareholder.

(II) The state of participation in board meetings by the supervisors:

The Board of Directors held 6 meetings (A) in the most recent fiscal year; the attendance for each director and supervisor is as follows:

Title	Name	Actual attendance B	Number of proxy attendances	Percentage of actual attendance (in non-voting capacity) (%) [B/A]	Remark
Supervisor	Golden Plaza Cultural & Education Foundation Representative: Huang Cheng-Yuan	6	0	100	
Supervisor	Yen Kuo-Lung	6	0	100	

Any other matters that require reporting:

I. Composition and duties of supervisors:

(I) Communication between supervisors and company employees and shareholders: Our employees and shareholders communicate with supervisors through smooth communication outlets including meetings or annual general meetings.

(II) Communication between supervisors and internal audit supervisor and CPAs: Supervisors may communicate with the chief internal auditor and CPAs at any time for matters concerning the financial and business status of the Company. They may also attend the Board meeting to listen to business reports of the directors, management, and professional managerial officers as well as take part in discussions and help make decisions.

II. If the supervisors stated any opinions while attending Board meetings, state the date, session, the motion discussed, and the resolution of the Board meeting as well how the Company has responded to such opinions: None.

(III) The state of corporate governance implementation and variation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for such variation

Evaluation item	Implementation status			Variation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for such variation
	Yes	No	Summary	
I. Has the company established and disclosed its rules of corporate governance in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?		✓	The Company has not yet established Corporate Governance Best-Practice Principles.	
II. Equity structure and shareholders' equity				
(I) Has the company established internal procedures to handle shareholders' suggestions, doubts, disputes, and litigation matters, and have the procedures been implemented accordingly?		✓	(I) The Company has appointed dedicated personnel to handle issues regarding shareholder suggestions and disputes.	No difference from the spirit of the Principles
(II) Does the company possess a list of the company's major shareholders and a list of the ultimate controllers of the major shareholders?	✓		(II) The Company possesses a list of major shareholders provided by the stock agent, and keeps close contact with major shareholders.	
(III) Has the company established and implemented risk control and firewall mechanisms with its affiliates?	✓		(III) The assets and financial accounting of affiliates are independent operations. The Company has established the "Regulations Governing the Financial Operations between the Company and Affiliates" to avoid risks resulting from malpractice of affiliates.	
(IV) Has the company set up internal norms to prohibit insiders from using undisclosed information to trade securities?	✓		(IV) The Company has set up the "Preventive Measures of Insider Trading Management" to prohibit insiders from trading marketable securities using undisclosed information in the market.	
III. Composition and duties of the Board of Directors				

Evaluation item	Implementation status			Variation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for such variation
	Yes	No	Summary	
(I) Has the Board of Directors set a policy for diversity and implemented the policy?		✓	(I) The Board members of the Company are made up of professionals with backgrounds in governance, construction industry, management, and finance and accounting areas, which are beneficial to the Company's operational performance and management efficiency.	No difference from the spirit of the Principles
(II) Aside from setting up the Salary and Remuneration Committee and Audit Committee as required by the law, has the company voluntarily set up other functional committees?	✓		(II) Other functional committees may be set up depending on the future scale of the Company.	
(III) Has the company established Regulations Governing the Board Performance Evaluation and its evaluation methods, and does the company perform a regular performance evaluation each year and submit the results of performance evaluations to the Board of Directors and use them as reference in determining salary and remuneration for each individual director, their nomination, and reappointment?	✓		(III) The Company has established the Regulations Governing the Board Performance Evaluation on March 10, 2020.	

Evaluation item	Implementation status			Variation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for such variation
	Yes	No	Summary	
(IV) Does the company regularly assess the independence of CPAs?	✓		(IV) The Company assesses the independent of CPAs once a year targeting aspects of financial interests, financing and guarantees, business relationships, family and personal relationships, employment relationships, gifts and special benefits, the rotation of CPAs and non-audit business, while also obtaining an independence statement provided by the accounting firm. On March 9, 2021, the Board of Directors passed the CPAs' independence assessment and the result did not indicate any matters that may affect the independence of the CPAs.	
IV. Has the company designated an appropriate number of corporate governance personnel and designated a chief corporate governance officer that are responsible for corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assist directors and supervisors in complying with laws and regulations, convening board meetings and shareholders meetings in accordance with the law, preparation of board meeting and shareholders meeting minutes, etc.)?	✓		The Board is the highest governance body and the Company's governance-related affairs are overseen by the supervisor of the Finance Department.	No difference from the spirit of the Principles
V. Has the company established communication channels for stakeholders (including but not limited to shareholders, employees, customers or suppliers)? Has the company set up a section dedicated to stakeholders on the company's website and appropriately respond to important corporate social responsibility issues that stakeholders are concerned about?	✓		The Company has set up a section dedicated to stakeholders on its website. The Company has smooth communication channels with stakeholders and respects their legitimate rights and interests.	No difference from the spirit of the Principles

Evaluation item	Implementation status			Variation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for such variation
	Yes	No	Summary	
VI. Has the company appointed a professional stockbroker to conduct shareholder meeting affairs?	✓		The Company has appointed Masterlink Securities to conduct shareholder meeting affairs.	No difference from the spirit of the Principles
VII. Information disclosure				
(I) Has the company set up a website to disclose financial operations and corporate governance information?	✓		(I) The Company's financial operations and corporate governance information are disclosed on the Company's website as well as the Exchange website as required.	No difference from the spirit of the Principles
(II) Has the company adopted other information disclosure methods (e.g., establishing an English website, designating dedicated personnel for collecting and disclosing company information, implementing a spokesperson system, and uploading the process of the investor conference on its website)?	✓		(II) The Company has designated dedicated personnel for collecting and disclosing information. There is also a spokesperson system in place to ensure information that may affect the decisions made by shareholders and stakeholders is disclosed in a timely and appropriate fashion.	
(III) Does the company publish and report its annual financial report within two months after the end of each fiscal year, and publish and report its financial reports for the first, second, and third quarters, as well as its operating status for each month before the prescribed deadlines?	✓		(III) The financial report for the Company's first, second and third quarter as well as its monthly operating status are reported in advance as required.	

Evaluation item	Implementation status			Variation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for such variation
	Yes	No	Summary	
VIII. Does the company have any other important information that is helpful in understanding the corporate governance operation of the company (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors, etc.)?	✓		The attendance of the Company's directors and supervisors at the Board meeting is good and is in compliance with the regulations. The Company has taken out directors and supervisors liability insurance for directors and supervisors since January 1, 2020, to strengthen their functions and balance their rights and obligations. On September 21, 2020, the Company arranged a 3-hour seminar "Corporate Governance 3.0 – Sustainable Development Roadmap" organized by the OTC for directors and supervisors, which is in compliance with the regulations of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TWSE/TPEx Listed Companies".	
IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by the TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified: Matters pending improvements resulting from the Company's corporate governance evaluation outcome mainly include the full adoption of a candidate nomination system for the election of directors and supervisors and information disclosure in English. In the future, the Company will prioritize the promotion of the full adoption of a candidate nomination system conforming with the policy of competent authorities. The Company's corporate governance operations are in compliance with relevant regulations of the law.				

Continuing education of directors and supervisors in 2020

<table>
<tr><th>Name</th><th>Date</th><th>Organizer</th><th>Course name</th><th>Time</th></tr>
<tr><td>Chairperson
Hung Min-Fu</td><td rowspan="2">1/16</td><td rowspan="2">Institute for Information Industry</td><td rowspan="2">Smart Finance Management Obligation Seminar for Directors of TWSE/TPEx Listed Companies</td><td rowspan="2">2.5 hours</td></tr>
<tr><td>Independent director
Lin Wen-Fang</td></tr>
<tr><td rowspan="2">Independent director
Huang Tse-Jen</td><td>7/15</td><td rowspan="2">Securities and Futures Institute</td><td>Regulations and Operational Practices for Audit Committees</td><td>3 hours</td></tr>
<tr><td>8/17</td><td>Corporate Governance and Securities Law Seminar</td><td>3 hours</td></tr>
<tr><td>Director
Lin I-Wei</td><td rowspan="2">10/16</td><td rowspan="2">TPEx</td><td rowspan="2">2020 Seminar for Corporate Governance and Corporate Ethics for Directors and Supervisors</td><td rowspan="2">3 hours</td></tr>
<tr><td>Director
Chen Teh-Fong</td></tr>
</table>

Continuing education of managerial officers in 2020

<table>
<tr><th>Name</th><th>Date</th><th>Organizer</th><th>Course name</th><th>Time</th></tr>
<tr><td rowspan="2">Chief Internal Auditor
Pan Ping-Hung</td><td>8/28</td><td rowspan="2">Internal Audit Association of the Republic of China</td><td>Prevention of Financial Crimes</td><td>6 hours</td></tr>
<tr><td>9/28</td><td>Understanding and Improving the Ability to Independently Prepare Financial Statements</td><td>6 hours</td></tr>
<tr><td>Assistant General Manager of the Finance Department
Shih Shu-Ying</td><td>7/23~7/24</td><td>Accounting Research and Development Foundation</td><td>Continuing Education Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges</td><td>12 hours</td></tr>
</table>

(IV) Composition and duties of the Salary and Remuneration Committee and its operation:

(1) Information on members of the Salary and Remuneration Committee

Identity (Note 1)	Qualification / Name	Having at least five years of work experience and the following professional qualifications			State of compliance with independence (Note 2)										Number of other public companies in which the individual is concurrently serving as a member of the Salary and Remuneration Committee	Remark
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Judge, public prosecutor, attorney-at-law, 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	Work experience in commerce, law, finance, accounting or other fields required by the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Huang Tse-Jen	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent director	Lin Wen-Fang	✓	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	Hung I-Hsun	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please fill in director, independent director or other under Identity.
Note 2: A "✓" is placed in the box if the member met the following conditions at any time during their term of office and two years prior to the date elected.

(1) Not an employee of the Company or any of its affiliates.
(2) Not a director or supervisor of an affiliate of the Company (this restriction does not apply, however, in case the person is an independent director of the company and its parent company, subsidiary or a subsidiary of the same parent company established in pursuant to the Act or local laws).
(3) Not a natural-person shareholder holding shares, together with a spouse, minor children, or under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking among the top 10 in shareholdings.
(4) Not a managerial officer listed in criteria (1) or a spouse, relative of second degree of kinship, or direct kin of third degree or closer of persons listed in criteria (2) and (3).
(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or of an institutional shareholder that ranks among the top five in shareholdings or of an institutional shareholder assigned as director or supervisor of the company in accordance with Paragraph 1 or Paragraph 2 of Article 27 of the Company Act (this restriction does not apply, however, in case the person is an independent director of the company and its parent company, subsidiary or a subsidiary of the same parent company established in pursuant to the Act or local laws).
(6) Not a director, supervisor, or employee, holding a majority of the company's director seats or voting shares and those of any other company controlled by the same person (this restriction does not apply, however, in case the person is an independent director of the company and its parent company, subsidiary or a subsidiary of the same parent company established in pursuant to the Act or local laws).
(7) Not the same person as or the spouse of the company's director, general manager, or person of an equivalent post of any other company or institution's director, supervisor, or employee (this restriction does not apply, however, in case the person is an independent director of the company and its parent company, subsidiary or a subsidiary of the same parent company established in pursuant to the Act or local laws).
(8) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of a company or institution that has a financial or business relationships with the company (this restriction does not apply, however, to certain companies or institutions holding more than 20% but no more than 50% of the total issued shares of the Company, and in case the person is an independent director of the company and its parent company, subsidiary or a subsidiary of the same parent company established in pursuant to the Act or local laws).
(9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer and their spouses of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received a cumulative remuneration not exceeding NT$500,000, or a spouse thereof. This restriction does not apply to a member of the Salary and Remuneration Committee, public tender offer review committee, or special committee for mergers and acquisitions, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
(10) Not having any circumstances stipulated in Article 30 of the Company Act.

(2) Information on the operation of the Salary and Remuneration Committee

I. The Company's Salary and Remuneration Committee is made up by 3 members.

II. Term of office: July 1, 2018, to May 28, 2021. The Salary and Remuneration Committee had 2 meetings (A) in the most recent fiscal year. The qualification and attendance of the members are as follows:

Title	Name	Actual attendance (B)	Number of proxy attendances	Actual attendance (%) (B/A) (Note)	Remark
Convener	Huang Tse-Jen	2	0	100	
Member	Hung I-Hsun	2	0	100	
Member	Lin Wen-Fang	2	0	100	

(I) Information on the most recent meeting of the Salary and Remuneration Committee:

Salary and Remuneration Committee Meeting Date	Motion content	Resolution result	The Company's handling of the opinions of the Salary and Remuneration Committee
20200220	Motion for the review of the distribution of employee remuneration to directors, supervisors and managerial officers for 2019.	Approved by all members of the Committee	Submitted to the Board meeting and approved by all attending directors
20201020	Motion for the review of the year-end bonus of managerial officers for 2020	Approved by all members of the Committee	Submitted to the Board meeting and approved by all attending directors

(II) Functions of the Company's Salary and Remuneration Committee

1. Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the remuneration of the directors, supervisors, and managerial officers of the Company.
2. Periodically assessing the degree to which the performance goals of the directors, supervisors, and managerial officers of the Company have been achieved, setting the types and amounts of their individual remuneration based on the results of the reviews conducted in accordance with the performance assessment standards. The annual report should disclose the results of the individual performance assessments of the directors, supervisors and managerial officers and the connection between and reasonableness of the contents and amounts of their individual remuneration and performance assessment results.

Any other matters that require reporting:

I. If the Board of Directors declines to adopt or modify a recommendation of the Salary and Remuneration Committee, the date, session, motion discussed and the resolution of the Board meeting and handling of the resolution of the Remuneration Committee shall be specified (if the remuneration package approved by the Board is better than the recommendation made by the committee, please specify the variation and the reason): None.

II. As to the resolutions of the Salary and Remuneration Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None.

(V) The state of the performance in the area of social responsibility and variation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and the reason for such variation:

Evaluation item	Implementation status			Variation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such variation
	Yes	No	Summary	
I. In accordance with the materiality principle, has the company conducted risk assessments of environmental, social and corporate governance issues pertaining to company operations, and established a relevant risk management policy or strategy?		✓	The Company does not have environmental, social and corporate governance issues that pose a significant impact on the Company's investors and other stakeholders. The Company has not yet established a relevant risk management policy or strategy.	Will be established depending on the Company's future operations and scale
II. Has the company set up a dedicated (or part-time) unit to promote corporate social responsibility, and has the senior management been authorized by the Board of Directors to handle matters and report the handling process to the Board of Directors?	✓		The Company's management department is in charge of the promotion of CSR operations, and occasionally sponsors or participates in communities and neighborhoods surrounding construction sites to achieve good neighborliness.	
III. Environmental issues (I) Has the company established an appropriate environmental management system in accordance with the nature of the industry it is in?	✓		(I) There are site directors at each construction site and our safety and health inspection personnel pays attention to the site safety maintenance at all times. Greening, water and soil conservation, garbage pollution reduction, air pollution and noise reduction as well as energy conservation and carbon reduction have all been listed as key points for safety and health inspection at the construction site. All partners are also urged to comply with these rules. As the Company is not a manufacturing company, ISO 14001 is not applicable.	No difference from the spirit of the Principles

Evaluation item	Implementation status			Variation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such variation
	Yes	No	Summary	
(II) Is the company committed to enhancing the utilization efficiency of resources and use renewable materials with low impact on the environment?	✓		(II) The Company is engaged in real estate investment and the construction of residential and commercial buildings and has always valued the importance of environmental protection. In recent years, we have been working hard on researching and developing environmentally friendly products, including using Low-e glass, environmentally friendly paint, energy-saving lighting, airtight windows, open space greening, sky gardens and rainwater recovery.	
(III) Has the company assessed the potential risks and opportunities for business operations now and in the future regarding climate change and adopted climate-related countermeasures?	✓		(III) Given the fact that climate change is increasingly contributing to environmental problems around the world, the Company strives to reduce environmental pollution by green building design and tree planting to reduce carbon emissions.	
(IV) Has the company calculated the greenhouse gas (GHG) emissions, water consumption, and total weight of waste in the past 2 years, and formulated policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption, or other waste management?	✓		(IV) The Company promotes digitization to reduce the amount of paper used for documents as well as using the reverse side of waste paper. We continue to urge our employees to save water and electricity to sort and reduce waste.	
IV. Social issues (I) Has the company established management policies and procedures in accordance with laws and regulations and the International Bill of Human Rights?	✓		(I) The Company abides by relevant labor laws and regulations. The appointment, dismissal, salary and remuneration of employees is handled in accordance with the Company's management rules to protect the basic rights and interests of employees.	No difference from the spirit of the Principles

Evaluation item	Implementation status			Variation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such variation
	Yes	No	Summary	
(II) Has the company established and implemented reasonable measures for employee benefits (including remuneration, holidays and other benefits), and does the company appropriately reflect the business performance or achievements in the employee remuneration?	✓		(II) Not only does the Company follow related labor laws and regulations, based on the Company's operating results, more than 1% of profits are set aside for employee remuneration.	
(III) Does the company provide employees with a safe and healthy work environment, and provide regular safety and health education to employees?	✓		(III) The employee's welfare is the Company's priority and the Company provides training and cultivates employees to pay attention to workplace safety and health. We also organize employee trips and employee health examination from time to time and take out employee accident insurance.	
(IV) Has the company established effective training programs for the career development of employees?	✓		(IV) The Company arranges a 12-hour professional continuing education course for the chief audit officer and chief accounting officer each year, and also organizes occasional professional training course for employees to participate in.	
(V) Has the company complied with laws and international standards with respect to customer health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures?	✓		(V) The Company enters into agreements for the marketing of our products and services in accordance with relevant laws and regulations. In terms of product service, the Company has dedicated customer service personnel to handle customer issues, and occasionally reviews and improves deficiencies with relevant departments. Also, the Company has set up a section dedicated to stakeholders on its website. The Company has smooth communication channels with stakeholders and respects their legitimate rights and interests.	

Evaluation item	Implementation status			Variation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such variation
	Yes	No	Summary	
(VI) Has the company established supplier management policies demanding suppliers to comply with relevant regulations on issues concerning environmental protection, occupational safety and health or labor human rights? What is the implementation status?	✓		(VI) In terms of supplier collaboration, the Company carefully selects outstanding vendors, and strives to strictly control construction quality and safety with respect to incoming materials and construction processes. In addition to carefully selecting outstanding vendors, the Company also fulfills CSR. In the event where a vendor is involved in a breach of CSR, the Company may terminate or cancel the contract at any time.	
V. Has the company referred to internationally accepted reporting standards or guidance when preparing CSR reports to disclose non-financial information? Has the company obtained assurance or guarantee from a third party verification institution?		✓	No relevant information disclosed as of yet	No relevant information disclosed as of yet
VI. For companies who have established their own corporate social responsibility code of conduct in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies", please describe the current practice and any deviations from the code of conduct: None.				
VII. Other important information that helps understand CSR operations: We provide high quality employment opportunities, and have set up the Employee Welfare Committee. We also place importance on harmonious labor-management relations by implementing a retirement fund system, taking out the employee's personal injury insurance, and arranging regular health examinations.				

(VI) The state of the performance in the area of ethical corporate management, any variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for such variation:

Evaluation item	Implementation status			(VI) Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for such variation:
	Yes	No	Summary	
I. Formulation of ethical management policies and action plans				
(I) Has the company established an ethical management policy that has been passed by its Board of Directors, and clearly specified in its rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies and methods?	✓		(I) The Company formulated the "Procedures for Ethical Management and Guidelines for Conduct" on March 10, 2020. The Board of directors and senior management proactively implement the Guidelines during internal management and external business activities.	No difference from the spirit of the Principles
(II) Has the company established a risk assessment mechanism against unethical behavior, analyzed and assessed business activities within its business scope on a regular basis which have a higher risk of unethical behavior, and established prevention programs that at least cover the preventive measures specified in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?	✓		(II) As a means to building a sustainable business environment, the Company insists on a management philosophy of integrity, transparency and responsibility, and has already established sound risk control mechanisms.	
(III) Has the company specified operational procedures, behavioral guidelines, disciplining of violations, and an appeal system in the program against unethical conduct, and implemented such programs, and reviewed and revised the aforementioned programs on a regular basis?	✓		(III) The Company formulated the "Procedures for Ethical Management and Guidelines for Conduct" on March 10, 2020. Also, the Company has set up a section dedicated to stakeholders on its website. The Company has smooth communication channels with stakeholders and implements ethical management to avoid fraudulent conduct.	
II. Implementation of ethical management				
(I) Has the company evaluated the integrity of all counterparties with whom it has business dealings? Are there any integrity terms in the agreements it enters into with business partners?	✓		(I) In addition to carefully selecting outstanding vendors the Company also strives for fair and transparent conduct, while also complying with the ethical management policy. If a vendor is involved in unethical conduct, the Company may terminate or cancel the contract at any time.	No difference from the spirit of the Principles

Evaluation item	Implementation status			(VI) Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for such variation:
	Yes	No	Summary	
(II) Has the company set up a dedicated responsible unit to promote corporate ethical management under the Board of Directors, and has such unit reported its implementation of ethical management policy and preventive action plans against unethical conduct and the supervision status to the Board of Directors on a regular basis (at least once a year)?	✓		(II) The Company has formulated the "Procedures for Ethical Management and Guidelines for Conduct" on March 10, 2020, and has designated the Audit Office as a dedicated unit while complying with the ethical management policy and preventive action plans against unethical conduct and supervising the implementation status.	
(III) Does the company have a prevention policy for conflicts of interest and does it provide appropriate reporting channels and implement the policy?	✓		(III) Not only do the Company's directors, supervisors, managerial officers and employees comply with laws and regulations when carrying out duties, the idea of not accepting any form of improper benefits is also implemented. At the same time, the Company's financial information is made public to ensure the execution of the internal control system.	
(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management, and does the internet audit unit propose relevant audit plans according to the assessment results of the risks of unethical behaviors, and review the compliance status of the prevention of unethical behavior, or entrust an accountant to carry out the review?	✓		(IV) In a bid to create a sustainable business, the Company insists on establishing an effective accounting system and internal control system based on the management motto of integrity, transparency and responsibility. The internal audit personnel carries out regular audits and, each year, the Company entrusts CPAs to perform an internal control audit.	
(V) Does the company organize internal or external training on a regular basis on ethical management?	✓		(V) The Company has formulated the Procedures for Ethical Management and Guidelines for Conduct and holds meetings on a regular basis while also promoting a corporate culture of corporate ethical management to establish sound corporate governance and risk control mechanisms to create a management environment of sustainable development.	
III. The Company's whistle-blowing system				

Evaluation item	Implementation status			(VI) Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for such variation:
	Yes	No	Summary	
(I) Has the company established a concrete whistle-blowing and reward system, a convenient whistle-blowing channel, and assigned dedicated staff responsible for handling whistle-blowing matters? (II) Has the company implemented any standard procedures and/or subsequent measures after carrying out an investigation or confidentiality measures for handling reported misconduct? (III) Has the company taken appropriate measures to protect whistle-blowers from suffering any improper treatment for reporting an incident?	✓ ✓ ✓		(I) The Company's Procedures for Ethical Management and Guidelines for Conduct already include specific reporting and reward systems. Whistle-blowing can also be done by telephone or mail. (II) The Company has clearly formulated standard procedures and subsequent measures after carrying out an investigation or confidentiality measures for handling reported misconduct. (III) The Company has made it clear to keep the identity of whistleblowers and the content of reports confidential and promises that whistle-blowers will not suffer any improper treatment due to reporting.	No difference from the spirit of the Principles
IV. Strengthening of information disclosure (I) Has the company disclosed the contents of ethical corporate management and its implementation results on the website and MOPS?	✓		The Company has disclosed relevant information.	No difference from the spirit of the Principles
V. For companies who have established Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please describe the current practice and any variations from the Principles: None.				
VI. Other material information that helps understand the practice of ethical management of the company: (e.g., the review and amendment of the company's ethical management principles): The Company has formulated the Procedures for Ethical Management and Guidelines on March 10, 2020.				

(VII) If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched:
The Company has not yet formulated corporate governance best-practice principles.

(VIII) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance:
None.

(IX) The company's internal control system

1. Declaration of Internal Control

Sunfon Construction Co., Ltd.

Declaration of Internal Control System

Date: March 9, 2021

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2020:

I. The Company understands it is the responsibility of the Company's Board of Directors and management to establish, enforce, and maintain an internal control system. Its purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with relevant laws and regulations.

II. Internal control systems are prone to limitations. No matter how robustly designed, an effective internal control system merely provides reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of the internal control system. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and corrective action is taken whenever a deficiency is identified.

III. The Company determines the effectiveness of the design and implementation of the internal control system on the basis of the criteria for the effectiveness of internal control systems stipulated in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (hereinafter referred to as the "Regulations"). The criteria introduced by the "Regulations" consist of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, and 5. Supervision. Each element further contains several items. Please refer to the "Regulations" for the details of the said items.

IV. The Company has adopted the above criteria of internal control systems to assess the effectiveness of the design and implementation of the internal control system.

V. Based on the findings of the evaluation, the Company believes that, as of December 31, 2020, its internal control system (including the supervision and management of subsidiaries), including the monitoring of the achievement of its objectives concerning operational effectiveness and efficiency, the reliability, timeliness and transparency of the reporting and compliance with applicable laws and regulations, etc., is effective in design and implementation, and can reasonably assure the achievement of the above-mentioned objectives.

VI. This Declaration of Internal Control is the content of our annual report and prospectus for the information of the public. For any forgery and concealment of the aforementioned information to the public, we will be held responsible by law in accordance with Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

VII. The Declaration has been passed by the Board meeting held on March 9, 2021, with all 7 attending directors affirming and 0 directors opposing the content of the Declaration.

Sunfon Construction Co., Ltd.

Chairman: Hung Min-Fu Signature

President: Yu Jui-Hsing Signature

2. If a CPA has been entrusted to audit the internal control system, the CPA's audit report shall be disclosed: None.

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year and up to the publication date of the annual report, the main shortcomings, and condition of improvement: None

(XI) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year and up to the date of publication of the annual report:

1. Material resolutions of the shareholders meeting and their implementation

Date	Summary of motion
2020.5.28	1. Motion for the recognition of the 2019 business report and financial statements. 2. Motion for the recognition of the 2019 earnings distribution for cash dividends of NT$0.5 and stock dividends of NT$1. **Implementation: Cash dividends were distributed on July 15, 2020, and stock dividends were distributed on August 28, 2020.** 3. Passed the amendments to Articles of Incorporation. **Implementation: The change of registration was approved by the Ministry of Economic Affairs on August 17, 2020, and has announced on the Company's website.** 4. Passed the amendments to the Rules for the Election of Directors. 5. Passed the motion for the issuance of new shares by transferring capital from surplus, with NT$100 per thousand shares. **Implementation: The change of capital was approved by the Ministry of Economic Affairs on August 17, 2020,**

2. Material resolutions of the Board meeting

Date	Session	Summary of motion
2020.3.10	1st meeting of 2020	1. Reviewed and passed the motion for the distribution of remuneration to employees and directors/supervisors. 2. Reviewed and passed the motion for the 2019 business report and financial statements. 3. Reviewed and passed the motion for the 2019 earnings distribution. 4. Reviewed and passed the motion for the issuance of new shares by transferring capital from surplus for 2019. 5. Passed the amendments to the Articles of Incorporation. 6. Passed the amendments to the Rules for the Election of Directors. 7. Passed the formulation of management measures for the financial statement preparation process and audit of management operations of the financial statement preparation process. 8. Passed the formulation of the Regulations Governing the Board Performance Evaluation. 9. Approved the formulation of the Procedures for Ethical Management and Guidelines for Conduct 10. Reviewed and passed the motion for the independence assessment results of the Company's CPAs. 11. Passed the Declaration of Internal Control for 2019. 12. The Company's 2020 Annual General Meeting was held on May 28, 2020; the period for accepting proposals of shareholders ran from March 20, 2020, to March 30, 2020 (9:00 a.m. to 5:00 p.m. daily) at the Company. 13. Reviewed and passed the budget and contract price for the construction of City Meeting Point. 14. Reported the Company's acquisition or disposal of marketable securities.
		Opinions of independent directors: None. **The Company's response to the opinions of independent directors: None.** **Resolution result: Approved by all attending directors.**

Date	Session	Summary of motion
2020.5.12	2nd meeting of 2020	1. Passed the motion to apply for a financing line of NT$74 million from Hua Nan Commercial Bank. The chairperson Hung Min-Fu was authorized to fully handle the credit-related matters on behalf of the Company. 2. Reviewed and passed the motion for the joint construction project of No. 101, Chang'an West. 3. Reported the Company's acquisition or disposal of marketable securities.
		Opinions of independent directors: None. **The Company's response to the opinions of independent directors: None.** **Resolution result: Approved by all attending directors.**
2020.5.28	3rd meeting of 2020	The base date for dividend distribution from surplus for 2019 was June 21, 2020.
		Opinions of independent directors: None. **The Company's response to the opinions of independent directors: None.** **Resolution result: Approved by all attending directors.**
2020.6.30	4th meeting of 2020	1. Passed the motion for the renewal of the credit lines from financial institutions. 2. The base date for transferring capital from surplus for 2019 was July 24, 2020.
		Opinions of independent directors: None. **The Company's response to the opinions of independent directors: None.** **Resolution result: Approved by all attending directors.**
2020.8.11	5th meeting of 2020	1. Passed the motion to apply for a financing line of NT$227,136 thousand from SinoPac Bank. The chairperson Hung Min-Fu was authorized to fully handle the credit-related matters on behalf of the Company. 2. Passed the motion for the renewal of the credit line from Shin Kong Commercial Bank.
		Opinions of independent directors: None. **The Company's response to the opinions of independent directors: None.** **Resolution result: Approved by all attending directors.**
2020.11.10	6th meeting of 2020	1. Passed the motion for the renewal of the credit line from Yuanta Commercial Bank, O-Bank, and China Bills Finance. 2. Reviewed and passed the motion for the Company's 2020 year-end bonus distribution to managerial officers. 3. Reviewed and passed the motion for the Company's 2021 audit plan. 4. Reported the Company's acquisition or disposal of marketable securities. 5. Reviewed and passed the motion for the presale of the construction project of No. 138, Section 3, Chongqing North Road.
		Opinions of independent directors: None. **The Company's response to the opinions of independent directors: None.** **Resolution result: Approved by all attending directors.**
2021.1.7	1st meeting of 2021	Passed the appointment of the president.
		Opinions of independent directors: None. **The Company's response to the opinions of independent directors: None.** **Resolution result: Approved by all attending directors.**
2021.3.9	2nd meeting of 2021	1. Reviewed and passed the motion for the distribution of remuneration to employees and directors/supervisors. 2. Reviewed and passed the 2020 business report and financial statements. 3. Reviewed and passed the 2020 earnings distribution table. 4. Reviewed and passed the motion for the issuance of new shares by transferring capital from surplus for 2020. 5. Passed the amendments to the Articles of Incorporation. 6. Passed the amendments to the Rules of Procedure for Board of Directors Meetings. 7. Passed the amendments to the Rules of Procedure for Shareholders Meetings. 8. Passed the amendments to the Regulations Governing the Acquisition and Disposal of Assets. 9. Passed the amendments to the Remuneration Committee Charter. 10. Passed the amendments to the Enforcement Rules of Providing Endorsements/Guarantees and the Operating Procedures for Loaning

Date	Session	Summary of motion
		Funds to Others. 11. Passed the formulation of the Audit Committee Charter. 12. Reviewed and passed the motion for the independence assessment results of the Company's CPAs. 13. Passed the Declaration of Internal Control for 2020. 14. Passed the motion for the Company's 12th Board 15. Passed the motion for the lifting of competition restrictions for Company's 12th Board and its representatives. 16. The Company's 2021 Annual General Meeting was held on May 27, 2021; the period for accepting proposals of shareholders and nomination of director 2021 ran from March 19, 2021, to March 29, 2021 (9:00 a.m. to 5:00 p.m. daily) at the Company. 17. Passed the motion to set up a chief corporate governance officer. 18. Approved the destruction of the Company accounting information that has exceeded the retention period. 19. Reported the Company's acquisition or disposal of marketable securities.
		Opinions of independent directors: None. **The Company's response to the opinions of independent directors: None.** **Resolution result: Approved by all attending directors.**
2021.4.13	3rd meeting of 2021	1. Passed the candidate list of directors (including independent directors) nominated by the Board and reviewed and passed the qualifications of independent director candidates. 2. Motion for the lifting of competition restrictions for the Company's 12th Board and its representatives
		Opinions of independent directors: None. **The Company's response to the opinions of independent directors: None.** **Resolution result: Approved by all attending directors.**

(XII) Where, during the most recent fiscal year and up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration:

None.

(XIII) A summary of resignations and departures, during the most recent fiscal year and up to the date of publication of the annual report, of the company's chairperson, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer:

Title	Name	Date of assumption	Date of departure	Reason for resignation or departure
President	Hung Min-Fu	2014.8.7	2021.1.7	Business busyness

(XIV) The state of licenses designated by the competent authorities obtained by the company's employees related to financial information transparency:

The Company's employees related to financial information transparency have not yet obtained any licenses.

IV. Information on CPA professional fees

Name of accounting firm	Name of the CPA		Audit period	Remark
EY	Yang Chih-Hui	Hsu Hsin-Min	2020.1.1-2020.12.31	

Unit: NT$ thousand

Amount range \ Fee item		Audit fee	Non-audit fee	Total
1	Below NT$2,000 thousand	✓	✓	✓
2	NT$2,000 thousand (inclusive) – NT$4,000 thousand	-	-	-
3	NT$4,000 thousand (inclusive) – NT$6,000 thousand	-	-	-
4	NT$6,000 thousand (inclusive) – NT$8,000 thousand	-	-	-
5	NT$8,000 thousand (inclusive) – NT$10,000 thousand	-	-	-
6	NT$10,000 thousand (inclusive) or more	-	-	-

(I) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliate of such accounting firm are one quarter or more of the audit fees paid thereto:

Information on CPA professional fees

Unit: NT$ thousand

Name of accounting firm	Name of the CPA	Audit fee	Non-audit fee					Audit period	Remark
			System design	Business registration	Human resources	Other (Note 2)	Subtotal		
EY	Yang Chih-Hui	1,175	0	152	0	75	227	2020.1.1-2020.12.31	Others are transfer pricing fees
	Hsu Hsin-Min							2020.1.1-2020.12.31	

Note 1: If the Company has changed the CPAs or the accounting firm this year, please indicate the audit periods separately, and explain the reason for the replacement in the Remarks field and disclose the audit and non-audit professional fees and other information.

Note 2: Please list the service items for non-audit fees. If non-audit fees under "Other" reach 25% or more of the total amount of non-audit fees, its content of service shall be disclosed in the Remarks field.

(II) Where the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.

(III) Where the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more: None.

V. Information on replacement of CPAs

Where the company has replaced its certified public accountants within the last 2 fiscal years or any subsequent interim period: None.

VI. Procedures for Handling Material Inside Information

The Company has formulated the "Preventive Measures of Insider Trading Management"

VII. Where the company's chairperson, president or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm

None.

VIII. Any transfer of shares and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year and up to the date of publication of the annual report

Changes in shares of directors, supervisors, managers and major shareholders

Title	Name	2020		Current year as of April 20	
		Increase (decrease) in shareholding	Increase (decrease) in pledged shares	Increase (decrease) in shareholding	Increase (decrease) in pledged shares
Director	Don Tai Development Co., Ltd.	1,400,000	0	150,000	0
Representative	Hung Min-Fu	480,000	0	0	0
Representative	Lin I-Wei	460,000	0	0	0
Director	Yo-Li Investment Co., Ltd.	1,200,000	0	177,000	0
Representative	Chuang Yu-Te	3,360	0	0	0
Representative	Jean Jyi-Dean	0	0	0	0
Director	Hong Ding Investment Co., Ltd.	209,970	0	0	0
Representative	Chen Teh-Fong	95,382	0	0	0
Independent director	Huang Tse-Jen	0	0	0	0
Independent director	Lin Wen-Fang	0	0	0	0
Supervisor	Golden Plaza Cultural & Education Foundation	180,000	0	0	0
Representative	Huang Cheng-Yuan	154,442	0	0	0
Supervisor	Yen Kuo-Lung	0	0	0	0
President	Hung Min-Fu	480,000	0	0	0
Vice President	Yu Jui-Hsing	0	0	0	0

Vice President	Huang Kuo-Chin	6,000	0	0	0
Chief Financial Officer	Shih Shu-Ying	0	0	0	0

(I) Counterparty in any transfer of shares is a related party: None.

(II) Counterparty in any transfer of pledged shares is a related party: None.

IX. Among the company's top 10 shareholders any one is a related party, spouse or a relative within the second degree of kinship of another

Name	Shares held by the person themselves		Shares held by their spouses, children of minor age		Total shares held in the name of others		Among the company's top 10 shareholders any one is a related party, spouse or a relative within the second degree of kinship of another, their titles or names and relationship		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relations	
Da-Hong Investment Co., Ltd. Representative: Lai Mei	17,820,000	9.17	0	0	0	0	None	None	
Yi-Sheng Investment Co., Ltd. Representative: Lan Li-Hua	17,710,000	9.11	0	0	0	0	None	None	
Yi-Fu Investment Co., Ltd. Representative: Lin I-Wei	13,420,000	6.91	0	0	0	0	None	None	
Xin-Wei Investment Co., Ltd. Representative: Hung I-Ju	12,760,000	6.57	0	0	0	0	None	None	
Don Tai Development Co., Ltd. Representative: Hung Min-Fu	12,550,000	6.46	0	0	0	0	Jinyuan Construction Co., Ltd.	Same chairperson	
Xin-Wang Investment Co., Ltd. Representative: Hung I-Ching	12,500,000	6.43	0	0	0	0	None	None	
Yo-Li Investment Co., Ltd. Representative: Hung I-Hua	12,360,000	6.36	0	0	0	0	None	None	
Jin-Zan Business Development Co., Ltd. Representative: Chung Hsu-Yuan	11,220,000	5.77	0	0	0	0	None	None	
Jinyuan Construction Co., Ltd. Representative: Hung Min-Fu	7,799,443	4.01	0	0	0	0	Don Tai Development Co., Ltd.	Same chairperson	

Fu-Jin Investment Co., Ltd. Representative: Chen Yu-Chin	5,449,620	2.80	0	0	0	0	None	None	

X. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company

Investment business	The Company's investment		Investment by directors, supervisors, managerial officers and investment directly or indirectly controlled by the company		Consolidated investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Jinyuan Construction Co., Ltd.	99,929	99.929%	0	0%	99,929	99.929%

Four. Capital Raising Activities

I. The company's capital and shares

(I) Source of capital stock

1. Type of shares

Type of shares	Authorized shares			Remark
	TPEx listed shares	Shares not yet issued	Total	
Registered common stock	194,307,630	105,692,370	300,000,000	-

Information on the general reporting system: None.

2. Process of capital formation

Year/month	Issue price (NT$)	Authorized capital		Paid-in capital		Remark		
		Number of shares (in thousand shares)	Amount (NT$ thousand)	Number of shares (in thousand shares)	Amount (NT$ thousand)	Source of capital stock	Paid in properties other than cash	Other
1988.1	10	5,000	50,000	5,000	50,000	Investment of NT$50,000 thousand in cash	None	None
1989.8	10	17,500	175,000	17,500	175,000	Capital increase of NT$125,000 thousand in cash	None	None
1990.4	10	35,000	350,000	35,000	350,000	Capital increase of NT$175,000 thousand in cash	None	Note 1
1991.3	10	70,000	700,000	45,000	450,000	Capital increase of NT$100,000 thousand in cash	None	Note 2
1993.7	10	70,000	700,000	50,400	504,000	Surplus transferred to capital increase by NT$54,000 thousand	None	Note 3
1994.7	10	70,000	700,000	55,440	554,400	Surplus transferred to capital increase by NT$50,400 thousand	None	Note 4
1995.5	10	70,000	700,000	66,528	665,280	Surplus transferred to capital increase by NT$110,880 thousand	None	Note 5
1996.6	10	70,000	700,000	70,000	700,000	Surplus transferred to capital increase by NT$34,720 thousand	None	Note 6
1997.6	10	77,000	770,000	77,000	770,000	Surplus transferred to capital increase by NT$70,000 thousand	None	Note 7
1998.8	10	107,000	1,070,000	84,700	847,000	Surplus transferred to capital increase by NT$77,000 thousand	None	Note 8
1999.6	10	107,000	1,070,000	91,476	914,760	Surplus transferred to capital increase by NT$67,760 thousand	None	Note 9
2000.7	10	107,000	1,070,000	96,965	969,646	Surplus transferred to capital increase by NT$54,885.6	None	Note 10

Year/month	Issue price (NT$)	Authorized capital: Number of shares (in thousand shares)	Authorized capital: Amount (NT$ thousand)	Paid-in capital: Number of shares (in thousand shares)	Paid-in capital: Amount (NT$ thousand)	Remark: Source of capital stock	Remark: Paid in properties other than cash	Remark: Other
						thousand		
2002.12	10	107,000	1,070,000	93,965	939,646	Cancelled treasury stock capital of NT$30,000 thousand	None	Note 11
2004.7	10	107,000	1,070,000	98,663	986,628	Surplus transferred to capital increase by NT$46,982.28 thousand	None	Note 12
2010.6	10	107,000	1,070,000	106,556	1,065,558	Surplus transferred to capital increase by NT$7,893.02 thousand Capital transferred to capital increase by NT$19,732.56 thousand	None	Note 13
2011.7	10	160,000	1,600,000	116,145	1,161,458	Surplus transferred to capital increase by NT$95,900.24 thousand	None	Note 14
2012.7	10	160,000	1,600,000	133,567	1,335,677	Surplus transferred to capital increase by NT$174,218.76 thousand	None	Note 15
2013.7	10	160,000	1,600,000	153,603	1,536,029	Surplus transferred to capital increase by NT$200,351.57 thousand	None	Note 16
2015.6	10	200,000	2,000,000	176,643	1,766,433	Surplus transferred to capital increase by NT$230,404.31 thousand	None	Note 17
2020.6	10	300,000	3,000,000	194,308	1,943,076	Surplus transferred to capital increase by NT$176,643.30 thousand	None	

Note 1: Approved to be effective by Letter (1990) Tai-Cai-Zheng-(I) No. 00786 dated April 18, 1990, issued by the Securities Supervisory Commission, Ministry of Finance.
Note 2: Approved to be effective by Letter (1991) Tai-Cai-Zheng-(I) No. 00638 dated March 28, 1991, issued by the Securities Supervisory Commission, Ministry of Finance.
Note 3: Approved to be effective by Letter (1993) Tai-Cai-Zheng-(I) No. 29757 dated July 12, 1993, issued by the Securities Supervisory Commission, Ministry of Finance.
Note 4: Approved to be effective by Letter (1994) Tai-Cai-Zheng-(I) No. 31224 dated July 12, 1994, issued by the Securities Supervisory Commission, Ministry of Finance.
Note 5: Approved to be effective by Letter (1995) Tai-Cai-Zheng-(I) No. 30861 dated May 24, 1995, issued by the Securities Supervisory Commission, Ministry of Finance.
Note 6: Approved to be effective by Letter (1996) Tai-Cai-Zheng-(I) No. 39899 dated June 28, 1996, issued by the Securities Supervisory Commission, Ministry of Finance.
Note 7: Approved to be effective by Letter (1997) Tai-Cai-Zheng-(I) No. 49758 dated June 23, 1997, issued by the Securities Supervisory Commission, Ministry of Finance.
Note 8: Approved to be effective by Letter (1998) Tai-Cai-Zheng-(I) No. 67108 dated August 3, 1998, issued by the Securities and Futures Supervisory Commission, Ministry of Finance.
Note 9: Approved to be effective by Letter (1999) Tai-Cai-Zheng-(I) No. 59256 dated June 29, 1999, issued by the Securities and Futures Supervisory Commission, Ministry of Finance.
Note 10: Approved to be effective by (2000) Letter Tai-Cai-Zheng-(I) No. 47982 dated June 3, 2000, issued by the Securities and Futures Supervisory Commission, Ministry of Finance.
Note 11: The change of company registration was approved by Letter Tai-Cai-Zheng-III No. 0910163022 dated

November 20, 2002, issued by the Securities and Futures Supervisory Commission, Ministry of Finance, and Letter Jing-Shou-Shang-Zi No. 09101495190 issued by the Ministry of Economic Affairs.

Note 12: Approved to be effective by Letter Zheng-Qi-I-Zi No. 093129608 dated July 6, 2004, issued by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan.

Note 13: Approved to be effective by Letter Jin-Guan-Zheng-Fa-Zi No. 0990033431 dated June 29, 2010, issued by the Financial Supervisory Commission, Executive Yuan.

Note 14: Approved to be effective by Letter Jin-Guan-Zheng-Fa-Zi No. 1000032578 dated July 13, 2011, issued by the Financial Supervisory Commission, Executive Yuan.

Note 15: Approved to be effective by Letter Jin-Guan-Zheng-Fa-Zi No. 1010033412 dated July 26, 2012, issued by the Financial Supervisory Commission

Note 16: Approved to be effective by Letter Jin-Guan-Zheng-Fa-Zi No. 1020029701 dated July 30, 2013, issued by the Financial Supervisory Commission

Note 17: Approved to be effective by Letter Jin-Guan-Zheng-Fa-Zi No. 1040023359 dated June 22, 2015, issued by the Financial Supervisory Commission

(II) Shareholder structure: March 30, 2020

Shareholder structure / Quantity	Government body	Financial institution	Other legal persons	Person	Foreign institutions and foreign persons	Total
Number of people	0	0	97	12,739	9	12,845
Number of shares held	0	0	133,567,058	60,732,564	8,008	194,307,630
Shareholding ratio	0	0	68.74%	31.26%	0.00%	100%

Note: All companies listed for the first time on TWSE/TPEx are required to disclose the holding interests of investors from Mainland China. Investor from Mainland China refers to an individual, corporation, organization, or institution of Mainland China origin, or any company owned by the above party in a foreign location, as defined in Article 3 of the "Regulations Governing Mainland Residents' Investment in Taiwan".

(III) Diffusion of ownership:

Face value of NT$10 per share

March 29, 2021

Range of shares held (in shares)	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	11,545	406,918	0.21%
1,000 to 5,000	730	1,620,062	0.83%
5,001 to 10,000	220	1,575,866	0.81%
10,001 to 15,000	73	895,735	0.46%
15,001 to 20,000	51	910,901	0.47%
20,001 to 30,000	64	1,569,168	0.81%
30,001 to 40,000	31	1,094,950	0.56%
40,001 to 50,000	13	588,183	0.30%
50,001 to 100,000	41	2,865,893	1.48%
100,001 to 200,000	20	2,751,512	1.42%
200,001 to 400,000	15	4,313,551	2.22%
400,001 to 600,000	6	3,293,043	1.70%
600,001 to 800,000	4	2,972,645	1.53%
800,001 to 1,000,000	4	3,739,927	1.92%
More than 1,000,001	28	165,709,276	85.28%
Total	12,845	194,307,630	100%

Note: The Company has no preferred shares.

(IV) List of major shareholders:

Name of major shareholders \ Shares	Number of shares held	Shareholding ratio
Da-Hong Investment Co., Ltd. Representative: Lai Mei	17,820,000	9.17
Yi-Sheng Investment Co., Ltd. Representative: Lan Li-Hua	17,710,000	9.11
Yi-Fu Investment Co., Ltd. Representative: Lin I-Wei	13,420,000	6.91
Xin-Wei Investment Co., Ltd. Representative: Hung I-Ju	12,760,000	6.57
Don Tai Development Co., Ltd. Representative: Hung Min-Fu	12,550,000	6.46
Xin-Wang Investment Co., Ltd. Representative: Hung I-Ching	12,500,000	6.43
Yo-Li Investment Co., Ltd. Representative: Hung I-Hua	12,360,000	6.36
Jin-Zan Business Development Co., Ltd. Representative: Chung Hsu-Yuan	11,220,000	5.77
Jinyuan Construction Co., Ltd. Representative: Hung Min-Fu	7,799,443	4.01
Fu-Jin Investment Co., Ltd. Representative: Chen Yu-Chin	5,449,620	2.80
Total	123,589,063	63.59

(V) Share prices, net worth per share, earnings per share, dividends per share, and related information for the most 2 recent fiscal years

Item \ Year			2020	2019
Price per share (Note 1)	Highest		21.15	19.5
	Lowest		15.70	13.60
	Average		18.98	15.86
Net value per share (Note 2)	Before distribution		14.64	15.57
	After distribution		Note 8	14.53
Earnings per share	Weighted average number of shares		194,307,630	176,643,300
	Earnings per share before adjustment		1.10	2.00
	Earnings per share after adjustment (Note 3)		1.03	1.82
Dividend per share	Cash dividends		0.5	0.5
	Bonus shares	Stock dividend from retained earnings	0.7	1
		Stock from capital surplus	-	-
	Accumulated unpaid dividends (Note 4)		-	-
Analysis of return on investment	Price/earnings ratio (Note 5)		Note 8	8
	Price/dividend ratio (Note 6)		Note 8	32
	Cash dividend yield (Note 7)		Note 8	0.03

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

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

Note 2: Please fill in the number of shares issued at the end of the year and the distribution according to the resolutions of the next annual general meeting.

Note 3: If there is a retroactive adjustment from distribution of bonus shares, the pre-adjustment and adjusted surplus per share shall be listed.

Note 4: Dividends that have not been issued in the current year are accrued to the issuer of the annual surplus; the accumulated undistributed dividends of the current year should be disclosed separately.

Note 5: Price/earnings ratio = Average closing price for the year / earnings per share.

Note 6: Price/dividend ratio = Average closing price for the year / cash dividends per share.

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

Note 8: Omitted as the Company's earnings distribution motion for 2020 has not yet been passed in the shareholders meeting.

(VI) Company's dividend policy and implementation:

1. The Company's dividend policy:

The Company should first make up for accumulated losses using its profit for the year, then set aside 10% as the legal reserve and allocate or reverse the special reserve as required by law. After adding the previous year's accumulated undistributed earnings to the remaining balance, 30% or more should be allocated as shareholder dividends. However, the above rates for earnings distribution and cash dividends to shareholders are adjusted by resolution of the shareholders meeting depending on the actual profit of the year and the Company's state of capital.

The cash dividends may not be less than 10% of the total dividends; however if the cash dividends are less than NT$0.1 or there is a plan for significant capital expenditure for the year, dividends may be distributed in the form of shares.

If the profit for the year is less than NT$0.50 per share, dividends for shareholders as mentioned above may be retained.

If there is a reduction in accumulated shareholders' equity from the previous year or incurred in the current year but there is not sufficient net income to provide for the reduction, a special reserve of the same amount should be set aside from the accumulated undistributed earnings of the previous year and deducted prior to distribution provision.

The motion for the above distribution of earnings is prepared by the Board of Directors and submitted to the shareholders meeting for resolution.

2. Dividend distribution proposed at this shareholders' meeting:

Proposal of distribution of a stock dividend of NT$0.7 per share and a cash dividend of NT$0.5 per share.

On March 9, 2021, the Board of Directors resolved to pass the Company's earnings after tax of NT$204,629,351. As stipulated in Article 25 of the Company's Articles of Incorporation, NT$20,290,399 shall be set aside as legal reserve, NT$136,015,340 as stock dividends (NT$0.7 per share, 70 shares per thousand shares) and NT$97,153,815 as cash dividends (NT$0.5 per share), amounting to a total of NT$253,459,554.

3. Significant changes in the Company's dividend policy are not expected.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

<table>
<tr><td colspan="3">Year / Item</td><td>2021 (distribution of 2020 earnings)</td></tr>
<tr><td colspan="3">Opening paid-in capital</td><td>1,943,076,300</td></tr>
<tr><td rowspan="3">Distribution of dividends for the year</td><td colspan="2">Cash dividends per share</td><td>0.5</td></tr>
<tr><td colspan="2">Distribution of surplus transferred to capital increase per share</td><td>0.7</td></tr>
<tr><td colspan="2">Distribution of capital reserve transferred to capital increase per share</td><td>0</td></tr>
<tr><td rowspan="7">Changes in operating results</td><td colspan="2">Operating income</td><td rowspan="13">No disclosed financial forecasts</td></tr>
<tr><td colspan="2">Operating income increased (decreased) from the same period last year</td></tr>
<tr><td colspan="2">Net income after tax</td></tr>
<tr><td colspan="2">Net income after tax increased (decreased) from the same period last year</td></tr>
<tr><td colspan="2">Earnings per share</td></tr>
<tr><td colspan="2">Earnings per share after tax increased (decreased) from the same period last year</td></tr>
<tr><td colspan="2">Annual average return on investment (reciprocal annual average P/E ratio)</td></tr>
<tr><td rowspan="6">Pro forma earnings per share and price/earnings ratio</td><td rowspan="2">Rate of increase (decrease) in operating profit compared to the same period in the previous year</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma annual average return on investment</td></tr>
<tr><td rowspan="2">If capital surplus is not transferred to capital</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma annual average return on investment</td></tr>
<tr><td rowspan="2">If capital surplus is not recognized and earnings transferred to capital were distributed as cash dividends</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma annual average return on investment</td></tr>
</table>

Chairman: Hung Min-Fu　　Managerial Officer: Yu Jui-Hsing　　Accounting Supervisor: Shih Shu-Ying

(VIII) Remuneration to employees, directors and supervisors:

1. The percentages or ranges with respect to employee, director, and supervisor remuneration, as set forth in the company's articles of incorporation:

As stipulated in Article 25 in the Company's Articles of Incorporation, if the Company has a profit for the year, the remuneration allocated to employees shall be based on the net income before tax and shall not be less than 1% and remuneration allocated to directors and supervisors shall not exceed 1%. Employee remuneration is distributed to employees of subordinate companies meeting certain specific requirements. Distribution of remuneration to employees and directors/supervisors shall be reported to the shareholders meeting. However, if the Company still has accumulated losses, the Company should first make up for losses before allocating remuneration to employees and directors/supervisors in the proportion described above.

2. The basis for estimating the amount of employee, director, and supervisor remuneration, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The basis for estimating the amount of employee, director, and supervisor remuneration takes profit before tax into account and the estimated amount is allocated to operating expenses and operating costs. If there is a subsequent significant change resolved by the Board of Directors, the change will be adjusted to expenses for the year.

3. Information on any approval by the board of directors of distribution of remuneration:

(1) The distribution of remuneration to employees totaled NT$2,574,840 in cash and NT$2,574,840 to directors/supervisors. There was no difference in remuneration in the financial statements for 2020.

(2) The distribution of employee bonus in shares was NT$0, accounting for 0% of the total profit after tax and total remuneration to employees in the parent only financial reports for the period.

4. In the previous year (2019), the distribution of remuneration to employees totaled NT$4,173,130 and NT$4,173,130 to directors/supervisors. There was no difference in remuneration recognized in the financial statements for 2019.

(IX) Status of the company repurchasing its own shares: None.

II. Corporate bonds, preferred shares, global depositary receipts, employee stock warrants, new restricted employee shares, and any merger and acquisition activities (including mergers, acquisitions, and demergers)

(I) Corporate bonds: None.

(II) Preferred shares: None.

(III) Global depositary receipts: None.

(IV) Employee stock warrants: None.

(V) New restricted employee shares: None.

(VI) New shares issued upon merger or acquisition or acquisition of another company's shares: None.

III. Implementation of the company's capital allocation plans

(I) Description of the plans: For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits: None.

(II) Status of implementation: Not applicable.

Five: Business Operations

I. Description of business

(I) Scope of business

1. The Company's major lines of business

(1) Contracted construction company to build public housing and commercial buildings for lease and sale.

(2) Introduction of domestic and foreign housing rentals and sales.

2. Relative weight of each business

The Company primarily contracts construction companies to build public housing and commercial buildings for lease and sale, supplemented by the development of related businesses.

(II) Current products, and new products planned for development

1. The Company's current products

(1) Premium residential buildings.

(2) Financial and commercial buildings.

2. New products planned for development:

In the future, we will continue to launch storefronts and collective housing in primary locations in Taipei and urban areas in New Taipei City based on existing urban renewal and market bases.

(III) An overview of the industry:

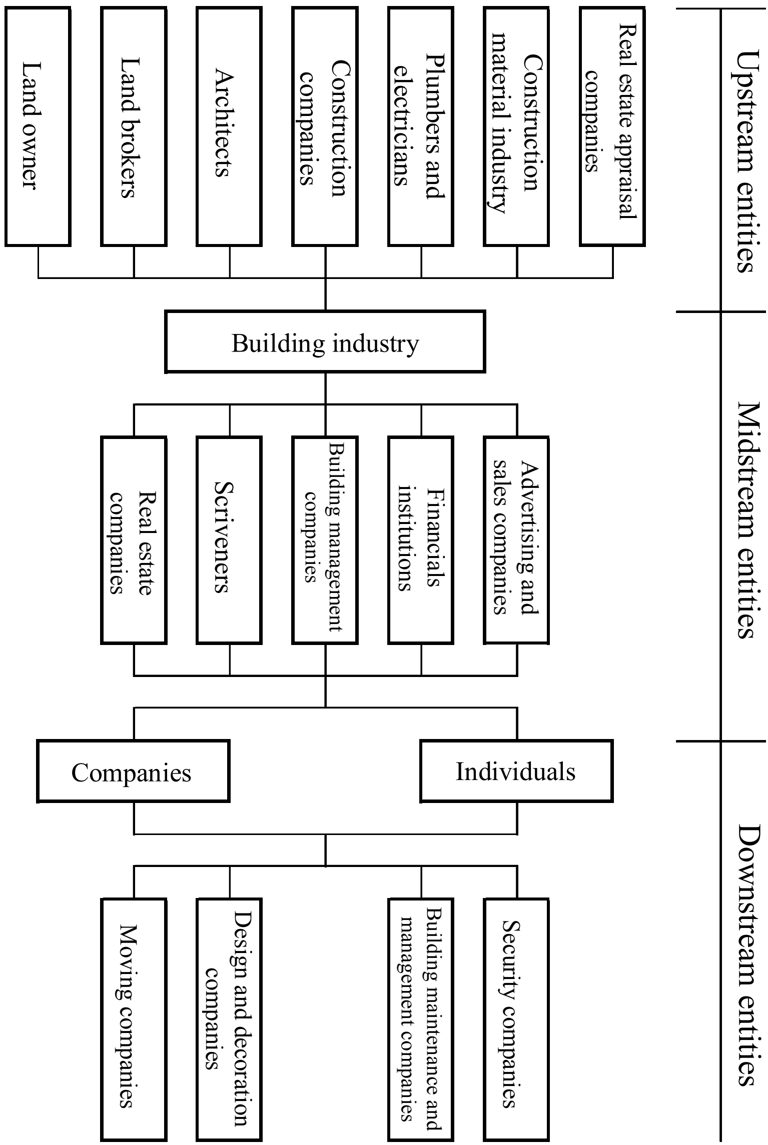
1. Current status and development of the industry

In 2020, the housing market in Taiwan benefited from the stable situation of the pandemic and the return of funds of companies, resulting in stable prices and growth in the housing market. At the same time, the strong exchange rate and ease of funds around the world has also made the Taiwan dollar more attractive. Moreover, with international hot money flowing in, it has led an increase in investment and employment, further driving the housing market. As a result, the confidence in buying houses has contributed to the efforts of construction companies regarding land development. However, due to the boom in the housing market, the central bank introduced policies to curb housing and land speculation.

Overall, interest rates at the moment are low, and judging from the current economic environment, interest rates are expected to remain low, providing sound support for the housing market. Furthermore, as the government is proactively promoting urban renewal and reconstruction of unsafe and old buildings, the future housing market is expected to remain optimistic.

2. Links between the upstream, midstream, and downstream segments of the industry supply chain

The process of property investment and development as well as construction and marketing is related to a variety of industries, including construction, building materials, water and electricity & plumbing, advertising, finance, land administration, decoration and building management and maintenance. The construction sector plays a role of coordination and integration that co-exists with its upstream and downstream partners.



3. Product development trends

As real estate transaction laws and regulations are becoming more comprehensive and the fact that it is more difficult to acquire land, the housing construction sector often buys out land or develops projects by jointly building houses with landowners. In the future, land development can be planned in diverse directions, such as establishment of superficies, land trust, joint development, participating in urban renewal schemes and public housing incentives as well as tendering to acquire the required reserve land released by state-owned land policies. Meanwhile, with the increasing emphasis on living quality, upon purchasing a house, buyers take into account the planning of the house and the utilization of space. Moreover, given that the quality of construction is the key to building a positive reputation, the customer's satisfaction has become an important indicator to measure company competitiveness. As a result, refined and practical housing will be the future development trend and competitive advantage of housing products.

4. Competition

We specialize in the Greater Taipei area and adhere to outstanding location and refined modeling characteristics. Although the real estate market has taken a downturn for more than a decade, we have managed to maintain profit. It is our belief that only a professional management team with a sound financial framework that is able to acquire superior land lots can survive the harsh real estate market in Taiwan.

(IV) An overview of the company's technologies and its research and development work

1. Strengthening the overall capabilities of the organization and improving the quality of manpower.
2. Researching new work methods to improve construction quality and efficiency.
3. Serving customers in a passionate manner and understand their needs to satisfy their living quality.
4. Research and development work to be carried out in the future, and further expenditures expected for research and development work: As we primarily provide land development, construction services, and housing sales, R&D investment is not applicable.

(V) The company's long- and short-term business development plans

The Company's future short-term, medium-term and long-term business development plans in the aspects of customers, products and markets:

Business development	Short-term plans	Medium-term and long-term plans
Customer aspect	◎ Provide customers with comprehensive information, technology and value-added	◎ Strive for reducing production costs and assist midstream and downstream vendors to increase competitiveness, achieving the

	after-sales services.	goal of profit sharing.
Product aspect	◎ Continue with the objective of increasing product quality ◎ Effectively master the progress of construction projects	◎ Innovate work methods to improve construction technology standards ◎ Enhance housing planning and design to meet the needs of home buyers
Market aspect	◎ Continue to develop in Greater Taipei and grasp the market trends of different areas to expand market share ◎ Strengthen the full-set services to meet the needs of home buyers	◎ Develop old communities to enhance living functions ◎ To improve competitiveness and sound corporate image, construct a close after-sales service management mechanism based on the concept of mutual trust and mutual benefit with the customers

II. An analysis of the market and the production overview

(I) An analysis of the market

1. Sales area of primary products

Year	Project name	Use	Sales area
2005	Guo Pin	Residential and commercial building	Section 2, Chongqing North Road, Taipei
2007	Din Feng	Residential and commercial building	Section 2, Yanping North Road, Taipei
2010	Ding Ji	Residential and commercial building	Intersection of Minsheng West Road and Chongqing North Road, Taipei
2012	Jiu Ding	Residential and commercial building	Intersection of Section 2, Yanping North Road and Gangu Street, Taipei
2014	Guo Yan	Residential and commercial building	Guangfu South Road, Taipei
2017	The Twin Cities	Residential building	Jingping Road, Zhonghe District, New Taipei City
	Wen Ding Hui	Residential and commercial building	Intersection of Nanjing West Road and Yanping North Road, Taipei
	Feng Hua Hui	Residential and commercial building	Section 2, Chongqing North Road, Taipei
	Di Yi Hui	Residential and commercial building	Section 3, Chongqing North Road, Taipei
2019	City Meeting Point	Residential and commercial building	No. 107, Chang'an West Road, Taipei
2021	Yun Ji	Residential and commercial building	No. 253, Minsheng West Road, Taipei
	Minle Street Project	Residential and commercial building	Intersection of Guisui Street and Minle Street
	No. 138, Section 3, Chongqing North	Office building	No. 138, Section 3, Chongqing North Road, Taipei

2. Market share

According to data of Wei Xin Weekly (2020.01.01-2020.12.31), the total project value launched in Greater Taipei in 2020 was NT$839.448 billion (including pre-sales and finished homes). Based on the data, the Company's market share for 2020 is estimated at 0.13%.

3. Future market supply and demand conditions and growth potential

① Supply:

The number of issued building permits is a leading indicator of housing construction activities. Changes in the indicator are enough to reflect the future development trend of Taiwan's construction industry and housing supply conditions.

Judging from the number of building permits (table below) issued by the Construction and Planning Agency, the area of building permits issued in 2020 increased by 12.44%. This shows the government's determination to promote urban renewal and to speed up the reconstruction of old and unsafe buildings. The government at the same time introduced tax exemptions, pushing construction companies to continue to launch new projects. Although the application for building permits in 2020 reduced by 4.28%, the overall housing market thrived. With the support of the strong confidence in the market and the continuous demand for self-occupied housing, the overall market is expected to develop steadily.

Statistics on Building Permits Issued in Taiwan in Past Years

Unit: piece, thousand square meters

Time	Total		Residential building		Increase/decrease	Growth rate %
Past 12 years	No. of projects	Total floor area	No. of houses	Total floor area	Floor area	
2009	20,516	19,915	51,180	10,088	-6,246	-23.88
2010	29,696	31,174	84,513	16,737	11,259	56.54
2011	33,161	34,148	93,223	18,819	2,974	9.54
2012	31,237	32,883	94,354	18,334	-1,265	-3.70
2013	33,531	39,760	129,307	24,516	6,877	20.91
2014	31,994	38,635	121,378	21,488	-1,125	-2.83
2015	27,643	32,596	103,755	17,395	-6,039	-15.63
2016	22,511	26,235	78,392	12,946	-6,361	-19.51
2017	25,035	29,884	91,253	15,056	3,649	13.91
2018	27,344	33,984	120,880	18,448	4,100	13.72
2019	27,143	36,928	147,798	21,737	2,944	8.66
2020	25,980	41,521	159,286	22,992	4,593	12.44

Source: Statistics from the Construction and Planning Agency

② Demand:

According to the 2020 statistics of the Ministry of the Interior, the balance of mortgage loans at the 4th quarter of 2020 was NT$8,042.296 billion, up 2.96% from the previous quarter and 8.5% from the same quarter last year. This suggests that domestic monetary conditions will remain extremely accommodative in the short term. Moreover, the low-cost funding environment helps maintain demand in terms of real estate investment, while providing support for house prices. Nevertheless, not only has the spread of COVID-19 broken supply chains but demand has also declined. It has severely impacted the global economy and raised the uncertainty of the overall future economic and capital environment.

Typically, house buying demand can be categorized into owner-occupied and investment. The demand for self-owned housing is due to population increase, change of house or new home purchase, affected by the total population and the total number of households. Investment in house purchases can be categorized into: 1. Regarding property as an investment tool and buying houses as mid-long term investment targets to enjoy rent or increase income; 2. Holding property for a short time during a real estate boom for speculative demand, which is affected by national income and market interest rates.

Number of households and population in Taiwan in the past five years

Year	No. of houses	No. of population
2016	8,561,383	23,539,816
2017	8,649,000	23,571,227
2018	8,734,477	23,588,932
2019	8,832,745	23,603,121
2020	8,933,814	23,561,236
March 2021	8,754,384	23,525,623

Source: Statistics from the Department of Household Registration, M.O.I.; 2021/03/31

4. Competitive niche

We specialize in urban renewal cooperative development projects within older communities in Taipei city and share our development achievements with landowners. The advantages of this are: (1) No land costs, reducing financial burden. (2) Pressure is reduced on sales, reducing the accumulation of unsold houses. (3) Profit is greater than the cost of purchasing the land.

The Company utilizes an urban renewal scheme and adopts the strategy of the reconstruction of old communities to create a unique style for itself in the highly competitive real estate market of Taipei. As a result of our ambition, we do not back down in the face of a recession and create more profit when the market is thriving.

5. Positive and negative factors for future development, and countermeasures

Affected by	Positive factors	Negative factors
Economic aspect	With the slowdown of the U.S. economy, central banks of many countries are adopting easing policies for interest rates. This is to maintain a stable financial environment, which helps stabilize the housing market.	The spread of COVID-19 has driven the global economy into recession. Many countries around the world have launched a variety of stimulus packages, and the market turned from pessimism to panic.
Political aspect	A close relationship between Taiwan and China will pose a positive impact on mid-long term economic development.	1. Domestic political instability hurts the stability of political economy. 2. The tension between Taiwan and China will harm economic growth.
Market aspect	1. Promote suitable housing to drive economic growth. 2. Relax the restriction for Chinese investors to buy property in Taiwan to stimulate the housing market. 3. Taoyuan Aerotropolis project will help drive the housing market.	1. Increase the interest loans on the wealthy to curb housing prices. 2. The central bank requests banks to strengthen the risk control for mortgage loans to avoid speculators and curb housing prices. 3. Build suitable housing to expand supply and

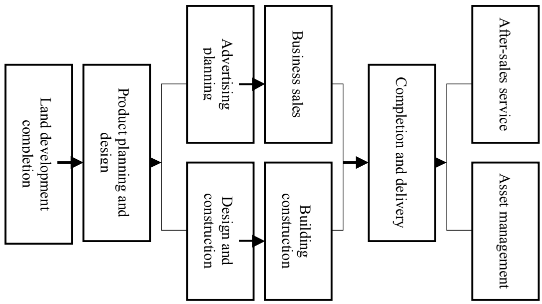
	4. The MRT "3 rings and 3 lines" plan will drive the recovery of real estate around New Taipei City. 5. Eight major renewal projects attract business, driving economic momentum. 6. The U.S.-China trade war has prompted Taiwanese businessmen to return to Taiwan to buy land, driving industrial land demand.	curb housing prices. 4. The government intends to promote urban renewal and self-built public housing to expand supply and curb housing prices. 5. The Executive Yuan passed the Joint Property Tax System 2.0 to avoid speculation of pre-sale houses, resulting in slow sales.
Capital aspect	1. The current financial policy remains relaxed and housing prices can be maintained. 2. The return of Taiwanese businessmen investing in real estate. 3. Renewal of special mortgage offered to young people buying a house.	All banks have strengthened their mortgage risk control, leaving people less willing to buy a house.
Policy aspect	1. The government expects to invest NT$18.46 billion in the next 4 years for the promotion of the Urban Renewal Industry Action Plan. 2. The Taipei City government's promotion of new ten major construction projects helps revitalize the general economy. 3. The acceleration of old house renewal facilitates integration for construction companies.	1. Increase in housing tax and land premium tax makes people less willing to buy a house. 2. Real price registration, to avoid speculation. 3. Implementation of residential justice prevents speculation. 4. Capacity transfer reform results in cost increase for construction companies

Countermeasures

A. The market supply status in the area must be carefully evaluated prior to launching a project in order to plan the design and sales strategy for the project.
B. Avoid areas with heavy project load or be the first to launch projects in heavy project load areas.
C. Research projects with special features to differentiate the market.
D. Fully grasp opportunities and preferential measures of the government.
E. Strictly control construction quality and safety with respect to incoming materials and construction process to strengthen the quality of outsourced construction work.
F. Reduce land costs and acquire better land in prime locations for construction based on profit-sharing joint construction plans.
G. Older community reconstruction, urban renewal schemes, agricultural land release policy and the acquisition of lower cost land.

(II) Important usage and manufacturing processes for the company's main products

1. Important usage for the Company's main products
   A. Residential buildings: High-end residential buildings and apartments.
   B. Commercial buildings: Commercial complexes and office buildings.
   C. Residential and commercial buildings: residential and shops.
2. Manufacturing processes



(III) Supply situation for the company's major raw materials

Our main raw materials are categorized into land and construction projects and our supply sources are stable.

1. Land:

(1) Selection of area: We center on Taipei City, followed by the Greater Taipei Metropolis and surrounding cities.

(2) Planned products: We primarily focus on collective residential and commercial buildings and office buildings.

(3) Acquisition method: Self-built on own land, joint construction and allocation of housing units, and joint-investment construction.

(4) Location choice: A. Superior locations where the access road is connected to the outer road for easy access.

B. New redevelopment zones.

C. Locations with convenient transportation.

D. Areas with good living functions.

E. Areas with scenic views.

2. Construction project: As a means to provide consumers with a full set of services, we have implemented a unified policy, which allows our invested company, Jinyuan Construction Co., Ltd., to grasp and control the entire construction project progress to ensure the quality.

(IV) A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement amount in either of the 2 most recent fiscal years

1. List of procurement suppliers

Unit: NT$ thousand

Item	2020				2019			
	Name	Amount	Percentage of net procurement for the year (%)	Relationship with the issuer	Name	Amount	Percentage of net procurement for the year (%)	Relationship with the issuer
1	A	53,105	7.67	None	H	39,018	10.23	None
2	B	53,105	7.67	None	I	22,902	6.00	None
3	C	31,297	4.52	None	J	17,992	4.72	None
4	D	28,670	4.14	None	K	15,977	4.19	None
5	E	28,670	4.14	None	L	13,897	3.64	None
6	F	27,886	4.03	None	M	13,685	3.59	None
7	G	22,560	3.26	None	N	13,617	3.57	None
8	Other	447,504	64.57	None	Other	244,345	64.06	None
	Net procurement	692,797	100		Net procurement	381,433	100	

2. List of sales customers

Unit: NT$ thousand

Item	2020				2019			
	Name	Amount	Percentage of net sales for the year (%)	Relationship with the issuer	Name	Amount	Percentage of net sales for the year (%)	Relationship with the issuer
1	A	47,154	7.07	None	G	89,357	6.86	None
2	B	41,621	6.24	None	H	43,463	3.34	None
3	C	41,571	6.23	None	I	43,149	3.31	None
4	D	41,208	6.18	None	J	41,280	3.17	None
5	E	40,608	6.09	None	K	40,808	3.13	None
6	F	39,192	5.88	None	L	40,395	3.10	None
7	Other	415,458	62.31	None	Other	1,003,821	77.09	None
	Net sales	666,812	100		Net sales	1,302,273	100	

(V) Production volume for the 2 most recent fiscal years Unit: NT$ thousand

Year / Production volume / Main products	2020			2019		
	Productivity	Production volume (in households)	Production value	Productivity	Production volume (in households)	Production value
Chengde I Project	-	-	25,043	-	-	408
Di Yi Hui	-	15	21,798	-	-	88,382
Chang'an West I	-	-	-	-	-	200
Changji Project	-	-	-	-	-	35
City Meeting Point	-	-	30,444	-	-	4,686
Wen Ding Hui	-	-	-	-	48	25,849
Feng Hua Hui	-	-	-	-	-	14,109
Yuanhuan Section, Taiyuan Road	-	-	289	-	-	101
Minsheng West Project	-	-	24,531	-	-	106
Heping West Road Project	-	-	15	-	-	8
No. 128, Section 3, Chengde Road			120	-	-	-
No. 138, Section 3, Chongqing North	-	-	2,893	-	-	-
No. 101, Chang'an West	-	-	506	-	-	-
Tianyu Street	-	-	167	-	-	-
No. 31-1, Section 3, Chongqing North	-	-	420	-	-	-
Yanping North, Liangzhou Street	-	-	8	-	-	-
Guisui and Minle Street	-	-	13,959	-	-	-
Ganzhou Street	-	-	123	-	-	-
Lane 9, Yining Street	-	-	308	-	-	-
No. 16, Section 1, Nanchang Road	-	-	962	-	-	-
Section 1, Kangning Road	-	-	952	-	-	-
Section 1, Zhiyu Road	-	-	18	-	-	-
No. 110, Section 3, Chengde Road	-	-	180	-	-	-
Yanshou Street	-	-	79	-	-	-
Total	-	-	122,815	-	-	133,884

Note: The production volume refers to the number of households completed in the year, while the production value is calculated based on the house costs invested in the year.

(VI) Sales volume for the 2 most recent fiscal years

Unit: NT$ thousand

Year / Sales volume / Main products	2020				2019			
	Domestic sales		Export		Domestic sales		Export	
	Volume (in households)	Value	Volume (in households)	Value	Volume (in households)	Value	Volume (in households)	Value
The Twin Cities	-	-	-	-	2	52,608	-	-
Di Yi Hui	15	618,762	-	-	-	11,619	-	-
He Ti	1	4,436	-	-	-	-	-	-
Guo Yan	-	-	-	-	1	89,357	-	-
Feng Hua Hui	1	37,367	-	-	22	732,414		
Wen Ding Hui	-	-	-	-	20	409,330		
Rental income	-	6,247	-	-	-	6,945	-	-
Total	-	666,812	-	-	-	1,302,273	-	-

Note: The sales volume refers to the number of households delivered in the year, while sales value refers to the actual amount recorded for the year.

III. Information on employees

The number of employees for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report

April 20, 2021

Year		2020	2019	Current year as of April 20
No. of employees	Employee	25	25	26
	Technician	0	0	0
	Other	0	0	0
	Total	25	25	26
Average age		52.1	50.3	52.5
Average years of service		17.3	16.3	16.9
Education level	Master’s degree	8%	8%	7.7%
	College	80%	80%	80.8%
	Senior high school	12%	12%	11.5%

IV. Disbursements for environmental protection

(I) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid) and the total amount of disposal:

None.

(II) Possible expenses that could be incurred currently and in the future and measures being or to be taken:

We have not suffered any losses due to environmental pollution as our line of business does not have environmental pollution issues; there are no expected significant environmental protection capital expenses in the future.

(III) RoHS-related information: We are not subject to Restriction of Certain Hazardous Substances anchored in the EU Directive.

V. Labor relations

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Employee benefit plans:

(1) When our employees join the Company, they are enrolled in labor insurance, and, as required by the government, employees and their dependents are enrolled in national health insurance and employee personal injury insurance.

(2) Benefits provided:
Wedding gifts for employees, funeral subsidies, disability allowances, maternity allowances, funeral subsidies for employees' parents or children, and wedding gifts for employees' children.

(3) Uniform: Suits are occasionally tailored for employees.

(4) Year-end bonuses are provided each year during the spring festival (depending on the Company's operating conditions and the employee's performance)

(5) Remuneration to employees: Remuneration is allocated and distributed in accordance with the Company's Articles of Incorporation.

2. Continuing education and training for employees:

Name	Date	Organizer	Course name	Time
Tu Sheng-Hsun Huang Kuei-Hsiang Wang Chin-Hsiu	20200806	The Real Estate Development Association of Taipei	Recent News on Construction Laws	3 hours
Chuang Hui-Ling	20200817-20200818	Accounting Research and Development Foundation	Continuing Education Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12 hours

Liu Hun-Ting	20200710	Internal Audit Association of the Republic of China	Labor Incident Practice Exercise	6 hours
	20200903		COVID-19 Regulatory Notices	6 hours
Li Shu-Pei	20200915-20200916	The Real Estate Development Association of Taipei	2020 Urban and Construction Law for Taipei City Seminar	12 hours
Shih Shu-Ying Chuang Hui-Ling	20201127	TPEx	Companies to Adopt the iXBRL to Report Financial Reports	3 hours
All employees	20201215	Central Emergency Operation Center	Employee Occupational Disaster Seminar	1 hour

3. Retirement system:

The Company has formulated the “Employee Retirement Measures” as required by the “Labor Standards Act”. Since January 1993, the Company has been making monthly contributions of 4% of the employee’s monthly salary to the “Pension Fund”. With the enforcement of the new system that came into effect on July 1, 2005, if the employee opts for the new system, the Company contributes 6% of the employee’s monthly salary to the employee’s personal account at the Bureau of Labor Insurance, Ministry of Labor.

4. Employee Code of Conduct and Ethics:

All our employees must comply with the laws and regulations as well as the Company’s internal control system. They must also adhere to personal integrity and social ethics standards in order to protect the Company’s assets, rights and interests, and image. Management of the Company must establish sound examples that emphasize ethical practices. Under the supervision of the Board of Directors, management discloses complete financial information to the competent authorities and investors in a fair manner. All employees of the Company must abide by: (1) the protection of confidential information (2) the prohibition on engaging in self-interest deals (3) not soliciting improper benefits (4) the strict prohibition on insider trading (5) fair trade regulations.

5. Work environment and employee safety protection measures:

The Company strives for providing employees with a safe, healthy and comfortable workplace. All employees are covered by personal injury insurance and receive health examinations in order to prevent occupational injuries and diseases to maintain their physical and mental health. The operation for the Company’s environmental protection, safety and health management is detailed as follows:

⊙ Environmental protection

The Company is engaged in real estate investment and the construction of residential and commercial buildings and has always valued the importance of environmental protection. In recent years, we have been working hard on researching and developing environmentally friendly products, including using Low-e glass, environmentally friendly paint, energy-saving lighting, airtight windows, open space greening, sky gardens and rainwater recovery.

Health and safety inspection key points for work sites include greening, soil and water conservation, garbage pollution reduction, air pollution and noise reduction, as well as energy conservation and carbon reduction. All partners are also urged to comply with these rules. We promote digitization to reduce the amount of paper used for documents as well as using the reserve side of waste paper. We continue to urge our employees to save water and electricity to sort and reduce waste.

⊙ Safety and health

There are site directors in place at each construction site and our safety and health inspection personnel pay attention to the site safety maintenance at all times. Moreover, safety and health-related laws are complied with and equipment status is regularly checked at the site, while the annual safety inspection report for fire equipment is also reported. Not only are our employees covered with labor insurance and national health insurance, we also take out personal injury insurance and medical insurance for our employees.

6. The status of labor-management agreements and measures for preserving employees' rights and interests:

As the relationship between employees and management has always been harmonious, no disputes have occurred.

(II) List any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes:

As the relationship between employees and management has always been harmonious, no losses were suffered due to labor disputes. It is expected that no significant labor disputes or labor disputes will occur in the future.

(III) There is a section dedicated to stakeholders on the Company's website.

VI. Important contracts

(important contracts either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year)

Nature of the contract	Party	Commencement date of the contract	Main content	Restricted terms
Construction contract	Jinyuan Construction Co., Ltd.	2018.3.23 – start of construction completed in 950 days	Contractor agreement for the construction project Di Yi Hui in Taipei	None
	Jinyuan Construction Co., Ltd.	2020.4.21 – start of construction completed in 950 days	Contractor agreement for the construction project City Meeting Point in Taipei	None
Joint development contract	15 people including Huang	2006.9.23 – joint construction and delivery completion date	Jointly built "Di Yi Hui"	None
	11 people at the trading company	2017.11.7 – joint construction and delivery completion date	Jointly built "City Meeting Point"	None
	53 people including Chen	2014.6.17 – joint construction and delivery completion date	Jointly built "Minsheng West Project"	None
	21 people including Chen	2019.7.27 – joint construction and delivery completion date	Jointly built "Guisui and Minle Street Project"	None
	12 people including Chen	2020.1.6 – joint construction and delivery completion date	Jointly built "No.16, Section 1, Nanchang Road"	None
	21 people including Sun	2019.9.12 – joint construction and delivery completion date	Jointly built "Lane 175, Section 1, Kangning Road"	None
	13 people including Tsai	2019.8.25 – joint construction and delivery completion date	Jointly built "Tianmu Tianyu Street Project"	None
	59 people including Su	2006.10.21 – joint construction and delivery completion date	Jointly built "Chengde I Project"	None
	29 people including Chen	2009.9.14 – joint construction and delivery completion date	Jointly built "Chang'an West Project"	None
	9 people including Li	2018.8.3 – joint construction and delivery completion date	Jointly built "No. 128, Section 3, Chengde Road"	None
	32 people including Chen	2019.5.13 – joint construction and delivery completion date	Jointly built "No. 101, Chang'an West Road Project"	None

Six. Overview of the Company's Financial Status

I. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years, showing the name of the certified public accountant and the auditor's opinion given thereby

(I) 1. Condensed balance sheets (consolidated)

Unit: NT$ thousand

Item \ Year		Financial information for the past 5 fiscal years				
		2016	2017	2018	2019	2020
Current assets		2,023,397	2,503,012	2,307,419	2,078,454	2,067,656
Property, plant and equipment		327,318	325,297	321,668	340,718	340,088
Intangible assets		0	0	0	0	497
Other assets		10,828	11,262	1,398	2,510	2,538
Total assets		2,379,943	2,850,214	3,400,174	3,350,629	3,315,839
Current liabilities	Before distribution	159,989	568,213	1,137,214	625,951	575,150
	After distribution	221,814	674,199	1,172,543	714,273	Note 2
Non-current liabilities		16,604	18,684	86,733	84,454	11,040
Total liabilities	Before distribution	176,593	586,897	1,223,947	710,405	586,190
	After distribution	238,418	692,883	1,259,276	798,727	Note 2
Equity attributable to owners of parent		2,203,288	2,263,257	2,176,186	2,640,195	2,729,631
Share capital		1,766,433	1,766,433	1,766,433	1,766,433	1,943,076
Additional paid-in capital		14,866	17,346	21,597	23,014	26,557
Retained earnings	Before distribution	445,374	502,863	359,071	665,056	602,994
	After distribution	383,549	396,877	323,742	573,734	Note 2
Other equity		0	0	52,470	209,077	180,389
Treasury stocks		(23,385)	(23,385)	(23,385)	(23,385)	(23,385)
Non-controlling interests		62	60	41	29	18
Total equity	Before distribution	2,203,350	2,263,317	2,176,227	2,640,224	2,729,649
	After distribution	2,141,525	2,157,331	2,140,898	2,551,902	Note 2

Note 1: The financial statements for each year have been audited and attested by CPAs.

Note 2: Omitted as the Company's earnings distribution motion for 2020 has not yet been passed by the shareholders meeting.

Note 3: The information for each year is based on the data in the consolidated financial report after IFRS were adopted.

2. Condensed balance sheets (parent only)

Unit: NT$ thousand

Item \ Year		2016	2017	2018	2019	2020
		Financial information for the past 5 fiscal years				
Current assets		2,015,510	2,502,184	2,335,511	2,082,386	2,077,243
Property, plant and equipment		269,615	267,905	264,587	283,949	281,534
Intangible assets		0	0	0	0	497
Other assets		10,071	10,538	675	1,791	1,783
Total assets		2,389,442	2,863,577	3,416,361	3,327,382	3,279,806
Current liabilities	Before distribution	178,166	590,737	1,158,086	607,236	543,859
	After distribution	239,991	696,723	1,193,415	695,558	Note 2
Non-current liabilities		7,988	9,583	82,089	79,951	6,316
Total liabilities	Before distribution	186,154	600,320	1,240,175	687,187	550,175
	After distribution	247,979	706,306	1,275,504	775,509	Note 2
Equity attributable to owners of parent		2,203,288	2,263,257	2,176,186	2,640,195	2,729,631
Share capital		1,766,433	1,766,433	1,766,433	1,766,433	1,943,076
Additional paid-in capital		14,866	17,346	21,597	23,014	26,557
Retained earnings	Before distribution	445,374	502,863	359,071	665,056	602,994
	After distribution	383,549	396,877	323,742	576,734	Note 2
Other equity		0	0	52,470	209,077	180,389
Treasury stocks		(23,385)	(23,385)	(23,385)	(23,385)	(23,385)
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	2,203,288	2,263,257	2,176,186	2,640,195	2,729,631
	After distribution	2,141,463	2,157,271	2,140,857	2,551,873	Note 2

Note 1: The financial statements for each year have been audited and attested by CPAs.

Note 2: Omitted as the Company's earnings distribution motion for 2020 has not yet been passed by the shareholders meeting.

Note 3: The information for each year is based on the data in the parent only financial report after IFRS were adopted.

(II) 1. Condensed statements of comprehensive income (consolidated)

Unit: NT$ thousand

Item \ Year	Financial information for the past 5 fiscal years (Note 2)				
	2016	2017	2018	2019	2020
Operating income	7,936	88,624	455,869	1,302,273	666,812
Operating profit	4,769	88,611	41,296	428,388	260,665
Operating profit or loss	(32,195)	36,925	(17,699)	378,928	210,779
Non-operating income and expenditures	99,699	93,574	39,491	30,027	41,544
Income before tax	67,504	130,499	21,792	408,955	252,323
Net profit of continuing operations for the period	72,503	122,954	21,282	339,639	204,618
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) for the period	72,503	122,954	21,282	339,639	204,618
Other comprehensive income for the period (net after tax)	2,905	(3,642)	(10,180)	158,270	(30,414)
Total comprehensive income for the period	75,408	119,312	11,102	497,909	174,204
Net profit attributable to owners of parent	72,508	122,956	21,301	339,651	204,629
Net profit attributable to non-controlling interests	(5)	(2)	(19)	(12)	(11)
Total comprehensive income attributable to owners of parent	75,413	119,314	11,121	497,921	174,215
Total comprehensive income attributable to non-controlling interests	(5)	(2)	(19)	(12)	(11)
Earnings per share	0.43	0.73	0.13	1.82	1.10

Note 1: The financial statements for each year have been audited and attested by CPAs.

Note 2: The information for each year is based on the data in the consolidated financial report after the IFRSs were adopted.

2. Condensed statements of comprehensive income (parent only)

Unit: NT$ thousand

Item \ Year	Financial information for the past 5 fiscal years (Note 2)				
	2016	2017	2018	2019	2020
Operating income	8,057	88,744	455,989	1,302,393	66,932
Operating profit	5,574	87,455	65,599	439,451	273,546
Operating profit or loss	(23,974)	43,574	14,583	397,548	234,939
Non-operating income and expenditures	91,475	86,927	7,228	11,419	17,395
Income before tax	67,501	130,501	21,811	408,967	252,334
Net profit of continuing operations for the period	72,508	122,956	21,301	339,651	204,629
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) for the period	72,508	122,956	21,301	339,651	204,629
Other comprehensive income for the period (net after tax)	2,905	(3,642)	(10,180)	158,270	(30,414)
Total comprehensive income for the period	75,413	119,314	11,121	497,921	174,215
Net profit attributable to owners of parent	72,508	122,956	21,301	339,651	204,629
Net profit attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to owners of parent	75,413	119,314	11,121	497,921	174,215
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share	0.43	0.73	0.13	1.82	1.10

Note 1: The financial statements for each year have been audited and attested by CPAs.

Note 2: The information for each year is based on the data in the parent only financial report after the IFRSs were adopted.

(III) CPAs and their audit opinions for the past 5 fiscal years

Year	Name of accounting firm	Name of the CPA	Auditor's opinion
2016	EY	Lin Su-Wen, Hung Mao-I	Unqualified opinion
2017	EY	Lin Su-Wen, Hung Mao-I	Unqualified opinion
2018	EY	Yang Chih-Hui, Hsu Hsin-Min	Unqualified opinion
2019	EY	Yang Chih-Hui, Hsu Hsin-Min	Unqualified opinion
2020	EY	Yang Chih-Hui, Hsu Hsin-Min	Unqualified opinion

II. Financial analyses for the past 5 fiscal years

(I) Consolidated financial analysis under IFRS

Unit: NT$ thousand

Analysis items \ Year			Financial analyses for the past 5 fiscal years (Note 2)				
			2016	2017	2018	2019	2020
Financial structure (%)	Debt to assets ratio (%)		7.42	20.59	36.00	21.20	17.68
	Long-term capital to property, plant and equipment ratio		678.23	701.51	703.51	799.69	805.88
Solvency (%)	Liquidity ratio (%)		1,264.71	440.51	202.90	332.05	395.50
	Quick ratio (%)		611.41	195.60	40.81	109.55	88.71
	Times interest earned (times)		1,125,167	3,262,575	1,729	6,155	5,477
Operating capacity	Turnover of receivables (per time)		52.91	0	0	0	0
	Average collection days for receivables		6.90	0	0	0	0
	Inventory turnover (per time)		0	0	0.25	0.54	0.27
	Payables turnover (per time)		0	0	9	18	11
	Average days for sale		0	0	1,460	676	1,352
	Turnover of property, plant, and equipment (per time)		0.02	0.27	1.41	3.93	1.96
	Total assets turnover (per time)		0	0.03	0.15	0.39	0.20
Profitability	Return on assets (%)		3.14	4.70	0.72	10.22	6.25
	Return on equity (%)		3.35	5.51	0.96	14.10	7.62
	As a percentage of paid-in capital	Operating income	-1.82	2.09	-1.00	21.45	10.85
		Net income before tax	3.82	7.39	1.23	23.15	12.99
	Net profit rate (%)		913.6	138.74	4.67	26.08	30.69
	Earnings per share (NT$)		0.43	0.73	0.13	1.82	1.10
Cash flows	Cash flow ratio (%)		-151.52	-50.26	-32.34	124.05	-10.38
	Cash flow adequacy ratio (%)		41.42	25.45	-1.27	-36.59	-12.07
	Cash reinvestment ratio (%)		-10.71	-14.82	-20.33	26.77	-5.18
Leverage	Operating leverage		0.95	1.06	0.88	1.01	1.01
	Financial leverage		1.00	1.00	0.93	1.02	1.02

Changes in financial ratios over the past 2 fiscal years (analysis is not required if changes are less than 20%)

1. The increase in current ratio by 63.45% was primarily due to the decrease in short-term borrowings in the period.
2. The decrease in quick ratio by 20.84% was mainly due to the increase in inventory and cash outflows in the period.
3. The decrease in cash flow ratio and cash reinvestment ratio by 134.43% and 31.95%, respectively, was primarily due to the increase in inventories and the decrease in cash inflows from operating activities, resulting in the decrease in cash flow ratio and cash reinvestment ratio from the previous year.
4. The increase in cash flow adequacy ratio by 24.52% was primarily due to the increase in cash inflows from operating activities in the past five years.

Note 1: The financial information for each year has been audited and attested by CPAs.

Note 2: The information for each year is based on the data in the consolidated financial report after the IFRSs were adopted.

(II) Parent only financial analysis under IFRS

Unit: NT$ thousand

Analysis items			Financial analyses for the past 5 fiscal years (Note 2) 2016	2017	2018	2019	2020
Financial structure (%)	Debt to assets ratio (%)		7.79	20.96	36.30	20.65	16.77
	Long-term capital to property, plant and equipment ratio		817.20	844.80	850.26	955.70	969.56
Solvency (%)	Liquidity ratio (%)		1,131.25	423.57	201.67	342.93	381.95
	Quick ratio (%)		547.05	188.04	39.49	112.81	93.18
	Times interest earned (times)		1,687,625	4,350,133	1,734	6,169	5,646
Operating capacity	Turnover of receivables (per time)		0	0	0	0	0
	Average collection days for receivables		0	0	0	0	0
	Inventory turnover (per time)		0	0	0.237	0.522	0.263
	Payables turnover (per time)		0	0	6	14	13
	Average days for sale		140,385	365,000	1,540	699	1,390
	Turnover of property, plant, and equipment (per time)		0.03	0.33	1.71	4.75	2.36
	Total assets turnover (per time)		0	0.03	0.15	0.39	0.20
Profitability	Return on assets (%)		3.12	4.68	0.71	10.23	6.30
	Return on equity (%)		3.35	5.51	0.96	14.10	7.62
	As a percentage of paid-in capital	Operating income	-1.36	2.47	0.83	22.51	12.09
		Net income before tax	3.82	7.39	1.23	23.15	12.99
	Net profit rate (%)		899.94	138.55	4.67	26.08	30.68
	Earnings per share (NT$)		0.43	0.73	0.13	1.82	1.10
Cash flows	Cash flow ratio (%)		-132.55	-47.42	-31.94	129.11	-8.45
	Cash flow adequacy ratio (%)		45.00	29.98	-0.52	-30.52	-9.66
	Cash reinvestment ratio (%)		-10.51	-14.80	-20.71	27.11	-4.83
Leverage	Operating leverage		0.93	1.04	1.13	1.00	1.01
	Financial leverage		1.00	1.00	1.10	1.02	1.02

Changes in financial ratios over the past 2 fiscal years (analysis is not required if changes are less than 20%)
1. The increase in current ratio by 39.02% was primarily due to the decrease in short-term borrowings in the period.
2. The decrease in cash flow ratio and cash reinvestment ratio by 137.56% and 31.94%, respectively was primarily due to the increase in inventories and the decrease in cash inflows from operating activities, resulting in the decrease in cash flow ratio and cash reinvestment ratio from the previous period.
3. The increase in cash flow adequacy ratio by 20.86% was primarily due to the increase in cash inflows from operating activities in the past five years.

Note 1: The financial information for each year has been audited and attested by CPAs.
Note 2: The information for each year is based on the data in the parent only financial report after the IFRSs were adopted.
Note 3:
1. Financial structure
   (1) Debt-to-asset ratio = Total liabilities / total assets.
   (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + non-current liabilities) / net worth of property, plant, and equipment.
2. Solvency
   (1) Liquidity ratio = Current assets / current liabilities.
   (2) Quick ratio = (Current assets – inventory – prepaid expenses) / current liabilities.
   (3) Times interest earned = Income before income tax and interest expenses / current interest expenses.
3. Operating capacity
   (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = Net sales amount / average receivables (including accounts receivable and notes receivable arising from business operations) for each period.
   (2) Average collection days for receivables = 365 / turnover of receivables.

(3) Inventory turnover = cost of goods sold / average inventory.
(4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = Cost of goods sold / average payables (including accounts payable and notes payable arising from business operations) for each period.
(5) Average days of sale = 365 / inventory turnover.
(6) Turnover of property, plant, and equipment = Net sales amount / average net worth of property, plant, and equipment.
(7) Total assets turnover = Net sales amount / average total assets.

4. Profitability
(1) Return on assets = [Net income + interest expenses x (1 – tax rate)] / average total assets.
(2) Return on equity = Net income / average total equity.
(3) Net profit margin = Net income / net sales.
(4) Earnings per share = (Profit and loss attributable to owners of the parent – dividends on preferred shares) / weighted average number of issued shares.

5. Cash flows
(1) Cash flow ratio = Net cash flow from operating activities / current liabilities.
(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividends) for the most recent five years.
(3) Cash re-investment ratio = (Net cash flow from operating activities – cash dividends) / (gross property, plant, and equipment value + long-term investment + other non-current assets + working capital).

6. Leverage
(1) Operating leverage = (Net operating revenue – variable operating costs and expenses) / operating income.
(2) Financial leverage = Operating income / (Operating income – interest expenses).

Note 4: For the above formula for calculating earnings per share, special attention should be paid to the following when measuring:
1. Based on the weighted average number of ordinary shares, rather than the number of shares issued at the end of the year.
2. Where there is a cash replenishment or treasury stock trading, the weighted average number of shares shall be calculated during the period of circulation.
3. Where there is a surplus to capital increase or capital surplus to capital increase, the calculation of the earnings per share for the previous year and half year should be adjusted by the proportion of capital increase, rather than the period the capital increase is issued.
4. If the preferred shares are non-convertible accumulative shares, their annual dividend (whether or not it is issued) shall be deducted from the net income after tax or added to net loss after tax. If the preferred shares are non-cumulative, then in the case of having a net profit after tax, the preferred dividend should be deducted from the net profit after tax; in the case of loss, no adjustments are required.

Note 5: Special attention should be paid to the following when analyzing cash flows:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital flows.
3. The increase in inventories shall only be credited when the balance at the end of the period is greater than them balance at the beginning of the period. If the inventory is reduced at the end of the year, then the inventory amount should be accounted at zero.
4. Cash dividends include cash dividends for common stock and special shares.
5. Gross property, plant, and equipment value means the total amount of property , plant and equipment before deducting accumulated depreciation.

Note 6: The issuer shall distinguish between the operating costs and operating expenses being fixed or variables. When estimation or subjective judgments are involved, one should pay attention to their rationality and consistency.

Note 7: If the Company's shares are no par or not in a denomination of NT$10 per share, the calculation of the ratio of the paid in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

III. Supervisors' audit report on the financial report for the most recent fiscal year

Sunfon Construction Co., Ltd. – Supervisors' Audit Report

Please approve

The Company's 2020 business report, financial statements and earnings distribution table submitted by the Board of Directors have been audited by the supervisor and no discrepancies have been found. We have presented the reports based on the provisions stipulated in Article 219 of the Company Act.

Submitted to

The Company's 2021 Annual General Meeting

Supervisor: Yen Kuo-Lung

Golden Plaza Cultural & Education Foundation

Representative: Huang Cheng-Yuan

March 9, 2021

IV. Consolidated financial report audited and attested by the CPAs for the most recent fiscal year

CPAs' Audit Report

To Sunfon Construction Co., Ltd.:

Auditor's opinion

We have audited the accompanying consolidated balance sheets of Sunfon Construction Co., Ltd. and its subsidiary (hereinafter "Sunfon Construction Group") for the years ended December 31, 2020, and December 31, 2019, and the consolidated comprehensive income statements, consolidated changes in equity, and cash flows for January 1 to December 31, 2020, and January 1 to December 31, 2019, as well as the notes to the consolidated financial statements (including a summary of material accounting policies).

In our opinion, based on the audit results, the said financial statements are fairly presented, in all material aspects and in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations and Announcements of Interpretations endorsed by the Financial Supervisory Commission, the consolidated financial status of Sunfon Construction Group for the years ended December 31, 2020 and 2019, and its consolidated financial performance and consolidated cash flows for January 1 to December 31, 2020, and January 1 to December 31, 2019.

The basis for opinions

The audit is conducted in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. Our responsibility under these standards is further explained in the responsibility section of the audited consolidated financial statements. We are subject to the code of independence of the accounting firm that we belong to, have maintained our independence from Sunfon Construction Group in accordance with the code of professional ethics for accountants, and have fulfilled other responsibilities of the code. Based on our audit results, we believe that we have obtained sufficient and appropriate audit evidence as the basis for expressing the audit opinion.

Key audit items

Key audit items refer to the most important items in the audit of the consolidated financial statements of Sunfon Construction Group for 2020 based on our professional judgment. These items have been reflected in the process of auditing the consolidated financial statements as a whole and in the process of forming the audit opinion. We do not express our opinion on these items separately.

1. <u>Recognition of proceeds from the sale of real estate</u>

Sunfon Construction Group recognized NT$666,812 thousand as its operating revenue for 2020, primarily from the sale of real estate. We determined this as a key audit item in the year as there was a large number of real estate transactions and the timing of revenue is material to the consolidated financial statements.

Our audit procedures include (but are not limited to) understanding, evaluating and testing the effectiveness of internal controls in regard to the proceeds from the sale of real estate. This includes testing the control points of sales personnel by reviewing the contents of contracts as well as purchase and sale points. At the end of the period, we also reviewed real estate purchase and sale contracts, title transfer documents and delivery notes of land and buildings, and examined collection records to confirm that the timing for fulfilling contractual obligations was met. We also examined whether there were restricted terms in the real estate purchase and sale contracts to confirm the correctness of revenue recognition.

The related information on operating revenue of Sunfon Construction Group for 2020 has been disclosed and presented in Note 4 and Note 6 in the consolidated financial statements.

2. Inventory valuation

The primary business of Sunfon Construction Group is the construction of residential and commercial buildings. Its inventory is mainly land for construction, land under construction and land for sale. As of December 31, 2020, the consolidated net inventory of Sunfon Construction Group totaled NT$1,557,223 thousand, accounting for 47% of its consolidated total assets, which was material to its financial statements. As the real estate market is affected by politics, the general economy, and land tax reform, it is more difficult and risky for management to evaluate the value of inventories. Therefore, inventory valuation is material to the audit of financial statements.

Our audit procedures include but are not limited to obtaining Sunfon Construction Group's net realizable value assessment table and a land development analysis table to evaluate and test whether management's estimated net realizable value was reasonable. In addition, based on the analysis reports of industry trends and market demand projections, an inquiry is made into the actual transaction prices in the most recent period and of transaction prices of similar property markets in the vicinity of relevant assets (including the Real Estate Actual Transaction Price Inquiry Website and websites of real estate agents) in order to assess whether there was a decline in the value of inventories.

As of December 31, 2020, the inventory of Sunfon Construction Group has been disclosed and presented in Note 4, Note 5 and Note 6 in the consolidated financial statements.

Responsibilities of management and those charged with governance for the consolidated financial statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations and Announcements of Interpretations endorsed by the Financial Supervisory Commission, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements to be free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of Sunfon Construction Group as a going concern, disclosing matters related to a going concern as applicable, and using the going concern basis of accounting, unless the management either intends to liquidate Sunfon Construction Group or to cease operations, or has no realistic alternative but to do so.

Those in charge of governance (including the supervisors) are responsible for overseeing the reporting process of Sunfon Construction Group.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report. Reasonable assurance is considered a high level of assurance, but not a guarantee that any audit conducted in accordance with the generally accepted accounting principles will always detect a material misstatement in the consolidated financial statements when it exists. Misstatements may be the result of fraud or error. If fraud or errors are considered material, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted accounting principles, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive risks, and obtaining evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtaining an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Sunfon Construction Group.
3. Evaluating the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Drawing a conclusion on the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Sunfon Construction Group, and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to remind the users of our auditor's report to pay attention to the related disclosures in the consolidated financial statements or, if such disclosure is inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause Sunfon Construction Group to cease as a going concern.
5. Evaluating the overall presentation, structure, and content of the consolidated financial statements (including related notes), and whether the consolidated financial statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. E Obtain sufficient and adequate audit evidence on the financial information of the entities of the Group to express an opinion on the consolidated financial statements. The

independent auditor is responsible for guiding, supervising, and implementing the audit of the Group, and is also responsible for forming an opinion on the audit of the Group.

We communicate with those in charge of governance regarding matters that include the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identify during our audit).

The independent auditor also provides those in charge of governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence (including related safeguards).

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of Sunfon Construction Group for 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of such communications.

We have audited and expressed an unqualified opinion on the Parent Only financial reports of Sunfon Construction Co., Ltd. for the years ended December 31, 2020 and 2019.

EY

Financial reports of the public company approved by the competent authorities

Audit No.: (2003) Tai-Cai-Zheng-(VI) No. 100592
(2007) Jin-Guan-Zheng-(VI)-Zi No. 0960002720

CPAs:

Yang Chih-Hui

Hsu Hsin-Min

March 9, 2021

Sunfon Construction Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2020 and 2019

Assets			December 31, 2020		December 31, 2019	
Code	Accounting Subject	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6	$395,292	12	$630,947	19
1220	Income tax assets for the period	4	-	-	1,028	-
130x	Inventories	4, 5, 6, 8	1,557,223	47	1,390,201	41
1410	Prepayments		243	-	2,493	-
1470	Other current assets		87,024	3	39,765	1
1480	Incremental costs to obtain contracts – current	6	27,874	1	14,020	1
11xx	Total current assets		2,067,656	63	2,078,454	62
	Non-current assets					
1517	Financial assets measured at fair value through other comprehensive income – non-current	4, 6, 8	905,060	27	928,947	28
1600	Property, plant and equipment	4, 6, 8	45,051	1	44,536	1
1760	Net investment properties	4, 5, 6, 8	295,037	9	296,182	9
1780	Intangible assets	4, 6	497	-	-	-
1840	Deferred income tax assets	4	715	-	715	-
1900	Other non-current assets		1,823	-	1,795	-
15xx	Total non-current assets		1,248,183	37	1,272,175	38
1xxx	Total Assets		$3,315,839	100	$3,350,629	100

Liabilities and equity			December 31, 2020		December 31, 2019	
Code	Accounting Subject	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	4, 6, 8	$363,190	11	$309,000	9
2110	Short-term notes payable	4, 8	-	-	100,000	3
2130	Contractual liabilities – current	4, 6	122,725	4	97,096	3
2150	Notes payable		5,911	-	7,875	-
2170	Accounts payable		19,742	1	29,728	1
2200	Other payables		14,212	1	16,878	1
2230	Income tax liabilities for the period	4	44,868	1	62,409	2
2399	Other current liabilities – other		4,502	-	2,965	-
21xx	Total current liabilities		575,150	18	625,951	19
	Non-current liabilities					
2540	Long-term borrowings	4, 8	-	-	73,500	2
2640	Net defined benefit liabilities – non-current	4, 6	10,450	-	10,224	-
2670	Other non-current liabilities – other		590	-	730	-
25xx	Total non-current liabilities		11,040	-	84,454	2
2xxx	Total liabilities		586,190	18	710,405	21
31xx	Equity attributable to owners of parent					
3100	Share capital					
3110	Ordinary shares capital	6	1,943,076	59	1,766,433	53
3200	Additional paid-in capital	6	26,557	1	23,014	1
3300	Retained earnings	6				
3310	Legal reserves		333,007	10	298,876	9
3320	Special reserves		9,733	-	9,733	-
3350	Undistributed earnings		260,254	8	356,447	11
	Total retained earnings		602,994	18	665,056	20
3400	Other equity		180,389	5	209,077	6
3500	Treasury stocks	4, 6	(23,385)	(1)	(23,385)	(1)
36xx	Non-controlling interests	6	18	-	29	-
3xxx	Total equity		2,729,649	82	2,640,224	79
	Total liabilities and equity		$3,315,839	100	$3,350,629	100

(Please refer to the Notes in the Consolidated Financial Statements)

Chairman: Hung Min-Fu Managerial Officer: Yu Jui-Hsing Accounting Supervisor: Shih Shu-Ying

Sunfon Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2020 and 2019

Code	Accounting Item	Notes	2020		2019	
			Amount	%	Amount	%
4000	Operating income	4, 6	$666,812	100	$1,302,273	100
5000	Operating costs	6	(406,147)	(61)	(873,885)	(67)
5900	Operating profit		260,665	39	428,388	33
6000	Operating expenses	6				
6100	Marketing expenses		(737)	-	(2,980)	-
6200	Management expenses		(49,149)	(7)	(46,480)	(4)
	Total operating expenses		(49,886)	(7)	(49,460)	(4)
6900	Operating income		210,779	32	378,928	29
7000	Non-operating income and expenditures	6				
7100	Interest income		1,733	-	2,773	-
7010	Other income		42,827	7	35,045	3
7020	Other gains and losses		1,677	-	(1,037)	-
7050	Financial costs		(4,693)	(1)	(6,754)	(1)
	Total non-operating income and expenditures		41,544	6	30,027	2
7900	Net income before tax		252,323	38	408,955	31
7950	Income tax expenses	4, 5, 6	(47,705)	(7)	(69,316)	(5)
8200	Net profit for the period		204,618	31	339,639	26
8300	Other comprehensive income	6				
8310	Items not reclassified to profit or loss					
8311	Remeasurement of defined benefit plans		(1,726)	-	1,663	-
8316	Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income		(28,688)	(5)	156,607	12
	Other comprehensive income for the period		(30,414)	(5)	158,270	12
8500	Total comprehensive income for the period		$174,204	26	$497,909	38
8600	Net profit (loss) attributable to:					
8610	Parent		$204,629		$339,651	
8620	Non-controlling interests		(11)		(12)	
			$204,618		$339,639	
8700	Total comprehensive income attributable to:					
8710	Parent		$174,215		$497,921	
8720	Non-controlling interests		(11)		(12)	
			$174,204		$497,909	
	Earnings per share (NT$)	6				
9750	Basic earnings per share					
	Net profit for the period		$1.10		$1.82	
9850	Diluted earnings per share	6				
	Net profit for the period		$1.10		$1.82	

(Please refer to the Notes in the Consolidated Financial Statements)

Chairman: Hung Min-Fu Managerial Officer: Yu Jui-Hsing Accounting Supervisor: Shih Shu-Ying

Sunfon Construction Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to December 31, 2020 and 2019

	Item	Equity attributable to owners of parent								Non-controlling interests	Total equity
		Share capital	Additional paid- in capital	Retained earnings			Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Treasury stocks	Total		
				Legal reserves	Special reserves	Undistributed earnings					
Code		3100	3200	3310	3320	3350	3420	3500	31XX	36XX	3XXX
A1	Balance on January 1, 2019	$1,766,433	$21,597	$296,746	$9,733	$52,592	$52,470	$(23,385)	$2,176,186	$41	$2,176,227
	2018 earnings allocation and distribution										
B1	Allocated legal reserves	-	-	2,130	-	(2,130)	-	-	-	-	-
B5	Common stock – cash dividend	-	-	-	-	(35,329)	-	-	(35,329)	-	(35,329)
	Changes in other additional paid-in capital										
M1	Adjustment of additional paid-in capital by dividends paid to subsidiaries	-	1,417	-	-	-	-	-	1,417	-	1,417
D1	Profit (loss) from January 1 to December 31, 2019	-	-	-	-	339,651		-	339,651	(12)	339,639
D3	Other comprehensive income from January 1 to December 31, 2019	-	-	-	-	1,663	156,607	-	158,270	-	158,270
D5	Total comprehensive income from January 1 to December 31, 2019	-	-	-	-	341,314	156,607	-	497,921	(12)	497,909
Z1	Balance on December 31, 2019	$1,766,433	23,014	298,876	9,733	356,447	209,077	(23,385)	2,640,195	29	2,640,224
	2018 earnings allocation and distribution										
B1	Allocated legal reserves	-	-	34,131	-	(34,131)	-	-	-	-	-
B5	Common stock – cash dividend	-	-	-	-	(88,322)	-	-	(88,322)	-	(88,322)
B9	Common stock – stock dividend	176,643	-	-	-	(176,643)	-	-	-	-	-
	Changes in other additional paid-in capital										
M1	Adjustment of additional paid-in capital by dividends paid to subsidiaries	-	3,543	-	-	-	-	-	3,543	-	3,543
D1	Profit (loss) from January 1 to December 31, 2020	-	-	-	-	204,629	-	-	204,629	(11)	204,618
D3	Other comprehensive income from January 1 to December 31, 2020	-	-	-	-	(1,726)	(28,688)	-	(30,414)	-	(30,414)
D5	Total comprehensive income from January 1 to December 31, 2020	-	-	-	-	202,903	(28,688)	-	174,215	(11)	174,204
Z1	Balance on December 31, 2020	$1,943,076	$26,557	$333,007	$9,733	$260,254	$180,389	$(23,385)	$2,729,631	$18	$2,729,649

(Please refer to the Notes in the Consolidated Financial Statements)

Chairman: Hung Min-Fu　　Managerial Officer: Yu Jui-Hsing　　Accounting Supervisor: Shih Shu-Ying

Sunfon Construction Co., Ltd. and Subsidiaries
Consolidated Cash Flow Statement
January 1 to December 31, 2020 and 2019

Code	Item	2020	2019
AAAA	Cash flows from operating activities:		
A10000	Net income before tax for the period	$252,323	$408,955
A20000	Adjustment item:		
A20010	Gain/loss item:		
A20100	Depreciation expenses	2,137	2,152
A20200	Amortization expenses	17	-
A20900	Interest expenses	4,693	6,754
A21200	Interest income	(1,733)	(2,773)
A21300	Dividend income	(40,431)	(33,162)
A22700	Loss on disposal of investment properties	11	-
A23800	Gain on reversal of impairment on non-financial	(2,047)	-
A30000	Changes in assets/liabilities related to operating		
A31200	(Increase) decrease in inventories	(164,329)	453,775
A31230	Decrease (increase) in prepayments	2,250	(719)
A31240	(Increase) decrease in other current assets	(47,434)	44,579
A31270	(Increase) decrease in incremental costs to obtain contracts	(13,854)	14,260
A32125	Increase (decrease) in contract liabilities	25,629	(108,769)
A32130	Decrease in notes payable	(1,964)	(15,799)
A32150	(Decrease) increase in accounts payable	(9,986)	7,092
A32180	(Decrease) increase in other payables	(2,706)	8,249
A32230	Other current liabilities – other increases (decreases)	1,537	(3,435)
A32240	Net defined benefit liabilities – decrease in non-current	(1,500)	(464)
A33000	Cash inflow from operations	2,613	780,695
A33100	Interest received	1,908	2,714
A33500	Income tax paid	(64,218)	(6,907)
AAAA	Net cash inflow (outflow) from operating activities	(59,697)	776,502
BBBB	Cash flows from investing activities:		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(4,802)	(2,652)
B02700	Acquisition of property, plant and equipment	(1,117)	(19,546)
B04500	Acquisition of intangible assets	(514)	-
B06700	Increase in other non-current assets	(28)	(1,112)
B07600	Dividends received	40,431	33,162
BBBB	Net cash inflow from investing activities	33,970	9,852
CCCC	Cash flows from financing activities:		
C00100	Increase in short-term borrowings	54,190	-
C00200	Decrease in short-term borrowings	-	(390,671)
C00600	Decrease in short-term notes payable	(100,000)	(70,000)
C01700	Repayment of long-term loans	(73,500)	-
C04400	Other non-current liabilities – other decreases	(140)	(152)
C04500	Payment of cash dividends	(84,779)	(33,912)
C05600	Interest paid (including capitalized interests)	(5,699)	(11,188)
CCCC	Net cash outflow from financing activities	(209,928)	(505,923)
EEEE	Increase in cash and cash equivalents for the period	(235,655)	280,431
E00100	Cash and cash equivalents at the beginning of the period	630,947	350,516
E00200	Cash and cash equivalents at the end of the period	$395,292	$630,947

(Please refer to the Notes in the Consolidated Financial Statements)

Chairman: Hung Min-Fu　　Managerial Officer: Yu Jui-Hsing　　Accounting Supervisor: Shih Shu-Ying

(All amounts are presented in NT$ thousand, unless otherwise specified)

I. Company History

Sunfon Construction Co., Ltd. (hereinafter referred to as the "Company") was established and began its business in January 1988. Its primary businesses are building public housing, renting out and selling commercial buildings. The Company's shares have been listed since December 1998 on the Taipei Exchange (TPEx). Its registered office and principal place of business is at 7F., No. 173, Section 2, Chang'an East Road, Taipei, Taiwan.

II. Passing of Financial Reporting Date and Procedures

The consolidated financial reports of the Company and subsidiary (hereinafter referred to as the "Group") for the years ended December 31, 2020 and 2019 have been approved for issue by the Board of Directors on March 9, 2021.

III. Application of New and Revised Standards and Interpretations

1. Change in accounting policy on the initial application of International Financial Reporting Standards (IFRS)

   The Group has adopted International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and International Financial Reporting Interpretations or announcements of interpretations endorsed by the Financial Supervisory Commission (FSC) since the fiscal year beginning January 1, 2020. The initial application of new standards and amendments have no material impact on the Group.

2. The Group has not yet adopted the following new, revised and amended standards or interpretations issued by the International Accounting Standards Board (IASB) endorsed by the FSC:

Item	Newly published/revised/amended standards or interpretations	Effective Date of the IASB Publication
1	Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

(1) Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

This final phase of the amendment mainly focuses on the impact of changes in interest rate benchmark reform on financial statements of corporate entities, including:

A. Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform. These are not derecognized or adjusted to reflect changes in interest rates of replacement but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

(All amounts are presented in NT$ thousand, unless otherwise specified)

B. When a hedge still meets hedge accounting criteria, the application of hedge accounting does not stop because of changes in criteria of the reform; and

C. Disclosure will be required about new risks resulting from the reform and how the transition to alternative benchmark rates is managed.

The Group has assessed the above amendments applied since the fiscal year beginning January 1, 2021, and determined that these amendments have no material impact on the Group.

3. As of the approval of the financial report, the Group did not adopt the following new, revised and amended standards or interpretations issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC:

Item	Newly published/revised/amended standards or interpretations	Effective Date of the IASB Publication
1	Amendments to IRFS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	Pending determination by the IASB
2	IFRS 17 “Insurance Contracts”	January 1, 2023
3	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023
4	Limited scope amendments to IFRSs, including amendments to IFRS 3, IAS 16 and IAS 37, and annual improvements	January 1, 2022
5	Disclosure Initiative – Accounting Policies (Amendments to IAS 1)	January 1, 2023
6	Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023

(1) Amendments to IRFS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture

This plan addresses the inconsistency between IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” regarding the loss of control by a subsidiary in an investment in an associate or joint venture. IAS 28 requires that when a non-monetary asset is invested in exchange for an interest in an associate or joint venture, the share of the gain or loss resulting should be eliminated in accordance with the treatment of a flow-through transaction; IFRS 10 requires the recognition of all gains or losses on the loss of control of a subsidiary. This amendment restricts the preceding provisions of IAS 28 – the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.

This amendment also amends IFRS 10 – the current criteria regarding the partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3.

(2) IFRS 17 "Insurance Contracts"

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of the standard is a general model under which a group of insurance contracts is measured by the aggregate of fulfillment cash flows and contract service margins on the initial recognition. The fulfilment cash flows consist of:

A. Estimated future cash flows
B. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows (to the extent that they are not already included in the estimates of future cash flows); and
C. A risk adjustment for non-financial risk

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage liability and the liability for physical claims issued.

Other than the general model, it provides:

A. A certain approach for insurance contracts with direct participation features (the variable fee approach)
B. A simplified approach for short-term contracts (the premium allocation approach)

After the standard was issued in May 2017, amendments were issued in June 2020. The amendments delayed the effective date of transition provisions by 2 years (from January 1, 2021 to January 1, 2023) and offered additional exemptions, and reduced the cost of adopting the standard by simplifying some of the requirements and modifying some of the criteria to make some situations easier for interpretation. The effective date of this standard will replace the transition criteria (IFRS 4 "Insurance Contracts")

(3) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to classification of liabilities as current or non-current in paragraphs 69-76 of IAS 1, "Presentation of Financial Statements".

(4) Limited scope amendments to IFRSs, including amendments to IFRS 3, IAS 16 and IAS 37, and annual improvements

A. Updating a reference to the Conceptual Framework (Amendments to IFRS 3)
This amendment updates IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. A new exception to the recognition principle of IFRS 3 is added to avoid the issue of potential "day 2" gains or losses arising from liabilities. The existing guidance for contingent assets that are not affected by the replacement framework index is also clarified.

B. Property, plant and equipment: Proceeds Before Intended Use (Amendments to IAS 16)
This amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

C. Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
This amendment clarifies whether a contract is onerous and that it shall be included as a cost.

D. Annual Improvements to IFRSs 2018-2020 Cycle

Amendments to IFRS 1
This amendment to IFRS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendments to IFRS 9 *"Financial Instruments"*
This amendment determines the fees included when an entity assesses whether the terms of a new or modified contract for a financial liability are materially different from the original financial liability.

Amendments to IFRS 16 *"Leases" Example*
This is an amendment to the lease incentives related to the improvement of the lessee's interest under Example 13.

Amendments to IFRS 41
This amendment removes the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with the relevant requirements of other IFRSs.

(5) Disclosure Initiative – Accounting Policies (Amendments to IAS 1)

This amendment improves accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements.

(6) Definition of Accounting Estimates (Amendments to IAS 8)

This amendment directly defines accounting estimates and makes other amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors" to help companies distinguish changes in accounting policies from changes in accounting estimates.

The actual effective dates of the above standards or interpretations issued by the IASB but not yet endorsed by the FSC are subject to the FSC's regulations, and the newly issued or amended standards or interpretations have no material impact on the Group.

IV. Summary of Material Accounting Policies

1. Compliance Statement

The Group's consolidated financial statements for 2020 and 2019 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, and International Financial Reporting Interpretations or announcements of interpretations endorsed by the FSC.

2. Basis of Preparation

Except for financial instruments measured at fair value, the content contained in the consolidated financial statements is prepared on the historical cost basis. The consolidated financial statements are presented in thousands of New Taiwan dollars, unless other stated.

3. Basis of Consolidation

Principles of the Preparation of Consolidated Financial Statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through power over an investee. In particular, the Company controls an investee only when it has the following three elements of control:

(1) Power over the investee (i.e. the investor has existing rights that give it the ability to direct the relevant activities)
(2) Exposure, or rights, to variable returns from its involvement with the investee; and
(3) The ability to use its power over the investee to affect the amount of the investor's returns.

When the Company has less than a majority of the voting rights or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(1) The contractual arrangement with the other vote holders of the investee
(2) Rights arising from other contractual arrangements
(3) The Group's voting rights and potential voting rights

The Company re-assesses whether it still controls the investee if facts and circumstances indicate a change in one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date (i.e. the date on which the Company obtains control) and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of the subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiary 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.

If the Group loses control of the subsidiary, it:

(1) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(2) Derecognizes the carrying amount of any non-controlling interest;
(3) Recognizes the fair value of the consideration received;
(4) Recognizes the fair value of any investment retained;
(5) Recognizes any surplus or deficit in profit or loss for the period; and
(6) Reclassifies the parent's share of items previously recognized in other comprehensive income to profit or loss for the period.

The main body of the preparation of the consolidated financial statements:

Investor			Percentage of Ownership (%)	
Name	Name of the Subsidiary	Main Business	2020.12.31	2019.12.31
The Company	Jinyuan Construction Co., Ltd.	Contracting, management and investment of civil engineering and construction business	99.929%	99.929%

4. <u>Current and non-current classification standard for assets and liabilities</u>

An asset is classified as current in any of the following circumstances; assets not classified as current are classified as non-current:

(1) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(2) The Group holds the asset primarily for the purpose of trading.
(3) The Group expects to realize the asset within twelve months after the reporting period.
(4) The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current in any of the following circumstances; liabilities not classified as current are classified as non-current:

(1) The Group expects to settle the liability in its normal operating cycle.
(2) The Group holds the liability primarily for the purpose of trading.
(3) The liability is due to be settled within twelve months after the reporting period.
(4) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

The Group's primary business is the construction of public housing and commercial buildings, while the subsidiary's primary business is the construction of civil engineering works. As construction projects usually take approximately 2 to 3 years to complete, this operating cycle is used as a criteria to classify current and non-current assets and liabilities.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits within 12 months of the contract period).

6. Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 "Financial Instruments" are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability (other than those classified as measured at fair value through profit or loss) are added to or deducted from the financial assets and financial liabilities measured at fair value.

(1) Recognition and measurement of financial assets

The Group adopts settlement date accounting for the recognition and derecognition of all regular transactions of financial assets.

Financial assets are classified as subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. The classification is determined by both:

A. The business model for managing the financial asset
B. The contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented in the balance sheet as notes receivable, accounts receivable, financial assets measured at amortized cost and other receivables:

A. The business model for managing the financial asset: the financial asset is held in order to collect contractual cash flows
B. The contractual cash flow characteristics of the financial asset: cash flows that are solely payments of principal and interest on the principal amount outstanding

The assets (excluding those involved in a hedging relationship) are subsequently measured at amortized costs [the amount recognized at initial recognition minus principal repayments, plus or minus the cumulative amortization (using the effective interest method) and adjusted for allowance for losses]. Gains and losses are recognized under profit or loss at derecognition, through amortization or when impaired gains or losses are recognized.

Interest is calculated using the effective interest method (EIR multiplied by the carrying amount of the financial assets) or the following is recognized in profit or loss:

A. Purchased or originated credit-impaired financial assets are measured using credit-adjusted EIR multiplied by the amortized cost of the financial assets
B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, the effective interest rate is multiplied by the amortized cost

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are presented in the balance sheet as financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

A. The business model for managing the financial asset: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
B. The contractual cash flow characteristics of the financial asset: cash flows that are solely payments of principal and interest on the principal amount outstanding

The recognition of gains and losses related to this type of financial assets is:

A. Gains or losses are recognized in other comprehensive income before derecognition or reclassification, except for impairment gains or losses and foreign currency exchange gains or losses, which are recognized in profit or loss
B. When an asset measured at fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment
C. Interest is calculated using the effective interest method (EIR multiplied by the carrying amount of the financial assets) or the following is recognized in profit or loss:
   (a) Purchased or originated credit-impaired financial assets are measured using credit-adjusted EIR multiplied by the amortized cost of the financial assets
   (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, the effective interest rate is multiplied by the amortized cost

However, for equity instruments that are within the scope of application of IFRS 9 and are not a contingent consideration or held for trading recognized by the acquirer in a business combination relating to business combination to which IFRS 3 applies, an entity may make an irrevocable election at initial recognition to present subsequent changes in fair value in other comprehensive income. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (upon disposal of these equity instruments, the cumulative amount included in other equity is transferred directly to retained earnings), and are reported in the balance sheet as financial assets measured at fair value through other comprehensive income. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment.

<u>Financial assets at fair value through profit or loss</u>

Except for financial assets measured at amortized cost or at fair value through other comprehensive income that meet certain conditions as described above, financial assets are measured at fair value through profit or loss and presented in the balance sheet as financial assets at fair value through profit or loss.

This type of financial asset is measured at fair value, and the gain or loss accounted for from their remeasurement is recognized in profit or loss. The gain or loss recognized in profit or loss includes any dividends or interest received on the financial asset.

(2) Impairment of financial assets

The Group's investments in debt instruments measured at fair value through other comprehensive income and financial assets measured at amortized cost are recognized and measured as an allowance for losses on expected credit losses. An investments in debt instruments measured at fair value through other comprehensive income is recognized as an allowance for losses in other comprehensive income and does not reduce the carrying amount of the investment.

The Group measures expected credit losses of a financial instrument in a way that reflects:

A. An unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes
B. The time value of money
C. Reasonable and supportable information (acquired without excessive costs or inputs on the balance sheet date) about past events, current conditions and reasonable and supportable forecasts of future economic conditions

Methods of measuring allowance for losses are:

A. 12-month expected credit losses: including financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the balance sheet date. In addition, it also includes the allowance for losses measured at the amount of expected credit losses during the prior reporting period, but on the reporting date for the current period credit risk has not significantly increased since initial recognition.
B. The amount of expected credit losses during the surviving period is measured by the amount of credit impairment including financial assets with a significant increase in credit risk since initial recognition, or purchased or originated credit-impaired financial assets.
C. For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
D. For lease receivables or contract assets arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

On each balance sheet date, the Group assesses whether there has been a significant increase in credit risk since initial recognition by comparing the change in default risk of the financial instrument on the reporting date at initial recognition. For more credit risk-related information, please refer to Note 12.

(3) Derecognition of financial assets

A financial asset is derecognized when financial assets held by the Group meet the one of the following conditions:

A. The rights to receive cash flows from the asset have expired.
B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(4) Financial liabilities and equity instruments

Classification of liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract of the Group that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

A transaction is classified as held for trading when one of the following conditions is met:

A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

For contracts containing one or more embedded derivatives, the overall hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; it is designated at fair value through profit or loss on initial recognition when one of the following factors is met that provides more relevant information:

A. Doing so eliminates or significantly reduces a measurement or recognition inconsistency; or

B. The liability is part or a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The remeasurement of this type of financial liabilities are recognized in profit or loss, and gains or losses recognized in profit or loss include any interest paid on the financial liabilities.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Relevant gains or losses and amortization amounts are recognized in profit or loss when the liabilities are derecognized and amortized through the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

An exchange between an existing borrower and the Group of debt instruments with substantially different terms or when the terms of all or part of existing financial liabilities are largely modified (whether or not due to financial difficulties) should be accounted for as a derecognition of the original financial liability and the recognition of a new financial liability regardless of financial difficulties. The difference between the carrying amount of a financial liability and the total consideration paid or payable (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

7. Fair value measurement

Fair value is the price that would be received to sell a certain asset or paid to transfer a certain liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(1) In the principal market for the asset or liability, or
(2) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants handle in their economic best interest.

The fair value measurement of a nonfinancial asset considers a market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

8. Inventories

The Group's inventories are recorded on the basis of acquisition or construction costs. The cost of properties for sale is apportioned between properties for sale and sold using the relative sales value method. Related interest of the construction project is capitalized in accordance with IAS 23 "Borrowing Costs".

Inventory at the end of the period is evaluated at the lower of the cost or net realizable value and should be compared item by item, except inventory of the same category. Unusual costs and benefits from price decreases or reversals should be recognized as operating costs for the current period. Under normal circumstances, the net realizable value is the estimated selling price of goods less costs and selling expenses until completion.

9. Property, plant and equipment

Property, plant and equipment is represented at cost, cost less accumulated depreciation and impairment. Such cost includes the cost of dismantling and removing the item and restoring property, plant and equipment to its original location and the necessary interest expenses incurred for uncompleted construction. Each significant component of property, plant and equipment should be depreciated separately. When significant components of property, plant and equipment are required to be replaced regularly, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, Plant and Equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Houses and buildings	5-55 years
Transportation equipment	5 years
Other equipment	5-8 years

Items or significant components of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual value, useful life and depreciation method of property, plant and equipment are evaluated at the end of each financial year. If the expected value differs from the previous estimate, the differences are recorded as a change in accounting estimate.

10. Investment property

The Group's self-owned investment property is measured at initial cost, including the transaction costs of acquiring the asset. The carrying amount of investment property includes the cost of refitting or adding existing investment property under the condition that the cost can be recognized, but the general daily maintenance costs are not part of its cost. After initial recognition, the measurement of investment property at cost is adopted in accordance with the IAS 16 "Property, Plant and Equipment", except for those that meet the criteria for classification as held for sale (or are included in a subgroup classified as held for sale) under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operation". However, if right-of-use assets are held by lessees not for sale under IFRS 5, they are treated in accordance with the provisions of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	50-55 years

Investment property should be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

The Group decides to transfer into and out of investment property according to the actual use of the assets.

When property meets or no longer meets the definition of investment property and there is evidence that the use has changed, the Group reclassifies the property as investment property or transfers it out of investment property.

11. Leasing

The Group assesses whether a contract is (or contains) a lease at the inception date. A contract is (or contains) a lease if the contract gives the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract transfers control over the use of an identified asset for a period of time, the Group assesses whether it has both of the following throughout the period of use:

(1) The right to obtain substantially all of the economic benefits from use of an identified asset; and
(2) The right to direct the use of an identified asset.

For contracts that are (or contain) leases, the Group accounts for each lease component within a contract as a lease separately from the non-lease components of the contract. When a contract contains a lease component and one or more non-lease components, the Group allocates the consideration in the contract to each lease component based on the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components should be determined on the basis of the price the lessor (or a similar supplier) would charge an entity for that component (or a similar component) separately. If an observable stand-alone price is not readily available, the Group maximizes the use of observable inputs to estimate the stand-alone price.

Group as the lessee

Right-of-use assets and lease liabilities are recognized for all leases when the Group is the lessee of the lease contract, except for leases qualified as selected short-term leases or leases with low-value underlying assets.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not yet paid at that date. Lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If the rate is not readily determinable, the discount rate will be the lessee's incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments relating to the use of the underlying asset in the measurement of the lease liability at that date:

(1) Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(2) Variable lease payments that depend on an index or a rate (measured using the initial index or rate at the commencement date);
(3) Amounts expected to be payable by the lessee under residual value guarantees;
(4) The exercise price of a purchase option that the Group is reasonably certain to exercise; and
(5) Payments for terminating the lease if the lease term reflects early termination.

After the commencement date, the Group measures the lease liability at amortized cost to reflect interest on the lease liability by increasing the carrying amount of the lease liability using the effective interest method; payments reduce the carrying amount of the lease liability.

At the commencement date, the Group measures right-of-use assets at cost; the cost of right-of-use assets comprises:

(1) The amount of the initial measurement of the lease liability;
(2) Any lease payments made at or before the commencement date, less any lease incentives received;
(3) Any initial direct costs incurred by the lessee; and
(4) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequent measurement of right-of-use assets is stated at cost less any accumulated depreciation and any accumulated impairment losses, meaning the right-of-use asset is measured using the cost model.

If ownership of the underlying asset is transferred to the Group at the end of the lease term, or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, depreciation is provided on the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and to address any identified impairment loss.

The Group's right-of-use assets and lease liabilities are presented in the balance sheet, except for leases that qualify as short-term leases or leases with low-value underlying assets, and reports depreciation expense and interest expense associated with leases in the consolidated statement of income, respectively.

The Group elects to account for lease payments of short-term leases and leases of low-value underlying assets on a straight-line basis or another systematic basis, with the lease payments relating to these leases recognized as an expense over the lease term.

Group as the lessor

The Group classifies each of its leases as either an operating lease or a finance lease at the contract inception date. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset; if the lease does not transfer substantially all the risks and rewards incidental to ownership, it is classified as an operating lease. At the inception date, the Group recognizes the assets held under finance leases in the balance sheet and expresses them as finance lease receivables based on the net lease investment.

For contracts with lease components as well as non-lease components, the Group applies IFRS 15 to allocate the consideration in a contract.

The Group recognizes rental income from lease payments under operating leases on a straight-line basis or another systematic basis. Variable payments under operating leases not depending on an index or rate are recognized as rental income when incurred.

12. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. After initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets not meeting the recognition criteria are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are divided into finite and indefinite useful lives.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by adjusting the amortization period or method and are treated as changes in accounting estimates.

An intangible asset with an indefinite useful life is not amortized, but is tested for impairment at the individual asset or cash-generating unit (CGU) level each year. An intangible asset with an indefinite useful life shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If an intangible asset with an indefinite useful life is changed to an intangible asset with a definite useful life, the application shall be postponed.

Gains or losses arising from the derecognition of intangible assets are recognized in profit or loss.

Computer software

Computer software costs are amortized on a straight-line basis over the estimated useful life of five years.

The Group's accounting policies for intangible assets are as follows:

	Computer software
Useful-life	Limited
Amortization method	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired externally	Acquired externally

13. Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group will conduct impairment tests at the individual or CGU level of the asset. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset's recoverable amount is the higher of an asset's net fair value or its value in use.

For assets other than goodwill, the Group assesses at the end of each reporting period whether there is any indication that a previously recognized impairment may have decreased or no longer exists If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined, less depreciation or amortization.

A CGU to which goodwill has been allocated shall be tested for impairment at least annually regardless of whether there is any indication of impairment. If the result of the impairment test is to be recognized as an impairment loss, the goodwill will be deducted first, and the deducted amount will be allocated to other assets other than goodwill in proportion to their carrying amounts. Once impairment of goodwill is recognized, it cannot be reversed for any reason.

Impairment losses and reversals for continuing operations are recognized in profit or loss.

14. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs are interest and other costs in connection with the borrowing of funds.

15. Post-employment benefit plans

All regular employees of the Company and its domestic subsidiary are entitled to a pension plan that is managed by an administered pension fund committee. Fund assets are deposited under the committee's name in a specific bank account and, hence, not associated with the Company and its domestic subsidiary. Therefore, fund assets are not included in the Group's consolidated financial statements.

For the defined contribution plan, the Company and its domestic subsidiary will make a monthly contribution of no less than 6% of monthly wages of the employees subject to the plan.

Post-employment benefit plans that are defined benefit plans are provided based on actuarial reports at the end of the annual reporting period in accordance with the projected unit benefit method. Remeasurements of the net defined benefit liability (asset) comprise of any changes in the return on planned assets and the effect of the asset ceiling, net of amounts included in net interest on the net defined benefit liability (asset), and actuarial gains and losses. Remeasurements of the net defined benefit liability (asset) are recorded under other comprehensive income as incurred and are recognized immediately in retained earnings. Past service cost is recognized as an expense at the earlier of the following two dates when a plan amendment or curtailment occurs:

(1) The date of the plan amendment or curtailment; and
(2) When the Group recognizes any related restructuring costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) arising from the allocation and benefit payments during the period.

16. Treasury stock

The Group's own equity instruments acquired (treasury stock) are recognized at repurchase cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

17. Revenue recognition

Recognition of gain or loss on sale of properties

The Group develops and pre-sells residential real estate and commercial buildings. The Group recognizes revenue when the control of the assets is transferred to the customers. The asset has no other use to the Group due to the restriction of the sales contract. However, the enforceable right to set off the amounts arises when the property right is transferred to the customer. Therefore, the Group recognizes revenue when the transfer of assets is completed and the actual delivery of the property is made. The contract is for a fixed consideration; the customer pays a fixed amount according to the agreed schedule. The Group's obligation to transfer goods or services to customers for consideration received (or receivable) from a customer is recognized as a contract liability.

The timing of payments under contractual agreements where the transaction for the transfer of goods or services implicitly or explicitly represents a material right of financial benefit to the customer or the Group, the Group adjusts the amount of the consideration promised to reflect the time value of money. The Group does not adjust the promised consideration for sales contracts where the time between the expected transfer of goods or services to the customer at the beginning of the contract and the time when the customer pays for the goods or services does not exceed one year.

Contracted income

The Group is engaged in the contracting business of residential real estate and commercial buildings. As the assets are controlled by the customers at the time of construction, revenue is recognized gradually over a period of time based on the percentage of contracted project costs incurred to date to the estimated total contract costs. The contracts include both fixed and variable consideration. The customer pays a fixed amount according to the agreed schedule. Certain variable consideration (e.g., penalties based on the number of days past due, price adjustment subsidy) is estimated using expected values based on past experience. Other changes in consideration (e.g., early completion incentive payments) are estimated at the most likely amount. The Group's rights to the consideration received for goods or services transferred to customers are recognized as contract assets. When an unconditional right is represented to the consideration, the contract assets are transferred to accounts receivable.

If it is not possible to reasonably measure the degree of completion of contract performance obligations, contract revenue is recognized only to the extent of expected recoverable contract costs incurred.

Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Group expects that the time interval between the transfer of goods or services to the customer and the payment for such goods or services by customers for all work contracts will not exceed one year; therefore, the Group does not adjust the promised consideration amount.

18. Income tax

Tax expense (tax income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current tax and deferred tax.

Income tax for the period

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Income tax for the period relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

Income tax for undistributed earnings is recorded as income tax expense when the distribution proposal is approved by the shareholders meeting.

Deferred income tax

Deferred tax is calculated on temporary differences between the tax bases of assets and liabilities and their carrying amounts on the balance sheet at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(1) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;
(2) In respect of taxable temporary differences associated with investment subsidiaries, affiliates and interests in joint agreements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognized for deductible temporary differences, carryforward of unused tax losses and tax credits to the extent that it is probable that future taxable profits will be available, except for the following:

(1) Is not a business combination and not related to the deductible temporary differences arising from the original recognition of an asset or liability that at the time of the

transaction affects neither the accounting profit nor the taxable income (loss);

(2) Liabilities arising from temporary differences associated with investments in subsidiaries, branches, and associates, and interests in joint arrangements, but only to the extent that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the entity's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled. Deferred income taxes related to items not recognized in profit or loss are not recognized in profit or loss, but recognized in other comprehensive income or directly in equity based on the related transactions. Deferred income tax assets are reexamined and recognized at the end of each reporting period.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

V. Significant accounting judgements and sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities during the reporting year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

1. Judgments

In the process of applying the Group's accounting policies, management makes the following judgments that have the most significant effect on the amounts in the consolidated financial statements:

(1) Investment property

The Group uses part of the portions of property for its own use, and part to earn rental or for capital appreciation. If the portions can be sold separately, the entire property is treated as investment property and property, plant and equipment. If the portions cannot be sold separately, the entire property is treated as investment property only when the portion held for own use accounts for less than 5% of the individual property.

(2) Operating lease commitments – Group as the lessor

For investment property portfolio, the Group has signed commercial property leases. Based on the assessment of the contractual terms, the Group retains significant risks and rewards of ownership of these properties and these leases are treated as operating leases.

2. Estimates and assumptions

The assumptions concerning the future and other key sources of estimation uncertainty at the reporting date have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. They are explained as follows:

(1) Post-employment benefit plans

The cost of the post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including changes in the discount rate and expected salary level.

(2) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the location of the Group's individual companies.

A deferred tax asset is recognized for carryforward of unused tax losses and tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2020, the unrecognized portion of the Company's deferred tax assets are disclosed in Note 6.

(3) Inventories

(All amounts are presented in NT$ thousand, unless otherwise specified)

The estimated value of the net realized value of the inventory considers the impairment of the inventory, all or part of the obsolescence or price declines. The value is the most reliable evidence of the expected amount of net realized value at the time of the estimate. Please refer to Note 6 for more details.

VI. Significant accounting items

1. Cash and cash equivalents

	2020.12.31	2019.12.31
Cash in hand	$60	$60
Demand and check deposits	107,232	99,087
Time deposit	288,000	531,800
Total	$395,292	$630,947

2. Financial assets measured at fair value through other comprehensive income

	2020.12.31	2019.12.31
Investments in equity instruments measured at fair value through other comprehensive income – non-current:		
Listed company shares	$895,713	$917,318
Unlisted company shares	9,347	11,629
Total	$905,060	$928,947

The Group classifies part of its financial assets as financial assets at fair value through other comprehensive income. For provisions of guarantees, please refer to Note 8.

3. Inventories

	2020.12.31	2019.12.31
Property for sale	$33,026	$59,172
Land for construction	757,575	1,011,101
Land under construction	750,991	316,414
Prepayment for land	15,631	3,514
Total	$1,557,223	$1,390,201

(1) Details of properties for sale are:

	2020.12.31			2019.12.31		
By project	Land for sale	Houses for sale	Total	Land for sale	Houses for sale	Total
He Ti	$15,628	$10,622	$26,250	$17,453	$11,862	$29,315
Sunfon Jin Cheng	4,066	2,010	6,076	4,066	2,010	6,076

(All amounts are presented in NT$ thousand, unless otherwise specified)

Zhong Zheng Xue Fu	73	627	700	73	627	700
Feng Hua Hui	-	-	-	17,336	5,745	23,081
Total	$19,767	$13,259	$33,026	$38,928	$20,244	$59,172

(2) Details of land for construction are:

Name of the construction project	Land location	2020.12.31	2019.12.31
Luzhu Township	Kengzi Section, Luzhu Township, Taoyuan County	$7,385	$7,385
Bao'an Project	Yanping Section, Datong District, Taipei City	6,144	6,144
Changji Project	Qiaobei Section, Datong District, Taipei City	24,575	24,455
Chengde I Project	City Hall Section, Datong District, Taipei City	-	530,480
Yanping Chang'an Project	Yuquan Section, Datong District, Taipei City	18,746	18,746
Minsheng West Project	Shuanglian Section, Datong District, Taipei City	247,734	119,133
Yuanhuan Section, Taiyuan Road	Yuanhuan Section, Datong District, Taipei City	22,062	22,062
Heping West Road Project	Nanhai Section, Zhongzheng District, Taipei City	809	809
No. 138, Sec. 3, Chongqing North Road	Qiaobei Section, Datong District, Taipei City	264,863	264,863
Section 4, Nanjing East Road Project	Meiren Section, Songshan District, Taipei City	480	400
Guisui and Minle Street Project	Yanping Section, Datong District, Taipei City	35,825	16,624
No.16, Section 1, Nanchang Road	Nanhai Section, Zhongzheng District, Taipei City	3,168	-
Lane 175, Section 1, Kangning Road	Kangning Section, Neihu District, Taipei City	125,751	-
Tianmu Tianyu Street Project	Tianmu Section, Tianmu District, Taipei City	33	-

(All amounts are presented in NT$ thousand, unless otherwise specified)

Total	$757,575	$1,011,101

(3) The cost of properties was invested upon construction, with details as follows:

Name of the construction project	Summary	2020.12.31	2019.12.31	Construction method
Di Yi Hui	Land cost	$-	$62,033	Joint construction and allocation of housing units
	Construction cost	-	202,464	
City Meeting Point	Land cost	16,775	13,638	Joint construction and allocation of housing units
	Construction cost	33,692	4,949	
Chengde I Project	Land cost	608,085	-	Joint construction and allocation of housing units
	Construction cost	35,911	15,997	
Other	Construction cost	56,528	17,333	
Total		$750,991	$316,414	

(4) Information on the capitalization of borrowing costs for the Group's land under construction is as follows:

	2020.12.31	2019.12.31
Amount of capitalized interest	$1,047	$4,092
Capitalized interest range	1.2%~2.4%	1.27%~2.4%

(5) Additional disclosures for important construction projects are as follows:

By project	Total price for construction contract (budgeted cost, excluding land payment)	Percentage of completion	Scheduled completion year

City Meeting Point	$200,000	14%	2022

(6) Details of the land prepayment are as follows:

Land location	2020.12.31	2019.12.31
City Meeting Point	$4,059	$-
Other	11,572	3,514
Total	$15,631	$3,514

(7) Operating costs recognized by the Group are as follows:

	2020	2019
Construction cost	$402,116	$861,489
Construction cost from commissioned construction projects	2,747	11,100
Leasing cost	1,284	1,296
Total	$406,147	$873,885

(8) For provisions of the Group's inventories as guarantees, please refer to Note 8.

4. Property, plant and equipment

Changes in property, plant and equipment are as follows:

	Land	Buildings	Transportation equipment	Miscellaneous equipment	Total
Cost:					
2019.1.1	$17,482	$14,139	$1,610	$637	$33,868
Additions – from purchases	-	-	-	-	-
Transfer	18,373	1,173	-	-	19,546
2019.12.31	35,855	15,312	1,610	637	53,414
Additions – from purchases	-	902	-	215	1,117
Transfer	-	-	-	-	-
2020.12.31	$35,855	$16,214	$1,610	$852	$54,531
Depreciation and impairment:					
2019.1.1	$-	$(7,196)	$(688)	$(437)	$(8,321)
Depreciation for the period	-	(254)	(269)	(22)	(545)

(All amounts are presented in NT$ thousand, unless otherwise specified)

Transfer	-	(12)	-	-	(12)
2019.12.31	-	(7,462)	(957)	(459)	(8,878)
Depreciation for the period	-	(306)	(268)	(28)	(602)
Transfer	-	-	-	-	-
2020.12.31	$-	$(7,768)	$(1,225)	$(487)	$(9,480)
Net carrying amount:					
2020.12.31	$35,855	$8,446	$385	$365	$45,051
2019.12.31	$35,855	$7,850	$653	$178	$44,536

For provisions of the Company's property, plant and equipment as guarantees, please refer to Note 8.

5. Investment property

(1) Changes in investment properties are as follows:

	Land	Buildings	Total
Cost:			
2019.1.1	$248,239	$88,730	$336,969
Additions – from purchases	18,373	1,173	19,546
Transferred from inventory	1,244	413	1,657
Transferred to property, plant and equipment	(18,373)	(1,173)	(19,546)
2019.12.31	249,483	89,142	338,625
Additions – from purchases	-	-	-
Transferred to inventory	(1,244)	(413)	(1,657)
Disposal/Sale	-	(285)	(285)
2020.12.31	$248,239	$88,444	$336,683
Depreciation and impairment:			
2019.1.1	$(2,431)	$(38,417)	$(40,848)
Depreciation for the period	-	(1,607)	(1,607)
Transferred to inventory	-	-	-
Transferred to property, plant and equipment	-	12	12
2019.12.31	(2,431)	(40,012)	(42,443)
Depreciation for the period	-	(1,535)	(1,535)
Transferred to inventory	-	11	11
Disposal/Sale	-	221	221
Impairment reversal	2,100	-	2,100
2020.12.31	$(331)	$(41,315)	$(41,646)

(All amounts are presented in NT$ thousand, unless otherwise specified)

Net carrying amount:			
2020.12.31	$247,908	$47,129	$295,037
2019.12.31	$247,052	$49,130	$296,182

(2) The rental income generated from investment properties held by the Group for 2020 and 2019 amounted to NT$7,735 thousand and NT$8,434 thousand, respectively. No significant direct operating expenses were incurred for investment properties which generated rental income during the period.

(3) As investment properties held by the Group are not measured at fair value, information on their fair values is disclosed. The fair values of these investment properties are in level 3 of the fair value hierarchy. The fair values of investment properties held by the Group for the years ended December 31, 2020 and 2019 were approximately NT$374,047 thousand and NT$323,767 thousand, respectively. The fair values mentioned above were obtained by taking reference from the valuation of independent external appraisals gained in the past years and the actual transaction prices in each year, as well as the transaction prices of similar property markets in the vicinity of relevant assets (including the Real Estate Actual Transaction Price Inquiry Website and websites of real estate agents). The fair values provided by independent external appraisers mentioned above were determined using the comparative method and the income approaches, while also taking into consideration the nature of the subject property, the status of use and the credibility of the benchmark data. The contribution value of land and buildings is respectively determined using the joint contribution principle based on the cost value proportion of the land and buildings. The main evaluation parameter used in the comparison method is the cases in the vicinity of the subject of the survey. The main parameter of the income capitalization rate method is to calculate the price per ping (3.3058 m2) based on the annual net rent after the market survey, and then use the income capitalization rate of 1.88%-3.73%. As the Group considers the capitalization rate of income in the domestic real estate market for the most recent year to be comparable to what was mentioned above, the appraisal results as well as the aforementioned recent real estate market were referred for use as fair values of investment properties as of the date of each financial report.

(4) For provisions of the Group’s investment properties as guarantees, please refer to Note 8.

6. Intangible assets

	Computer software	Total
Cost:		
2020.1.1	$-	$-
Additions – acquired externally	514	514
2020.12.31	$514	$514

(All amounts are presented in NT$ thousand, unless otherwise specified)

2019.1.1	$-	$-
Additions – acquired externally	-	-
2019.12.31	$-	$-
Amortization and impairment:		
2020.1.1	$-	$-
Amortization	(17)	(17)
2020.12.31	$(17)	$(17)
2019.1.1	$-	$-
Amortization	-	-
2019.12.31	$-	$-
Net carrying amount:		
2020.12.31	$497	$497
2019.12.31	$-	$-

Amortization amounts recognized under intangible assets are as follows:

	2020	2019
Operating expenses	$17	$-

7. Short-term borrowings

	Interest rate range (%)	2020.12.31	2019.12.31
Unsecured bank loans	1.29%~1.80%	$4,900	$-
Secured bank loans	1.20%~2.40%	358,290	309,000
Total		$363,190	$309,000

(1) For the years ended December 31, 2020 and 2019, the Group's unused short-term borrowing lines were NT$1,325,147 thousand and NT$1,115,300 thousand, respectively.
(2) For the provisions of collateral for short-term loans mentioned above, please refer to Note 8.

8. Post-employment benefit plans

Defined contribution plan

The Group has formulated a defined contribution plan in accordance with the Labor Pension Act. As required by the Act, the Group makes monthly contributions of no less than 6% of the employees' monthly wages. The Company has made monthly contributions of 6% of employees' wages to the individual employee's pension accounts of the Bureau of Labor Insurance in accordance with the Act.

For the years ended December 31, 2020 and 2019, the expenses under the defined plan recognized by the Group totaled NT$1,157 thousand and NT$1,023 thousand, respectively.

(All amounts are presented in NT$ thousand, unless otherwise specified)

Defined benefit plan

The Group adopts a defined benefit plan in accordance with the Labor Standards Act. The pension benefits are disbursed based on the units of service years and the average salary of one month at the time when the pension is authorized. Two units per year are awarded for the first 15 years (inclusive) of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group assesses the balance in the labor pension fund. If the balance is insufficient to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The assets are allocated by the Ministry of Labor in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The investment of the fund may be executed either by the Ministry of Labor itself or by outsourcing its operation, and its investment strategy, including both active and passive management, targets the medium and long term. In considering the risks of market, credit and liquidity, the Ministry of Labor establishes the ceiling of fund investment and control plan, to reduce investment risk to an affordable extent and to achieve the targeted return flexibly. The utilization of the fund, the annual income of the minimum allocation of income shall not be lower than the local bank two-year deposit of the proceeds; if insufficient, it is supplemented from the national treasury with the approval of the competent authority. As the Group is not involved in the operation and management of the fund, it is not possible to disclose the fair value of the planned assets in accordance with the provisions of Paragraph 142 of IAS 19. As of December 31, 2020, the Group's defined benefit plan is expected to allocate NT$444 thousand in the next year.

For the years ended December 31, 2020 and 2019, the Group's defined benefit plans are expected to expire in 8 and 9 years, respectively.

The following table summarizes the defined benefit plan costs recognized in profit or loss:

	2020	2019
Current service cost	$265	$271
Net interest of net defined benefit liabilities (assets)	65	110
Other	5	-
Total	$335	$381

Reconciliation of the present value of defined benefit obligation and the fair value of plan assets is as follows:

(All amounts are presented in NT$ thousand, unless otherwise specified)

	2020.12.31	2019.12.31	2019.1.1
Present value of defined benefit obligation	$30,003	$27,248	$27,866
Fair value of plan assets	(19,621)	(17,086)	(15,577)
Other	68	62	62
Other non-current liabilities – net defined benefit liabilities	$10,450	$10,224	$12,351

Reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
2019.1.1	$27,866	$(15,515)	$12,351
Current service cost	271	-	271
Interest expense (income)	257	(147)	110
Subtotal	28,394	(15,662)	12,732
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(503)	-	(503)
Experience adjustments	(644)	(516)	(1,160)
Subtotal	27,247	(16,178)	11,069
Benefits paid	-	-	-
Contributions by employer	-	(845)	(845)
Other	1	(1)	-
2019.12.31	27,248	(17,024)	10,224
Current service cost	265	-	265
Interest expense (income)	180	(115)	65
Subtotal	27,693	(17,139)	10,554
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	1,921	-	1,921
Experience adjustments	389	(584)	(195)

(All amounts are presented in NT$ thousand, unless otherwise specified)

Subtotal	30,003	(17,723)	12,280
Benefits paid	-	-	-
Contributions by employer	-	(1,835)	(1,835)
Other	-	5	5
2020.12.31	$30,003	$(19,553)	$10,450

The key assumptions used to determine the Group's defined benefit plans are as follows:

	2020.12.31	2019.12.31
Discount rate	0.19~0.27%	0.58~0.68%
Expected salary increase rate	3.00%	2.50%

Sensitivity analysis of each significant actuarial assumption:

	2020		2019	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increased by 0.5%	$-	$(1,100)	$-	$(1,056)
Discount rate decreased by 0.5%	1,186	-	1,140	-
Expected salary rate increased by 0.5%	1,148	-	1,113	-
Expected salary rate decreased by 0.5%	-	(1,077)	-	(1,043)

For the purpose of the sensitivity analysis above, the Company analyzed the impact on defined benefit obligation due to a reasonable and feasible change of one single assumption (i.e. discount rate or expected salary level) with other assumptions remaining equal. The sensitivity analysis has its limitation due to the co-relation between different actuarial assumptions and it is rarely the case that only one assumption changes at a time.

The method and assumptions used in the sensitivity analysis for the current period are no different from those used in the previous period.

9. Equity

(1) Common stock

For the years ended December 31, 2020 and 2019, the Company's authorized capital totaled NT$3,000,000 thousand and NT$2,000,000 thousand, respectively; its paid-in capitals totaled NT$1,943,076 thousand and NT$1,766,433 thousand, respectively, with a par value of NT$10 per share, resulting in 194,307 thousand shares and

(All amounts are presented in NT$ thousand, unless otherwise specified)

176,643 thousand shares, respectively. Each share is entitled to one voting right and the right to receive dividends.

On May 28, 2020, the shareholders meeting resolved to distribute earnings for 2019. 17,664 thousand shares with a par value of NT$10 per share were issued in the form of dividends as bonuses to shareholders. As of the date of this report, the case was approved and deemed effective by the Securities and Futures Bureau, Financial Supervisory Commission, on June 16, 2020, and July 24, 2020, was set as the ex-dividend date. The relevant statutory procedures for changes have been completed.

(2) Additional paid-in capital

	2020.12.31	2019.12.31
Treasury stock trading	$3,830	$3,830
Treasury stock trading – other	22,713	19,170
Gains on disposal of assets	14	14
Total	$26,557	$23,014

As required by law, additional paid-in capital may only be used to make up for losses. When a company incurs no losses, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. When there are no losses, the distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(3) Treasury stock

The Company's shares held by the Company's subsidiary, Jinyuan Construction Co., Ltd., amounted to NT$23,385 thousand for both years ended December 31, 2020 and 2019. The purpose for the subsidiary to hold the Company's shares was due to financial operations. For the years ended December 31, 2020 and 2019, the number of shares held by the subsidiary totaled 7,799 thousand shares and 7,090 thousand shares, respectively.

Treasury stock held by the Company may not be pledged as required by the Securities and Exchange Act, and is not entitled to dividend distribution or voting rights. However, if a subsidiary holds shares of the parent company, they are treated as treasury stock, which is entitled to shareholders' equity. According to the Company Act amended in June 2005, treasury stock of the parent company held by a subsidiary is not entitled to voting rights.

(4) Earning distribution and dividend policies

In accordance with the Company's Articles of Incorporation, if there are earnings from the annual accounts, they should be distributed in the following order:

(All amounts are presented in NT$ thousand, unless otherwise specified)

A. Pay taxes.
B. Make up for losses.
C. Set aside 10% as legal reserve.
D. Set aside or reverse special reserve in accordance with other laws and regulations or orders by the competent authority.
E. The remaining earnings are used as earnings distribution proposed by the Board of Directors and submitted to the shareholders meeting in accordance with the dividend policy.

The Company's dividend policy shall be determined pursuant to factors such as the current and future investment environment, capital requirements, domestic and international competition and capital budget, while considering the interests of shareholders, the balance of dividends and the Company's long-term financial planning. The distribution shall be proposed by the Board of Directors and submitted to the shareholders meeting every year in accordance with the law. Stock dividends ranging from 0% to 90% and cash dividends ranging from 10% to 100% are distributed to shareholders.

In accordance with the Company Act, legal reserves should be set aside until the total amount has reached the total amount of capital. Legal reserves may be used to make up for losses. Where there are no losses, the Company may issue new shares or distribute cash in proportion to the original number of shares shareholders hold, if legal reserves exceed 25% of the paid-in capital.

According to Jin-Guan-Zheng-Fa-Zi Order No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings are recorded as a special reserve in the same amount as the proportion of retained earnings by application of the exemption under IFRS 1 "First-time Adoption of International Financial Reporting Standards". After adopting the IFRSs, when allocating distributable earnings, a special reserve shall be set aside for the difference between the balance of the special reserve provided when the IFRSs were first adopted and the net decrease in other equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Board meeting and annual general meeting held on March 9, 2021, and May 28, 2020, proposed and resolved the earnings allocation and distribution motions as well as dividends per share for 2020 and 2019 as follows:

	Earnings allocation and distribution motions		Dividends per share (NT$)	
	2020	2019	2020	2019

Legal reserves	$29,290	$34,131	$-	$-
Common stock – cash dividend	97,154	88,322	0.5	0.5
Common stock – stock dividend	136,015	176,643	0.7	1

For information related to remuneration (bonuses) to employees and remuneration to directors/supervisors and the amounts recognized, please refer to Note 6.12.

(5) Non-controlling interests

	2020	2019
Opening balance	$29	$41
Net loss for the period attributable to non-controlling interests	(11)	(12)
Closing balance	$18	$29

10. Operating income

	2020	2019
Revenue from customer contracts		
Revenue from sale of properties	$657,103	$1,283,709
Construction revenue from commissioned construction projects	3,462	11,619
Subtotal	660,565	1,295,328
Lease income	6,247	6,945
Total	$666,812	$1,302,273

Information related to the Group's revenue from customer contracts for 2020 is as follows:

(1) Revenue breakdown

	2020 Construction Segment	2019 Construction Segment
Revenue from sale of properties	$657,103	$1,283,709
Construction revenue from commissioned construction projects	3,462	11,619
Total	$660,565	$1,295,328
Time at which revenue is recognized:		
At a certain point in time	$657,103	$1,283,709
Satisfied over time	3,462	11,619
Total	$660,565	$1,295,328

(All amounts are presented in NT$ thousand, unless otherwise specified)

(2) Contract balance

	2020.12.31	2019.12.31
Contractual liabilities – current		
Property sales contract	$120,524	$94,904
Real estate lease contract	2,201	2,192
Total	$122,725	$97,096

(3) Contract cost

	2020.12.31	2019.12.31
Incremental costs to obtain contracts	$42,746	$42,475
Less: accumulated amortization	(14,872)	(28,455)
Accumulated impairment	-	-
Total	$27,874	$14,020

As the Group expects to recover the commission expenses paid to the commissioned proxy for the sales of construction projects, commission expenses are recognized as assets, which are amortized upon recognition of the revenue from the sale of real estate. For the years ended December 31, 2020 and 2019, NT$14,872 thousand and NT$28,455 thousand, respectively, were recognized under amortization expenses and reported as operating costs.

11. Leasing

The Group as the lessor

For disclosure related to the Group's self-owned investment property, please refer to Note 6.5. Self-owned investment property is classified as an operating lease for which substantially all the risks and rewards incidental to ownership of the underlying asset have not been transferred.

	2020	2019
Lease income recognized under significant operating leases		
Fixed lease payments and related income from variable lease payments that depend on an index or rate	$6,247	$6,945

For the disclosure related to the Group's property, plant and equipment under operating leases, please refer to Note 6.5. The Group entered into significant operating lease agreements and the total undiscounted lease payments to be received for the years ended December 31, 2020 and 2019, and the total amount (tax included) for the remaining years, are as follows:

(All amounts are presented in NT$ thousand, unless otherwise specified)

	2020.12.31	2019.12.31
Less than one year	$4,704	$6,276
More than one year but less than five years	2,611	7,051
Total	$7,315	$13,327

12. Summary of employee benefits, depreciation and amortization expenses by function:

By function / ature	2020			2019		
	rating cost	perating expense	Total	rating cost	perating expense	Total
Employee benefit expense						
Salary expense	$2,093	$27,770	$29,863	$3,964	$25,021	$28,985
Labor and health insurance expense	174	1,995	2,169	345	1,703	2,048
Pension expense	110	1,382	1,492	217	1,187	1,404
Other employee benefit expense	60	676	736	117	567	684
Depreciation expense	1,284	853	2,137	1,296	856	2,152
Amortization expense	-	17	17	-	-	-

In accordance with the Articles of Incorporation, if the Company has a profit for the year, no less than 1% of the profit shall be appropriated as remuneration to employees, and no more than 1% shall be appropriated as remuneration to directors/supervisors. However, if there are still accumulated losses, an amount shall first be retained to make up these losses. The above remuneration to employees is distributed in the form of stock or cash and is made by a resolution of the Board of Directors with the attendance of two-thirds or more of the attending directors and a majority of the directors present; it shall be reported to the shareholders meeting. For information related to remuneration to employees and remuneration to directors/supervisors passed by the Board of Directors, please visit the Market Observation Post System of the Taiwan Stock Exchange.

According to the profitability of 2020, the remuneration to employees and remuneration to directors/supervisors was estimated at 1%. Remuneration to employees and remuneration to directors/supervisors was both NT$2,575 thousand, which was recorded under salary expenses. On March 9, 2021, the Board of Directors resolved to distribute NT$2,575 thousand in cash as remuneration to employees directors/supervisors. The amount was recorded under salary expenses.

The actual remuneration distributed to employees and remuneration distributed to directors/supervisors in 2019 was both NT$4,173 thousand, which was the same as the amount recorded under expenses in the financial statements for 2019.

(All amounts are presented in NT$ thousand, unless otherwise specified)

13. Non-operating income and expenditures

(1) Interest income

	2020	2019
Interest income		
Financial assets measured at amortized cost	$1,733	$2,773

(2) Other income

	2020	2019
Rental income	$1,488	$1,488
Dividend income	40,431	33,163
Other income – other	908	394
Total	$42,827	$35,045

(3) Other benefits and losses

	2020	2019
Loss on disposal of investment properties	$(11)	$-
Gain on reversal of impairment on non-financial assets	2,047	-
Miscellaneous expenditures	(359)	(1,037)
Total	$1,677	$(1,037)

(4) Financial cost

	2020	2019
Interest from bank loans (balance after deducting capitalization of interest)	$4,693	$6,754

14. Other comprehensive profit and loss components

2020:

	Generated from current period	Reclassification adjustment for the current period	Other comprehensive income	Income tax benefit (expense)	Amount after tax
Items not reclassified to profit or loss:					
Remeasurement of defined benefit plans	$(1,726)	$-	$(1,726)	$-	$(1,726)

(All amounts are presented in NT$ thousand, unless otherwise specified)

Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	(28,688)	-	(28,688)	-	(28,688)
Total	$(30,414)	$-	$(30,414)	$-	$(30,414)

2019:

	Generated from current period	Reclassification adjustment for the current period	Other comprehensive income	Income tax benefit (expense)	Amount after tax
Items not reclassified to profit or loss:					
Remeasurement of defined benefit plans	$1,663	$-	$1,663	$-	$1,663
Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	156,607	-	156,607	-	156,607
Total	$158,270	$-	$158,270	$-	$158,270

15. Income tax

(1) Major components of income tax expense (benefit):

Income tax recognized in profit or loss

	2020	2019
Income tax expense (benefit) for the period:		
Income tax payable for the period	$44,950	$62,823
Prior year current income tax adjustments	(21)	855
Land value increment tax	2,776	5,638
Deferred income tax expense (benefit):		
Deferred tax expense relating to the origination and reversal of temporary differences	-	-
Income tax expense	$47,705	$69,316

(2) Reconciliation between tax expense (income) and the amount of accounting profit multiplied by the applicable income tax rate:

	2020	2019
Income from continuing operations before income	$252,323	$408,955

(All amounts are presented in NT$ thousand, unless otherwise specified)

tax		
Income tax calculated at the parent company's statutory income tax rate	$50,465	$81,791
Effects of income tax of construction benefits that should be adjusted	30	(1,128)
Effects of income tax of non-deductible tax expenses	3,686	3,335
Effects of tax-free income benefits	(10,851)	(21,179)
Income tax on undistributed earnings	2,111	-
Prior year current income tax adjustments	(21)	855
Land value increment tax	2,776	5,638
Other effects of income tax adjusted in accordance with other tax laws.	(491)	4
Total income tax expense recognized in profit or loss	$47,705	$69,316

(3) As part of the Group's primary operating activities are tax-exempt (e.g., land transactions and investments in shares of domestic listed companies), no deferred income tax asset (liability) benefit was recognized for temporary differences that are not deductible for tax purposes.

(4) Approval of filing for income tax

As of December 31, 2020, approval of filing for income tax for the Company and subsidiary is as follows:

	Approval of filing for income tax	Remark
The Company	Approved to 2018	-
Subsidiary – Jinyuan Construction Co., Ltd.	Approved to 2018	-

16. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent company by the weighted-average number of ordinary shares outstanding during the period plus the weighted-average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2020	2019 after

		retrospective application
(1) Basic earnings per share		
Net for the period (NT$ thousand)	$204,629	$339,651
Weighted-average number of ordinary shares for basic earnings per share (in thousand shares)	186,508	186,508
Basic earnings per share (NT$)	$1.10	$1.82

	2020	2019 after retrospective application
(2) Diluted earnings per share		
Net for the period (NT$ thousand)	$204,629	$339,651
Adjusted net income after dilutive effects (NT$ thousand)	$204,629	$339,651
Weighted-average number of ordinary shares for basic earnings per share (in thousand shares)	186,508	186,508
Dilutive effect:		
Employee bonus – shares (thousand shares)	128	242
Weighted-average number of ordinary shares after adjustment for dilutive effect (in thousand shares)	186,636	186,750
Diluted earnings per share (NT$)	$1.10	$1.82

Pro forma information on earnings per share assuming that the Company's shares invested by Jinyuan Construction Co., Ltd. are not treated as treasury stock:

	2020	2019 after retrospective application
Basic earnings per share		
Net for the period (NT$ thousand)	$204,629	$339,651
Weighted-average number of ordinary shares for pro forma earnings per share (in thousand shares)	194,307	194,307
Pro forma earnings per share (NT$)	$1.05	$1.75

After the reporting period and before the financial statements were approved for publication, there were no material changes in the number of common stock outstanding or potential common shares at the end of the period.

VII. Related party transactions

Remuneration to the Group's key management

(All amounts are presented in NT$ thousand, unless otherwise specified)

	2020	2019
Short-term employee benefits	$13,764	$14,677
Post-employment benefits	388	322
Total	$14,152	$14,999

VIII. Pledged assets

The following is the Group's assets as collateral:

	Carrying amount		
Item	2020.12.31	2019.12.31	Guaranteed debt contents
Property, plant and equipment – land	$17,482	$17,482	Short-term borrowings
Property, plant and equipment – buildings	6,438	6,691	Short-term borrowings
Investment property – property	267,091	268,522	Short-term borrowings
Inventories	1,003,662	788,609	Short-term borrowings, long-term borrowings
Financial assets measured at fair value through other comprehensive income – non-current	609,420	632,565	Short-term borrowings, short-term notes payable
Total	$1,904,093	$1,713,869	

IX. Significant contingent liabilities and unrecognized contractual commitments

1. As of December 31, 2020, houses the Group and landowners built are as follows:

Name of the construction project	Margin requirement by the Company	Margin paid (Note)	Pending margin	Proportion of share of landowners' property rights
Chang'an West I Project	$36,745	$7,764	$28,981	60%
Chengde I Project	23,749	7,066	16,683	60%
Yongji-Songxin Project	14,653	4,625	10,028	65%
Minsheng West Road Project	7,987	2,394	5,593	60%
No.16, Section 1,	13,492	10,426	3,066	65%
Nanchang Road	6,200	1,800	4,400	46%

(All amounts are presented in NT$ thousand, unless otherwise specified)

Nanshan Road,				
Zhonghe				
Bao'an Project	4,232	640	3,592	60%
City Meeting Point	3,000	3,000	-	63%
No. 154, Taiyuan Road	200	200	-	65%
Ganzhou Street Project	800	800	-	62%
No. 128, Section 3,	2,000	2,000	-	62%
Chengde Road	8,500	8,500	-	62%
No. 101, Chang'an				
West				
Total	$121,558	$49,215	$72,343	

Note: Refundable deposits recorded under other current assets.

2. A summary of the significant construction contracts for contracted projects signed by the Group but not yet completed:

Name of the construction project	Contract amount	Amount paid	Unpaid amount
City Meeting Point	$93,760	$8,592	$85,168

3. The Group has signed joint construction contracts with landowners for City Meeting Point, Chengde I Project, Minsheng West Project, Guisui and Minle Street Project, No.16, Section 1, Nanchang Road, and Lane 175, Section 1, Kangning Road. From when the construction licenses were granted until the date of completion and handover, the Group expects to pay NT$224,410 thousand to landowners for rent subsidies. As of December 31, 2020, the Group paid landowners NT$36,925 thousand as rent subsidies, which are necessary direct costs for acquiring the land; therefore, these subsidies are recorded as construction land under inventory.

X. Losses due to major disasters

None.

XI. Significant subsequent events

None.

XII. Other

1. Types of financial instruments

Financial assets

	2020.12.31	2019.12.31
Financial assets measured at fair value through	$905,060	$928,947

(All amounts are presented in NT$ thousand, unless otherwise specified)

	2020.12.31	2019.12.31
other comprehensive income		
Financial assets measured at amortized cost (Note)	395,232	630,887
Total	$1,300,292	$1,559,834

Financial liabilities

	2020.12.31	2019.12.31
Financial liabilities measured at amortized cost:		
Short-term borrowings	$363,190	$309,000
Short-term notes payable	-	100,000
Accounts payable (including other payables)	39,865	54,481
Long-term borrowings	-	73,500
Total	$403,055	$536,981

Note: Including cash and cash equivalents (excluding cash in hand).

2. Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies during the implementation of financial management activities.

3. Market risk

The Group's market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk mainly includes interest rate risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises mainly from classified fixed-rate and floating-rate borrowings.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including borrowings with variable interest rates. Assuming that in a fiscal year in interest rates increase/decrease by 10 basis points, the Group's profit or loss would decrease/increase by NT$363 thousand and NT$483 thousand for the years ended December 31, 2020 and 2019, respectively.

Equity price risk

The Group holds TWSE and TPEx equity securities and their fair values are affected by the uncertainty of the future value of these underlying investments. The TWSE and TPEx equity securities held by the Group are included in the fair value through other comprehensive income. The Group manages the equity price risk through diversification, while setting limits on its investments in equity securities, both individually and as a whole. Portfolio information on equity securities is required to be regularly provided to the Group's senior management, and the Board of Directors is required to review and approve significant investment decisions regarding equity securities.

For the years ended December 31, 2020 and 2019, the effect of a 1% increase/decrease in the price of equity securities on the Group's investments in equity instruments measured at fair value through other comprehensive income would result in an increase/decrease of NT$8,957 thousand and NT$9,173 thousand for the years ended December 31, 2020 and 2019, respectively.

4. Credit risk management

Credit risk is the risk that the counterparty does not meet its obligations under a contract, leading to a financial loss. The Group's credit risk comes from operating activities (primarily for accounts receivables and notes receivables) and financing activities (primarily for bank deposits).

The Group's units manage credit risk by following the Group's credit risk policies, procedures and controls. The credit risk assessment of all transaction counterparties is subject to factors such as the transaction counterparties' financial situations, ratings by credit rating agencies, past transaction experience, the current economic environment as well as the Group's internal rating standards. The Group also uses some credit enhancement tools (e.g., sales revenue received in advance and insurance) at appropriate times so as to reduce the credit risk of specific counterparties.

The Group's main business is selling properties and the Group has a large customer base without having any significant concentration of transactions with a single customer, while the subsidiary's main business is the construction of property. As construction projects in progress are all undertaken by the parent company, Sunfon Construction Co., Ltd., there is no concern of significant concentration of credit risk or risk of accounts receivable that cannot be recovered.

(All amounts are presented in NT$ thousand, unless otherwise specified)

The Group manages the credit risk of bank deposits in accordance with the Company's policy. Given that the Group's transaction counterparties are determined by internal control procedures and that they are banks with sound creditability, the Group has no significant credit risk.

5. Liquidity risk management

The Group uses cash and cash equivalents as well as bank borrowings to maintain its financial flexibility.

The table below summarizes the contractual maturities of the Group's financial liabilities based on the earliest possible date on which repayment can be demanded and the undiscounted cash flows. Amounts presented also include contractual interest. The undiscounted interest amount of interest cash flows paid at floating interest rates is gained based on the yield rate at the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
2020.12.31					
Short-term borrowings (including expected interest payments)	$237,629	$133,830	$-	$-	$371,459
Accounts payable (including other payables)	39,865	-	-	-	39,865
2019.12.31					
Short-term borrowings (including expected interest payments)	$222,191	$93,546	$-	$-	$315,737
Short-term notes payable	100,000	-	-	-	100,000
Accounts payable (including other payables)	54,481	-	-	-	54,481
Long-term borrowings (including expected interest payments)	1,499	10,561	15,415	56,368	83,843

6. Reconciliation of liabilities accounted for from financing activities

Reconciliation of liabilities for the year ended December 31, 2020:

	Short-term borrowings	Short-term notes payable	Long-term borrowings	Total liabilities accounted for from financing

				activities
2020.1.1	$309,000	$100,000	$73,500	$482,500
Cash flows	54,190	(100,000)	(73,500)	(119,310)
Non-cash changes	-	-	-	-
2020.12.31	$363,190	$-	$-	$363,190

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term borrowings	Short-term notes payable	Long-term borrowings	Total liabilities accounted for from financing activities
2019.1.1	$699,671	$170,000	$73,500	$943,171
Cash flows	(390,671)	(70,000)	-	(460,671)
Non-cash changes	-	-	-	-
2019.12.31	$309,000	$100,000	$73,500	$482,500

7. Fair value of financial instruments

(1) Valuation techniques and assumptions adopted to measure fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable (including other payables) are reasonable approximations of fair values due to short maturities of these types of instruments.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.).

C. The fair value of bank borrowings is determined based on transaction counterparty quoted prices or valuation techniques. The valuation techniques are determined based on discounted cash flow analysis and the assumptions of interest rates and discount rates are mainly based on information of similar instruments (e.g., yield curve by the TPEx, Reuters average quoted prices of commercial promissory note rate and credit risk).

(2) Fair value hierarchy of financial instruments

For information on the Group's fair value hierarchy of financial instruments, please refer to Note 12.9.

8. Capital management

The Group's primary objective for capital management is to ensure the maintenance of robust credit ratings and sound capital ratio to support operations and maximize shareholders' equity. The Group manages and adjusts its capital framework depending on economic conditions. The purpose of the maintenance and adjustment of the capital framework may be achieved by adjusting dividend payments, returning capital or issuing new shares.

9. Fair value hierarchy

(1) Definition of fair value hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. The input values for each level are as follows.

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

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 for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing their categories at the end of each reporting period.

(2) Fair value measurement hierarchy

The Group does not have assets that are measured at fair value on a non-recurring basis. The fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

December 31, 2020:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Equity instruments measured at fair value through other comprehensive income				

(All amounts are presented in NT$ thousand, unless otherwise specified)

Stock	$895,713	$9,347	$-	$905,060

December 31, 2019:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Equity instruments measured at fair value through other comprehensive income				
Stock	$917,318	$11,629	$-	$928,947

Transfer between Level 1 and Level 2 of the fair value hierarchy

For 2020 and 2019, the Group's assets and liabilities measured at fair value on a recurring basis had no transfers between Level 1 and Level 2 of the fair value hierarchy.

(3) Levels that are not measured at fair value but require disclosure of fair value

December 31, 2020:

	Level 1	Level 2	Level 3	Total
Only assets measured at fair value are disclosed:				
Investment property (refer to Note 6.5)	$-	$-	$374,047	$374,047

December 31, 2019:

	Level 1	Level 2	Level 3	Total
Only assets measured at fair value are disclosed:				
Investment property (refer to Note 6.5)	$-	$-	$323,767	$323,767

XIII. Other disclosures

1. Information on significant transactions

(1) Loaning funds to others: None.

(2) Guarantees/endorsements provided: None.

(3) Marketable securities held at the end of the period: Please refer to Attachment 1.

(4) Accumulated purchases or sales of the same marketable securities for the period reaching NT$300 million or 20% of the paid-in capital: None.

(5) Acquisition of property reaching NT$300 million or 20% of the paid-in capital:

None.

(6) Disposal of property reaching NT$300 million or 20% of the paid-in capital: None.

(7) Transactions with related parties reaching NT$100 million or 20% of the paid-in capital: None.

(8) Receivables from related parties reaching NT$100 million or 20% of the paid-in capital: None.

(9) Involvement in derivative transactions: None.

(10) Other: Business relationships and significant transactions between the parent and subsidiary: Please refer to Attachment 2.

2. Information on investment business: Please refer to Attachment 3.

3. Information on investments in China: None.

4. Information on major shareholders: Please refer to Attachment 4.

XIV. Segment Information

The Group is divided into operating units for management purposes based on different products and services. The following are two reportable operating departments:

1. Construction and Operation Segment: This department oversees the construction of public housing and rents out and sells commercial buildings.

2. Building and Operation Segment: This department oversees the contracting, operating and investing in civil construction projects.

These two reportable operating segments are not aggregated into more than one operating segment.

Management supervises the operating results of its business units to make decisions on resource allocation and performance assessment. Segments' performances are assessed based on operating profit or loss. The accounting policies for reportable segments are the same as those described in the Group's significant accounting policies. Nevertheless, non-operating income and expenditures and income taxes in the consolidated financial statements are managed on the basis of the Group, and they are not apportioned to the operating segments.

Transfer pricing between operating segments is based on similar regular transactions with external third parties.

(All amounts are presented in NT$ thousand, unless otherwise specified)

1. Information on reportable segment profit or loss, assets and liabilities

2020

	Construction Segment	Building Segment	Reportable Segments Subtotal	Other Segments	Reconciliation and Elimination	Group Total
Revenue						
Revenue from external customers	$666,812	$-	$666,812	$-	$-	$666,812
Revenue between segments	120	46,035	46,155	-	(46,155)	-
Total revenue	$666,932	$46,035	$712,967	$-	$(46,155)	$666,812
Interest expense	$4,550	$143	$4,693	$-	$-	$4,693
Depreciation and amortization	1,903	251	2,154	-	-	2,154
Segment profit or loss	$224,557	$(19,939)	$204,618	$(19,928)	$19,928	$204,618
Assets						
Investments accounted for using the equity method	$-	$-	$-	$13,689	$(13,689)	$-
Asset/capital expenditure	1,631	-	1,631	-	-	1,631
Segment assets	$3,266,117	$224,997	$3,491,114	$13,689	$(188,964)	$3,315,839
Segment liabilities	$550,175	$42,682	$592,857	$-	$(6,667)	$586,190

2019

	Construction Segment	Building Segment	Reportable Segments Subtotal	Other Segments	Reconciliation and Elimination	Group Total
Revenue						
Revenue from external customers	$1,302,273	$-	$1,302,273	$-	$-	$1,302,273
Revenue between segments	120	141,149	141,269	-	(141,269)	-
Total revenue	$1,302,393	$141,149	$1,443,542	$-	$(141,269)	$1,302,273
Interest expense	$6,739	$15	$6,754	$-	$-	$6,754
Depreciation	1,841	311	2,152	-	-	2,152
Segment profit or loss	$356,789	$(17,150)	$339,639	$(17,139)	$17,139	$339,639
Assets						
Investments accounted for using the equity method	$-	$-	$-	$30,310	$(30,310)	$-
Asset/capital expenditure	19,546	-	19,546	-	-	19,546
Segment assets	$3,297,072	$223,467	$3,520,539	$30,310	$(200,220)	$3,350,629

(All amounts are presented in NT$ thousand, unless otherwise specified)

Segment liabilities	$687,187	$43,941	$731,128	$-	$(20,723)	$710,405

(1) Profit or loss of each operating segment does not include non-operating income and expenditures, such as other income, other gains and losses, finance costs and income tax expenses.

(2) Revenue between segments is eliminated on consolidation and is reflected under "Reconciliation and elimination". Other reconciliations and eliminations are disclosed in detail below.

2. Reconciliation of revenue, profit or loss, assets, liabilities and other significant items of reportable segments

(1) Revenue

	2020	2019
Total revenue of reportable segments	$712,967	$1,443,542
Elimination of revenue between segments	(46,155)	(141,269)
Group revenue	$666,812	$1,302,273

(2) Profit or loss

	2020	2019
Total profit or loss of reportable segments	$204,618	$339,639
Additions (deductions) of profit or loss between segments	-	-
Net income of continuing operations for the period	$204,618	$339,639

(3) Assets

	2020.12.31	2019.12.31
Total assets of reportable segments	$3,504,803	$3,550,849
Elimination of transactions between segments	(188,964)	(200,220)
Group assets	$3,315,839	$3,350,629

(4) Liabilities

	2020.12.31	2019.12.31
Total liabilities of reportable segments	$592,857	$731,128
Elimination of transactions between segments	(6,667)	(20,723)
Group liabilities	$586,190	$710,405

(5) Other significant items: Not applicable.

3. Geographical information: The Group does not have operating segments overseas.

4. Major customer information: We do not have major customers as we sell (rent) real estate to general customers.

V. Parent only financial report audited and attested by the CPAs for the most recent year

CPAs' Audit Report

To Sunfon Construction Co., Ltd.:

Auditor's opinion

We have audited the accompanying parent only balance sheets of Sunfon Construction Co., Ltd. for the years ended December 31, 2020, and December 31, 2019, and the Parent Only comprehensive income statements, parent only changes in equity, and cash flows for January 1 to December 31, 2020, and January 1 to December 31, 2019, as well as the notes to the Parent Only financial statements (including a summary of material accounting policies).

In our opinion, based on the audit results, the said financial statements fairly present, in all material aspects and in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the financial status of Sunfon Construction Group for the years ended December 31, 2020 and 2019, and its financial performance and cash flows for January 1 to December 31, 2020, and January 1 to December 31, 2019.

The basis for opinions

The audit is conducted in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. Our responsibility under these standards is further explained in the responsibility section of the audited financial statements. We are subject to the code of independence of the accounting firm that we belong to, have maintained our independence from Sunfon Construction Co., Ltd. in accordance with the code of professional ethics for accountants, and have fulfilled other responsibilities of the code. Based on our audit results, we believe that we have obtained sufficient and appropriate audit evidence as the basis for expressing the audit opinion.

Key audit items

Key audit items refer to the most important items in the audit of the parent only financial statements of Sunfon Construction Co., Ltd. for 2020 based on our professional judgment. These items have been reflected in the process of auditing the Parent Only financial statements as a whole and in the process of forming the audit opinion. We do not express our opinion on these items separately.

1. <u>Recognition of proceeds from the sale of real estate</u>

Sunfon Construction Co., Ltd. recognized NT$666,932 thousand as its operating revenue for 2020, primarily from the sale of real estate. We determined this as a key audit item in the year as there was a large number of real estate transactions and the timing of revenue is material to the parent only financial statements.

Our audit procedures include (but are not limited to) understanding, evaluating and testing the effectiveness of internal controls in regard to the proceeds from the sale of real estate. This includes testing the control points of sales personnel by reviewing the contents of contracts as well as purchase and sale points. At the end of the period, we also reviewed real estate purchase and sale contracts, title transfer documents and delivery notes of land and buildings, and examined collection records to confirm that the timing for fulfilling contractual obligations was met. We also examined whether there were restricted terms in the real estate purchase and sale contracts to confirm the correctness of revenue recognition.

The related information on operating revenue of Sunfon Construction Co., Ltd. for 2020 has been disclosed and presented in Note 4 and Note 6 in the parent only financial statements.

2. Inventory valuation

The primary business of Sunfon Construction Co., Ltd. is the construction of residential and commercial buildings. Its inventory is mainly land for construction, land under construction and land for sale. As of December 31, 2020, the net inventory of Sunfon Construction Co., Ltd. totaled NT$1,570,227 thousand, accounting for 48% of its total assets, which was material to its financial statements. As the real estate market is affected by politics, the general economy, and land tax reform, it is more difficult and risky for management to evaluate the value of inventories. Therefore, inventory valuation is material to the audit of financial statements.

Our audit procedures include but not limited to obtaining the net realizable value assessment table and a land development analysis table of Sunfon Construction Co., Ltd. to evaluate and test whether management's estimated net realizable value was reasonable. In addition, based on the analysis reports of industry trends and market demand projections, an inquiry is made into the actual transaction prices in the most recent period and of transaction prices of similar property markets in the vicinity of relevant assets (including the Real Estate Actual Transaction Price Inquiry Website and websites of real estate agents) in order to assess whether there was a decline in the value of inventories.

As of December 31, 2020, the inventory of Sunfon Construction Co., Ltd. has been disclosed and presented in Note 4, Note 5 and Note 6 in the parent only financial statements.

Responsibilities of management and those charged with governance for the financial statements

The management is responsible for the preparation and fair presentation of the Parent Only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as the management determines is necessary to enable the preparation of the parent only financial statements to be free from material misstatement whether due to fraud or error.

In preparing the parent only financial statements, the management is responsible for assessing the ability of Sunfon Construction Co., Ltd. as a going concern, disclosing matters related to a going concern as applicable, and using the going concern basis of accounting, unless the management either intends to liquidate Sunfon Construction Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those in charge of governance (including the supervisors) are responsible for overseeing the reporting process of Sunfon Construction Co., Ltd.

Auditor's responsibilities for the audit of the parent only financial statements

Our objectives are to obtain reasonable assurance about whether the parent only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report. Reasonable assurance is considered a high level of assurance, but not a guarantee that any audit conducted in accordance with the generally accepted accounting principles will always detect a material misstatement in the parent only financial statements when it exists. Misstatements may be the result of fraud or error. If fraud or errors are considered material, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent only financial statements.

As part of an audit in accordance with the generally accepted accounting principles, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design, and perform audit procedures responsive risks, and obtaining evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtaining an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Sunfon Construction Co., Ltd.
3. Evaluating the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Drawing a conclusion on the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Sunfon Construction Co., Ltd. and its subsidiary, and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to remind the users of our auditor's report to pay attention to the related disclosures in the Parent Only financial statements or, if such disclosure is inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause Sunfon Construction Co., Ltd. to cease as a going concern.
5. Evaluate the overall presentation, structure, and content of the Parent Only financial statements (including related notes), and whether the parent only statements represent the underlying transactions and events in a matter that achieves fair presentation.

We communicate with those in charge of governance regarding matters that include the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identify during our audit).

The independent auditor also provides those in charge of governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence (including related safeguards).

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the parent only financial statements of Sunfon Construction Co., Ltd. for 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of such communications.

EY

Financial reports of the public company approved by the competent authorities

Audit No.: (2003) Tai-Cai-Zheng-(VI) No. 100592
(2007) Jin-Guan-Zheng-(VI)-Zi No. 0960002720

Yang Chih-Hui

CPAs:

Hsu Hsin-Min

March 9, 2021

Sunfon Construction Co., Ltd.
Parent Only Balance Sheet
December 31, 2020 and 2019

Code	Assets – Accounting Subject	Notes	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6	$391,875	12	$630,193	19
1220	Income tax assets for the period	4	-	-	1,028	-
130x	Inventories	4, 5, 6, 8	1,570,227	48	1,396,293	42
1410	Prepayments		243	-	1,087	-
1470	Other current assets		87,024	3	39,765	2
1480	Incremental costs to obtain contracts – current	6	27,874	1	14,020	-
11xx	Total current assets		2,077,243	64	2,082,386	63
	Non-current assets					
	Financial assets measured at fair value comprehensive income – non-current		905,060	28	928,947	28
1550	Investments accounted for using the equity method	4, 6	13,689	-	30,309	1
1600	Property, plant and equipment	4, 6, 8	45,051	1	44,536	1
1760	Net investment properties	4, 5, 6, 8	236,483	7	239,413	7
1780	Intangible assets	4, 6	497	-	-	-
1900	Other non-current assets		1,783	-	1,791	-
15xx	Total non-current assets		1,202,563	36	1,244,996	37
1xxx	Total Assets		$3,279,806	100	$3,327,382	100

Code	Liabilities and equity – Accounting Subject	Notes	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities					
2100	Short-term borrowings	4, 6, 8	$350,190	11	$309,000	9
2110	Short-term notes payable	4, 8	-	-	100,000	3
2130	Contractual liabilities – current	6	122,714	4	97,091	3
2150	Notes payable		1,133	-	698	-
2170	Accounts payable		2,423	-	15	-
2180	Accounts payable – related parties	7	6,667	-	20,724	1
2200	Other payables		11,576	-	14,533	-
2230	Income tax liabilities for the period	4	44,868	2	62,409	2
2399	Other current liabilities – other		4,288	-	2,766	-
21xx	Total current liabilities		543,859	17	607,236	18
	Non-current liabilities					
2540	Long-term borrowings		-	-	73,500	3
2640	Net defined benefit liabilities – non-current	4, 6	5,977	-	5,972	-
2670	Other non-current liabilities – other		339	-	479	-
25xx	Total non-current liabilities		6,316	-	79,951	3
2xxx	Total liabilities		550,175	17	687,187	21
	Equity					
3100	Share capital	4, 6				
3110	Ordinary shares capital	6	1,943,076	59	1,766,433	53
3200	Additional paid-in capital	6	26,557	1	23,014	1
3300	Retained earnings					
3310	Legal reserves		333,007	10	298,876	9
3320	Special reserves		9,733	-	9,733	-
3350	Undistributed earnings		260,254	8	356,447	11
	Total retained earnings		602,994	18	665,056	20
3400	Other equity		180,389	6	209,077	6
3500	Treasury stocks	4, 6	(23,385)	(1)	(23,385)	(1)
3xxx	Total equity		2,729,649	83	2,640,195	79
	Total liabilities and equity		$3,279,806	100	$3,327,382	100

(Please refer to the Notes in the Consolidated Financial Statements)

Chairman: Hung Min-Fu　　Managerial Officer: Yu Jui-Hsing　　Accounting Supervisor: Shih Shu-Ying

unfon Construction Co., Ltd.
Parent Only Statements of Comprehensive Income
January 1 to December 31, 2020 and 2019

Code	Accounting Item	Notes	2020 Amount	2020 %	2019 Amount	2019 %
4000	Operating income	4, 5, 6	$666,932	100	$1,302,393	100
5000	Operating costs	6	(393,386)	(59)	(862,942)	(66)
5900	Operating profit		273,546	41	439,451	34
6000	Operating expenses	6				
6100	Marketing expenses		(737)	-	(2,980)	-
6200	Management expenses		(37,870)	(6)	(38,923)	(3)
	Total operating expenses		(38,607)	(6)	(41,903)	(3)
6900	Operating income		234,939	35	397,548	31
7000	Non-operating income and expenditures	6				
7100	Interest income		1,731	-	2,770	-
7010	Other income		40,499	6	33,556	3
7020	Other gains and losses		(357)	-	(1,029)	-
7050	Financial costs		(4,550)	-	(6,739)	(1)
7070	Total non-operating income and expenses of subsidiaries, affiliates and joint ventures recognized under the equity method		(19,928)	(3)	(17,139)	(1)
			17,395	3	11,419	1
7900	Net income before tax		252,334	38	408,967	32
7950	Income tax expenses	4, 5, 6	(47,705)	(7)	(69,316)	(5)
8200	Net profit for the period		204,629	31	339,651	27
8300	Other comprehensive income	6				
8310	Items not reclassified to profit or loss					
8311	Remeasurement of defined benefit plans		(1,490)	-	1,531	-
8316	Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income		(28,688)	(5)	156,607	12
8330	Shares of other comprehensive income of subsidiaries, affiliates and joint ventures recognized under the equity method – items not reclassified to profit or loss		(236)	-	132	-
	Other comprehensive income for the period		(30,414)	(5)	158,270	12
8500	Total comprehensive income for the period		$174,215	26	$497,921	39
	Earnings per share (NT$)	6				
9750	Basic earnings per share					
	Net profit for the period		$1.10		$1.82	
9850	Diluted earnings per share	6				
	Net profit for the period		$1.10		$1.82	

(Please refer to the Notes in the Consolidated Financial Statements)

Chairman: Hung Min-Fu　　Managerial Officer: Yu Jui-Hsing　　Accounting Supervisor: Shih Shu-Ying

Sunfon Construction Co., Ltd.
Parent Only Statements of Changes in Equity
January 1 to December 31, 2020 and 2019

				Retained earnings					
	Item	Share capital	Additional paid- in capital	Legal reserves	Special reserves	Undistributed earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Treasury stocks	Total equity
Code		3100	3200	3310	3320	3350	3420	3500	3XXX
A1	Balance on January 1, 2019	$1,766,433	$21,597	$296,746	$9,733	$52,592	$52,470	$(23,385)	$2,176,186
	2018 earnings allocation and distribution								
B1	Allocated legal reserves	-	-	2,130	-	(2,130)	-	-	-
B5	Common stock – cash dividend	-	-	-	-	(35,329)	-	-	(35,329)
	Changes in other additional paid-in capital								
M1	Adjustment of additional paid-in capital by dividends paid to subsidiaries	-	1,417	-	-	-	-	-	1,417
D1	Profit from January 1 to December 31, 2019	-	-	-	-	339,651	-	-	339,651
D3	Other comprehensive income from January 1 to December 31, 2019	-	-	-	-	1,663	156,607	-	158,270
D5	Total comprehensive income from January 1 to December 31, 2019	-	-	-	-	341,314	156,607	-	497,921
Z1	Balance on December 31, 2019	$1,766,433	$23,014	$298,876	$9,733	$356,447	$209,077	$(23,385)	$2,640,195
	2019 earnings allocation and distribution								
B1	Allocated statutory reserves	-	-	34,131	-	(34,131)	-	-	-
B5	Common stock – cash dividend	-	-	-	-	(88,322)	-	-	(88,322)
B9	Common stock – stock dividend	176,643	-	-	-	(176,643)	-	-	-
	Changes in other additional paid-in capital								
M1	Adjustment of additional paid-in capital by dividends paid to subsidiaries	-	3,543	-	-	-	-	-	3,543
D1	Profit from January 1 to December 31, 2020	-	-	-	-	204,629	-	-	204,629
D3	Other comprehensive income from January 1 to December 31, 2020	-	-	-	-	(1,726)	(28,688)	-	(30,414)
D5	Total comprehensive income from January 1 to December 31, 2020	-	-	-	-	202,903	(28,688)	-	174,215
Z1	Balance on December 31, 2020	$1,943,076	$26,557	$333,007	$9,733	$260,254	$180,389	$(23,385)	$2,729,631

(Please refer to the Notes in the Parent Only Financial Statements)

Note: Remuneration to employees totaling NT$2,575 thousand and remuneration to directors totaling NT$2,575 thousand for 2020 and have been deducted from the Parent Only Statements of Comprehensive Income for the year.
Remuneration to employees totaling NT$4,173 thousand and remuneration to directors totaling NT$4,173 thousand for 2019 have been deducted from the Parent Only Statements of Comprehensive Income for the year.

Chairman: Hung Min-Fu 鴻閔富 Managerial Officer: Yu Jui-Hsing 游瑞興 Accounting Supervisor: Shih Shu-Ying 石淑瑛

Sunfon Construction Co., Ltd.
Parent Only Cash Flow Statement
January 1 to December 31, 2020 and 2019

Code	Item	2020	2019
AAAA	Cash flows from operating activities:		
A10000	Net income before tax for the period	$252,334	$408,967
A20000	Adjustment item:		
A20010	Gain/loss item:		
A20100	Depreciation expenses	1,886	1,841
A20200	Amortization expenses	17	-
A20900	Interest expenses	4,550	6,739
A21200	Interest income	(1,731)	(2,770)
A21300	Dividend income	(40,429)	(33,162)
A22400	Shares of income and expenses of subsidiaries, affiliates and joint ventures recognized under the equity method	19,928	17,139
A30000			
A31200	(Increase) decrease in inventories	(171,241)	484,286
A31230	Decrease (increase) in prepayments	844	(984)
A31240	(Increase) decrease in other current assets	(47,434)	44,579
A31270	(Increase) decrease in incremental costs to obtain contracts	(13,854)	14,260
A32125	Increase (decrease) in contract liabilities	25,623	(108,770)
A32130	Increase (decrease) in notes payable	435	(4,170)
A32150	Increase in accounts payable	2,408	-
A32160	Accounts payable – decrease in related parties	(14,057)	(43,916)
A32180	(Decrease) increase in other payables	(2,987)	8,082
A32240	Net defined benefit liabilities – decrease in non-current	(1,485)	(455)
A32230	Other current liabilities – other increases (decreases)	1,522	(3,476)
A33000	Cash inflow from operations	16,329	788,190
A33100	Interest received	1,906	2,711
A33500	Income tax paid	(64,218)	(6,907)
AAAA	Net cash inflow (outflow) from operating activities	(59,983)	783,994
BBBB	Cash flows from investing activities:		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(4,802)	(2,652)
B02700	Acquisition of property, plant and equipment	(1,117)	(19,546)
B04500	Acquisition of intangible assets	(514)	-
B06700	Increase in other non-current assets	-	(1,116)
B06800	Decrease in other non-current assets	8	-
B07600	Dividends received	40,429	33,162
BBBB	Net cash inflow from investing activities	34,004	9,848
CCCC	Cash flows from financing activities:		
C00100	Increase in short-term borrowings	41,190	-
C00200	Decrease in short-term borrowings	-	(390,671)
C00600	Decrease in short-term notes payable	(100,000)	(70,000)
C01700	Repayment of long-term loans	(73,500)	-
C04400	Other non-current liabilities – other decreases	(140)	(152)
C04500	Payment of cash dividends	(88,322)	(35,329)
C05600	Interest paid (including capitalized interests)	(5,567)	(11,173)
CCCC	Net cash outflow from financing activities	(226,339)	(507,325)
EEEE	Increase (decrease) in cash and cash equivalents for the period	(238,318)	286,517
E00100	Cash and cash equivalents at the beginning of the	630,193	343,676
E00200	Cash and cash equivalents at the end of the period	$391,875	$630,193

(Please refer to the Notes in the Consolidated Financial Statements)

Chairman: Hung Min-Fu　　Managerial Officer: Yu Jui-Hsing　　Accounting Supervisor: Shih Shu-Ying

Sunfon Construction Co., Ltd.
Notes to the Parent Only Financial Statements
For the years ended December 31, 2020 and 2019
(All amounts are presented in NT$ thousand, unless otherwise specified)

I. Company History

Sunfon Construction Co., Ltd. (hereinafter referred to as the “Company”) was established and began its business in January 1988. Its primary businesses are building public housing, renting out and selling commercial buildings. The Company’s shares have been listed since December 1998 on the Taipei Exchange (TPEx). Its registered office and principal place of business is at 7F., No. 173, Section 2, Chang’an East Road, Taipei, Taiwan.

II. Passing of Financial Reporting Date and Procedures

The Parent Only financial report of the Company for the years ended December 31, 2020 and 2019 have been approved for issue by the Board of Directors on March 9, 2021.

III. Application of New and Revised Standards and Interpretations

1. Change in accounting policy on the initial application of International Financial Reporting Standards (IFRS)

   The Company has adopted International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and International Financial Reporting Interpretations or announcements of interpretations endorsed by the Financial Supervisory Commission (FSC) since the fiscal year beginning January 1, 2020. The initial application of new standards and amendments have no material impact on the Company.

2. The Company has not yet adopted the following new, revised and amended standards or interpretations issued by the International Accounting Standards Board (IASB) endorsed by the FSC:

Item	Newly published/revised/amended standards or interpretations	Effective Date of the IASB Publication
1	Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

(1) Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

This final phase of the amendment mainly focuses on the impact of changes in interest rate benchmark reform on financial statements of corporate entities, including:

(All amounts are presented in NT$ thousand, unless otherwise specified)

D. Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform. These are not derecognized or adjusted to reflect changes in interest rates of replacement but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
E. When a hedge still meets hedge accounting criteria, the application of hedge accounting does not stop because of changes in criteria of the reform; and
F. Disclosure will be required about new risks resulting from the reform and how the transition to alternative benchmark rates is managed.

The Company has assessed the above amendments applied since the fiscal year beginning January 1, 2021, and determined that these amendments have no material impact on the Company.

3. As of the approval of the financial report, the Company did not adopt the following new, revised and amended standards or interpretations issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC:

Item	Newly published/revised/amended standards or interpretations	Effective Date of the IASB Publication
1	Amendments to IRFS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	Pending determination by the IASB
2	IFRS 17 “Insurance Contracts”	January 1, 2023
3	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023
4	Limited scope amendments to IFRSs, including amendments to IFRS 3, IAS 16 and IAS 37, and annual improvements	January 1, 2022
5	Disclosure Initiative – Accounting Policies (Amendments to IAS 1)	January 1, 2023
6	Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023

(1) Amendments to IRFS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture

This plan addresses the inconsistency between IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” regarding the loss of control by a subsidiary in an investment in an associate or joint venture. IAS 28 requires that when a non-monetary asset is invested in exchange for an interest in an associate or joint venture, the share of the gain or loss resulting should be eliminated in accordance with the treatment of a flow-through transaction; IFRS 10 requires the recognition of all gains or losses on the loss of control of a subsidiary.

This amendment restricts the preceding provisions of IAS 28 – the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.

This amendment also amends IFRS 10 – the current criteria regarding the partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3.

(2) IFRS 17 "Insurance Contracts"

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of the standard is a general model under which a group of insurance contracts is measured by the aggregate of fulfillment cash flows and contract service margins on the initial recognition. The fulfilment cash flows consist of:

A. Estimated future cash flows
B. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows (to the extent that they are not already included in the estimates of future cash flows); and
C. A risk adjustment for non-financial risk

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage liability and the liability for physical claims issued.

Other than the general model, it provides:

A. A certain approach for insurance contracts with direct participation features (the variable fee approach)
B. A simplified approach for short-term contracts (the premium allocation approach)

After the standard was issued in May 2017, amendments were issued in June 2020. The amendments delayed the effective date of transition provisions by 2 years (from January 1, 2021 to January 1, 2023) and offered additional exemptions, and reduced the cost of adopting the standard by simplifying some of the requirements and modifying some of the criteria to make some situations easier for interpretation. The effective date of this standard will replace the transition criteria (IFRS 4 "Insurance Contracts")

(3) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to classification of liabilities as current or non-current in paragraphs 69-76 of IAS 1, "Presentation of Financial Statements".

(4) Limited scope amendments to IFRSs, including amendments to IFRS 3, IAS 16 and IAS 37, and annual improvements

A. Updating a reference to the Conceptual Framework (Amendments to IFRS 3)
This amendment updates IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. A new exception to the recognition principle of IFRS 3 is added to avoid the issue of potential "day 2" gains or losses arising from liabilities. The existing guidance for contingent assets that are not affected by the replacement framework index is also clarified.

B. Property, plant and equipment: Proceeds Before Intended Use (Amendments to IAS 16)
This amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

C. Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
This amendment clarifies whether a contract is onerous and that it shall be included as a cost.

D. Annual Improvements to IFRSs 2018-2020 Cycle

Amendments to IFRS 1
This amendment to IFRS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendments to IFRS 9 *"Financial Instruments"*
This amendment determines the fees included when an entity assesses whether the terms of a new or modified contract for a financial liability are materially different from the original financial liability.

Amendments to IFRS 16 *"Leases" Example*
This is an amendment to the lease incentives related to the improvement of the lessee's interest under Example 13.

Amendments to IFRS 41
This amendment removes the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with the relevant requirements of other IFRSs.

(5) Disclosure Initiative – Accounting Policies (Amendments to IAS 1)

This amendment improves accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements.

(6) Definition of Accounting Estimates (Amendments to IAS 8)

This amendment directly defines accounting estimates and makes other amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors" to help companies distinguish changes in accounting policies from changes in accounting estimates.

The actual effective dates of the above standards or interpretations issued by the IASB but not yet endorsed by the FSC are subject to the FSC's regulations, and the newly issued or amended standards or interpretations have no material impact on the Company.

IV. Summary of Material Accounting Policies

1. Compliance Statement

The Company's Parent Only financial report for the years ended December 31, 2020 and 2019 has been prepared based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Basis of Preparation

The Company prepares the Parent Only financial report based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers. According to Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in Parent Only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to the owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the Parent Only financial reports shall be the same as the equity attributable to owners of the parent company presented in the financial reports prepared on a consolidated basis. Therefore, the Parent Only financial report of the investment subsidiary is presented as "investments accounted for using the equity method", and necessary adjustments are made accordingly.

Except for financial instruments measured at fair value, the content contained in the Parent Only financial statements is prepared on the historical cost basis. The Parent Only financial statements are presented in thousands of New Taiwan dollars, unless other stated.

3. Current and non-current classification standard for assets and liabilities

An asset is classified as current in any of the following circumstances; assets not classified as current are classified as non-current:

(1) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(2) The Company holds the asset primarily for the purpose of trading.
(3) The Company expects to realize the asset within twelve months after the reporting period.
(4) The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current in any of the following circumstances; liabilities not classified as current are classified as non-current:

(1) The Company expects to settle the liability in its normal operating cycle.
(2) The Company holds the liability primarily for the purpose of trading.
(3) The liability is due to be settled within twelve months after the reporting period.
(4) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

The Company's primary business is the construction of public housing and commercial buildings, while the subsidiary's primary business is the construction of civil engineering works. As construction projects usually take approximately 2 to 3 years to complete, this operating cycle is used as a criteria to classify current and non-current assets and liabilities.

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits within 12 months of the contract period).

5. Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 "Financial Instruments" are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability (other than those classified as measured at fair value through profit or loss) are added to or deducted from the financial assets and financial liabilities measured at fair value.

(1) Recognition and measurement of financial assets

The Company adopts settlement date accounting for the recognition and derecognition of all regular transactions of financial assets.

Financial assets are classified as subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. The classification is determined by both:

A. The business model for managing the financial asset
B. The contractual cash flow characteristics of the financial asset

<u>Financial assets measured at amortized cost</u>

A financial asset is measured at amortized cost if both of the following conditions are met and presented in the balance sheet as notes receivable, accounts receivable, financial assets measured at amortized cost and other receivables:

A. The business model for managing the financial asset: the financial asset is held in order to collect contractual cash flows
B. The contractual cash flow characteristics of the financial asset: cash flows that are solely payments of principal and interest on the principal amount outstanding

The assets (excluding those involved in a hedging relationship) are subsequently measured at amortized costs [the amount recognized at initial recognition minus principal repayments, plus or minus the cumulative amortization (using the effective interest method) and adjusted for allowance for losses]. Gains and losses are recognized under profit or loss at derecognition, through amortization or when impaired gains or losses are recognized.

Interest is calculated using the effective interest method (EIR multiplied by the carrying amount of the financial assets) or the following is recognized in profit or loss:

A. Purchased or originated credit-impaired financial assets are measured using credit-adjusted EIR multiplied by the amortized cost of the financial assets
B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, the effective interest rate is multiplied by the amortized cost

<u>Financial assets measured at fair value through other comprehensive income</u>

Financial assets measured at fair value through other comprehensive income are presented in the balance sheet as financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

A. The business model for managing the financial asset: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
B. The contractual cash flow characteristics of the financial asset: cash flows that are solely payments of principal and interest on the principal amount outstanding

The recognition of gains and losses related to this type of financial assets is:

A. Gains or losses are recognized in other comprehensive income before derecognition or reclassification, except for impairment gains or losses and foreign currency exchange gains or losses, which are recognized in profit or loss
B. When an asset measured at fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment
C. Interest is calculated using the effective interest method (EIR multiplied by the carrying amount of the financial assets) or the following is recognized in profit or loss:
   (a) Purchased or originated credit-impaired financial assets are measured using credit-adjusted EIR multiplied by the amortized cost of the financial assets
   (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, the effective interest rate is multiplied by the amortized cost

However, for equity instruments that are within the scope of application of IFRS 9 and are not a contingent consideration or held for trading recognized by the acquirer in a business combination relating to business combination to which IFRS 3 applies, an entity may make an irrevocable election at initial recognition to present subsequent changes in fair value in other comprehensive income. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (upon disposal of these equity instruments, the cumulative amount included in other equity is transferred directly to retained earnings), and are reported in the balance sheet as financial assets measured at fair value through other comprehensive income. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment.

<u>Financial assets at fair value through profit or loss</u>

Except for financial assets measured at amortized cost or at fair value through other comprehensive income that meet certain conditions as described above, financial assets are measured at fair value through profit or loss and presented in the balance sheet as financial assets at fair value through profit or loss.

This type of financial asset is measured at fair value, and the gain or loss accounted for from their remeasurement is recognized in profit or loss. The gain or loss recognized in profit or loss includes any dividends or interest received on the financial asset.

(2) Impairment of financial assets

The Company's investments in debt instruments measured at fair value through other comprehensive income and financial assets measured at amortized cost are recognized and measured as an allowance for losses on expected credit losses. An investments in debt instruments measured at fair value through other comprehensive income is recognized as an allowance for losses in other comprehensive income and does not reduce the carrying amount of the investment.

The Company measures expected credit losses of a financial instrument in a way that reflects:

A. An unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes
B. The time value of money
C. Reasonable and supportable information (acquired without excessive costs or inputs on the balance sheet date) about past events, current conditions and reasonable and supportable forecasts of future economic conditions

Methods of measuring allowance for losses are:

A. 12-month expected credit losses: including financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the balance sheet date. In addition, it also includes the allowance for losses measured at the amount of expected credit losses during the prior reporting period, but on the reporting date for the current period credit risk has not significantly increased since initial recognition.
B. The amount of expected credit losses during the surviving period is measured by the amount of credit impairment including financial assets with a significant increase in credit risk since initial recognition, or purchased or originated credit-impaired financial assets.
C. For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

On each balance sheet date, the Company assesses whether there has been a significant increase in credit risk since initial recognition by comparing the change in default risk of the financial instrument on the reporting date at initial recognition. For more credit risk-related information, please refer to Note 12.

(3) Derecognition of financial assets

A financial asset is derecognized when financial assets held by the Company meets one of the following conditions:

A. The rights to receive cash flows from the asset have expired.
B. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

(4) Financial liabilities and equity instruments

<u>Classification of liabilities or equity</u>

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

<u>Equity instruments</u>

An equity instrument is any contract of the Company that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

<u>Financial liabilities</u>

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

A transaction is classified as held for trading when one of the following conditions is met:

A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

For contracts containing one or more embedded derivatives, the overall hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; it is designated at fair value through profit or loss on initial recognition when one of the following factors is met that provides more relevant information:

A. Doing so eliminates or significantly reduces a measurement or recognition inconsistency; or
B. The liability is a group of financial assets or financial liabilities or both that is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity’s key management personnel.

The remeasurement of this type of financial liabilities are recognized in profit or loss, and gains or losses recognized in profit or loss include any interest paid on the financial liabilities.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables and borrowings that are subsequently measured using the effective rate method after initial recognition. Relevant gains or losses and amortization amounts are recognized in profit or loss when the liabilities are derecognized and amortized through the effective rate method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

An exchange between an existing borrower and the Company of debt instruments with substantially different terms or when the terms of all or part of existing financial liabilities are largely modified (whether or not due to financial difficulties) should be accounted for as a derecognition of the original financial liability and the recognition of a new financial liability regardless of financial difficulties. The difference between the carrying amount of a financial liability and the total consideration paid or payable (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

6. <u>Fair value measurement</u>

Fair value is the price that would be received to sell a certain asset or paid to transfer a certain liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(1) In the principal market for the asset or liability, or
(2) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants handle in their economic best interest.

The fair value measurement of a nonfinancial asset considers a market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

7. <u>Inventories</u>

The Company's inventories are recorded on the basis of acquisition or construction costs. The cost of properties for sale is apportioned between properties for sale and sold using the relative sales value method. Related interest of the construction project is capitalized in accordance with IAS 23 "Borrowing Costs".

Inventory at the end of the period is evaluated at the lower of the cost or net realizable value and should be compared item by item, except inventory of the same category. Unusual costs and benefits from price decreases or reversals should be recognized as operating costs for the current period. Under normal circumstances, the net realizable value is the estimated selling price of goods less costs and selling expenses until completion.

8. Investments accounted for using the equity method

In accordance with Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company's investment in the subsidiary is presented as "investments accounted for using the equity method" with necessary adjustments made accordingly. This enables the profit or loss during the period and other comprehensive income presented in Parent Only financial reports to be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the Parent Only financial reports is the same as the equity attributable to owners of the parent company presented in the financial reports prepared on a consolidated basis. These adjustments primarily take into account the differences upon application of IFRSs to the consolidated financial statements of the investment subsidiary in accordance with IFRS 10 "Consolidated Financial Statements", as well as the differences upon application of IFRSs at different reporting levels. Subjects including "investments accounted for using the equity method", "subsidiaries, affiliates and joint ventures accounted for using the equity method" or "share of comprehensive income of subsidiaries, affiliates and joint ventures accounted for using the equity method" are debited or credited.

9. Property, plant and equipment

Property, plant and equipment is represented at cost, cost less accumulated depreciation and impairment. Such cost includes the cost of dismantling and removing the item and restoring property, plant and equipment to its original location and the necessary interest expenses incurred for uncompleted construction. Each significant component of property, plant and equipment should be depreciated separately. When significant components of property, plant and equipment are required to be replaced regularly, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, Plant and Equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Houses and buildings	5-55 years
Transportation equipment	5 years
Other equipment	5-8 years

Items or significant components of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual value, useful life and depreciation method of property, plant and equipment are evaluated at the end of each financial year. If the expected value differs from the previous estimate, the differences are recorded as a change in accounting estimate.

10. Investment property

The Company's self-owned investment property is measured at initial cost, including the transaction costs of acquiring the asset. The carrying amount of investment property includes the cost of refitting or adding existing investment property under the condition that the cost can be recognized, but the general daily maintenance costs are not part of its cost. After initial recognition, the measurement of investment property at cost is adopted in accordance with the IAS 16 "Property, Plant and Equipment", except for those that meet the criteria for classification as held for sale (or are included in a subgroup classified as held for sale) under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operation". However, if right-of-use assets are held by lessees not for sale under IFRS 5, they are treated in accordance with the provisions of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	50-55 years

Investment property should be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

The Company decides to transfer into and out of investment property according to the actual use of the assets.

When property meets or no longer meets the definition of investment property and there is evidence that the use has changed, the Company reclassifies the property as investment property or transfers it out of investment property.

11. Leasing

The Company assesses whether a contract is (or contains) a lease at the inception date. A contract is (or contains) a lease if the contract gives the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract transfers control over the use of an identified asset for a period of time, the Company assesses whether it has both of the following throughout the period of use:

(1) The right to obtain substantially all of the economic benefits from use of an identified asset; and
(2) The right to direct the use of an identified asset.

For contracts that are (or contain) leases, the Company accounts for each lease component within a contract as a lease separately from the non-lease components of the contract. When a contract contains a lease component and one or more non-lease components, the Company allocates the consideration in the contract to each lease component based on the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components should be determined on the basis of the price the lessor (or a similar supplier) would charge an entity for that component (or a similar component) separately. If an observable stand-alone price is not readily available, the Company maximizes the use of observable inputs to estimate the stand-alone price.

Company as the lessee

Right-of-use assets and lease liabilities are recognized for all leases when the Company is the lessee of the lease contract, except for leases qualified as selected short-term leases or leases with low-value underlying assets.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not yet paid at that date. Lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If the rate is not readily determinable, the discount rate will be the lessee's incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments relating to the use of the underlying asset in the measurement of the lease liability at that date:

(1) Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(2) Variable lease payments that depend on an index or a rate (measured using the initial index or rate at the commencement date);
(3) Amounts expected to be payable by the lessee under residual value guarantees;
(4) The exercise price of a purchase option that the Company is reasonably certain to exercise; and
(5) Payments for terminating the lease if the lease term reflects early termination.

After the commencement date, the Company measures the lease liability at amortized cost to reflect interest on the lease liability by increasing the carrying amount of the lease liability using the effective interest method; payments reduce the carrying amount of the lease liability.

At the commencement date, the Company measures right-of-use assets at cost; the cost of right-of-use assets comprises:

(1) The amount of the initial measurement of the lease liability;
(2) Any lease payments made at or before the commencement date, less any lease incentives received;
(3) Any initial direct costs incurred by the lessee; and
(4) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequent measurement of right-of-use assets is stated at cost less any accumulated depreciation and any accumulated impairment losses, meaning the right-of-use asset is measured using the cost model.

If ownership of the underlying asset is transferred to the Company at the end of the lease term, or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, depreciation is provided on the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether a right-of-use asset is impaired and to address any identified impairment loss.

The Company’s right-of-use assets and lease liabilities are presented in the balance sheet, except for leases that qualify as short-term leases or leases with low-value underlying assets, and reports depreciation expense and interest expense associated with leases in the consolidated statement of income, respectively.

The Company elects to account for lease payments of short-term leases and leases of low-value underlying assets on a straight-line basis or another systematic basis, with the lease payments relating to these leases recognized as an expense over the lease term.

Company as the lessor

The Company classifies each of its leases as either an operating lease or a finance lease at the contract inception date. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset; if the lease does not transfer substantially all the risks and rewards incidental to ownership, it is classified as an operating lease. At the inception date, the Company recognizes the assets held under finance leases in the balance sheet and expresses them as finance lease receivables based on the net lease investment.

For contracts with lease components as well as non-lease components, the Company applies IFRS 15 to allocate the consideration in a contract.

The Company recognizes rental income from lease payments under operating leases on a straight-line basis or another systematic basis. Variable payments under operating leases not depending on an index or rate are recognized as rental income when incurred.

12. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. After initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets not meeting the recognition criteria are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are divided into finite and indefinite useful lives.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by adjusting the amortization period or method and are treated as changes in accounting estimates.

An intangible asset with an indefinite useful life is not amortized, but is tested for impairment at the individual asset or cash-generating unit (CGU) level each year. An intangible asset with an indefinite useful life shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If an intangible asset with an indefinite useful life is changed to an intangible asset with a definite useful life, the application shall be postponed.

Gains or losses arising from the derecognition of intangible assets are recognized in profit or loss.

Computer software

Computer software costs are amortized on a straight-line basis over the estimated useful life of five years.

The Company's accounting policies for intangible assets are as follows:

	Computer software
Useful-life	Limited
Amortization method	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired externally	Acquired externally

13. Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company will conduct impairment tests at the individual or CGU level of the asset. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset's recoverable amount is the higher of an asset's net fair value or its value in use.

For assets other than goodwill, the Company assesses at the end of each reporting period whether there is any indication that a previously recognized impairment may have decreased or no longer exists If such indication exists, the Company estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined, less depreciation or amortization.

A CGU to which goodwill has been allocated shall be tested for impairment at least annually regardless of whether there is any indication of impairment. If the result of the impairment test is to be recognized as an impairment loss, the goodwill will be deducted first, and the deducted amount will be allocated to other assets other than goodwill in proportion to their carrying amounts. Once impairment of goodwill is recognized, it cannot be reversed for any reason.

Impairment losses and reversals for continuing operations are recognized in profit or loss.

14. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs are interest and other costs in connection with the borrowing of funds.

15. Post-employment benefit plans

All regular employees of the Company are entitled to a pension plan that is managed by an administered pension fund committee. Fund assets are deposited under the committee's name in a specific bank account and, hence, not associated with the Company. Therefore, fund assets are not included in the Company's Parent Only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of monthly wages of the employees subject to the plan. The amount allocated is recognized as the expense for the period.

Post-employment benefit plans that are defined benefit plans are provided based on actuarial reports at the end of the annual reporting period in accordance with the projected unit benefit method. Remeasurements of the net defined benefit liability (asset) comprise of any changes in the return on planned assets and the effect of the asset ceiling, net of amounts included in net interest on the net defined benefit liability (asset), and actuarial gains and losses. Remeasurements of the net defined benefit liability (asset) are recorded under other comprehensive income as incurred and are recognized immediately in retained earnings. Past service cost is recognized as an expense at the earlier of the following two dates when a plan amendment or curtailment occurs:

(1) The date of the plan amendment or curtailment; and
(2) When the Company recognizes any related restructuring costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) arising from the allocation and benefit payments during the period.

16. Treasury stock

The Company's own equity instruments acquired (treasury stock) are recognized at repurchase cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

17. Revenue recognition

Recognition of gain or loss on sale of properties

The Company develops and pre-sells residential real estate and commercial buildings. The Company recognizes revenue when the control of the assets is transferred to the customers. The asset has no other use to the Company due to the restriction of the sales contract. However, the enforceable right to set off the amounts arises when the property right is transferred to the customer. Therefore, the Company recognizes revenue when the transfer of assets is completed and the actual delivery of the property is made. The contract is for a fixed consideration; the customer pays a fixed amount according to the agreed schedule. The Company's obligation to transfer goods or services to customers for consideration received (or receivable) from a customer is recognized as a contract liability.

The timing of payments under contractual agreements where the transaction for the transfer of goods or services implicitly or explicitly represents a material right of financial benefit to the customer or the Company, the Company adjusts the amount of the consideration promised to reflect the time value of money. The Company does not adjust the promised consideration for sales contracts where the time between the expected transfer of goods or services to the customer at the beginning of the contract and the time when the customer pays for the goods or services does not exceed one year.

Contracted income

The Company is engaged in the contracting business of residential real estate and commercial buildings. As the assets are controlled by the customers at the time of construction, revenue is recognized gradually over a period of time based on the percentage of contracted project costs incurred to date to the estimated total contract costs. The contracts include both fixed and variable consideration. The customer pays a fixed amount according to the agreed schedule. Certain variable consideration (e.g., penalties based on the number of days past due, price adjustment subsidy) is estimated using expected values based on past experience. Other changes in consideration (e.g., early completion incentive payments) are estimated at the most likely amount. The Company's rights to the consideration received for goods or services transferred to customers are recognized as contract assets. When an unconditional right is represented to the consideration, the contract assets are transferred to accounts receivable.

If it is not possible to reasonably measure the degree of completion of contract performance obligations, contract revenue is recognized only to the extent of expected recoverable contract costs incurred.

Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Company expects that the time interval between the transfer of goods or services to the customer and the payment for such goods or services by customers for all work contracts will not exceed one year; therefore, the Company does not adjust the promised consideration amount.

18. Income tax

Tax expense (tax income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current tax and deferred tax.

Income tax for the period

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Income tax for the period relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

Income tax for undistributed earnings is recorded as income tax expense when the distribution proposal is approved by the shareholders meeting.

Deferred income tax

Deferred tax is calculated on temporary differences between the tax bases of assets and liabilities and their carrying amounts on the balance sheet at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(1) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;
(2) In respect of taxable temporary differences associated with investment subsidiaries, affiliates and interests in joint agreements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognized for deductible temporary differences, carryforward of unused tax losses and tax credits to the extent that it is probable that future taxable profits will be available, except for the following:

(1) Is not a business combination and not related to the deductible temporary differences arising from the original recognition of an asset or liability that at the time of the transaction affects neither the accounting profit nor the taxable income (loss);
(2) Liabilities arising from temporary differences associated with investments in subsidiaries, branches, and associates, and interests in joint arrangements, but only to the extent that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the entity's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled. Deferred income taxes related to items not recognized in profit or loss are not recognized in profit or loss, but recognized in other comprehensive income or directly in equity based on the related transactions. Deferred income tax assets are reexamined and recognized at the end of each reporting period.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

V. Significant accounting judgements and sources of estimation uncertainty

The preparation of the Company's Parent Only financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities during the reporting year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

1. Judgments

In the process of applying the Company's accounting policies, management makes the following judgments that have the most significant effect on the amounts in the consolidated financial statements:

(1) Investment property

The Company uses part of the portions of property for its own use, and part to earn rental or for capital appreciation. If the portions can be sold separately, the entire property is treated as investment property and property, plant and equipment. If the portions cannot be sold separately, the entire property is treated as investment property only when the portion held for own use accounts for less than 5% of the individual property.

(2) Operating lease commitments – Company as the lessor

For investment property portfolio, the Company has signed commercial property leases. Based on the assessment of the contractual terms, the Company retains significant risks and rewards of ownership of these properties and these leases are treated as operating leases.

2. Estimates and assumptions

The assumptions concerning the future and other key sources of estimation uncertainty at the reporting date have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. They are explained as follows:

(1) Post-employment benefit plans

The cost of the post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including changes in the discount rate and expected salary level. For detailed assumptions used to measure the defined benefit cost and the defined benefit obligation, please refer to Note 6.

(2) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the location of the Company's individual companies.

A deferred tax asset is recognized for carryforward of unused tax losses and tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(3) Inventories

The estimated value of the net realized value of the inventory considers the impairment of the inventory, all or part of the obsolescence or price declines. The value is the most reliable evidence of the expected amount of net realized value at the time of the estimate. Please refer to Note 6 for more details.

VI. Significant accounting items

1. Cash and cash equivalents

(All amounts are presented in NT$ thousand, unless otherwise specified)

	2020.12.31	2019.12.31
Cash in hand	$30	$30
Demand and check deposits	103,845	98,363
Time deposit	288,000	531,800
Total	$391,875	$630,193

2. Financial assets measured at fair value through other comprehensive income

	2020.12.31	2019.12.31
Investments in equity instruments measured at fair value through other comprehensive income - non-current:		
Listed company shares	$895,713	$917,318
Unlisted company shares	9,347	11,629
Total	$905,060	$928,947

The Company classifies part of its financial assets as financial assets at fair value through other comprehensive income. For provisions of guarantees, please refer to Note 8.

3. Inventories

	2020.12.31	2019.12.31
Property for sale	$33,026	$58,928
Land for construction	757,575	1,011,101
Land under construction	763,995	322,750
Prepayment for land	15,631	3,514
Total	$1,570,227	$1,396,293

(1) Details of properties for sale are:

By project	2020.12.31			2019.12.31		
	Land for sale	Houses for sale	Total	Land for sale	Houses for sale	Total
He Ti	$15,628	$10,622	$26,250	$17,453	$11,862	$29,315
Sunfon Jin Cheng	4,066	2,010	6,076	4,066	2,010	6,076
Zhong Zheng Xue Fu	73	627	700	73	627	700
Feng Hua Hui	-	-	-	17,154	5,683	22,837
Total	$19,767	$13,259	$33,026	$38,746	$20,182	$58,928

(2) Details of land for construction are:

Name of the construction project	Land location	2020.12.31	2019.12.31

Luzhu Township	Kengzi Section, Luzhu Township, Taoyuan County	$7,385	$7,385
Bao'an Project	Yanping Section, Datong District, Taipei City	6,144	6,144
Changji Project	Qiaobei Section, Datong District, Taipei City	24,575	24,455
Chengde I Project	City Hall Section, Datong District, Taipei City	-	530,480
Yanping Chang'an Project	Yuquan Section, Datong District, Taipei City	18,746	18,746
Minsheng West Project	Shuanglian Section, Datong District, Taipei City	247,734	119,133
Yuanhuan Section, Taiyuan Road	Yuanhuan Section, Datong District, Taipei City	22,062	22,062
Heping West Road Project	Nanhai Section, Zhongzheng District, Taipei City	809	809
No. 138, Sec. 3, Chongqing North Road	Qiaobei Section, Datong District, Taipei City	264,863	264,863
Section 4, Nanjing East Road Project	Meiren Section, Songshan District, Taipei City	480	400
Guisui and Minle Street Project	Yanping Section, Datong District, Taipei City	35,825	16,624
No.16, Section 1, Nanchang Road	Nanhai Section, Zhongzheng District, Taipei City	3,168	-
Lane 175, Section 1, Kangning Road	Kangning Section, Neihu District, Taipei City	125,751	-
Tianmu Tianyu Street Project	Tianmu Section, Tianmu District, Taipei City	33	-
Total		$757,575	$1,011,101

(3) The cost of properties was invested upon construction, with details as follows:

Name of the	Summary	2020.12.31	2019.12.31	Construction

(All amounts are presented in NT$ thousand, unless otherwise specified)

construction project				method
Di Yi Hui	Land cost	$-	$62,351	Joint construction and allocation of housing units
	Construction cost	-	197,815	
City Meeting Point	Land cost	16,775	13,638	Joint construction and allocation of housing units
	Construction cost	35,233	4,789	
Chengde I Project	Land cost	608,085	-	Joint construction and allocation of housing units
	Construction cost	41,040	15,997	
Other	Construction cost	62,862	28,160	
Total		$763,995	$322,750	

(4) Information on the capitalization of borrowing costs for the Company's land under construction is as follows:

	2020	2019
Amount of capitalized interest	$1,047	$4,092
Capitalized interest range	1.2%~2.4%	1.27%~2.4%

(5) Additional disclosures for important construction projects are as follows:

By project	Total price for construction contract (budgeted cost, excluding land payment)	Percentage of completion	Scheduled completion year
City Meeting Point	200,000	14%	2022

(6) Details of the land prepayment are as follows:

(All amounts are presented in NT$ thousand, unless otherwise specified)

Land location	2020.12.31	2019.12.31
City Meeting Point	$4,059	$-
Other	11,572	3,514
Total	$15,631	$3,514

(7) Operating costs recognized by the Company are as follows:

	2020	2019
Construction cost	$389,355	$850,546
Construction cost from commissioned construction projects	2,747	11,100
Leasing cost	1,284	1,296
Total	$393,386	$862,942

(8) For provisions of the Company's inventories as guarantees, please refer to Note 8.

4. Investments accounted for using the equity method

	2020.12.31		2019.12.31	
Name of the investee	Amount	Shareholding ratio	Amount	Shareholding ratio
Investment subsidiary:				
Jinyuan Construction Co., Ltd.	$13,689	99.929%	$30,309	99.929%

The Parent Only financial report of the investment subsidiary is presented as "investments accounted for using the equity method", and necessary adjustments are made accordingly.

5. Property, plant and equipment

Changes in property, plant and equipment are as follows:

	Land	Buildings	Transportation equipment	Miscellaneous equipment	Total
Cost:					
2019.1.1	$17,482	$14,139	$1,610	$637	$33,868
Additions – from purchases	-	-	-	-	-
Transfer	18,373	1,173	-	-	19,546
2019.12.31	35,855	15,312	1,610	637	53,414
Additions – from purchases	-	902	-	215	1,117

(All amounts are presented in NT$ thousand, unless otherwise specified)

Transfer	-	-	-	-	-
2020.12.31	$35,855	$16,214	$1,610	$852	$54,531
Depreciation and impairment:					
2019.1.1	$-	$(7,196)	$(688)	$(437)	$(8,321)
Depreciation for the period	-	(254)	(269)	(22)	(545)
Transfer	-	(12)	-	-	(12)
2019.12.31	-	(7,462)	(957)	(459)	(8,878)
Depreciation for the period	-	(306)	(268)	(28)	(602)
Transfer	-	-	-	-	-
2020.12.31	$-	$(7,768)	$(1,225)	$(487)	$(9,480)
Net carrying amount:					
2020.12.31	$35,855	$8,446	$385	$365	$45,051
2019.12.31	$35,855	$7,850	$653	$178	$44,536

For provisions of the Company's property, plant and equipment as guarantees, please refer to Note 8.

6. Investment property

(1) Changes in investment properties are as follows:

	Land	Buildings	Total
Cost:			
2019.1.1	$199,126	$71,356	$270,482
Additions – from purchases	18,373	1,173	19,546
Transferred from inventory	1,244	413	1,657
Transferred to property, plant and equipment	(18,373)	(1,173)	(19,546)
2019.12.31	200,370	71,769	272,139
Additions – from purchases	-	-	-
Transferred to inventory	(1,244)	(413)	(1,657)
2020.12.31	$199,126	$71,356	$270,482
Depreciation and impairment:			
2019.1.1	$-	$(31,442)	$(31,442)
Depreciation for the period	-	(1,296)	(1,296)
Transferred to property, plant and equipment	-	12	12
2019.12.31	-	(32,726)	(32,726)
Depreciation for the period	-	(1,284)	(1,284)

(All amounts are presented in NT$ thousand, unless otherwise specified)

Transferred to inventory	-	11	11
2020.12.31	$-	$(33,999)	$(33,999)
Net carrying amount:			
2020.12.31	$199,126	$37,357	$236,483
2019.12.31	$200,370	$39,043	$239,413

(2) The rental income generated from investment properties held by the Company for 2020 and 2019 amounted to NT$6,367 thousand and NT$7,065 thousand, respectively. No significant direct operating expenses were incurred for investment properties which generated rental income during the period.

(3) As investment properties held by the Company are not measured at fair value, information on their fair values is disclosed. The fair values of these investment properties are in level 3 of the fair value hierarchy. The fair values of investment properties held by the Company for the years ended December 31, 2020 and 2019 were approximately NT$250,304 thousand and NT$249,170 thousand, respectively. The aforementioned fair values refer the actual transaction prices in the year, as well as the transaction prices of transaction prices of similar property markets in the vicinity of relevant assets (including the Real Estate Actual Transaction Price Inquiry Website and websites of real estate agents). The recent real estate market was also used as the fair value of the investment property at each reporting date.

(4) For provisions of the Company's investment properties as guarantees, please refer to Note 8.

7. Intangible assets

	Computer software	Total
Cost:		
2020.1.1	$-	$-
Additions – acquired externally	514	514
2020.12.31	$514	$514
2019.1.1	$-	$-
Additions – acquired externally	-	-
2019.12.31	$-	$-
Amortization and impairment:		
2020.1.1	$-	$-
Amortization	(17)	(17)
2020.12.31	$(17)	$(17)
2019.1.1	$-	$-
Amortization	-	-
2019.12.31	$-	$-

(All amounts are presented in NT$ thousand, unless otherwise specified)

Net carrying amount:		
2020.12.31	$497	$497
2019.12.31	$-	$-

Amortization amounts recognized under intangible assets are as follows:

	2020	2019
Operating expenses	$17	$-

8. Short-term borrowings

	Interest rate range (%)	2020.12.31	2019.12.31
Unsecured bank loans	1.29~1.80%	$4,900	$-
Secured bank loans	1.20~2.40%	345,290	309,000
Total		$350,190	$309,000

(1) For the years ended December 31, 2020 and 2019, the Company's unused short-term borrowing lines were NT$1,288,146 thousand and NT$1,031,300 thousand, respectively.

(2) For provisions of collateral for short-term loans mentioned above, please refer to Note 8.

9. Post-employment benefit plans

Defined contribution plan

The Company has formulated a defined contribution plan in accordance with the Labor Pension Act. As required by the Act, the Company makes monthly contributions of no less than 6% of the employees' monthly wages. The Company has made monthly contributions of 6% of employees' wages to the individual employee's pension accounts of the Bureau of Labor Insurance in accordance with the Act.

For the years ended December 31, 2020 and 2019, the expenses under the defined plan recognized by the Company totaled NT$592 thousand and NT$529 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act. The pension benefits are disbursed based on the units of service years and the average salary of one month at the time when the pension is authorized. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor

(All amounts are presented in NT$ thousand, unless otherwise specified)

Standards Act, the Company contributes an amount equivalent to 4% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the labor pension fund. If the balance is insufficient to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The assets are allocated by the Ministry of Labor in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The investment of the fund may be executed either by the Ministry of Labor itself or by outsourcing its operation, and its investment strategy, including both active and passive management, targets the medium and long term. In considering the risks of market, credit and liquidity, the Ministry of Labor establishes the ceiling of fund investment and control plan, to reduce investment risk to an affordable extent and to achieve the targeted return flexibly. The utilization of the fund, the annual income of the minimum allocation of income shall not be lower than the local bank two-year deposit of the proceeds; if insufficient, it is supplemented from the national treasury with the approval of the competent authority. As the Company is not involved in the operation and management of the fund, it is not possible to disclose the fair value of the planned assets in accordance with the provisions of Paragraph 142 of IAS 19. As of December 31, 2020, the Company's defined benefit plan is expected to allocate NT$400 thousand in the next year.

For the years ended December 31, 2020 and 2019, the Company's defined benefit plans are expected to expire in 8 and 9 years.

The following table summarizes define benefit plan costs recognized in profit or loss:

	2020	2019
Current service cost	$265	$271
Net interest of net defined benefit liabilities (assets)	41	76
Total	$306	$347

Reconciliation of the present value of defined benefit obligation and the fair value of plan assets is as follows:

	2020.12.31	2019.12.31	2019.1.1
Present value of defined benefit obligation	$24,946	$22,474	$23,017
Fair value of plan assets	(18,969)	(16,502)	(15,059)
Other non-current liabilities – net defined benefit liabilities	$5,977	$5,972	$7,958

(All amounts are presented in NT$ thousand, unless otherwise specified)

Reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
2019.1.1	$23,017	$(15,059)	$7,958
Current service cost	271	-	271
Interest expense (income)	219	(143)	76
Subtotal	23,507	(15,202)	8,305
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	(447)	-	(447)
Experience adjustments	(586)	(498)	(1,084)
Subtotal	22,474	(15,700)	6,774
Contributions by employer	-	(802)	(802)
2019.12.31	22,474	(16,502)	5,972
Current service cost	265	-	265
Interest expense (income)	153	(112)	41
Subtotal	22,892	(16,614)	6,278
Remeasurements of defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	1,743	-	1,743
Experience adjustments	311	(564)	(253)
Subtotal	24,946	(17,178)	7,768
Contributions by employer	-	(1,791)	(1,791)
2020.12.31	$24,946	$(18,969)	$5,977

The key assumptions used to determine the Company's defined benefit plans are as follows:

	2020.12.31	2019.12.31
Discount rate	0.27%	0.68%
Expected salary increase rate	3.00%	2.50%

Sensitivity analysis of each significant actuarial assumption:

	2020		2019	
	Defined benefit obligation	Defined benefit obligation	Defined benefit obligation	Defined benefit obligation

	increase	decrease	increase	decrease
Discount rate increased by 0.5%	$-	$(995)	$-	$(965)
Discount rate decreased by 0.5%	1,070	-	1,038	-
Expected salary rate increased by 0.5%	1,036	-	1,014	-
Expected salary rate decreased by 0.5%	-	(974)	-	(953)

For the purpose of the sensitivity analysis above, the Company analyzed the impact on defined benefit obligation due to a reasonable and feasible change of one single assumption (i.e. discount rate or expected salary level) with other assumptions remaining equal. The sensitivity analysis has its limitation due to the co-relation between different actuarial assumptions and it is rarely the case that only one assumption changes at a time.

The method and assumptions used in the sensitivity analysis for the current period are no different from those used in the previous period.

10. Equity

(1) Common stock

For the years ended December 31, 2020 and 2019, the Company's authorized capital totaled NT$3,000,000 thousand and NT$2,000,000 thousand, respectively; its paid-in capitals totaled NT$1,943,076 thousand and NT$1,766,433 thousand, respectively, with a par value of NT$10 per share, resulting in 194,307 thousand shares and 176,643 thousand shares, respectively. Each share is entitled to one voting right and the right to receive dividends.

On May 28, 2020, the shareholders meeting resolved to distribute earnings for 2019. 17,664 thousand shares with a par value of NT$10 per share were issued in the form of dividends as bonuses to shareholders. As of the date of this report, the case was approved and deemed effective by the Securities and Futures Bureau, Financial Supervisory Commission, on June 16, 2020, and July 24, 2020, was set as the ex-dividend date. The relevant statutory procedures for changes have been completed.

(2) Additional paid-in capital

	2020.12.31	2019.12.31
Treasury stock trading	$3,830	$3,830
Treasury stock trading – other	22,713	19,170
Gains on disposal of assets	14	14
Total	$26,557	$23,014

As required by law, additional paid-in capital may only be used to make up for losses. When a company incurs no losses, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. When there are no losses, the distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(3) Treasury stock

The Company's shares held by the Company's subsidiary, Jinyuan Construction Co., Ltd., amounted to NT$23,385 thousand for both years ended December 31, 2020 and 2019. The purpose for the subsidiary to hold the Company's shares was due to financial operations. For the years ended December 31, 2020 and 2019, the number of shares held by the subsidiary totaled 7,799 thousand shares and 7,090 thousand shares, respectively.

Treasury stock held by the Company may not be pledged as required by the Securities and Exchange Act, and is not entitled to dividend distribution or voting rights. However, if a subsidiary holds shares of the parent company, they are treated as treasury stock, which is entitled to shareholders' equity. According to the Company Act amended in June 2005, treasury stock of the parent company held by a subsidiary is not entitled to voting rights.

(4) Earning distribution and dividend policies

In accordance with the Company's Articles of Incorporation, if there are earnings from the annual accounts, they should be distributed in the following order:

A. Pay taxes.
B. Make up for losses.
C. Set aside 10% as legal reserve.
D. Set aside or reverse special reserve in accordance with other laws and regulations or orders by the competent authority.
E. The remaining earnings are used as earnings distribution proposed by the Board of Directors and submitted to the shareholders meeting in accordance with the dividend policy.

The Company's dividend policy shall be determined pursuant to factors such as the current and future investment environment, capital requirements, domestic and international competition and capital budget, while considering the interests of shareholders, the balance of dividends and the Company's long-term financial planning. The distribution shall be proposed by the Board of Directors and submitted to the shareholders meeting every year in accordance with the law. Stock dividends ranging from 0% to 90% and cash dividends ranging from 10% to 100% are distributed to shareholders.

(All amounts are presented in NT$ thousand, unless otherwise specified)

In accordance with the Company Act, legal reserves should be set aside until the total amount has reached the total amount of paid-in capital. Legal reserves may be used to make up for losses. Where there are no losses, the Company may issue new shares or distribute cash in proportion to the original number of shares shareholders hold, if legal reserves exceed 25% of the paid-in capital.

According to Jin-Guan-Zheng-Fa-Zi Order No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings are recorded as a special reserve in the same amount as the proportion of retained earnings by application of the exemption under IFRS 1 "First-time Adoption of International Financial Reporting Standards". After adopting the IFRSs, when allocating distributable earnings, a special reserve shall be set aside for the difference between the balance of the special reserve provided when the IFRSs were first adopted and the net decrease in other equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Board meeting and annual general meeting held on March 9, 2021, and May 28, 2020, proposed and resolved the earnings allocation and distribution motions as well as dividends per share for 2020 and 2019 as follows:

	Earnings allocation and distribution motions		Dividends per share (NT$)	
	2020	2019	2020	2019
Legal reserves	$20,290	$34,131	$-	$-
Common stock – cash dividend	97,154	88,322	0.5	0.5
Common stock – stock dividend	136,015	176,643	0.7	1

For information related to remuneration to employees and remuneration to directors/supervisors and the amounts recognized, please refer to Note 6.13.

11. Operating income

	2020	2019
Revenue from customer contracts		
Revenue from sale of properties	$657,103	$1,283,709
Construction revenue from commissioned construction projects	3,462	11,619
Subtotal	660,565	1,295,328
Lease income	6,367	7,065

(All amounts are presented in NT$ thousand, unless otherwise specified)

Total	$666,932	$1,302,393

Information related to the Company's revenue from customer contracts for 2020 and 2019 is as follows:

(1) Revenue breakdown

	2020 Construction Segment	2019 Construction Segment
Revenue from sale of properties	$657,103	$1,283,709
Construction revenue from commissioned construction projects	3,462	11,619
Total	$660,565	$1,295,328
Time at which revenue is recognized:		
At a certain point in time	$657,103	$1,283,709
Satisfied over time	3,462	11,619
Total	$660,565	$1,295,328

(2) Contract balance

	2020.12.31	2019.12.31
Contractual liabilities – current		
Property sales contract	$120,524	$94,904
Real estate lease contract	2,190	2,187
Total	$122,714	$97,091

(3) Contract cost

	2020.12.31	2019.12.31
Incremental costs to obtain contracts	$42,746	$42,475
Less: accumulated amortization	(14,872)	(28,455)
Accumulated impairment	-	-
Total	$27,874	$14,020

As the Company expects to recover the commission expenses paid to the commissioned proxy for the sales of construction projects, commission expenses are recognized as assets, which are amortized upon recognition of the revenue from the sale of real estate. For the years ended December 31, 2020 and 2019, NT$14,872 thousand and NT$28,455 thousand, respectively, were recognized under amortization expenses and reported as operating costs.

(All amounts are presented in NT$ thousand, unless otherwise specified)

12. Leasing

Company as the lessor

For disclosure related to the Company's self-owned investment property, please refer to Note 6.6. Self-owned investment property is classified as an operating lease for which substantially all the risks and rewards incidental to ownership of the underlying asset have not been transferred.

	2020	2019
Lease income recognized under significant operating leases		
Fixed lease payments and related income from variable lease payments that depend on an index or rate	$6,367	$7,065

For the disclosure related to the Company's property, plant and equipment under operating leases, please refer to Note 6.6. The Company entered into significant operating lease agreements and the total undiscounted lease payments to be received for the years ended December 31, 2020 and 2019, and the total amount (tax included) for the remaining years, are as follows:

	2020.12.31	2019.12.31
Less than one year	$4,704	$6,276
More than one year but less than five years	2,611	7,051
Total	$7,315	$13,327

13. Summary of employee benefits, depreciation and amortization expenses by function

By nature / By function	2020			2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit expense						
Salary expense	$-	$19,475	$19,475	$-	$19,774	$19,774
Labor and health insurance expense	-	1,366	1,366	-	1,285	1,285
Pension expense	-	898	898	-	876	876
Director remuneration	-	3,025	3,025	-	4,623	4,623
Other employee benefit expense	-	477	477	-	449	449
Depreciation expense	1,284	602	1,886	1,296	545	1,841
Amortization expense	-	17	17	-	-	-

(1) The number of employees for both the current year and previous year was 22. Among 22 employees, 6 directors did not serve as employees.

(2) The average benefit expenses for the current year and previous year were NT$1,388 thousand and NT$1,427 thousand, respectively; the average employee salary expenses for the current year and previous year were NT$1,217 thousand and NT$1,264 thousand, respectively; the adjustment of change in average employee salary expenses was (3.72)%.

(3) The remuneration to supervisors for the current year and previous year was NT$615 thousand and NT$935 thousand, respectively.

(4) The Company's remuneration policy for directors, supervisors and managerial officers is in accordance with "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" and is subject to review by the Salary and Remuneration Committee for review. The remuneration policy for managerial officers is determined by taking into account the employee's personal experience, performance, contributions to the Company as well as their future potential and the Company's operating performance, while the remuneration policy for employees, directors and supervisors is handled in accordance with the Company's Articles of Incorporation if the Company has earnings for the year. The employee's salary includes basic salary, various subsidies, duty allowance, overtime and bonuses. The basic salary is determined based on the employee's academic and work experience, professional skills, and the value of the position served, while taking the salary standard of the industry into consideration; bonuses are given depending on the Company's annual operating surplus, as well as the achievement of the goals set by the department and the employee.

In accordance with the Articles of Incorporation, if the Company has a profit for the year, no less than 1% of the profit shall be appropriated as remuneration to employees, and no more than 1% shall be appropriated as remuneration to directors/supervisors. However, if there are still accumulated losses, an amount shall first be retained to make up these losses. The above remuneration to employees is distributed in the form of stock or cash and is made by a resolution of the Board of Directors with the attendance of two-thirds or more of the attending directors and a majority of the directors present; it shall be reported to the shareholders meeting. For information related to remuneration to employees and remuneration to directors/supervisors passed by the Board of Directors, please visit the Market Observation Post System of the Taiwan Stock Exchange.

According to the profitability of 2020, the remuneration to employees and remuneration to directors/supervisors was estimated at 1%. Remuneration to employees and remuneration to directors/supervisors was both NT$2,575 thousand, which was recorded under salary expenses. On March 9, 2021, the Board of Directors resolved to distribute NT$2,575 thousand in cash as remuneration to employees directors/supervisors.

The actual remuneration distributed to employees and remuneration distributed to directors/supervisors in 2019 was both NT$4,173 thousand, which was the same as the amount recorded under expenses in the financial statements for 2019.

(All amounts are presented in NT$ thousand, unless otherwise specified)

14. Non-operating income and expenditures

(1) Interest income

	2020	2019
Interest income		
Financial assets measured at amortized cost	$1,731	$2,770

(2) Other income

	2020	2019
Dividend income	$40,429	$33,162
Other income – other	70	394
Total	$40,499	$33,556

(3) Other benefits and losses

	2020	2019
Miscellaneous expenditures	$(357)	$(1,029)

(4) Financial cost

	2020	2019
Interest from bank loans (balance after deducting capitalization of interest)	$4,550	$6,739

15. Other comprehensive profit and loss components

2020:

	Generated from current period	Reclassification adjustment for the current period	Other comprehensive income	Income tax benefit (expense)	Amount after tax
Items not reclassified to profit or loss:					
Actuarial (loss) gain on defined benefit plans	$(1,490)	$-	$(1,490)	$-	$(1,490)
Unrealized gains or losses from investments in equity instruments measured at fair value	(28,688)	-	(28,688)	-	(28,688)

(All amounts are presented in NT$ thousand, unless otherwise specified)

through other comprehensive income					
Share of other comprehensive income or loss of subsidiaries, affiliates and joint ventures recognized under the equity method	(236)	-	(236)	-	(236)
Total	$(30,414)	$-	$(30,414)	$-	$(30,414)

2019:

	Generated from current period	Reclassification adjustment for the current period	Other comprehensive income	Income tax benefit (expense)	Amount after tax
Items not reclassified to profit or loss:					
Actuarial (loss) gain on defined benefit plans	$1,531	$-	$1,531	$-	$1,531
Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	156,607	-	156,607	-	156,607
Share of other comprehensive income or loss of subsidiaries, affiliates and joint ventures recognized under the equity method	132	-	132	-	132
Total	$158,270	$-	$158,270	$-	$158,270

16. Income tax

(1) Major components of income tax expense (benefit):

Income tax recognized in profit or loss

	2020	2019
Income tax expense (benefit) for the period:		
Income tax payable for the period	$44,950	$62,823
Prior year current income tax adjustments	(21)	855
Land value increment tax	2,776	5,638
Deferred income tax expense (benefit):		
Deferred tax expense (income) relating to the origination and reversal of temporary	-	-

differences		
Income tax expense	$47,705	$69,316

(2) Reconciliation between tax expense (income) and the amount of accounting profit multiplied by the applicable income tax rate:

	2020	2019
Income from continuing operations before income tax	$252,334	$408,967
Income tax calculated at 20% of the Company's statutory income tax rate	$50,467	$81,793
Effects of income tax of construction benefits that should be adjusted	30	(1,128)
Effects of income tax of non-deductible tax expenses	3,689	3,337
Effects of tax-free income benefits	(10,851)	(21,179)
Income tax on undistributed earnings	2,111	-
Prior year current income tax adjustments	(21)	855
Land value increment tax	2,776	5,638
Other effects of income tax adjusted in accordance with other tax laws.	(496)	-
Total income tax expense recognized in profit or loss	$47,705	$69,316

(3) As part of the Company's primary operating activities are tax-exempt (e.g., land transactions and investments in shares of domestic listed companies), no deferred income tax asset (liability) benefit was recognized for temporary differences that are not deductible for tax purposes.

(4) Approval of filing for income tax

As of December 31, 2020, the state of approval of filing for income tax for the Company is as follows:

	Approval of filing for income tax	Remark
The Company	Approved to 2018	-

17. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted-average number of ordinary shares outstanding during the period plus the weighted-average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2020	2019 after retrospective application
(1) Basic earnings per share		
Net for the period (NT$ thousand)	$204,629	$339,651
Weighted-average number of ordinary shares for basic earnings per share (in thousand shares)	186,508	186,508
Basic earnings per share (NT$)	$1.10	$1.82
(2) Diluted earnings per share		
Net for the period (NT$ thousand)	$204,629	$339,651
Adjusted net income after dilutive effects (NT$ thousand)	$204,629	$339,651
Weighted-average number of ordinary shares for basic earnings per share (in thousand shares)	186,508	186,508
Dilutive effect:		
Employee bonus – shares (thousand shares)	128	242
Weighted-average number of ordinary shares after adjustment for dilutive effect (in thousand shares)	186,636	186,750
Diluted earnings per share (NT$)	$1.10	$1.82

Pro forma information on earnings per share assuming that the Company's shares invested by Jinyuan Construction Co., Ltd. are not treated as treasury stock:

	2020	2019 after retrospective application
Basic earnings per share		
Net for the period (NT$ thousand)	$204,629	$339,651
Weighted-average number of ordinary shares for pro forma earnings per share (in thousand shares)	194,307	194,307
Pro forma earnings per share (NT$)	$1.05	$1.75

After the reporting period and before the financial statements were approved for publication, there were no material changes in the number of common stock outstanding or potential common shares at the end of the period.

(All amounts are presented in NT$ thousand, unless otherwise specified)

VII. Related party transactions

During the financial reporting period, the related party with whom the Company has a business relationship is the subsidiary Jinyuan Construction Co., Ltd.

1. Rental income

		2020		2019	
Related party	Lease subject	Lease period	Amount	Lease period	Amount
Subsidiary	7F., No. 173, Section 2, Chang'an East Road	2020.1.1-2020.12.31	$120	2019.1.1-2019.12.31	$120

2. Contracted construction project and amounts due to related parties

(1) As of the years ended December 31, 2020 and 2019, the Company and Jinyuan Construction Co., Ltd. entered into the following construction contracts:

	2020.12.31			
Item	Contracting price	Accumulated paid construction work	Construction project status	Scheduled completion year
City Meeting Point	$200,000	$21,000	Not yet completed	2022

	2019.12.31			
Item	Contracting price	Accumulated paid construction work	Construction project status	Scheduled completion year
Di Yi Hui	$217,600	$176,256	Not yet completed	2020

(2) For the years ended December 31, 2020 and 2019, the subsidiary requested the following amounts from the Company for the construction contracts mentioned above:

Related party	Nature	Subject	2020	2019
Subsidiary	Contracted work payment	Construction project in progress – contracted work in progress	$39,406	$190,120

(All amounts are presented in NT$ thousand, unless otherwise specified)

(3) For the years ended December 31, 2020 and 2019, amounts due to related parties for the above construction projects:

Related party	Nature	Subject	2020.12.31	2019.12.31
Subsidiary	Contracted work payment	Notes and accounts payable	$6,667	$20,724

(4) The transaction prices and payment terms of the above contracted construction projects are not materially different from those of ordinary vendors.

3. The Company entered into a lease contract with the Taipei Branch of Chunghwa Post Co., Ltd. The lease period runs from August 1, 2017 to July 31, 2022, with Jinyuan Construction Co., Ltd. as the Company's joint guarantor.

4. Remuneration to the Company's key management

	2020	2019
Short-term employee benefits	$10,354	$12,363
Post-employment benefits	207	203
Total	$10,561	$12,566

VIII. Pledged assets

The following is the Company's assets as collateral:

	Carrying amount		
Item	2020.12.31	2019.12.31	Guaranteed debt contents
Property, plant and equipment – land	$17,482	$17,482	Short-term borrowings
Property, plant and equipment – buildings	6,438	6,691	Short-term borrowings
Investment property – property	218,132	219,275	Short-term borrowings
Inventories	1,003,662	788,609	Short-term borrowings, long-term borrowings
Financial assets measured at fair value through other comprehensive income – non-current	609,420	632,565	Short-term borrowings, short-term notes payable
Total	$1,855,134	$1,664,622	

(All amounts are presented in NT$ thousand, unless otherwise specified)

IX. Significant contingent liabilities and unrecognized contractual commitments

1. As of December 31, 2020, houses the Company and landowners built are as follows:

Name of the construction project	Margin requirement by the Company	Margin paid (Note)	Pending margin	Proportion of share of landowners' property rights
Chang'an West I Project	$36,745	$7,764	$28,981	60%
Chengde I Project	23,749	7,066	16,683	60%
Yongji-Songxin Project	14,653	4,625	10,028	65%
Minsheng West Road Project	7,987	2,394	5,593	60%
No.16, Section 1,	13,492	10,426	3,066	65%
Nanchang Road	6,200	1,800	4,400	46%
Nanshan Road, Zhonghe				
Bao'an Project	4,232	640	3,592	60%
City Meeting Point	3,000	3,000	-	63%
No. 154, Taiyuan Road	200	200	-	65%
Ganzhou Street Project	800	800	-	62%
No. 128, Section 3, Chengde Road	2,000	2,000	-	62%
No. 101, Chang'an West	8,500	8,500	-	62%
Total	$121,558	$49,215	$72,343	

Note: Refundable deposits recorded under other current assets

2. A summary of the significant construction contracts for contracted projects signed by the Company but not yet completed:

Name of the construction project	Contract amount	Amount paid	Unpaid amount
City Meeting Point	$200,000	$21,000	$179,000

3. The Company has signed joint construction contracts with landowners for City Meeting Point, Chengde I Project, Minsheng West Project, Guisui and Minle Street Project, No.16, Section 1, Nanchang Road, and Lane 175, Section 1, Kangning Road. From when the construction licenses were granted until the date of completion and handover, the Company expects to pay NT$224,410 thousand to landowners for rent subsidies. As of December 31, 2020, the Company paid landowners NT$36,925 thousand as rent subsidies, which are necessary direct costs for acquiring the land; therefore, these subsidies are recorded as construction land under inventory.

(All amounts are presented in NT$ thousand, unless otherwise specified)

X. Losses due to major disasters

None.

XI. Significant subsequent events

None.

XII. Other

1. Types of financial instruments

Financial assets

	2020.12.31	2019.12.31
Financial assets measured at fair value through other comprehensive income	$905,060	$928,947
Financial assets measured at amortized cost (Note)	391,845	630,163
Total	$1,296,905	$1,559,110

Financial liabilities

	2020.12.31	2019.12.31
Financial liabilities measured at amortized cost:		
Short-term borrowings	$350,190	$309,000
Short-term notes payable	-	100,000
Accounts payable (including other payables)	21,799	35,970
Long-term borrowings	-	73,500
Total	$371,989	$518,470

Note: Including cash and cash equivalents (excluding cash in hand).

2. Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies during the implementation of financial management activities.

3. Market risk

The Company's market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk mainly includes exchange rate risk, interest rate risk and other price risk (e.g., equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises mainly from floating-rate investments, fixed-rate borrowings and floating-rate borrowings.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including borrowings with variable interest rates. Assuming that in a fiscal year in interest rates increase/decrease by 10 basis points, the Company's profit or loss would decrease/increase by NT$350 thousand and NT$483 thousand for the years ended December 31, 2020 and 2019, respectively.

Equity price risk

The Company holds TWSE and TPEx equity securities and their fair values are affected by the uncertainty of the future value of these underlying investments. The TWSE and TPEx equity securities held by the Company are included in the fair value through other comprehensive income category. The Company manages the equity price risk through diversification, while setting limits on its investments in equity securities, both individually and as a whole. Portfolio information on equity securities is required to be regularly provided to the Company's senior management, and the Board of Directors is required to review and approve significant investment decisions regarding equity securities.

For the years ended December 31, 2020 and 2019, the effect of a 1% increase/decrease in the price of equity securities on the Company's investments in equity instruments measured at fair value through other comprehensive income would result in an increase/decrease of NT$8,957 thousand and NT$9,173 thousand for the years ended December 31, 2020 and 2019, respectively.

4. Credit risk management

Credit risk is the risk that the counterparty does not meet its obligations under a contract, leading to a financial loss. The Company's credit risk comes from operating activities (primarily for accounts receivables and notes receivables) and financing activities (primarily for bank deposits).

The Company's units manage credit risk by following the Company's credit risk policies, procedures and controls. The credit risk assessment of all transaction counterparties is subject to factors such as the transaction counterparties' financial situations, ratings by credit rating agencies, past transaction experience, the current economic environment as well as the Company's internal rating standards. The Company also uses some credit enhancement tools (e.g., sales revenue received in advance) at appropriate times so as to reduce the credit risk of specific counterparties.

As the Company's main business is selling properties and the Company has a large customer base without having any significant concentration of transactions with a single customer, there is no concern of significant concentration of credit risk or risk of accounts receivable that cannot be recovered.

The Company manages the credit risk of bank deposits in accordance with the Company's policy. Given that the Company's transaction counterparties are determined by internal control procedures and that they are banks with sound creditability, the Company has no significant credit risk.

5. Liquidity risk management

The Company uses cash and cash equivalents as well as bank borrowings to maintain its financial flexibility.

The table below summarizes the contractual maturities of the Company's financial liabilities based on the earliest possible date on which repayment can be demanded and the undiscounted cash flows. Amounts presented also include contractual interest. The undiscounted interest amount of interest cash flows paid at floating interest rates is gained based on the curves of the yield rate at the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
2020.12.31					
Short-term borrowings (including expected interest payments)	$224,393	$133,814	$-	$-	$358,207
Accounts payable (including other payables)	21,799	-	-	-	21,799

(All amounts are presented in NT$ thousand, unless otherwise specified)

	Less than 1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
2019.12.31					
Short-term borrowings (including expected interest payments)	$222,191	$93,546	$-	$-	$315,737
Short-term notes payable	100,000	-	-	-	100,000
Accounts payable (including other payables)	35,970	-	-	-	35,970
Long-term borrowings (including expected interest payments)	1,499	10,561	15,415	56,368	83,843

6. Reconciliation of liabilities accounted for from financing activities

Reconciliation of liabilities for the year ended December 31, 2020:

	Short-term borrowings	Short-term notes payable	Long-term borrowings	Total liabilities accounted for from financing activities
2020.1.1	$309,000	$100,000	$73,500	$482,500
Cash flows	41,190	(100,000)	(73,500)	(132,310)
Non-cash changes	-	-	-	-
2020.12.31	$350,190	$-	$-	$350,190

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term borrowings	Short-term notes payable	Long-term borrowings	Total liabilities accounted for from financing activities
2019.1.1	$699,671	$170,000	$73,500	$943,171
Cash flows	(390,671)	(70,000)	-	(460,671)
Non-cash changes	-	-	-	-
2019.12.31	$309,000	$100,000	$73,500	$482,500

7. Fair value of financial instruments

(1) Valuation techniques and assumptions adopted to measure fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable (including other payables) are reasonable approximations of fair values due to short maturities of these types of instruments.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.).

C. The fair value of bank borrowings is determined based on transaction counterparty quoted prices or valuation techniques. The valuation techniques are determined based on discounted cash flow analysis and the assumptions of interest rates and discount rates are mainly based on information of similar instruments (e.g., yield curve by the TPEx, Reuters average quoted prices of commercial promissory note rate and credit risk).

(2) Fair value hierarchy of financial instruments

For information on the Company's fair value hierarchy of financial instruments, please refer to Note 12.9.

8. Capital management

The Company's primary objective for capital management is to ensure the maintenance of robust credit ratings and sound capital ratio to support operations and maximize shareholders' equity. The Company manages and adjusts its capital framework depending on economic conditions. The purpose of the maintenance and adjustment of the capital framework may be achieved by adjusting dividend payments, returning capital or issuing new shares.

9. Fair value hierarchy

(1) Definition of fair value hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. The input values for each level are as follows.

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

(All amounts are presented in NT$ thousand, unless otherwise specified)

Level 3: Unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing their categories at the end of each reporting period.

(2) Fair value measurement hierarchy

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

December 31, 2020:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Equity instruments measured at fair value through other comprehensive income				
Stock	$895,713	$9,347	$-	$905,060

December 31, 2019:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Equity instruments measured at fair value through other comprehensive income				
Stock	$917,318	$11,629	$-	$928,947

Transfer between Level 1 and Level 2 of the fair value hierarchy

For 2020 and 2019, the Company's assets and liabilities measured at fair value on a recurring basis had no transfers between Level 1 and Level 2 of the fair value hierarchy.

(3) Levels that are not measured at fair value but require disclosure of fair value

December 31, 2020:

	Level 1	Level 2	Level 3	Total
Only assets measured at fair value are disclosed:				

Investment property (refer to Note 6.6)	$-	$-	$250,304	$250,304

December 31, 2019:

	Level 1	Level 2	Level 3	Total
Only assets measured at fair value are disclosed:				
Investment property (refer to Note 6.6)	$-	$-	$249,170	$249,170

XIII. Other disclosures

1. Information on significant transactions

(1) Loaning funds to others: None.
(2) Guarantees/endorsements provided: None.
(3) Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates and joint ventures): Please refer to Attachment 1.
(4) Accumulated purchases or sales of the same marketable securities reaching NT$300 million or 20% of the paid-in capital: None.
(5) Acquisition of property reaching NT$300 million or 20% of the paid-in capital: None.
(6) Disposal of property reaching NT$300 million or 20% of the paid-in capital: None.
(7) Purchase or sale of good with related parties reaching NT$100 million or 20% of the paid-in capital: None.
(8) Receivables from related parties reaching NT$100 million or 20% of the paid-in capital: None.
(9) Involvement in derivative transactions: None.
(10) Other: Business relationships and significant transactions between the parent company and subsidiary: Please refer to Attachment 2.

2. Information on investment business: Please see Attachment 3.

3. Information on investments in China: None.

4. Information on major shareholders: Please refer to Attachment 4.

VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year and up to the date of publication of the annual report, the impact on the financial position of the company

None.

Seven. Review and Analysis of Financial Position and Financial Performance and Risks

I. Financial position

Comparative analysis of financial position

Unit: NT$ thousand

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	$2,067,656	$2,078,454	$(10,798)	(0.52)
Financial assets measured at fair value through other comprehensive income – non-current	905,060	928,947	(23,887)	(2.57)
Property, plant and equipment	45,051	44,536	515	1.16
Investment property	295,037	296,182	(1,145)	(0.39)
Intangible assets	497	-	497	-
Other non-current assets	2,538	2,510	28	1.12
Total assets	3,315,839	3,350,629	(34,790)	(1.04)
Current liabilities	575,150	625,951	(50,801)	(8.12)
Other non-current liabilities	11,040	84,454	(73,414)	(86.93)
Total liabilities	586,190	710,405	(124,215)	(17.49)
Share capital	1,943,076	1,766,433	176,643	10.00
Additional paid-in capital	26,557	23,014	3,543	15.39
Retained earnings	602,994	665,056	(62,062)	(9.33)
Treasury stocks	(23,385)	(23,385)	0	0.00
Other equity	180,389	209,077	(28,688)	(13.72)
Non-controlling interests	18	29	(11)	(37.93)
Total equity	2,729,649	2,640,224	89,425	3.39

If the amount difference reaches 20% or more or the change in amount reaches NT$10,000 thousand, see below:

The decrease in other non-current liabilities was primarily due to the settlement of long-term borrowings.

II. Financial performance

Comparative analysis of operating results

Unit: NT$ thousand

Subject	2020 Amount	2019 Amount	Increase/decrease amount	Change in percentage %
Net operating income	$666,812	$1,302,273	$(635,461)	(48.8)
Operating costs	406,147	873,885	(467,738)	(53.5)
Operating profit	260,665	428,388	(167,723)	(39.2)
Operating expenses	49,886	49,460	426	0.9
Operating income	210,779	378,928	(168,149)	(44.4)
Non-operating income and expenditures	41,544	30,027	11,517	38.4
Net income before tax for the period	252,323	408,955	(156,632)	(38.3)
Income tax (expense) benefit	(47,705)	(69,316)	21,611	(31.2)
Profit or loss for the period	204,618	339,639	(135,021)	(39.8)
Other comprehensive income for the period	(30,414)	158,270	(188,684)	(119.2)
Total comprehensive income for the period	174,204	497,909	(323,705)	(65)

Note 1. Analysis of changes in the increase/decrease percentage:

1. The decrease in operating income, operating costs, Operating income, and gains and losses for the period was primarily due to the decrease in the profit recognized from the completion and delivery of Feng Hua Hui and Weng Ding Hui.
2. The decrease in other comprehensive income was primarily due to the decrease in unrealized gains and losses.

Note 2. Reasons for the change of the Company’s primary business: Not applicable.

Note 3. Expected sales volumes for the coming year and its basis, and key factors affecting the company’s ability to continue growth or decline in expected sales volume:

1. The base for the “City Meeting Point” project located at Chang’an West Road is 119.14 ping (393.8 m^2), with 49 residential units planned. The project was launched in the fourth quarter of 2019, with a 100% sales rate by the end of 2020.
2. The base for the “Chongqing North No.138” project located at No. 138, Section 3, Chongqing North Road is 108.6 ping (359 m^2), planned to be built as a social and educational facility building, which was 100% sold out at the end of 2020.
3. The base for the “Yun Ji” project located near Minsheng West Road and Chongqing North Road and Ningxia Night Market is 668.83 ping (2211 m^2), with 5 general shops and 207 residential units planned. The project is to be launched in the second quarter of 2021 and the sales rate is expected to reach 70% by the end of 2021.
4. The base for the “Minle Street” project located at Guisui Street and Minle Street is 346.67 ping (1,146 m^2), with 8 general shops and 104 residential units planned. The project is to be launched in the third quarter of 2021 and the sales rate is expected to reach 60% by the end of 2021.
5. The estimated sales volume for 2021 was based on the expectation that the construction industry will remain stable in 2021.

III. Cash flows

Cash flow analysis table

Unit: NT$ thousand

Opening cash balance	Expected net cash flow from operating activities for the entire year	Estimated cash outflows for the entire year	Remaining (insufficient) cash	Remedies for insufficient cash	
				Investment plans	Financial plans
395,292	510,000	(642,000)	263,292	-	-

1. Analysis of changes in cash flows this year:
   (1) Operating activities: The change amount decreased by NT$836,199 thousand or -107.69% from last year.
   (2) Investment activities: The change amount increased by NT$24,118 thousand or 244.80% from last year.
   (3) Financing activities: The change amount increased by NT$295,995 thousand or 58.51% from last year.
   The increase in inventories was primarily due to the purchase of the Minsheng West Project for NT$106,210 thousand and Chengde I Project for NT$57,341 thousand; at the same time, the increase in cash outflows from operating activities resulted in a decrease in cash inflow from operating activities from the same period last year; while the repayment of bank loans of NT$173,500 thousand decreased from the repayment of bank loans of NT$460,671 thousand from the same period last year resulted in a decrease in cash outflows from financing activities from the same period last year; the cash inflows from investment activities for the period decreased from the same period last year primarily due to the procurement of offices of NT$19,546 thousand.
2. Expected remedies for cash deficits and liquidity analysis: Not applicable.
3. Cash liquidity analysis for the coming year:
   (1) We expect to buy more land and promote new projects.
   (2) Investment activities and financing activities: We expect to finance the acquisition of land and pay for construction projects.

IV. The effect upon financial operations of any major capital expenditures during the most recent fiscal year

None.

V. The company’s reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

None.

VI. Risks and assessment during the most recent fiscal year and up to the date of publication of the annual report

(I) The effect of interest and exchange rate fluctuations and changes in the inflation rate upon the company’s profits or losses, and response measures to be taken in the future:

The Company’s short-term borrowings are “benchmark interest rate” and “fixed markup” interest-bearing debt. The current benchmark interest rate of the financial institution does not change significantly as the Company is a customer that financial institutions strive for. Also, as the Company does not have foreign-currency assets, interest rate changes pose no impact on the Company's profit or loss. Domestic inflation is moderate so the Company's profit or loss is not significantly affected by inflation.

(II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions, the main reasons for the profits or losses generated thereby, and response measures to be taken in the future:

We dedicate ourselves to the development of the industry and do not engage in high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions.

(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

The Company does not have a dedicated R&D department but has a Development Department responsible for collecting market information and planning and designing integrated building products. Based on the fact that the construction industry is not like general manufacturing industries or high-tech industries that require R&D and design for new products, the Company does not have related R&D expenditures.

(IV) Effect of important policies adopted and changes in the legal environment at home and abroad on the company's financial operations, and measures to be taken in response:

We keep a close eye on domestic and international political and economic developments as well as statutory changes. Moreover, we are fully capable of responding to them in an appropriate fashion and have always complied with relevant government laws, while upholding the principle of stable operation to strive for sustainable development. Recent important policy and regulatory changes in both Taiwan and abroad did not pose any significant impact on the Company's financial operations.

(V) Effect of developments in science and technology as well as industrial change on the company's financial operations, and measures to be taken in response:

To respond to changes in science and technology as well as industry, we grasp market changes at all times and proactively obtain industrial information through a variety of methods to expand our business. There is currently no effect on the Company's financial operations due to scientific, technological or industrial changes.

(VI) Effect of changes in the company's corporate image on the company's crisis management, and measures to be taken in response:

We became a public company in April 1990 and began trading on TPEx in December 1998. We adhere to the business motto of "integrity, quality, service" to shape an exceptional corporate image. There has been no change in the Company's corporate image.

(VII) Expected benefits and possible risks associated with any mergers and acquisitions, and measures to be taken in response: None.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures to be taken in response: None.

(IX) Risks associated with any consolidation of sales or procurement operations, and measures to be taken in response:

Due to the characteristics of the industry and to control the quality standards of new construction projects, our construction works are contracted to our affiliate, who has sound construction technology standards and financial position. Because of this, we are able to avoid the risk of consolidation of procurement by enhancing the company's construction quality control. Not only do we buy land from general landowners, we also acquire land for construction through joint construction and allocation of housing units. Therefore, land acquisition transactions are specific and different, and there be have no procurement risk. Furthermore, we mostly sell construction projects to the general public, so there is no issue of consolidation of sales.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding more than a 10 percent stake in the company is transferred or otherwise changes hands, and measures to be taken in response:

Please refer to VIII on page 37 of the annual report.

(XI) Effect upon and risk to company due to changes in management rights, and measures to be taken in response: None.

(XII) Litigious and non-litigious matters

1. List major litigious, non-litigious or administrative disputes that involve the company and have been concluded by means of a final and unappealable judgment, or are still under litigation, where such a dispute could materially affect shareholders' equity or the prices of the company's securities: None.
2. List major litigious, non-litigious or administrative disputes that involve the company and/or any company director, supervisor, the president, person with actual responsibility, major shareholder holding a stake of more than 10 percent, or any companies controlled by the company that have been concluded by means of a final and unappealable judgment, or are still under litigation, where such a dispute could materially affect shareholders' equity or the prices of the company's securities: None.

(XIII) Other significant risks and measures to be taken in response:

1. Risk management policy:

   The Company has set up risk control operations in all departments and regularly reports to the Board of Directors.

2. Organizational structure of risk management:

   All levels and departments are responsible for risk. In the event of an irregular situation, the Audit Office or senior management must be quickly notified and seek early solutions to address the issue. Meanwhile, the decision-maker should take action within the shortest time.

   The Company's organization structure of risk management is as follows:

Organization name	Responsibility scope
Board of Directors	Ensures the efficiency of the risk management mechanism and allocates resources
Senior management	Carries out risk management decisions of the Board of Directors Coordinates risk management affairs between departments
Audit Office	Performs daily risk control inspection Supervises risk management activities and reports to the Board of Directors and supervisors of the implementation situation.
Other departments	Carry out daily risk control management

3. For liquidity risk management and credit risk management, please refer to "the most recent financial statements".
4. Disclosure of the types, objectives, means, effectiveness and accounting treatment of hedging transactions of applicable financial products (including financial derivatives):

   Not applicable as the Company is not involved in derivative transactions and does not adopt hedge accounting.
5. Information security risk:
   (1) Information security framework and policy: Information security risk management is our priority and to ensure the information security of our operations and customers, we have formulated the Internal Control Operating Procedures for Computerized Information System Operations in 2007, which is evaluated on a regular basis.
   (2) Concrete management plan: Our internal audit is performed once a year targeting information security, organization and authority, asset classification control, personnel management and education and training, computer system security management, and network security management to ensure the sustainable operation of the Company's business.

VII. Other important matters

None.

Eight. Special Items to Be Included

I. Information related to the affiliate

(I) Consolidated business report of the affiliate

1. Organization chart of the affiliate

Name of the affiliate	Shareholding or fund contribution ratio
Controlling company and subordinate company Jinyuan Construction Co., Ltd. (Note)	99.929%
Mutually invested company Jinyuan Construction Co., Ltd.	4.01%
Subordinate company and subordinate company None	

Note:

Same executive shareholders/directors	Shareholding or fund contribution ratio
Hung Min-Fu (legal person representative of Sunfon Construction)	99.929%

2. Basic information of the affiliate

Unit: NT$ thousand

Name of company	Date of establishment	Address	Paid-in capital	Major line of business or production
Controlling company: Sunfon Construction Co., Ltd.	1988.01.21	7F., No. 173, Section 2, Chang'an East Road, Taipei	1,943,076	Contracted construction company to build public housing and commercial buildings for lease and sale.
Subordinate company: Jinyuan Construction Co., Ltd.	1980.09.03	7F., No. 173, Section 2, Chang'an East Road, Taipei	100,000	Civil construction project contracting

3. Information on the presumed reasons and personnel presumed to have a controlling and subordinate relationship: None

4. The industries covered by the business operated by the affiliate

(1) Construction industry

(2) Construction works of Sunfon Construction Co., Ltd. are mostly contracted to Jinyuan Construction Co., Ltd. to build.

5. The names of the directors, supervisors, and general manager of each affiliate

March 29, 2021

Name of company	Title	Name	Date of assumption of office	Term of office	Number of shares held	
					Number of shares	Shareholding ratio
Controlling company:						
Sunfon Construction Co., Ltd.	Chairperson	Hung Min-Fu (representative, Don Tai Development Co., Ltd.)	2018.05.29	3 years	12,550,000	6.46%
	Director	Lin I-Wei (representative, Don Tai Development Co., Ltd.)	2018.05.29	3 years	12,550,000	6.46%
	Director	Chuang Yu-Te (representative, Yo-Li Investment Co., Ltd.)	2018.05.29	3 years	12,360,000	6.36%
	Director	Jean Jyi-Dean (representative, Yo-Li Investment Co., Ltd.)	2018.05.29	3 years	12,360,000	6.36%
	Director	Hong Ding Investment Co., Ltd. Representative: Chen Teh-Fong	2018.05.29	3 years	2,309,677	1.19%
	Independent director	Huang Tse-Jen	2018.05.29	3 years	0	0%
	Independent director	Lin Wen-Fang	2018.05.29	3 years	0	0%
	Supervisor	Yen Kuo-Lung	2018.05.29	3 years	0	0%
	Supervisor	Golden Plaza Cultural & Education Foundation Representative: Huang Cheng-Yuan	2018.05.29	3 years	1,980,000	1.02%
Subordinate company:						
Jinyuan Construction Co., Ltd.	Chairperson	Hung Min-Fu (representative, Sunfon Construction Co., Ltd.)	2019.06.28	3 years	99,929	99.929%
	Director	Lin I-Wei (representative, Sunfon Construction Co., Ltd.)	2019.06.28	3 years	99,929	99.929%
	Director	Chuang Yu-Te (representative, Sunfon Construction Co., Ltd.)	2019.06.28	3 years	99,929	99.929%
	Supervisor	Yen Kuo-Lung	2019.06.28	3 years	0	0

6. Operating overview of the affiliate (individual financial information)

Unit: NT$ thousand

Name of company	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit or loss	Profit or loss for the period (after tax)	Earnings per share (NT$) (after tax)
Sunfon Construction Co., Ltd.	1,943,076	3,279,806	550,175	2,729,631	666,932	234,939	204,629	1.10
Jinyuan Construction Co., Ltd.	100,000	237,941	54,310	183,631	46,035	(29,256)	(21,492)	(214.92)

(II) Consolidated financial statements of the affiliate

The Company does not prepare separate consolidated financial statements of the affiliate but only issues a statement (please refer to page 192); for the consolidated financial statements of the parent and subsidiary, please refer to pages 68-125 of this report.

(III) The affiliate’s report

It is not required to prepare a report of the affiliate.

Statement

In 2020 (from January 1 to December 31, 2020), all companies that should be included in the consolidated financial statements of affiliated enterprises in accordance with the "Regulations Governing the Preparation of Consolidated Financial Statements of Affiliated Enterprises and Reports of Affiliated Enterprises" and IFRS 10 are the same. The consolidated financial statements of affiliated enterprises have been disclosed in the parent and subsidiary consolidated financial statements; therefore, separate consolidated financial statements of the affiliate will not be prepared.

Hereby declared

Company name: Sunfon Construction Co., Ltd.

Chairman: Hung Min-Fu

March 9, 2021

II. Private placement of securities during the most recent fiscal year and up to the date of publication of the annual report

None.

III. Holding or disposal of shares in the company by the company's subsidiary during the most recent fiscal year and up to the date of publication of the annual report

Unit: NT$ thousand; shares; %

Name of the subsidiary	Paid-in capital	Funding sources	Shareholding ratio of the Company	Acquisition or disposal date	No. of shares acquired and amount	No. of shares disposed of and amount	Investment gain or loss (NT$ thousand)	No. of shares held and amount as of April 20, 2021	Setting of pledge	The amount of endorsement/ gaurantee provided to the subsidiary by the Company	The amount loaned to the subsidiary by the Company
Jinyuan Construction Co., Ltd.	100,000	Self-funded	99.929%	-	-	-	-	7,799,443 shares NT$156,379 thousand	None	-	-

IV. Any of the situations listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the company's securities that have occurred during the most recent fiscal year and up to the date of publication of the annual report

None.

V. Other matters that require additional description:

None.

Sunfon Construction Co., Ltd.

Chairperson: Hung Min-Fu