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Sunfon Construction Co., Ltd.
Parent Only Financial Report and CPAs' Audit Report
2020 and 2019

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Company Telephone Number: (02)2772-0267

Parent Only Financial Report
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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. Recognition of proceeds from the sale of real estate

   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.

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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	Accounting Subject (Assets)	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	Accounting Subject (Liabilities and equity)	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		2019	
			Amount	%	Amount	%
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

	Item	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 equity
				Legal reserves	Special reserves	Undistributed earnings			
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　　Managerial Officer: Yu Jui-Hsing　　Accounting Supervisor: Shih Shu-Ying

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)

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

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;
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 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

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.

Financial assets at fair value through profit or loss

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

Classification of liabilities or equity

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.

Equity instruments

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.

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 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. 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 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. Inventories

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.

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

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	$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

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

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	Tianmu Section,	33	-

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

Street Project	Tianmu District, Taipei City		
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	$-	$62,351	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	Percentage of	Scheduled

	contract (budgeted cost, excluding land payment)	completion	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 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

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

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)
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)

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

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)
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	$-	$-
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.

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

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 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	41	76

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

(assets)		
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

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

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

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 increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation 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

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

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.

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

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 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 –	97,154	88,322	0.5	0.5

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

cash dividend				
Common stock –	136,015	176,643		
stock dividend			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
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	2019
	Construction Segment	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

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

(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.

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

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

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.

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

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.

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 through other comprehensive income	(28,688)	-	(28,688)	-	(28,688)
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	132	-	132	-	132

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

loss of subsidiaries, affiliates and joint ventures recognized under the equity method					
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

	2020	2019 after retrospective application
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

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

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

	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

(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	

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	

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

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.

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

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

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.

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

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
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.

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				

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

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.

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

Attachment 1: Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates and joint ventures):

Holding company	Type of marketable securities	Name of marketable securities	Relationship with the marketable securities issuer	Listed subject	End of period				Remark
					Number of shares (in units)	Carrying amount	Shareholding ratio (%)	Fair value	
The Company	Stock	Hong Pu Real Estate Development Co., Ltd.	None	Financial assets measured at fair value through other comprehensive income - non-current	8,100,000	$186,300	2.43	$186,300	
	“	Yuanta Financial Holding Co., Ltd.	“		4,270,000	87,748	0.04	87,748	
	“	Taishin Financial Holding Co., Ltd.	“		10,540,000	139,655	0.09	139,655	
	“	Shin Kong Financial Holding Co., Ltd.	“		12,800,000	112,768	0.10	112,768	
	“	IBF Financial Holdings Co., Ltd.	“		12,820,000	164,737	0.44	164,737	
	“	Sinopac Financial Holdings Co., Ltd.	“		5,700,000	65,265	0.05	65,265	
	“	Taiwan Cooperative Financial Holding Co., Ltd.	“		5,470,000	111,315	0.04	111,315	
	“	Taiwan Business Bank	“		2,870,000	27,925	0.04	27,925	
	“	Bestdisc Technology Corp.	“		1,840,000	9,347	3.06	9,347	
						$905,060		$905,060	

Attachment 2: The business relationship and important transactions between the parent company and subsidiaries are as follows:

No. (Note 1)	Name of counterparty	Transaction party	Relationship with the counterparty (Note 2)	Transaction status			
				Subject	Amount	Transaction term	Ratio of total consolidated revenue or total assets
0	Sunfon Construction Co., Ltd.	Jinyuan Construction Co., Ltd.	1	Construction work in progress - construction project	$26,667	No significant different from general manufacturers	0.81%
0	Sunfon Construction Co., Ltd.	Jinyuan Construction Co., Ltd.	1	Construction work in progress - demolition of building and waste removal	12,739		0.38%
					$39,406		1.19%

Note 1: The number column is filled in as follows:

1. The issuer is “0”
2. The investees are numbered in order starting from “1”.

Note 2: The transaction party and the Company's relationship is as follows:

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

Note 3: If the transaction between the parent company and subsidiary is the same, the relative transaction will not be disclosed.

Attachment 3: Names, locations and other information of investees (not including investment companies in Mainland China):

Name of investor	Name of investee	Location	Major line of business	Original investment amount		Shareholding at the end of the period			(Loss) profit of investees for the period	Investment profit (loss) recognized for the period	Remark
				End of the period	End of last year	Number of shares (in units)	Ratio	Carrying amount			
Sunfon Construction Co., Ltd.	Jinyuan Construction Co., Ltd.	Taipei City	Civil construction project contracting	$99,858	$99,858	99,929	99.929%	$13,689	$(19,939)	$(19,928)	

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

Attachment 4: Information on major shareholders

Unit: Shares

Shares / Name of major shareholders	Number of shares held	Shareholding ratio
Da Hong Investment Co., Ltd.	17,820,000	9.17%
Yi Sheng Investment Co., Ltd.	17,710,000	9.11%
Yi Fu Investment Co., Ltd.	13,420,000	6.90%
Xin Wei Investment Co., Ltd.	12,760,000	6.56%
Xin Wang Investment Co., Ltd.	12,500,000	6.43%
Don Tai Development Co., Ltd.	12,400,000	6.38%
Yo-Li Investment Co., Ltd.	12,200,000	6.27%
Jin Zan Business Development Co., Ltd.	11,220,000	5.77%

Note 1: Information on major shareholders in this table is provided by the Taiwan Depository & Clearing Corp. based on the calculation of shareholders holding at least 5% of the Company's total common stock delivered without physical registration on the last business day at the end of each quarter. The number of shares recorded in the Company's financial statements and the actual number of shares delivered without physical registration may be different due to the basis of preparation.

Note 2: The above information is disclosed by the individual trustee's trust account opened by the trustee if the shareholder is delivered to the trust by the shareholder. For shareholders holding more than 10% of their shares in accordance with the provisions prescribed in the Securities and Exchange Act, their shareholdings include their own shares plus their shares delivered to the trust and have the right to exercise the use of the trust property. Please refer to the MOPS for information on the reporting of insider shares.

Table of Contents for Breakdown of Significant Accounting Items

Sunfon Construction Co., Ltd.
1. Breakdown of inventory
December 31, 2020

Unit: NT$ thousand

Item	Amount		Remark
	Subtotal	Net realizable value	
Construction site	$757,575	$820,431 (Note 1)	For assets provided as guarantees listed on the left, please refer to Note 8 of the parent only financial statements.
Property for sale	33,026	33,026	
Land under construction	763,995	763,995 (Note 2)	
Prepayment for land	15,631	15,631	
Total	$1,570,227		

Note 1: The Company's future construction products for investment have not yet been decided, and the real estate market price varies depending on the location of the product (e.g. affordable residential properties or luxury resident properties). As the Company has not yet finalized the development direction (positioning) of each construction site, it is difficult to determine the net realizable value. However, in consideration of the Company's historical development experience and the current domestic real estate market, the Company estimates that the net realizable value of the construction sites will be greater than the carrying costs.

Note 2: Due to the industry characteristics of construction companies, the market value of the land under construction is difficult to determine; therefore, the amount is presented at cost. However, the pre-sale prices of the Company's construction projects are greater than the estimated cost of the land.

Sunfon Construction Co., Ltd.
2. Breakdown of prepayments
December 31, 2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Other prepaid expenses		$17	
Tax overpaid retained for offsetting the future tax		46	
Other prepayments		180	
		$243	

Sunfon Construction Co., Ltd.
3. Breakdown of other current assets
December 31, 2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Construction deposit paid	Pre-sale housing trust	$49,215	
Other financial assets	Land disposal fees	37,569	
Profits receivable		66	
Temporary payment		168	
Payment on behalf of a party		6	
Total		$87,024	

Sunfon Construction Co., Ltd.

4. Breakdown of changes in investments accounted for using the equity method

December 31, 2020

Unit: NT$ thousand

Name	Opening balance			Increase in the period		Decrease in the period		Closing balance			Market value or net equity		Provision of guarantees or pledges	Remark
	Number of shares	Shareholding ratio	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Shareholding ratio	Amount	Unit price	Total price		
Jinyuan Construction Co., Ltd.	99,929	99.929%	$30,309	-	$3,543	-	$(20,163)	99,929	99.929%	$13,689	$-	$182,068	None	
					(Note 1)		(Note 2)					(Note 3)		

Note 1: The increase for the period was due the offset cash dividends acquired by the subsidiary from the parent company of NT$3,543 thousand.

Note 2: The decrease for the period was due to the effect of changes in equity recognized using the equity method of NT$235 thousand and investment loss recognized using the equity method of NT$19,928 thousand.

Note 3: Equity in net assets as at December 31, 2020, was calculated as there was no active market quotation and the fair value cannot be reliably measured.

Sunfon Construction Co., Ltd.
5. Breakdown of other non-current assets
December 31, 2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Deposit paid		$1,783	

Sunfon Construction Co., Ltd.
6. Breakdown of short-term borrowings
December 31, 2020

Unit: NT$ thousand

Type of borrowings	Description	Closing balance	Contractual term	Interest rate range (%)	Summary	Mortgage or guarantee	Remark
Unsecured borrowings	Chang Hwa Bank	$4,900	2020.12.25-2023.6.25	1.80%	$140,000	None	
Secured borrowings	Chang Hwa Bank	$92,000	2018.6.15-2022.6.15	1.85%	$92,000	Yes	For borrowings provided as guarantees listed on the left, please refer to Note 8 on the parent only financial statements.
	Jih Sun International Bank	40,000	2020.7.14-2021.7.12	1.30%	120,000	"	
	Yuanta Commercial Bank	25,000	2020.12.4-2021.3.4	1.20%	150,000	"	
	Hua Nan Commercial Bank	74,000	2020.6.10-2021.6.10	1.50%	74,000	"	
	O-Bank	80,000	2020.12.7-2021.1.7	1.59%	180,000	"	
	Bank SinoPac	34,290	2020.8.14-2023.8.14	1.50%	87,136	"	
	Subtotal	$345,290					
	Total	$350,190					

Sunfon Construction Co., Ltd.
7. Breakdown of current contractual liabilities
December 31, 2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Advance payment for construction sites		$120,524	
Unearned revenue		2,190	
Total		$122,714	

Sunfon Construction Co., Ltd.
8. Breakdown of notes payable
December 31, 2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Notes payable – non-related parties:			
Customer A		$327	
Customer B		213	
Customer C		203	
Customer D		135	
Customer E		119	
Customer F		93	
Other		43	(The amount is less than 5% of the subject)
Total		$1,133	

Sunfon Construction Co., Ltd.

9. Breakdown of accounts payable

December 31, 2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Accounts payable – non-related parties:			
Customer A		$2,408	
Other		15	(The amount is less than 5% of the subject)
Total		$2,423	

Sunfon Construction Co., Ltd.
10. Breakdown of other payables
December 31, 2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Employee salary		$3,709	
Employee remuneration		2,575	
Director/supervisor remuneration		2,575	
Borrowing interest		274	
Labor costs		345	
Other		2,098	(The amount is less than 5% of the subject)
Total		$11,576	

Sunfon Construction Co., Ltd.
11. Breakdown of other current liabilities – other
December 31, 2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Temporary receipts		$65	
Collection on behalf of a party	Salary income tax and labor and health	2,923	
Other		1,300	
Total		$4,288	

Sunfon Construction Co., Ltd.
12. Breakdown of other non-current liabilities – other
December 31, 2020

Unit: NT$ thousand

Item	Summary	Amount	Remark
Deposit received		$339	

Sunfon Construction Co., Ltd.
13. Breakdown of operating expenses
December 31, 2020

Unit: NT$ thousand

Item	Summary	Amount		Remark
		Subtotal	Total	
Marketing expenses	Advertising fee	$476		
	Other expenses	261	$737	
Management expenses	Salary expenditure	22,500		
	Insurance premium	1,480		
	Taxation	3,462		
	Security fee	1,511		
	Pension	898		
	Labor costs	2,084		
	Other expenses	5,935	37,870	
Total			$38,607	