5514

# Sunfon Construction Co., Ltd. and Subsidiaries
# Consolidated Financial Report and CPAs' Audit Report
# 2020 and 2019

Company address: 7F., No. 173, Section 2, Chang'an East Road, Taipei
Company Telephone Number: (02)2772-0267

# Consolidated Financial Report
# Table of Contents

# Statement

In 2020 (from January 1 to December 31, 2020), all companies that should be included in the consolidated financial statements of affiliated enterprises in accordance with the "Regulations Governing the Preparation of Consolidated Financial Statements of Affiliated Enterprises and Reports of Affiliated Enterprises" and IFRS 10 are the same. The consolidated financial statements of affiliated enterprises have been disclosed in the parent and subsidiary consolidated financial statements; therefore, separate consolidated financial statements of the affiliate will not be prepared.

Hereby declared

Company name: Sunfon Construction Co., Ltd.

Chairman: Hung Min-Fu

March 9, 2021

## CPAs' Audit Report

**To Sunfon Construction Co., Ltd.:**

**Auditor's opinion**

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

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

**The basis for opinions**

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

**Key audit items**

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

1. Recognition of proceeds from the sale of real estate

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

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

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

2. Inventory valuation

   The primary business of Sunfon Construction Group is the construction of residential and commercial buildings. Its inventory is mainly land for construction, land under construction and land for sale. As of December 31, 2020, the consolidated net inventory of Sunfon Construction Group totaled

NT$1,557,223 thousand, accounting for 47% of its consolidated total assets, which was material to its financial statements. As the real estate market is affected by politics, the general economy, and land tax reform, it is more difficult and risky for management to evaluate the value of inventories. Therefore, inventory valuation is material to the audit of financial statements.

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

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

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

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

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

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

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

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

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

1. Identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive risks, and obtaining evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtaining an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Sunfon Construction Group.
3. Evaluating the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Drawing a conclusion on the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on Sunfon Construction Group, and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to remind the users of our auditor's report to pay attention to the related disclosures in the consolidated financial statements or, if such disclosure is inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause Sunfon Construction Group to cease as a going concern.

5. Evaluating the overall presentation, structure, and content of the consolidated financial statements (including related notes), and whether the consolidated financial statements represent the underlying transactions and events in a matter that achieves fair presentation.

6. E Obtain sufficient and adequate audit evidence on the financial information of the entities of the Group to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group, and is also responsible for forming an opinion on the audit of the Group.

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

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

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

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

EY

Financial reports of the public company approved by the competent authorities

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

Yang Chih-Hui 楊智惠

CPAs:

Hsu Hsin-Min 許新民

March 9, 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# I. Company History

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

## II. Passing of Financial Reporting Date and Procedures

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

## III. Application of New and Revised Standards and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) IFRS 17 "Insurance Contracts"

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

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

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

Other than the general model, it provides:

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

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

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

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

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

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

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

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

D. Annual Improvements to IFRSs 2018-2020 Cycle

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

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

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

*Amendments to IFRS 41*
This amendment removes the requirement to exclude cash flows from

taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with the relevant requirements of other IFRSs.

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

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

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

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

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

## IV. Summary of Material Accounting Policies

### 1. Compliance Statement

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

### 2. Basis of Preparation

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

### 3. Basis of Consolidation

Principles of the Preparation of Consolidated Financial Statements

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

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

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

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

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

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

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

Total comprehensive income of the subsidiary is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of the subsidiary, it:

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

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

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

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

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

(1) The Group expects to settle the liability in its normal operating cycle.
(2) The Group holds the liability primarily for the purpose of trading.
(3) The liability is due to be settled within twelve months after the reporting period.
(4) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

5. Cash and cash equivalents

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

6. Financial instruments

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

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

(1) Recognition and measurement of financial assets

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

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

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

<u>Financial assets measured at amortized cost</u>

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

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

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

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

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

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

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

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

Methods of measuring allowance for losses are:

A. 12-month expected credit losses: including financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the balance sheet date. In addition, it also includes the allowance for losses measured at the amount of expected credit losses during the prior reporting period, but on the reporting date for the current period credit risk has not significantly increased since initial recognition.

B. The amount of expected credit losses during the surviving period is measured by the amount of credit impairment including financial assets with a significant increase in credit risk since initial recognition, or purchased or originated credit-impaired financial assets.
C. For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
D. For lease receivables or contract assets arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(3) Derecognition of financial assets

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

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

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

(4) Financial liabilities and equity instruments

Classification of liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

A. Doing so eliminates or significantly reduces a measurement or recognition inconsistency; or
B. The liability is part or a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity’s key management personnel.

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial instruments

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

7. Fair value measurement

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

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

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

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

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

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

8. Inventories

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

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

9. Property, plant and equipment

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

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

| | |
|---|---|
| Houses and buildings | 5-55 years |

| | |
|---|---|
| Transportation equipment | 5 years |
| Other equipment | 5-8 years |

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

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

10. Investment property

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

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

| | |
|---|---|
| Buildings | 50-55 years |

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

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

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

11. Leasing

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

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

For contracts that are (or contain) leases, the Group accounts for each lease component within a contract as a lease separately from the non-lease components of the contract. When a contract contains a lease component and one or more non-lease components, the Group allocates the consideration in the contract to each lease component based on the relative stand-alone prices of the lease components and the aggregate standalone 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 standalone price is not readily available, the Group maximizes the use of observable inputs to estimate the standalone price.

<u>Group as the lessee</u>

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

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

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

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

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

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

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

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

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

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

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

Group as the lessor

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

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

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

12. Intangible assets

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

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

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

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

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

Computer software

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

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

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

13. Impairment of non-financial assets

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

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

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

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

14. Borrowing costs

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

15. Post-employment benefit plans

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

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

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

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

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

16. Treasury stock

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

17. Revenue recognition

Recognition of gain or loss on sale of properties

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

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

Contracted income

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

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

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

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

18. Income tax

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

Income tax for the period

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

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

Deferred income tax

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

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

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

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

(1) Is not a business combination and not related to the deductible temporary differences arising from the original recognition of an asset or liability that at the time of the transaction affects neither the accounting profit nor the taxable income (loss);
(2) Liabilities arising from temporary differences associated with investments in subsidiaries, branches, and associates, and interests in joint arrangements, but only to the extent that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

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

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

## V. Significant accounting judgements and sources of estimation uncertainty

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

### 1. Judgments

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

(1) Investment property

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

(2) Operating lease commitments – Group as the lessor

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

2. Estimates and assumptions

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

(1) Post-employment benefit plans

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

(2) Income tax

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

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

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

(3) Inventories

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

## VI. Significant accounting items

### 1. Cash and cash equivalents

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

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

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

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

### 3. Inventories

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

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

(1) Details of properties for sale are:

| By project | 2020.12.31 | | | 2019.12.31 | | |
|---|---|---|---|---|---|---|
| | Land for sale | Houses for sale | Total | Land for sale | Houses for sale | Total |
| He Ti | $15,628 | $10,622 | $26,250 | $17,453 | $11,862 | $29,315 |
| Sunfon Jin Cheng | 4,066 | 2,010 | 6,076 | 4,066 | 2,010 | 6,076 |
| Zhong Zheng Xue Fu | 73 | 627 | 700 | 73 | 627 | 700 |
| Feng Hua Hui | - | - | - | 17,336 | 5,745 | 23,081 |
| Total | $19,767 | $13,259 | $33,026 | $38,928 | $20,244 | $59,172 |

(2) Details of land for construction are:

| Name of the construction project | Land location | 2020.12.31 | 2019.12.31 |
|---|---|---|---|
| Luzhu Township | Kengzi Section, Luzhu Township, Taoyuan County | $7,385 | $7,385 |
| Bao'an Project | Yanping Section, Datong District, Taipei City | 6,144 | 6,144 |
| Changji Project | Qiaobei Section, Datong District, Taipei City | 24,575 | 24,455 |
| Chengde I Project | City Hall Section, Datong District, Taipei City | - | 530,480 |
| Yanping Chang'an Project | Yuquan Section, Datong District, Taipei City | 18,746 | 18,746 |
| Minsheng West Project | Shuanglian Section, Datong District, Taipei City | 247,734 | 119,133 |
| Yuanhuan Section, Taiyuan Road | Yuanhuan Section, Datong District, Taipei City | 22,062 | 22,062 |
| Heping West Road | Nanhai Section, | 809 | 809 |

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

| | | | |
|---|---|---|---|
| Project | Zhongzheng District, Taipei City | | |
| No. 138, Sec. 3, Chongqing North Road | Qiaobei Section, Datong District, Taipei City | 264,863 | 264,863 |
| Section 4, Nanjing East Road Project | Meiren Section, Songshan District, Taipei City | 480 | 400 |
| Guisui and Minle Street Project | Yanping Section, Datong District, Taipei City | 35,825 | 16,624 |
| No.16, Section 1, Nanchang Road | Nanhai Section, Zhongzheng District, Taipei City | 3,168 | - |
| Lane 175, Section 1, Kangning Road | Kangning Section, Neihu District, Taipei City | 125,751 | - |
| Tianmu Tianyu Street Project | Tianmu Section, Tianmu District, Taipei City | 33 | - |
| Total | | $757,575 | $1,011,101 |

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

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

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

| | | |
|---|---|---|
| cost | | |
| Total | $750,991 | $316,414 |

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

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

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

| By project | Total price for construction contract (budgeted cost, excluding land payment) | Percentage of completion | Scheduled completion year |
|---|---|---|---|
| City Meeting Point | $200,000 | 14% | 2022 |

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

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

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

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

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

4. Property, plant and equipment

Changes in property, plant and equipment are as follows:

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

| | Land | Buildings | Transportation equipment | Miscellaneous equipment | Total |
|---|---|---|---|---|---|
| Cost: | | | | | |
| 2019.1.1 | $17,482 | $14,139 | $1,610 | $637 | $33,868 |
| Additions – from purchases | - | - | - | - | - |
| Transfer | 18,373 | 1,173 | - | - | 19,546 |
| 2019.12.31 | 35,855 | 15,312 | 1,610 | 637 | 53,414 |
| Additions – from purchases | - | 902 | - | 215 | 1,117 |
| Transfer | - | - | - | - | - |
| 2020.12.31 | $35,855 | $16,214 | $1,610 | $852 | $54,531 |
| | | | | | |
| Depreciation and impairment: | | | | | |
| 2019.1.1 | $- | $(7,196) | $(688) | $(437) | $(8,321) |
| Depreciation for the period | - | (254) | (269) | (22) | (545) |
| Transfer | - | (12) | - | - | (12) |
| 2019.12.31 | - | (7,462) | (957) | (459) | (8,878) |
| Depreciation for the period | - | (306) | (268) | (28) | (602) |
| Transfer | - | - | - | - | - |
| 2020.12.31 | $- | $(7,768) | $(1,225) | $(487) | $(9,480) |
| | | | | | |
| Net carrying amount: | | | | | |
| 2020.12.31 | $35,855 | $8,446 | $385 | $365 | $45,051 |
| 2019.12.31 | $35,855 | $7,850 | $653 | $178 | $44,536 |

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

5. Investment property

(1) Changes in investment properties are as follows:

| | Land | Buildings | Total |
|---|---|---|---|
| Cost: | | | |
| 2019.1.1 | $248,239 | $88,730 | $336,969 |
| Additions – from purchases | 18,373 | 1,173 | 19,546 |
| Transferred from inventory | 1,244 | 413 | 1,657 |
| Transferred to property, plant and | (18,373) | (1,173) | (19,546) |

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

| | | | |
|---|---|---|---|
| equipment | | | |
| 2019.12.31 | 249,483 | 89,142 | 338,625 |
| Additions – from purchases | - | - | - |
| Transferred to inventory | (1,244) | (413) | (1,657) |
| Disposal/Sale | - | (285) | (285) |
| 2020.12.31 | $248,239 | $88,444 | $336,683 |
| | | | |
| Depreciation and impairment: | | | |
| 2019.1.1 | $(2,431) | $(38,417) | $(40,848) |
| Depreciation for the period | - | (1,607) | (1,607) |
| Transferred to inventory | - | - | - |
| Transferred to property, plant and equipment | - | 12 | 12 |
| 2019.12.31 | (2,431) | (40,012) | (42,443) |
| Depreciation for the period | - | (1,535) | (1,535) |
| Transferred to inventory | - | 11 | 11 |
| Disposal/Sale | - | 221 | 221 |
| Impairment reversal | 2,100 | - | 2,100 |
| 2020.12.31 | $(331) | $(41,315) | $(41,646) |
| | | | |
| Net carrying amount: | | | |
| 2020.12.31 | $247,908 | $47,129 | $295,037 |
| 2019.12.31 | $247,052 | $49,130 | $296,182 |

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

(3) As investment properties held by the Group are not measured at fair value, information on their fair values is disclosed. The fair values of these investment properties are in level 3 of the fair value hierarchy. The fair values of investment properties held by the Group for the years ended December 31, 2020 and 2019 were approximately NT$374,047 thousand and NT$323,767 thousand, respectively. The fair values mentioned above were obtained by taking reference from the valuation of independent external appraisals gained in the past years and the actual transaction prices in each year, as well as the transaction prices of similar property markets in the vicinity of relevant assets (including the Real Estate Actual Transaction Price Inquiry Website and websites of real estate agents). The fair values provided by independent external appraisers mentioned above were determined using the comparative method and the income approaches, while also taking into consideration the nature of the subject property, the status of use and the credibility of the benchmark data. The contribution value of land and buildings is respectively determined using the joint contribution principle based on the cost value proportion of the land and

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

buildings. The main evaluation parameter used in the comparison method is the cases in the vicinity of the subject of the survey. The main parameter of the income capitalization rate method is to calculate the price per ping (3.3058 m2) based on the annual net rent after the market survey, and then use the income capitalization rate of 1.88%-3.73%. As the Group considers the capitalization rate of income in the domestic real estate market for the most recent year to be comparable to what was mentioned above, the appraisal results as well as the aforementioned recent real estate market were referred for use as fair values of investment properties as of the date of each financial report.

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

6. Intangible assets

| | Computer software | Total |
|---|---|---|
| Cost: | | |
| 2020.1.1 | $- | $- |
| Additions – acquired externally | 514 | 514 |
| 2020.12.31 | $514 | $514 |
| 2019.1.1 | $- | $- |
| Additions – acquired externally | - | - |
| 2019.12.31 | $- | $- |
| | | |
| Amortization and impairment: | | |
| 2020.1.1 | $- | $- |
| Amortization | (17) | (17) |
| 2020.12.31 | $(17) | $(17) |
| 2019.1.1 | $- | $- |
| Amortization | - | - |
| 2019.12.31 | $- | $- |
| | | |
| Net carrying amount: | | |
| 2020.12.31 | $497 | $497 |
| 2019.12.31 | $- | $- |

Amortization amounts recognized under intangible assets are as follows:

| | 2020 | 2019 |
|---|---|---|
| Operating expenses | $17 | $- |

7. Short-term borrowings

| | Interest rate range (%) | 2020.12.31 | 2019.12.31 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Unsecured bank loans | 1.29%~ 1.80% | $4,900 | $- |
| Secured bank loans | 1.20%~ 2.40% | 358,290 | 309,000 |
| Total | | $363,190 | $309,000 |

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

8. Post-employment benefit plans

Defined contribution plan

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

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

Defined benefit plan

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

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

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

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

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

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

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

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

Reconciliation of net defined benefit liabilities (assets):

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities (assets) |
|---|---|---|---|
| 2019.1.1 | $27,866 | $(15,515) | $12,351 |
| Current service cost | 271 | - | 271 |
| Interest expense (income) | 257 | (147) | 110 |
| Subtotal | 28,394 | (15,662) | 12,732 |
| Remeasurements of defined benefit liabilities/assets: | | | |

| | | | |
|---|---|---|---|
| Actuarial gains and losses arising from changes in demographic assumptions | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | (503) | - | (503) |
| Experience adjustments | (644) | (516) | (1,160) |
| Subtotal | 27,247 | (16,178) | 11,069 |
| Benefits paid | - | - | - |
| Contributions by employer | - | (845) | (845) |
| Other | 1 | (1) | - |
| 2019.12.31 | 27,248 | (17,024) | 10,224 |
| Current service cost | 265 | - | 265 |
| Interest expense (income) | 180 | (115) | 65 |
| Subtotal | 27,693 | (17,139) | 10,554 |
| Remeasurements of defined benefit liabilities/assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | 1,921 | - | 1,921 |
| Experience adjustments | 389 | (584) | (195) |
| Subtotal | 30,003 | (17,723) | 12,280 |
| Benefits paid | - | - | - |
| Contributions by employer | - | (1,835) | (1,835) |
| Other | - | 5 | 5 |
| 2020.12.31 | $30,003 | $(19,553) | $10,450 |

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

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

Sensitivity analysis of each significant actuarial assumption:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Defined benefit obligation increase | Defined benefit obligation decrease | Defined benefit obligation increase | Defined benefit obligation decrease |
| Discount rate increased by 0.5% | $- | $(1,100) | $- | $(1,056) |

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

| | | | | |
|---|---|---|---|---|
| Discount rate decreased by 0.5% | 1,186 | - | 1,140 | - |
| Expected salary rate increased by 0.5% | 1,148 | - | 1,113 | - |
| Expected salary rate decreased by 0.5% | - | (1,077) | - | (1,043) |

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

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

9. Equity

(1) Common stock

For the years ended December 31, 2020 and 2019, the Company's authorized capital totaled NT$3,000,000 thousand and NT$2,000,000 thousand, respectively; its paid-in capitals totaled NT$1,943,076 thousand and NT$1,766,433 thousand, respectively, with a par value of NT$10 per share, resulting in 194,307 thousand shares and 176,643 thousand shares, respectively. Each share is entitled to one voting right and the right to receive dividends.

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

(2) Additional paid-in capital

| | 202<br>0.1<br>2.3<br>1 | 201<br>9.1<br>2.3<br>1 |
|---|---|---|
| Treasury stock trading | $3,830 | $3,830 |
| Treasury stock trading – other | 22,713 | 19,170 |
| Gains on disposal of assets | 14 | 14 |
| Total | $26,557 | $23,014 |

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

(3) Treasury stock

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

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

(4) Earning distribution and dividend policies

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

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

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

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

10% to 100% are distributed to shareholders.

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

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

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

| | Earnings allocation and distribution motions | | Dividends per share (NT$) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Legal reserves | $29,290 | $34,131 | $- | $- |
| Common stock – cash dividend | 97,154 | 88,322 | 0.5 | 0.5 |
| Common stock – stock dividend | 136,015 | 176,643 | 0.7 | 1 |

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

(5) Non-controlling interests

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

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

10. Operating income

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

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

(1) Revenue breakdown

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

(2) Contract balance

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

(3) Contract cost

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

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

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

11. Leasing

The Group as the lessor

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

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

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

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

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

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

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

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

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

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

13. Non-operating income and expenditures

(1) Interest income

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

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

(2) Other income

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

(3) Other benefits and losses

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

(4) Financial cost

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

14. Other comprehensive profit and loss components

2020:

| | Generated from current period | Reclassification adjustment for the current period | Other comprehensive income | Income tax benefit (expense) | Amount after tax |
|---|---|---|---|---|---|
| Items not reclassified to profit or loss: | | | | | |
| Remeasurement of defined benefit plans | $(1,726) | $- | $(1,726) | $- | $(1,726) |
| Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income | (28,688) | - | (28,688) | - | (28,688) |
| Total | $(30,414) | $- | $(30,414) | $- | $(30,414) |

2019:

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

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

15. Income tax

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

Income tax recognized in profit or loss

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

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

| | 2020 | 2019 |
|---|---|---|
| Income from continuing operations before income tax | $252,323 | $408,955 |
| Income tax calculated at the parent company's statutory income tax rate | $50,465 | $81,791 |
| Effects of income tax of construction benefits that should be adjusted | 30 | (1,128) |
| Effects of income tax of non-deductible tax expenses | 3,686 | 3,335 |

| | | |
|---|---|---|
| Effects of tax-free income benefits | (10,851) | (21,179) |
| Income tax on undistributed earnings | 2,111 | - |
| Prior year current income tax adjustments | (21) | 855 |
| Land value increment tax | 2,776 | 5,638 |
| Other effects of income tax adjusted in accordance with other tax laws. | (491) | 4 |
| Total income tax expense recognized in profit or loss | $47,705 | $69,316 |

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

(4) Approval of filing for income tax

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

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

16. Earnings per share

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

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

| | 2020 | 2019 after retrospective application |
|---|---|---|
| (1) Basic earnings per share | | |
| Net for the period (NT$ thousand) | $204,629 | $339,651 |
| Weighted-average number of ordinary shares for basic earnings per share (in thousand shares) | 186,508 | 186,508 |
| Basic earnings per share (NT$) | $1.10 | $1.82 |

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

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

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

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

## VII. Related party transactions

Remuneration to the Group's key management

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

## VIII. Pledged assets

The following is the Group's assets as collateral:

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

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

## IX. Significant contingent liabilities and unrecognized contractual commitments

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

| Name of the construction project | Margin requirement by the Company | Margin paid (Note) | Pending margin | Proportion of share of landowners' property rights |
|---|---|---|---|---|
| Chang'an West I Project | $36,745 | $7,764 | $28,981 | 60% |
| Chengde I Project | 23,749 | 7,066 | 16,683 | 60% |
| Yongji-Songxin Project | 14,653 | 4,625 | 10,028 | 65% |
| Minsheng West Road Project | 7,987 | 2,394 | 5,593 | 60% |
| No.16, Section 1, | 13,492 | 10,426 | 3,066 | 65% |
| Nanchang Road | 6,200 | 1,800 | 4,400 | 46% |
| Nanshan Road, Zhonghe | | | | |
| Bao'an Project | 4,232 | 640 | 3,592 | 60% |
| City Meeting Point | 3,000 | 3,000 | - | 63% |
| No. 154, Taiyuan Road | 200 | 200 | - | 65% |
| Ganzhou Street Project | 800 | 800 | - | 62% |
| No. 128, Section 3, | 2,000 | 2,000 | - | 62% |
| Chengde Road | 8,500 | 8,500 | - | 62% |
| No. 101, Chang'an | | | | |

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

| | | | |
|---|---|---|---|
| West | | | |
| Total | $121,558 | $49,215 | $72,343 |

Note: Refundable deposits recorded under other current assets.

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

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

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

## X. Losses due to major disasters

None.

## XI. Significant subsequent events

None.

## XII. Other

1. Types of financial instruments

Financial assets

| | 2020.12.31 | 2019.12.31 |
|---|---|---|
| Financial assets measured at fair value through other comprehensive income | $905,060 | $928,947 |
| Financial assets measured at amortized cost (Note) | 395,232 | 630,887 |
| Total | $1,300,292 | $1,559,834 |

Financial liabilities

| | 2020.12.31 | 2019.12.31 |
|---|---|---|
| Financial liabilities measured at amortized cost: | | |
| Short-term borrowings | $363,190 | $309,000 |
| Short-term notes payable | - | 100,000 |

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

| | 2020.12.31 | 2019.12.31 |
|---|---|---|
| Accounts payable (including other payables) | 39,865 | 54,481 |
| Long-term borrowings | - | 73,500 |
| Total | $403,055 | $536,981 |

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

2. Financial risk management objectives and policies

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

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

3. Market risk

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

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

Interest rate risk

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

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

Equity price risk

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

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

4. Credit risk management

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

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

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

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

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

5. Liquidity risk management

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

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

Non-derivative financial instruments

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

6. Reconciliation of liabilities accounted for from financing activities

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

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

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

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

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

7. Fair value of financial instruments

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

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

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

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

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

(2) Fair value hierarchy of financial instruments

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

8. Capital management

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

9. Fair value hierarchy

(1) Definition of fair value hierarchy

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

(2) Fair value measurement hierarchy

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

December 31, 2020:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets measured at fair value: | | | | |

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equity instruments measured at fair value through other comprehensive income | | | | |
| Stock | $895,713 | $9,347 | $- | $905,060 |

December 31, 2019:

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

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

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

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

December 31, 2020:

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

December 31, 2019:

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

XIII. Other disclosures

1. Information on significant transactions

(1) Loaning funds to others: None.

(2) Guarantees/endorsements provided: None.

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

Attachment 1.

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

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

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

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

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

(9) Involvement in derivative transactions: None.

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

2. Information on investment business: Please refer to Attachment 3.

3. Information on investments in China: None.

4. Information on major shareholders: Please refer to Attachment 4.

XIV. Segment Information

The Group is divided into operating units for management purposes based on different products and services. The following are two reportable operating departments:

1. Construction and Operation Segment: This department oversees the construction of public housing and rents out and sells commercial buildings.

2. Building and Operation Segment: This department oversees the contracting, operating and investing in civil construction projects.

These two reportable operating segments are not aggregated into more than one operating segment.

Management supervises the operating results of its business units to make decisions on resource allocation and performance assessment. Segments' performances are assessed based on operating profit or loss. The accounting policies for reportable segments are the same as those described in the Group's significant accounting policies. Nevertheless, non-operating income and expenditures and income taxes in the consolidated financial statements are managed on the basis of the Group, and they are not apportioned to the operating segments.

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

Transfer pricing between operating segments is based on similar regular transactions with external third parties.

1. Information on reportable segment profit or loss, assets and liabilities

| 2020 | Construction Segment | Building Segment | Reportable Segments Subtotal | Other Segments | Reconciliation and Elimination | Group Total |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| Revenue from external customers | $666,812 | $- | $666,812 | $- | $- | $666,812 |
| Revenue between segments | 120 | 46,035 | 46,155 | - | (46,155) | - |
| Total revenue | $666,932 | $46,035 | $712,967 | $- | $(46,155) | $666,812 |
| Interest expense | $4,550 | $143 | $4,693 | $- | $- | $4,693 |
| Depreciation and amortization | 1,903 | 251 | 2,154 | - | - | 2,154 |
| Segment profit or loss | $224,557 | $(19,939) | $204,618 | $(19,928) | $19,928 | $204,618 |
| Assets | | | | | | |
| Investments accounted for using the equity method | $- | $- | $- | $13,689 | $(13,689) | $- |
| Asset/capital expenditure | 1,631 | - | 1,631 | - | - | 1,631 |
| Segment assets | $3,266,117 | $224,997 | $3,491,114 | $13,689 | $(188,964) | $3,315,839 |
| Segment liabilities | $550,175 | $42,682 | $592,857 | $- | $(6,667) | $586,190 |

| 2019 | Construction Segment | Building Segment | Reportable Segments Subtotal | Other Segments | Reconciliation and Elimination | Group Total |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| Revenue from external customers | $1,302,273 | $- | $1,302,273 | $- | $- | $1,302,273 |
| Revenue between segments | 120 | 141,149 | 141,269 | - | (141,269) | - |

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

| | | | | | | |
|---|---|---|---|---|---|---|
| Total revenue | $1,302,393 | $141,149 | $1,443,542 | $- | $(141,269) | $1,302,273 |
| Interest expense | $6,739 | $15 | $6,754 | $- | $- | $6,754 |
| Depreciation | 1,841 | 311 | 2,152 | - | - | 2,152 |
| Segment profit or loss | $356,789 | $(17,150) | $339,639 | $(17,139) | $17,139 | $339,639 |
| Assets | | | | | | |
| Investments accounted for using the equity method | $- | $- | $- | $30,310 | $(30,310) | $- |
| Asset/capital expenditure | 19,546 | - | 19,546 | - | - | 19,546 |
| Segment assets | $3,297,072 | $223,467 | $3,520,539 | $30,310 | $(200,220) | $3,350,629 |
| Segment liabilities | $687,187 | $43,941 | $731,128 | $- | $(20,723) | $710,405 |

(1) Profit or loss of each operating segment does not include non-operating income and expenditures, such as other income, other gains and losses, finance costs and income tax expenses.

(2) Revenue between segments is eliminated on consolidation and is reflected under "Reconciliation and elimination". Other reconciliations and eliminations are disclosed in detail below.

2. Reconciliation of revenue, profit or loss, assets, liabilities and other significant items of reportable segments

(1) Revenue

| | 2020 | 2019 |
|---|---|---|
| Total revenue of reportable segments | $712,967 | $1,443,542 |
| Elimination of revenue between segments | (46,155) | (141,269) |
| Group revenue | $666,812 | $1,302,273 |

(2) Profit or loss

| | 2020 | 2019 |
|---|---|---|
| Total profit or loss of reportable segments | $204,618 | $339,639 |
| Additions (deductions) of profit or loss between segments | - | - |
| Net income of continuing operations for the period | $204,618 | $339,639 |

(3) Assets

| | 2020.12.31 | 2019.12.31 |
|---|---|---|

| | 2020.12.31 | 2019.12.31 |
|---|---|---|
| Total assets of reportable segments | $3,504,803 | $3,550,849 |
| Elimination of transactions between segments | (188,964) | (200,220) |
| Group assets | $3,315,839 | $3,350,629 |

(4) Liabilities

| | 2020.12.31 | 2019.12.31 |
|---|---|---|
| Total liabilities of reportable segments | $592,857 | $731,128 |
| Elimination of transactions between segments | (6,667) | (20,723) |
| Group liabilities | $586,190 | $710,405 |

(5) Other significant items: Not applicable.

3. Geographical information: The Group does not have operating segments overseas.
4. Major customer information: We do not have major customers as we sell (rent) real estate to general customers.

(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 | |
| Jinyuan Construction Co., Ltd. | Stock | Sunfon Construction Co., Ltd. | (Note 1) | Investments in equity instruments measured at fair value through other comprehensive income - non-current | 7,799,443 | $23,401 | | $156,379 | Note 2 |
| | Add: Financial assets valuation benefit | | | | | 132,978 | | | |
| | Net | | | | | $156,379 | | | |

Note 1: Marketable securities held by the Company’s investee Jinyuan Construction Co., Ltd.

Note 2: The Company prepared the consolidated financial statements by accounting for treasury stock.

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 as the transaction is offset upon the preparation of consolidated statements.

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) | (Note) |

Note: Offset upon the preparation of the consolidated statements.

(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.