Stock Code: 2546

KEDGE CONSTRUCTION CO., LTD

Parent Company Only Financial Statements and Independent Auditors' Report

Year 2019 and Year 2018

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The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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Independent Auditors' Report

To the Board of Directors of Kedge Construction Co., Ltd.:

Audit Opinion

We have audited the balance sheets of Kedge Construction Co., Ltd. as of December 31, 2019, and 2018, the statements of comprehensive income, changes in equity and cash flows for the year 2019 and 2018 from January 1 to December 31, as well as notes to parent company only financial statements (including a summary on material accounting policies) for years then ended.

In our opinion, the aforementioned parent company only financial statements in all material aspects are in compliance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and are sufficient to present the financial position of Kedge Construction Co., Ltd. as of December 31, 2019, and 2018, and its financial performance and cash flows for the year 2019 and 2018 from January 1, to December 31.

Foundation of Audit Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards. Our responsibility under those standards will be further described in the section titled "Auditor's Responsibilities for the Audit of Parent Company Only Financial Statements." Following the code of professional ethics of accountants, the persons subject to the independence standards of our accounting firm have maintained their independence from the Kedge Construction Co., Ltd. and fulfilled other responsibilities of the standards. We are convinced that we have acquired enough and appropriate audit evidence to serve as the foundation of the audit opinion.

Key Audit Matters

In our professional judgment, key audit matters refer to the most substantial matters in the audit of parent company only financial statements of Kedge Construction Co., Ltd. for the year ended December 31, 2019. These matters were addressed in our audit of parent company only financial statements as a whole and forming our audit opinion. We do not express a separate opinion on these matters. In our judgment, key audit matters that shall be communicated in the audit report are as follows:

I. Construction Contracts

Please refer to Note 4 (13) "revenue recognition" of parent company only financial statements for details of the accounting policies related to the building contracts. Please refer to Note 5 of parent company only financial statements for details of the accounting estimates and assumed uncertainties of estimated total contract cost of the building contracts. Please refer to Note 6 (15) "revenue of the client contracts" of parent company only financial statements for details of revenue recognition and the accumulated cost incurred.

Description of Key Audit Matters:

The change of the total contract price of the construction contracts, such as the addition and reduction of the construction and the price index subsidy, involves a high degree of judgment by management. The miscalculation of gross contract revenue may cause material changes in profit and loss during the financial reporting period, and therefore there are significant risks. Also, Kedge Construction Co., Ltd. recognizes the revenue and cost of contracts under construction according to the percentage of completion method, while the degree of completion is calculated based on the proportion of the incurred contract cost to the estimated total contract cost as of the financial reporting date. The total cost of the construction contracts involves a high degree of estimation and judgment of the management, and the miscalculations disclosed above may cause significant differences in the timing of recognition for profit and loss and the current financial statements.

Corresponding Audit Procedures:

Our main audit procedures regarding the aforementioned key audit matters included the following:

- Test the internal control and implementation effectiveness of the contract and collection; obtain the detail list of addition and reduction of the total contract price of each construction for the current period; randomly check the external documents such as the contract, agreement, owner's communication or site coordination meeting minutes, as well as the valuation information of each period the condition of the owner's acceptance.
- Test and evaluate the effectiveness of the internal control system and implementation of procurement contracting and construction budgeting operations; randomly check external documents such as construction price lists, contracts, daily construction reports, invoices, and construction budgets, and check with construction budgets to verify the appropriateness of collection and accumulation of the construction type; randomly evaluate the preparation process of the construction budget of the management team and checks the pricing information of each period to calculate the percentage of completion of the construction; randomly check and execute the cut-off point test of the construction in progress for the period before and after the balance sheet date.

Responsibilities of the Management and Governing Body for the Parent Company Only Financial Statements

It is the management's responsibility to fairly present the parent company only financial statements in compliance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to sustain essential internal controls respecting the preparation of the parent company only financial statements so as to ensure that there is no material misrepresentation in the parent company only financial statements due to fraud or error.

In the preparation of the parent company only financial statements, the responsibility of management also includes the assessment of the sustainability of going concerned for Kedge Construction Co., Ltd., disclosure of relevant matters, as well as the adoption of the accounting base for continuing operations, unless the management intends to liquidate the Kedge Construction Co., Ltd. or terminate the business, or there is no practicable measure other than liquidation or termination of the business. The governing body (including Supervisors) of Kedge Construction Co., Ltd. is responsible for supervising the financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

The purpose of our audit is to provide reasonable assurance that the parent company only financial statements as a whole do not contain material misrepresentation arising from fraud or errors, and to issue an independent auditors' report. Reasonable assurance is a high degree of assurance but is not a guarantee that an audit conducted in accordance with the Generally Accepted Auditing Standards will always detect the existence of any material misrepresentation in the parent company only financial statements. Misrepresentation may be due to fraud or error. It is considered to be material if the misrepresented individual amount or the aggregated total can be reasonably expected to affect the economic decisions made by the users of the parent company only financial statements.

When auditing in accordance with Generally Accepted Auditing Standards, we practice professional judgment and maintains professional suspicion. We also perform the following tasks:

1. Identify and assess the risks of material misrepresentation in the parent company only financial statements due to fraud or error; design and implement applicable countermeasures for the assessed risks, as well as obtaining sufficient and appropriate audit evidence as to the foundation of audit opinions. Because fraud may involve collusion, forgery, intentional omission, untrue declaration or the override of internal control, the risk of not detecting the material misrepresentation caused by fraud is higher than that caused by the error.
2. To acquire the necessary understanding of internal control relevant to audit so as to design appropriate audit procedures under the circumstances, but its purpose is not to express opinions on the effectiveness of internal control of Kedge Construction Co., Ltd.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, conclude on the appropriateness of the accounting base for continuing operations adopted by the management and whether there is a material uncertainty in the events or circumstances that may cause material doubts about the sustainability of going concerned for Kedge Construction Co., Ltd. If we believe that there is a material uncertainty in such events or circumstances, we shall remind the users of the parent company only financial statements to pay attention to the relevant disclosure of the parent company only financial statements in our auditor's report or we shall amend the audit opinion when such disclosure is inadequate. Our conclusions are based on the audit evidence obtained as of the date of our auditor's report. However, future events or circumstances may result in Kedge Construction Co., Ltd. no longer having the ability to going concerned.

5. Evaluate the overall presentation, structure, and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements fairly represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence for the financial information of the invested company adopting the equity method to express opinions on the parent company only financial statements. We are responsible for the guidance, supervision, and implementation of the audit cases, and for forming the audit opinions for Kedge Construction Co., Ltd.

The matters we communicate with the governance body include the planned audit scope and time, as well as material audit findings (including a significant lack of internal control identified in the audit process).

We also provide the governance body with a declaration that the persons subject to the independence standards of our accounting firm have complied with the code of professional ethics of accountants, and communicate with the governance body all relations and other matters (including relevant protective measures) that may be considered to affect our independence.

From the matters communicated with the governance body, we conclude the key audit matters of the audit for the parent company only financial statements in 2019 of Kedge Construction Co., Ltd. We state such matters in the audit report unless the law or regulation does not allow public disclosure of specific matters. Or in rare circumstances, we determine not to communicate specific matters in the audit report due to the reasonable probability that the negative impact of such communication is greater than the public interest.

KPMG

Taipei,Taiwan

Republic of China

March 23, 2020

<u>*Notices to Readers*</u>

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese language independent auditors' report and financial statements shall prevail.

KEDGE CONSTRUCTION CO., LTD.
Balance Sheets
December 31, 2019 and 2018

Unit: NT$ thousands

	Assets	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1) and (18))	$ 2,288,640	28	1,130,538	16
1110	Financial assets at fair value through profit or loss - current (Note 6 (2) and (18))	22,474	-	17,835	-
1170	Notes and accounts receivable - net amount (Note 6 (4), (15) and (18))	1,127,588	15	737,620	11
1180	Notes and accounts receivable - affiliates net amount (Note 6 (15), (18) and 7)	1,908,205	23	2,626,309	38
1140	Contract assets - current (Note 6 (15) and 7)	1,555,198	19	1,195,153	17
1410	Prepayments	202,562	2	174,816	3
1470	Prepayments	20,579	-	17,943	-
1476	Other financial assets - current (Note 6 (18) and 8)	243,552	4	341,814	7
	-	7,368,798	91	6,242,028	92
	Non-current assets:				
1518	Equity instrument measured at fair value through other comprehensive income (Note 6 (3) and (18))	15,950	-	10,225	-
1550	Investments accounted for using equity method (Note 6 (5))	573,005	7	432,163	6
1600	Property, plant and equipment (Note 6 (6) and 8)	53,254	1	53,501	1
1760	Net investment property (Note 6 (7) and 8)	102,544	1	103,010	1
1840	Deferred tax assets (Note 6 (12))	23,814	-	20,734	-
1975	Net defined benefit assets - non-current (Note 6 (11))	1,361	-	-	-
1980	Other financial assets - non-current (Note 6 (18))	7,955	-	9,241	-
		777,883	9	628,874	8
	Total assets	**$ 8,146,681**	**100**	**6,870,902**	**100**

	Liabilities and equity	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current liabilities:				
2100	Short-term loans (Note 6 (8), (18) and 8)	$ 150,000	2	-	-
2130	Contract liabilities - current (Note 6 (15))	978,454	12	995,684	14
2150	Notes payable (Note 6 (18) and 7)	356,433	4	377,531	5
2170	Accounts payable (Note 6 (18) and 7)	3,497,894	43	2,538,707	37
2200	Other payables (Note 6 (11) and (18))	253,702	3	241,283	5
2230	Current tax liabilities	47,929	1	81,171	1
2300	Other current liabilities	18,572	-	22,914	-
	-	5,302,984	65	4,257,290	62
	Non-current liabilities:				
2552	Warranty long-term provisions (Note 6 (9))	101,321	1	78,040	1
2640	Net defined benefit liabilities - non-current (Note 6 (11))	-	-	55	-
2600	Other non-current liabilities	1,415	-	2,719	-
	-	102,736	1	80,814	1
	Total liabilities	5,405,720	66	4,338,104	63
	Equity (Note 6 (13))				
3100	Share capital	1,060,357	13	1,060,357	15
3200	Capital surplus	518,241	6	518,208	8
3300	Retained earnings	1,036,204	13	951,056	14
3400	Other equity	126,159	2	3,177	-
	Total equity	2,740,961	34	2,532,798	37
	Total liabilities and equity	**$ 8,146,681**	**100**	**6,870,902**	**100**

(Please refer to the attached Notes to Parent Company Only Financial Statements)

KEDGE CONSTRUCTION CO., LTD.
Statements of Comprehensive Income
January 1 to December 31, 2019 and 2018

Unit: NT$ thousands

		2019		2018	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue (Note 6 (10), (15) and 7)**	$ 11,362,618	100	11,318,212	100
5000	**Operating costs (Note 6 (11), (16), 7 and 12)**	10,667,867	94	10,623,142	94
	Gross profit	694,751	6	695,070	6
	Operating expense:				
6200	**Administrative expense (Note 6 (11), (16), 7 and 12)**	234,713	2	211,859	2
	Net operating profit	460,038	4	483,211	4
	Non-operating income and expense:				
7010	Other incomes **(Note 6 (17) and 7)**	8,849	-	17,958	-
7020	Other gains and losses (Note 6 (17))	4,723	-	(5,413)	-
7050	Financial costs (Note 6 (17))	(2,053)	-	(2,002)	-
7070	Share of profit and loss of subsidiaries, associates and joint ventures using equity method recognition	23,586	-	17,610	-
		35,105	-	28,153	-
	Profit before tax from continuing operating department	495,143	4	511,364	4
7950	**Less: Income tax expense (Note 6 (12))**	92,795	1	103,858	1
	Net income	402,348	3	407,506	3
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified to profit or loss**				
8311	Remeasurements of defined benefit plans	907	-	571	-
8316	Unrealized profits and losses from investments in equity instruments measured at fair value through other comprehensive income	122,982	1	(897)	-
		123,889	1	(326)	-
8300	**Other comprehensive income (net amount after tax)**	123,889	1	(326)	-
	Total comprehensive income (loss)	**$ 526,237**	**4**	**407,180**	**3**
	Earnings per share (NT$) (Note 6 (14))				
9750	**Basic earnings per share (NT$)**	**$**	**3.79**		**3.84**
9850	**Diluted earnings per share (NT$)**	**$**	**3.79**		**3.83**

(Please refer to the attached Notes to Parent Company Only Financial Statements)

KEDGE CONSTRUCTION CO., LTD.
Statement of Changes in Equity
January 1 to December 31, 2019 and 2018

Unit: NT$ thousands

	Equity		Retained earnings			Other equity items		
	Share capital - ordinary share	Capital surplus	Legal capital reserve	Undistributed earnings	Total	Unrealized profit or loss of financial assets measured at fair value through other comprehensive income	Unrealized profit or loss of available-for-sale financial assets	Total equity
Balance as of January 1, 2018	$ 1,060,357	518,031	171,703	592,677	764,380	-	11,710	2,354,478
Adjustment for retrospective application of new standards	-	-	-	7,636	7,636	4,074	(11,710)	-
Opening balance of the period after restatement	1,060,357	518,031	171,703	600,313	772,016	4,074	-	2,354,478
Net income	-	-	-	407,506	407,506	-	-	407,506
Other comprehensive income (loss) in this period	-	-	-	571	571	(897)	-	(326)
Other comprehensive income	-	-	-	408,077	408,077	(897)	-	407,180
Earnings appropriation and distribution:								
Provision for legal capital reserve	-	-	29,532	(29,532)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(229,037)	(229,037)	-	-	(229,037)
Overdue unclaimed cash dividends	-	177	-	-	-	-	-	177
Balance as of December 31, 2018	1,060,357	518,208	201,235	749,821	951,056	3,177	-	2,532,798
Net income	-	-	-	402,348	402,348	-	-	402,348
Other comprehensive income	-	-	-	907	907	122,982	-	123,889
Total comprehensive income	-	-	-	403,255	403,255	122,982	-	526,237
Earnings appropriation and distribution:								
Provision for legal capital reserve	-	-	40,751	(40,751)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(318,107)	(318,107)	-	-	(318,107)
Overdue unclaimed cash dividends	-	33	-	-	-	-	-	33
Balance as of December 31, 2019	**$ 1,060,357**	**518,241**	**241,986**	**794,218**	**1,036,204**	**126,159**	**-**	**2,740,961**

(Please refer to the attached Notes to Parent Company Only Financial Statements)

KEDGE CONSTRUCTION CO., LTD.
Statements of Cash Flows
January 1 to December 31, 2019 and 2018

Unit: NT$ thousands

	2019	2018
Cash flows from operating activities:		
Profit before tax for the period	$ 495,143	511,364
Adjustments:		
Income and expenses item		
Depreciation expense	713	755
Net (profit) loss on financial assets or liabilities at fair value through profit or loss	(4,723)	1,527
Interest expense	2,053	2,002
Interest revenue	(5,540)	(13,123)
Dividend income	(500)	(250)
Share of profit of subsidiaries, associates and joint ventures using equity method recognition	(23,586)	(17,610)
Total income and expense items	(31,583)	(26,699)
Movement of assets/liabilities relating to operating activities:		
Net movement of assets relating to operating activities:		
Reduction of financial assets enforced at fair value through profit or loss	84	48
Increase in notes and accounts receivable	(389,968)	(94,237)
Notes and accounts receivable - decrease (increase) in affiliates	718,104	(1,148,353)
Decrease (increase) in contract asset	(360,045)	256,758
Decrease (increase) in prepayments	(27,746)	24,767
Increase in other current assets	(2,636)	(4,804)
Decrease (increase) in other financial assets	98,665	(9,722)
Increase in non-current net defined benefit assets-	(1,361)	-
Total net movement of assets relating to operating activities	35,097	(975,543)
Total net movement of liabilities relating to operating activities		
Increase (decrease) in notes payable	(21,098)	66,543
Increase in accounts payable	959,187	219,440
Increase (decrease) in contract liabilities	(17,230)	53,984
Increase in other payable	12,452	6,501
Increase in liability reserve	23,281	20,481
Increase (decrease) in other current liabilities	(4,342)	1,590
Increase (decrease) in net defined benefit liabilities	852	(576)
Increase (decrease) in other non-current liabilities	(1,304)	1,197
Total net movement of liabilities relating to operating activities	951,798	369,160
Total net movement of assets and liabilities relating to operating activities	986,895	(606,383)
Total adjustment items	955,312	(633,082)
Cash inflows (outflows) generated from operation	1,450,455	(121,718)
Interest collection	5,138	13,016
Dividends collection	500	250
Interest payment	(2,053)	(2,002)
Income tax payment	(129,117)	(64,467)
Net cash inflow (outflow) from operating activities	1,324,923	(174,921)
Cash flows from investing activities		
Decrease in other financial assets	1,286	2,909
Net cash inflow from investing activities	1,286	2,909
Cash flows from financing activities		
Increase in short-term loans	321,000	436,000
Decrease in short-term loans	(171,000)	(586,000)
Increase in short-term promissory notes payable	90,000	50,000
Decrease in short-term promissory notes payable	(90,000)	(100,000)
Cash dividend distribution	(318,107)	(229,037)
Overdue unclaimed dividends	-	177
Net cash outflow from financing activities	(168,107)	(428,860)
Increase (decrease) in cash and cash equivalents	1,158,102	(600,872)
Opening balance of cash and cash equivalents of the period	1,130,538	1,731,410
Ending balance of cash and cash equivalents of the period	$ 2,288,640	1,130,538

(Please refer to the attached Notes to Parent Company Only Financial Statements)

KEDGE CONSTRUCTION CO., LTD.
Notes to Parent Company Only Financial Statements
Year 2019 and Year 2018
(The unit for all amounts expressed is in thousands of NTD unless otherwise stated)

I. Company Overview

Kedge Construction Co., Ltd. (hereinafter referred to as "the Company") was established on April 13, 1982, with the approval of the Ministry of Economic Affairs, and its registered address is 6F., No. 131, Sec. 3, Heping E. Rd., Taipei City, Taiwan. The main business items of the Company are comprehensive construction and the development, lease, sale, etc. of housing and building.

II. The Approval Date and Procedures of the Financial Report

The parent company only financial statements have been approved by the Board of Directors on March 23, 2020.

III. Application of Newly Issued and Revised Standards and Interpretations

(I) The Impact of Adopting Newly Released and Revised Standards and Interpretations Endorsed by the Financial Supervisory Commission

The Company has fully adopted the International Financial Reporting Standards (IFRS) endorsed by the Financial Supervisory Commission (hereinafter referred to as the "FSC") and effective in 2019 to prepare the parent company only financial statements since 2019. Relevant newly issued, amended, and revised standards and interpretations are summarized as follows:

Newly issued, amended, and revised standards and interpretations	The effective date of issuance by IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
Annual Improvements to IFRS 20152017-	January 1, 2019

Except for the following items, the application of the newly endorsed IFRSs will not result in a material impact on the parent company only financial statements. The nature and impact of material changes are as follows:

IFRS 16 "Leases"

IFRS 16 "Leases" (hereinafter referred to as IFRS 16) replaces existing IAS 17 "Leases" (hereinafter referred to as IAS 17), the International Financial Reporting Interpretations Committee (IFRIC) 4 “Determining whether an Arrangement Contains a Lease” (hereinafter referred to as IFRIC 4), IFRIC Announcement 15 "Operating Leases: Incentives” and IFRIC Announcement 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease."

The Company adopts the amended retrospective method to transition to IFRS 16 and adjusts the accumulated effects for the first time to the retained earnings on January 1, 2019. The nature and impact of changes in relevant accounting policies are as follows:

(1) Definition of Lease

The Company has previously judged whether an agreement belongs to or includes a lease on the contract start date by IFRIC 4. After the change of accounting policy, the lease definition of IFRS 16 is applied to evaluate whether the contract belongs to or includes a lease; see Note 4 (10) for details of relevant accounting policies.

At the time of transition to IFRS 16, the Company chooses to adopt the expedient approach to exempt from evaluating whether the transaction before the initial application date is a lease, that is, to directly apply the provisions of IFRS 16 to the contract previously identified as a lease. Contracts that have previously been identified as non-lease under IAS 17 and IFRIC 4 will not be reevaluated as leases. Therefore, the definition of a lease under IFRS 16 only applies to contracts signed or changed on and after the initial application date.

(2) Lessee

The transaction in which the Company is the lessee was previously classified according to whether the tenancy agreement has transferred almost all risks and remuneration attached to the ownership of the underlying asset. Under IFRS 16, the right-of-use assets and lease liabilities are recognized on the balance sheet for tenancy agreements.

The Company chooses to apply for the exemption from the recognition of short-term lease, which was previously classified as an operating lease under IAS 17. During the transition period, the lease liability is measured by the surplus lease benefit at present value and discounted using the incremental borrowing rate of interest of the Company on the initial application date. The right-of-use asset is measured by the amount of the lease liabilities, and the amount of all prepaid or payable lease payments related to the lease is adjusted. The Consolidated Company applies this method to all leases other than those mentioned above.

Also, the Company adopts the following expedient approach to transition to IFRS 16:

a. A single discount rate is adopted for the lease portfolio with similar characteristics.

b. For lease term ended within 12 months after the initial application date, the exemption is applicable without recognizing right-of-use assets and lease liabilities.

c. The original direct cost is not included in the measurement of right-of-use assets on the initial application date.

d. When a tenancy agreement contains the option for extension or termination, the hindsight is adopted in determining the lease term.

(3) Lessor

Except for subleasing, the Company does not need to make any adjustment on the transition under IFRS 16 for the transaction, in which it is the lessor, but applies IFRS 16 to process its lease transaction from the initial application date.

Under IFRS 16, the classification of subleasing should be evaluated based on right-of-use assets rather than underlying assets. After reevaluating the classification of subleases previously classified as operating leases under IAS 17, the Company believes that such subleases should be classified as financial leases under IFRS 16.

(4) Impact on Financial Statements

The Company has assessed that the application of the new standards has no material impact.

(II) Impacts for yet to Adopt IFRS Endorsed by FSC

According to the Financial-Supervisory-Securities-Auditing Order No.1080323028 of FSC on July 29, 2019, the aforementioned public offering companies shall fully adopt the IFRS endorsed by FSC and effective in 2020. Relevant newly issued, amended, and revised standards and interpretations are summarized as follows:

Newly issued, amended, and revised standards and interpretations	**The effective date of issuance by IASB**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
IFRS 9, Amendments to IAS 39 and IFRS 7 "Interest Rate Index Reform"	January 1, 2020
Amendment to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company has assessed that the application of the above newly endorsed IFRS will not result in material variations to the parent-only financial report.

(III) The Newly Released and Revised Standards and Interpretations Have not yet Endorsed by FSC.

The following table lists the standards and interpretations released and revised by the International Accounting Standards Board (hereinafter referred to as IASB) but not yet approved by the FSC:

Newly issued, amended, and revised standards and interpretations	**The effective date of issuance by IASB**
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be decided by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classify Liabilities as Current or Non-current"	January 1, 2022

The Company is in the process of evaluating the impact of the above standards and interpretations on the Company's financial condition and operating performance, and it will disclose relevant impacts when the evaluation is completed.

IV. Summary of Material Accounting Policies

The summary of material accounting policies adopted in the parent company only financial statements is as follows. Other than the description of accounting variations in note 3, the following accounting policies have been consistently applied to all stated periods in the parent company only financial statements.

(I) Compliance Declaration

The parent company only financial statements are prepared following the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Foundation of Preparation

1. Foundation of Measurement

   Apart from the essential items in the following balance sheet, the parent company only financial statements are prepared on the foundation of historical cost:

   (1) Financial assets measured at fair value through profit or loss;

   (2) Financial assets measured at fair value through other comprehensive income; and

   (3) Net defined benefit liabilities (or assets) are measured by the fair value of pension fund assets minus the present value of the defined benefit obligations and the cap effects measurement mentioned in note 4 (14).

2. Functional Currency and Presentation Currency

   The Company takes the currency of the main economic environment in which each business operates as its functional currency. The parent company only financial statements presents the New Taiwan dollar as the functional currency. All financial information represented in NTD is in the unit of thousands of NT$.

(III) Classification Standards for Distinguishing Current and Non-current Assets and Liabilities

Assets that meet one of the following conditions are classified as current assets, and all other assets that are not current assets are classified as non-current assets:

1. The asset is expected to be realized within its normal operating cycle, or it is intended to be sold or depleted;
2. The asset is held mainly for trading purposes;
3. The asset is expected to be realized within 12 months after the reporting period; or
4. The asset is cash or cash equivalent, but it will be used for the exchange of assets or settlement of liabilities at least 12 months after the reporting period, unless otherwise limited.

Liabilities that meet one of the following conditions are classified as current liabilities, and all other liabilities that are not current liabilities are classified as non-current liabilities:

1. The liability is expected to be settled within its normal operating cycle;
2. The liabilities held are primarily for the trading purpose;
3. The liabilities are expected to settle the obligation within 12 months after the reporting period; or
4. The liabilities have no unconditional right to defer the settlement for at least 12 months after the reporting period. The liabilities provisions may be settled by issuing equity instruments at the option of the counterparty, and will not impact its classification.

(IV) Cash and Cash Equivalents

Cash includes cash on hand and demand deposit. Cash equivalents refer to the short-term and highly liquidity investment that can be converted into quota cash at any time with little risk of value change. Time deposits are classified as cash equivalents only when they satisfy the aforementioned definition, and the purpose of holding is to meet the short-term cash commitments rather than investment or other purposes.

(V) Financial Instruments

The accounts receivable and debt securities issued are primitively recognized at the time of generation. All other financial assets and financial liabilities are primitively recognized when the Company became a party to the terms of the financial instrument contract. Financial assets not measured at fair value through profit or loss (other than accounts receivable excluding material financial components) or financial liabilities primitively at fair value may be measured directly attributable to the transaction cost of the acquisition or issuance. The accounts receivable excluding material financial components are primitively measured at transaction prices.

1. Financial Assets

Where the purchase or sale of financial assets is in line with conventional trading practices, the accounting treatment of all purchases and sales of financial assets classified in the same way by the Company shall be consistently on the trade date or the settlement date.

Financial assets at the time of initial recognition are classified as financial assets measured at amortized cost, equity instrument investment measured at fair value through other comprehensive profit and loss, or financial assets measured at fair value through profit and loss. The Company shall reclassify all the affected financial assets from the first day of the next reporting period only when changing the business model for managing financial assets.

(1) Financial Assets Measured at Amortized Cost

When financial assets meet the following conditions and not designated at fair value through profit or loss, they are measured at amortized cost:

- It refers to the holding of the financial assets under the business model for the purpose of receiving contractual cash flow.
- The contractual terms of the financial asset generate the cash flow on a specific date, which is fully used to pay for the outstanding principal amount and interest of the principal.

Such assets are subsequently amortized by the initial amount recognized plus or minus the accumulated amortization amount calculated by the effective interest method, and the amortized cost measurement of any allowance loss is adjusted. Interest income, foreign exchange profit or loss, and impairment loss are recognized in profit and loss. When derecognition, gain or loss is recognized in profit and loss.

(2) Financial Assets at Fair Value through Other Comprehensive Income

At the time of initial recognition, the Company may make an irrevocable choice and report the subsequent changes at the fair value of equity instrument investment not held for trading to other comprehensive income The aforementioned choice is made on the item by item basis.

Equity instrument investors shall be measured at fair value subsequently. Dividend income (unless it clearly represents the recovery of part of the investment cost) is recognized in profit and loss. The remaining net profit or loss is recognized as other comprehensive income and is not reclassified to profit and loss.

The dividend income of equity investment shall be recognized on the date when the Company is entitled to receive dividends (usually the ex-dividend date).

(3) Financial Assets Measured at Fair Value through Profit or Loss

Financial assets not measured at the aforementioned amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss, including derivative financial assets. The Company's intention to sell receivables immediately or shortly is measured at fair value through profit or loss but is included in the receivables. At the time of initial recognition, to eliminate or materially reduce accounting mismatches, the Company may irrevocably designate financial assets that meet the criteria of measuring at amortized cost or at fair value through other comprehensive income as financial assets measured at fair value through profit or loss.

Such assets are subsequently measured at fair value, and their net profit or loss (including any dividend and interest income) is recognized as profit or loss.

(4) Impairment of Financial Assets

Regarding the financial assets measured through amortized cost (including cash and equivalent cash, financial assets measured by amortized cost, notes receivable and accounts receivable, other receivables, refundable deposits, and other financial assets, etc.), accounts receivable and contract assets, the Company shall recognize loss allowance for expected credit losses.

The loss allowance of the following financial assets are measured based on the expected credit losses amount in 12 months, and the remaining are measured based on the lifetime expected credit loss amount:

- Determine that the debt securities have low credit risk on the reporting date; and
- The credit risk of other debt securities and bank deposits (that is, the risk of default during the expected duration of the financial instruments) has not increased significantly since the initial recognition.

The loss allowance for accounts receivable and contract assets is measured by the amount of lifetime expected credit losses.

In determining whether the credit risk has increased significantly since the initial recognition, the Company shall consider reasonable and verifiable information (available without excessive cost or investment), including qualitative and quantitative information, analysis based on the historical experience, credit evaluation, and prospective information.

If the credit risk rating of a financial instrument is equivalent to the "investment grade" defined globally (investment grade BBB of Standard & Poor's, investment grade Baa3 of Moody's or investment grade twA of Taiwan Rating, or higher grade), the Company considers the credit risk of such debt securities is low.

Expected credit loss refers to the weighted estimate of credit loss probability during the expected duration of financial instruments. The credit loss is measured by the present value of all cash shortfall, namely the difference between the cash flow that the Company can collect according to the contract and the expected cash flow that the Company will receive. Expected credit loss is discounted at the effective interest rate of financial assets.

On each reporting date, the Company assesses whether there is credit impairment on financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income. When one or more events are arising that will bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset. Evidence of credit impairment of financial assets includes observable data on the following:

- Material financial difficulties of the borrower or the issuer;
- Default, such as delay or overdue for more than 90 days;
- Due to the economic or contractual reasons related to the borrower's financial difficulties, the Company gives the borrower concessions that would not have been inspected;
- The borrower is likely to file for bankruptcy or conduct other financial reorganization; or
- Due to financial difficulties, the active market of the financial assets disappeared.

The loss allowance of financial assets measured through amortized cost is deducted from the carrying amount of assets. The loss allowance of debt instrument investment measured at fair value through other comprehensive income is recognized in other comprehensive income (without reducing the carrying amount of assets).

When the Company cannot reasonably expect the whole or part of the recovered financial assets, it directly reduces the total carrying amount of its financial assets. The Company analyzes the time and amount of write off individually based on whether it reasonably expects to be recoverable. The Company expects that the amount written off will not be materially reversed. However, the written-off financial assets can still be enforced to comply with the procedures for the Company to recover the overdue amount.

(5) DE recognition of Financial Assets

The Company shall only derecognize the financial assets when the contractual rights from the cash flow of the assets are terminated, or the financial assets have been transferred and almost all the risks and rewards of the ownership of the assets have been transferred to other enterprises, or almost all the risks and rewards of the ownership have not been transferred or retained and the control of the financial assets has not been retained.

When the Company enters into a transaction to transfer financial assets, if it retains all or almost all of the risks and remuneration of ownership of the transferred assets, it will continue to be recognized in the balance sheet.

2. Financial Liabilities and Equity Instruments

(1) Classification of Liabilities or Equities

The debt and equity instruments issued by the Company are classified as financial liabilities and equity in accordance with the substance of contractual arrangements and the definitions of financial liabilities and equity instruments.

(2) Equity Transactions

Equity instruments refer to any contracts containing residual interest after the Consolidated Company subtracts liabilities from assets. The equity instruments issued by the Company are recognized at the price obtained deduct the direct issue cost.

(3) Financial Liabilities

Financial liabilities are classified as amortized costs or the fair value measurement through profit or loss. Financial liabilities, if held for trading, derivatives or designated at the time of initial recognition, are classified as the fair value measurement through profit or loss. Financial liabilities measured at fair value through profit or loss are the fair value measurement, and the related net profit and loss, including any interest paid, are recognized in profit and loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and exchange gains and losses are recognized in profit or loss. Any profit or loss at the time of derecognize is also recognized in profit and loss.

(4) DE recognition of Financial Liabilities

The Company derecognizes financial liabilities when the contractual obligations have been fulfilled, canceled or matured. When the provisions of financial liabilities are revised and there is a material difference in the cash flow of the modified liabilities, the initial financial liabilities shall be derecognized, and the new financial liabilities shall be recognized at fair value based on the revised provisions.

When a financial liability is derecognized, the difference between the carrying amount and the total consideration paid or payable (including any non-cash asset transferred or liability assumed) is recognized as profit or loss.

(5) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities shall be offset against each other and expressed in the net amount in the balance sheet only when the Company currently has the legally enforceable rights to offset and has the intention for netting settlement or realizing assets and settlement at the same time.

(6) Financial Guarantee Contract

A financial guarantee contract refers to a contract that the issuer must pay a specific amount to reimburse the loss of the holder when the specific debtor is due and unable to repay according to the terms of the debt instrument.

The financial guarantee contract issued by the Company that is not designated as a fair value measurement through profit or loss are initially measured at its fair value minus directly attributable transaction costs, and subsequently measured at the higher of the following: (a) according to the amount of loss allowance determined in IFRS 9; and (b) the amount initially recognized, when applicable, deduct the amount of accumulated income recognized under the following income principles.

(VI) Investments in Subsidiaries

In the preparation of the parent company only financial statements, the Company adopts the equity method to evaluate the controlled investee company. Under the equity method, the current profit and loss and other comprehensive profit and loss of the parent company only financial statements are the same as the apportionment of the current profit and loss and other comprehensive profit and loss attributable to the owners of the parent company in the financial report prepared on the basis of consolidation, and the owner's equity of the parent company only financial statements is the same as the owner's equity attributable to the owners of the parent company in the financial report prepared on the basis of consolidation.

Where the change of the Company's ownership interest in a subsidiary does not result in loss of control, it shall be treated as an equity transaction with the owner.

(VII) Joint Arrangements

The joint arrangement is one in which more than two parties have joint control. The joint arrangement includes joint operation and joint venture, and has the following characteristics: (a) the participants are bound by the contractual arrangement; (b) contractual arrangement gives at least two parties have joint control of the arrangement. IFRS 11 "Joint Arrangement" defines the joint control as the contractual agreement to share control over an arrangement. It only exists when decisions related to relevant activities (i.e. activities that have a material impact on the remuneration of the arrangement) must be agreed by all parties to share control.

A joint operation is a joint arrangement whereby the parties having joint control over the arrangement (that is, the joint operator) have rights to the assets and are obligated to the liabilities related to the arrangement. The joint operator shall recognize and measure assets and liabilities related to its equity in the arrangement (and recognize relevant income and expenses) under relevant IFRS applicable to specific assets, liabilities, income, and expenses. When evaluating the classification of the joint arrangement, the Company shall consider the structure of the arrangement, the legal form of the separate vehicle, the terms of the contractual arrangement, and other facts and circumstances.

(VIII) Investment Property

Investment property refers to property held for earning rent or asset appreciation or both, rather than for normal business sale, production, provision of goods or services, or administrative purposes. Investment property is initially measured by cost and subsequently measured by cost minus accumulated depreciation and accumulated impairment. Its depreciation method, service life, and residual value are treated following the provisions of property, plant, and equipment.

The gain or loss on disposal of the investment property (calculated by the difference between the net disposal proceed and the carrying amount of the item) is recognized in profit and loss.

Rental income from investment property is recognized in non-operating revenue on a straight-line basis during the lease term. The lease incentive is recognized as part of the lease income during the lease term.

(IX) Property, Plant and Equipment

1. Recognition and Measurement

   Property, plant, and equipment items are measured by cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment. When the useful life of a material component of property, plant, and equipment is different, it shall be treated as a separate item (main component) of property, plant, and equipment.

   The gain or loss on disposal of the property, plant, and equipment is recognized in profit and loss.

2. Subsequent Cost

   Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the Company

3. Depreciation

   Depreciation is calculated by deducting the residual value from the asset cost and is recognized in profit or loss within the estimated useful life of each component using the straight-line method.

   No depreciation shall be recognized for the land.

   The estimated useful life of the current period and comparative periods are as follows:

Houses and buildings	53 years
Transportation equipment	5 years
other equipment	3 years

   The Company shall review the depreciation method, useful life, and residual value on each reporting date, and make appropriate adjustments as necessary.

(X) Leases

<u>Applicable from January 1, 2019</u>

1. Lease Judgment

   The Company evaluates whether the contract is a lease or contains a lease on the contract establishment date. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is a lease or contains a lease. To evaluate whether the contract is a lease, the Company evaluates the following items:

(1) The contract involves the use of an identified asset, which is explicitly designated in the contract or implicitly designated when it is available for use, and its substance can distinguish or represent all the actual production capacity. If the supplier poses substantive rights to replace the asset, the asset is not an identified asset; and

(2) Have the right to obtain almost all economic benefits from the use of identified assets throughout the use period; and

(3) Attain the right to dominate the use of identified assets when one of the following conditions is met:
- The client has the right to dominate the use method of identified assets and the purpose of use throughout the use period.
- The relevant decisions about the use method and purpose of use of the asset are determined in advance, and:
  - The client has the right to operate the asset throughout the use period, and the supplier has no right to change the operating instructions; or
  - The client's plan on how to use the asset and purpose of use has determined in advance for the entire period of use.

On the date of the lease establishment or when reassessing whether the contract includes a lease, the Company allocates the consideration in the contract to the individual lease components based on the relative individual price. However, when renting land and buildings, the Company chose not to distinguish between non-lease components and treated the lease component and non-lease component as a single lease component.

2. Lessee

The Company recognizes the right-of-use asset and the lease liability on the inception of the lease. The right-of-use asset is initially measured at cost, which includes the initial measured amount of the lease liability, adjusts any lease benefits paid on or before the inception of the lease, and adds the initial direct cost incurred and the estimated cost of dismantling, removing the underlying asset and restoring its location or underlying asset, and deducting any leasing incentives received.

The right-of-use asset is subsequently depreciated by the straight-line method from the inception of the lease to the expiration of the useful life of the right-of-use asset or the earlier of the lease term. Also, the Company shall regularly assess whether the right-of-use asset is impaired and processes any impairment loss that has occurred, and cooperates to adjust the right-of-use asset when the lease liability is remeasured.

Lease liabilities are primitively measured by the present value of the unpaid lease benefits on the inception of the lease. If the interest rate implicit in the lease is easy to determine, the discount rate shall be the interest rate; if it is not easy to determine, the incremental borrowing rate of interest of the Consolidated Company shall be used. Generally speaking, the Company uses its incremental borrowing rate of interest as the discount rate.

Lease benefits included in the measurement of lease liabilities consist of :

(1) Fixed benefits, including substantial fixed benefits;
(2) The variable lease benefits depend on an index or rate, and the index or rate on the inception of the lease is applied as the initial measurement;
(3) The residual guarantee amount expected to be paid; and
(4) When reasonably determined that the purchase option or lease termination option will be exercised, the exercise price or the penalty payable.

The lease liability subsequently accrues interest with the effective interest method, and its amount is measured when the following occurs:

(1) Changes in the index or rate used to determine lease benefits result in changes in future lease benefits;
(2) The residual guarantee amount expected to be paid has changed;
(3) The evaluation of the underlying asset purchase option has changed;
(4) The assessment of whether to exercise the option of extension or termination has changed, and alter the assessment of the lease term;
(5) Modification of the subject matter, scope, or other terms of the lease.

When the lease liability is remeasured due to the above changes in the index or rate used to determine the lease benefits, changes in the residual guarantee amount, and changes in the evaluation of the purchase, extension or termination option, the carrying amount of the right-of-use asset shall be adjusted accordingly, and when the carrying amount of the right-of-use asset is reduced to zero, the surplus remeasured amount shall be recognized in profit and loss.

For the lease modification of reducing the lease scope, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between it and the remeasurement amount of the lease liability is recognized in profit and loss.

The Company expresses the right-of-use assets and the lease liabilities that do not meet the definition of investment property as separate line items in the balance sheet.

For short-term leases of office equipment and leases of low-value underlying assets, the Consolidated Company chooses not to recognize the right-of-use assets and lease liabilities, but to recognize the related lease benefits as expenses on the straight-line basis during the lease term.

3. Lessor

For transactions in which the Company is the lessor, it is to classify the tenancy agreement according to whether it transfers almost all risks and remuneration attached to the ownership of the underlying asset on the lease establishment date. If so, it is classified as a financial lease, otherwise, it is classified as an operating lease. At the time of evaluation, the Company's considerations include relevant specific indicators, such as whether it covers the main component of the economic life of the underlying asset during the lease term.

If the Company is a sublease lessor, the main lease and sublease transactions are processed separately, and the classification of the sublease transaction is evaluated by the right-of-use asset generated by the main lease. If the main lease is a short-term lease and the recognition exemption applies, the sublease transaction should be classified as an operating lease.

If the agreement includes leasing and non-leasing components, the Company shall employ the provisions of IFRS 15 to share the consideration in the contract.

Applicable before January 1, 2019

1. Lesser

The operating lease is recognized as income by the straight-line basis during the lease term. The original direct costs arising from the negotiation and arrangement of operating leases are added to the carrying amount of the leased assets and recognized as expenses by the straight-line basis during the lease term. The total incentive benefits provided for the lessee to reach the lease arrangement are recognized as a decrease in lease income through the straight-line method during the lease term.

The contingent lease benefits are recognized as current income when the adjustments are determined.

2. Lessee

Other leases are operating leases and such leased assets are not recognized in the balance sheet of the Company.

Lease benefits of the operating lease (excluding service costs such as insurance and maintenance) are recognized as expenses by the straight-line basis during the lease term. The total incentive benefits provided by the lessor to reach the lease arrangement are recognized as a decrease in lease expense by the straight-line method during the lease term.

The contingent lease benefits are recognized as the current expense when the adjustments are determined.

(XI) Impairments of Non-financial Asset

The Company assesses on each reporting date whether there is any indication that the carrying amount of non-financial assets (other than inventory, contractual assets, deferred income tax assets) may be impaired. If any indication exists, the recoverable amount of the asset is estimated. Goodwill is regularly tested for impairment every year.

The purpose of the impairment test, a group of assets whose cash inflow is mostly independent of other individual assets or asset groups, is regarded as the smallest identifiable asset group. Goodwill acquired from a business combination is allocated to each cash-generating unit or group of cash-generating units that are expected to benefit from the synergy combination.

The recoverable amount of an individual asset or a cash-generating unit is the higher of its fair value less costs of disposal and its use-value. When evaluating the use-value, the estimated future cash flow is converted to the present value at the pre-tax discount rate, which should reflect the current market's evaluation of the time value of money and the specific risk of the asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized.

The impairment loss is recognized immediately in profit and loss, and first reduces the carrying amount of the goodwill of the cash-generating unit, and then reduces the carrying amount of each asset in proportion to the carrying amount of other assets in the unit.

A goodwill impairment loss shall not be reversed. Non-financial assets other than goodwill are only reversed to the extent that they do not exceed the carrying amount (less depreciation or amortization) determined when the impairment loss of the asset is not recognized in the previous year.

(XII) Provisions

The recognition of provisions means a current obligation for past events so that in the future the Company is most likely to outflow resources with economic benefits to settle it, and the amount of the obligation can be reliably estimated. The provision is discounted at a pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risk of liabilities. The amortization of the discount is recognized as interest expense.

The warranty provision is recognized at the completion of the construction and is measured at correlation probability weighting according to the historical warranty data and all possible results.

(XIII) Revenue Recognition

1. Revenue from Client Contracts

The revenue is measured by the consideration expected to be entitled to for the transfer of goods or services. The Company recognizes the revenue when the control over goods or services is transferred to the client, and the performance obligations are met. The main revenue items of the Company are described as follows:

(1) Labor Services

The Company provides business management services and recognizes the relevant revenue during the financial reporting period of providing labor services. Fixed-price contracts recognize the revenue based on the proportion of actual services provided to the total services as of the reporting date, which is determined by the proportion of costs incurred to the estimated total costs of transactions.

If the situation changes, the estimates of revenue, cost, and degree of completion will be revised, and the increase or decrease caused during the period when the management is informed of the change will be reflected in profit and loss.

Under a fixed-price contract, the client pays a fixed amount of money according to the agreed schedule. When the service provided exceeds the payment, the contract assets shall be recognized. When the payment exceeds the service provided, the contract liabilities shall be recognized.

(2) Construction Contracts

The Company is engaged in the contracting business of residential property and public construction. Since the assets are under the control of clients at the time of construction, the revenue is gradually recognized over time based on the proportion of the construction costs incurred to date to the estimated total contract costs. The contract includes fixed and variable consideration. The client pays a fixed amount of money according to the agreed schedule. Some variable consideration (such as penalty and price adjustment calculated based on overdue days) is estimated by the expected value based on the accumulated experience in the past. The Company recognizes revenue only within the range where the accumulated income is highly unlikely to have a material reversal. If the amount of recognized revenue has not yet been claimed, it shall be recognized as a contract asset. When there is an unconditional right to the consideration, the contract asset shall be transferred to the accounts receivable.

If it is unable to reasonably measure the completion degree of the performance obligation of the construction contract, the contract revenue shall only be recognized within the scope of the expected recoverable cost.

When the Company foresees that the inevitable cost of fulfilling the obligations of a construction contract exceeds the expected economic benefits from the contract, the liability reserve of the loss-making contract is recognized.

If the situation changes, the estimates of revenue, cost, and degree of completion will be revised, and the increase or decrease will be reflected in profit and loss during the period when the management is informed of the change.

The Company provides a standard warranty for residential property and public construction in line with the agreed specifications and has recognized the warranty liability reserve for this obligation. Please refer to Note 6 (9) for details.

2. Financial Component

Cost of Fulfilling Contracts

If the cost of fulfilling client contracts is not within the scope of other standards (IAS 2 "inventory", IAS 16 "property, plant and equipment", or IAS 38 "intangible assets"), the Company shall only recognize such cost as an asset when it is directly related to contract or explicitly identifiable expected contract, which will be generating or strengthening resources for future satisfaction (or continuous satisfaction) of performance obligations, and expected to be recoverable.

The general and management costs, the costs of wasted raw materials, labor or other resources used to perform the contract but not reflected in the contract price, the costs related to the fulfilled (or partially fulfilled) performance obligation and the costs related to unfulfilled performance obligation or fulfilled (or partially fulfilled) performance obligation that cannot be distinguished are recognized as an expense when incurred.

(XIV) Employee Benefits

1. Defined Contribution Plan

The contribution obligation of the defined contribution plan is recognized as an expense during the period of service provided by the employee.

2. Defined Benefit Plan

The net obligation of the Company to determine the benefit plan is calculated by converting the future benefit amount earned by the employee in the current period or the previous period into the present value for each benefit plan and deducting the fair value of any plan assets.

The defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. When the calculation result may be beneficial to the Company, the recognized assets shall be limited to the present value of any economic benefits available in the form of refunding the contribution from the plan or reducing the future contribution to the plan. When calculating the present value of economic benefits, any minimum funding requirements are considered.

The remeasurement of net defined benefit liabilities, including actuarial gains and losses, plan asset returns (excluding interest), and any changes in the impact of the asset ceiling (excluding interest), are immediately recognized in other comprehensive income and accumulated in retained earnings. The net interest expense (income) of the net defined benefit liabilities (assets) determined by the Company is the net defined benefit liabilities (assets) and the discount rate determined at the beginning of the annual reporting period. The net interest paid and other expenses of the benefit plan are recognized in profit and loss.

When the plan is amended or reduced, the number of benefits changes related to past service costs or reduced benefits or losses shall be recognized as profit or loss immediately. When the settlement occurs, the Company shall recognize the settlement profit and loss of the defined benefit plan.

3. Short-term Employee Benefits

   Short-term employee benefit obligations are recognized as expenses when services are provided. If the Company has current legal or constructive payment obligations due to the past services provided by employees and the obligations can be estimated reliably, the amount shall be recognized as liabilities.

(XV) Income Tax

Income tax includes current and deferred income tax. Except for items related to the business combination and directly recognized into equity or other comprehensive incomes, current and deferred income tax shall be recognized in profit or loss.

Current income tax includes the estimated income tax payable or tax refund receivable calculated based on the taxable income (loss) of the current year, and any adjustments to income tax payable or tax refund receivable in previous years. The amount is the best estimate of the expected payment or receipt based on the legal tax rate or substantively enacted tax rate on the reporting date.

Deferred income tax is measured and recognized on the temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and their tax base. The temporary difference for the following conditions will not be recognized as deferred income tax:

1. Assets or liabilities initially recognized in a transaction other than a business combination that at the time of the transaction does not affect accounting profit and taxable income (loss);
2. Due to temporary differences arising from investment in subsidiaries, associates and joint venture interests, the Company can control the reversing point of temporary differences and is likely not to revert in the foreseeable future; and
3. The taxable temporary difference arising from the initial recognition of goodwill.

Deferred income tax is measured by the tax rate when the expected temporary difference is reversed and is based on the legal tax rate or substantively enacted tax rate on the reporting date.

The Company only offsets the deferred income tax assets and deferred income tax liabilities when the following conditions are met simultaneously:

1. Have the legally enforceable right to offset the current income tax assets and current income tax liabilities against each other; and
2. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxpayers levied by the same taxation authority:
   (1) Same taxpayer; or
   (2) Different taxpayers, yet each taxpayer intends to settle current income tax assets and liabilities on a net basis or realize assets and settle liabilities at the same time in each future period when a material amount of deferred income tax assets are expected to be recovered, and deferred income tax liabilities are expected to be settled.

   For unused tax losses and unused income tax deduction at the later stage of the transfer and deductible temporary differences, they are recognized as deferred income tax assets to the extent that there is likely to be future taxable income available for use. On each reporting day, it shall be reassessed to reduce the relevant income tax benefits to the extent that they are not likely to be realized or to reverse the reduced amount to the extent that they are likely to become sufficient taxable income.

(XVI) Earnings per Share

The Company presents the basic and diluted earnings per share attributable to the Company's common equity holders. The basic earnings per share of the Company are calculated by dividing the profit and loss attributable to the Company's common equity holders by the weighted average number of outstanding common shares in the current period. Diluted earnings per share are calculated by adjusting the profit and loss attributable to the common equity holders of the Company and the weighted average number of outstanding common shares, respectively, after adjusting the impact of all potential diluted common equity.

(XVII) Segment Information

The Company has disclosed segment information in the consolidated financial report, so the parent company only financial statements do not disclose segment information.

V. Main Sources of Uncertainty in Material Accounting Judgments, Estimates, and Assumptions

The management must make judgments, estimates, and assumptions when preparing the parent company only financial statements under the Regulations Governing the Preparation of Financial Reports by Securities Issuers, which will have an impact on the adoption of accounting policies and the reported amount of assets, liabilities, earnings, and expenses. The actual results may differ from the estimates.

The management continuously reviews estimates and basic assumptions, and changes in accounting estimates are recognized during the period of change and the future period affected.

For the uncertainty of assumptions and estimates, the relevant information about significant risks that will cause material adjustments in the next year is as follows:

(I) Revenue Recognition

The recognition of the profit and loss of the building contract of the Company refers to the recognition of the contract revenue and the contract cost respectively according to the complete degree of the contractual activities and the degree of completion is measured by the proportion of the contract cost incurred so far in the estimated total contract cost. The Company considers the nature, estimated duration, contract projects, construction process, construction method, and estimated contract amount of each project to estimate the total contract cost. Any change in the foundation of the above estimates may result in a material adjustment of the estimated amount.

The accounting policy and disclosure of the Company include the adoption of fair value measurement on financial and non-financial assets and liabilities. The Company verifies the independent source data to make the evaluation result close to the market status, confirms that the data source is independent, reliable, consistent with other resources and represents the executable price, and regularly calibrates the evaluation model, conducts backtesting, updates the input value and data required by the evaluation model and any other necessary fair value adjustments to ensure that the evaluation result is reasonable. For investment property, the Company evaluates it periodically or entrusts an external appraiser to evaluate it according to the evaluation method and parameter hypothesis announced by the FSC.

In measuring the assets and liabilities, the Company will employ the observable input value in the market as much as possible. The level of fair value is classified as follows based on the input value adopted by the evaluation technology:

(I) Level 1: The public offer price (unadjusted) of the same asset or liability in the active market.

(II) Level 2: In addition to the public offer price included in level 1, the input parameters of assets or liabilities are directly (namely price) or indirectly (namely derived from price) observable.

(III) Level 3: Input parameters of assets or liabilities are not based on observable market data (non-observable parameters).

In case of any transfer event or situation of fair value between different levels, the Company shall recognize such transfer on the reporting date.

Please refer to the following notes for information about the assumptions used to measure fair value:

(I) Note 6 (7), investment property

(II) Note 6 (18), financial instrument

VI. Description of Significant Accounting Items

(I) Cash and cash equivalents

		2019.12.31	2018.12.31
Cash and petty cash	$	710	1,226
Demand deposit		470,722	476,065
Check deposit		178,591	483,584
Cash equivalents		1,638,617	169,663
Cash and cash equivalents	$	2,288,640	1,130,538

The aforementioned cash equivalents are short-term bills, whose maturity ranges are from January to March 2020 and January 2019, and the interest rate ranges are 0.53% to 0.57% and 0.61%, respectively.

Please refer to Note 6 (18) for the disclosure of interest rate risk and sensitivity analysis of financial assets and liabilities of the Company.

(II) Financial Assets at Fair Value through Profit or Loss

The details are as follows:

		2019.12.31	2018.12.31
Financial assets enforced at fair value through profit or loss:			
Non-derivative financial assets			
Funds	$	22,474	17,835

As of December 31, 2019 and 2018, none of the financial assets of the Company was pledged as collateral.

(III) Financial Assets Measured at Fair Value through Other Comprehensive Income

		2019.12.31	2018.12.31
Equity instruments measured at fair value through other comprehensive income			
Shares of domestic TWSE/TPEx listed companies - Kindom Development Co., Ltd.	$	15,950	10,225

1. Equity instrument investment measured at fair value through other comprehensive income

   The equity instrument investment held by the Company is a long-term strategic investment and not held for trading purposes, so it has been designated to be measured at fair value through other comprehensive income.

2. For the equity instrument investment designated as measured at fair value through other comprehensive income, the dividend income recognized by the Company in 2019 and 2018 were NT$500,000 and NT$250,000 respectively.

3. The Company did not dispose of strategic investment in 2019 and 2018, and accumulated profit and loss during that period were not transferred within the equity.
4. As of December 31, 2019 and 2018, none of the Company's financial assets were pledged as collateral.
5. Please refer to Note 6 (18) for credit risk (including impairment of debt instrument investment) and market risk information.

(IV) Notes Receivable and Accounts Receivable

	2019.12.31	2018.12.31
Accounts receivable	$ 1,127,588	737,620
Less: Loss allowance	-	-
	$ 1,127,588	737,620

The Company adopts the simplified method to estimate the expected credit loss of all notes receivable and accounts receivables, that is, to measure lifetime expected credit losses. For this measurement purpose, such notes receivable and accounts receivables are grouped concerning the common credit risk characteristics that represent the client's ability to pay all due amounts under contract terms and have been incorporated into forward-looking information. The expected credit loss of notes receivable and accounts receivable of the Company is analyzed as follows:

	2019.12.31		
	The carrying amount of notes and accounts receivable	Weighted average expected credit loss rate	Allowance of lifetime expected credit losses
Not overdue	$ 1,127,588	-	-

	2018.12.31		
	The carrying amount of notes and accounts receivable	Weighted average expected credit loss rate	Allowance of lifetime expected credit losses
Not overdue	$ 737,620	-	-

There is no provision for doubtful debt loss and write-down reversal in 2019 and 2018
As of December 31, 2019 and 2018, none of the receivables of the Company were pledged as collateral.

(V) Investment under Equity Method

The investment of the Company using the equity method on the reporting date is as follows:

	2019.12.31	2018.12.31
Subsidiaries	$ 573,005	432,163

1. Subsidiaries

   Please refer to the 2019 consolidated financial statements.

2. Collateral

As of December 31, 2019 and 2018, none of the investment under the equity method of the Company was pledged as collateral.

(VI) Property, Plant and Equipment

Details of changes in cost, depreciation and impairment loss of property, plant, and equipment of the Company in 2019 and 2018 are as follows:

	Land	Houses and buildings	Transportation equipment	Other Equipment	Total
Cost or deemed cost:					
Balance on January 1, 2019	$ 53,200	12,667	1,930	407	68,204
Balance on December 31, 2019	**$ 53,200**	**12,667**	**1,930**	**407**	**68,204**
Balance on January 1, 2018	$ 53,200	12,667	1,930	407	68,204
Balance on December 31, 2018	**$ 53,200**	**12,667**	**1,930**	**407**	**68,204**
Depreciation and impairment loss:					
Balance on January 1, 2019	$ -	12,473	1,823	407	14,703
Depreciation for the year	-	194	53	-	247
Balance on December 31, 2019	**$ -**	**12,667**	**1,876**	**407**	**14,950**
Balance on January 1, 2018	$ -	12,239	1,769	407	14,415
Depreciation for the year	-	234	54	-	288
Balance on December 31, 2018	**$ -**	**12,473**	**1,823**	**407**	**14,703**
Carrying Amount					
December 31, 2019	**$ 53,200**	**-**	**54**	**-**	**53,254**
January 1, 2018	**$ 53,200**	**428**	**161**	**-**	**53,789**
December 31, 2018	**$ 53,200**	**194**	**107**	**-**	**53,501**

Please refer to Note 8 for details of the collateral for the financing line as of December 31, 2019 and 2018.

(VII) Investment Property

Details of changes in cost, depreciation, and impairment loss of investment property of the Company in 2019 and 2018 are as follows:

	Land, houses and buildings
Cost or deemed cost:	
Balance on January 1, 2019	$ 127,549
Balance on December 31, 2019	**$ 127,549**
Balance on January 1, 2018	**$ 127,549**
Balance on December 31, 2018	**$ 127,549**
Depreciation and impairment loss:	
Balance on January 1, 2019	**$ 24,539**
Depreciation for the year	**466**
Balance on December 31, 2019	**$ 25,005**
Balance on January 1, 2018	**$ 24,072**
Depreciation for the year	**467**
Balance on December 31, 2018	**$ 24,539**
Carrying amount:	
December 31, 2019	**$ 102,544**
January 1, 2018	**$ 103,477**
December 31, 2018	**$ 103,010**
Fair value:	
December 31, 2019	**$ 176,599**
December 31, 2018	**$ 176,599**

The fair value of investment property is based on the evaluation of the independent appraisers (with a relevant professional qualification accredited) or of the Company through the comprehensive consideration by the comparative method (taking into account the information of the deal price of the real estate agent and the actual price registration of the Ministry of the Interior). The input value used in the fair value evaluation technique belongs to Level 3.

The fair value is evaluated by the income approach. In the absence of the current price in the active market, the evaluation considers the total aggregate estimated cash flow received from the lease of the property and discounts it with the earning rate that reflects the specific risks inherent in the net cash flow to determine the value of the property. The earning rate adopted in 2019 and 2018 is 1.19%.

Please refer to Note 8 for details of the investment property of the Company pledged as collateral for financing line as of December 31, 2019, and 2018.

(VIII) Short-term Loans

The details of the short-term loans of the Company are as follows:

	2019.12.31	2018.12.31
Unsecured bank loans	$ 150,000	-
Unused facilities	$ 3,571,975	3,497,523
Interest rate interval	1.6%	-

Please refer to Note 6 (18) for information on the exposure to interest rate and liquidity risk of the Company.

Please refer to note 8 for details of the Company's asset pledged as collateral for bank loans.

(IX) Provisions

	Warranty
Balance on January 1, 2019	$ 78,040
Additional provisions during the period	27,816
Provisions used during the period	(4,535)
Balance on December 31, 2019	$ 101,321
Balance on January 1, 2018	$ 57,559
Additional provisions during the period	33,316
Provisions used during the period	(12,835)
Balance on December 31, 2018	$ 78,040

In 2019 and 2018, the warranty provisions of the Company is mainly related to construction contracting. The warranty provisions are estimated based on the historical warranty data of various constructions. The Company expects that the liability will occur mostly 1 year after the construction acceptance.

(X) Operating Lease

1. Lessee Lease

The payment of accrued rent payable of the non-cancellable operating lease is as follows:

	2018.12.31
Within 1 year	$ 2,229

The Company leases its office by operating lease. The operating lease expense reported in profit and loss in 2018 was NT$2,229,000.

2. Lessor Lease

Please refer to Note 6 (7) for details of the investment property leased by the Company under an operating lease. The minimum lease payments receivable in the future during the non-cancellable lease term are as follows:

	2019.12.31	2018.12.31
Within 1 year	$ 6,074	3,361
1-5 years	3,295	-
Total	$ 9,369	3,361

When the Company leases the investment property, as almost all risks and remuneration attached to the ownership of the underlying assets have not been transferred, such tenancy agreement is classified as an operating lease. Please refer to Note 6 (7) investment property for details.

In 2019 and 2018, the rental income from investment property was NT$6,082,000 and NT$6,083,000 respectively. In addition, there was no material maintenance and servicing expense.

(XI) Employee Benefits

1. Defined Benefit Plan

The adjustment of the present value of the defined benefit obligations and the fair value of the plan assets of the Company is as follows:

	2019.12.31	2018.12.31
Present value of defined benefit obligations	$ 22,317	29,385
Fair value of plan assets	(23,678)	(29,330)
Net defined benefit obligation (assets) liabilities	$ (1,361)	55

The defined benefit plan of the Company is contributed to the special pension fund account at the Bank of Taiwan. The pension payment of each employee per the Labor Standards Act is calculated based on the base number of service years and the average salary of six months before retirement.

(1) Components of plan assets

The pension fund contributed by the Company following the Labor Standards Act is under the overall management of the Bureau of Labor Funds of the Ministry of Labor. According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, concerning the utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

As of the reporting date, the balance of the Company's special pension fund account at Bank of Taiwan amounted to NT$23,678,000. For the utilization of the pension fund, including the earnings rate and asset allocation of the fund, please refer to the information published on the website of the Bureau of Labor Funds of the Ministry of Labor.

(2) Changes in present value of defined benefit obligations

The changes in the present value of defined benefit obligations of the Company in 2019 and 2018 are as follows:

	2019	2018
Defined benefit obligation on January 1	$ 29,385	33,721
Current service cost and interest	316	383
Remeasurement of net defined benefit liability (asset)		
- Actuarial gain and loss arising from changes in demographic assumptions	-	117
- Actuarial gain and loss arising from changes in financial assumptions	391	755
- Experience adjustments	(162)	(489)
Benefits paid by the plan	(7,613)	(5,102)
Defined benefit obligation on December 31	**$ 22,317**	**29,385**

(3) Changes in fair value of plan assets

Changes in fair value of defined benefit plan assets of the Company in 2019 and 2018 are as follows:

	2019	2018
Fair value of plan assets on January 1	$ 29,330	32,518
Interest income	318	372
Remeasurement of net defined benefit liability (asset)		
- Return on plan assets (excluding current interest)	1,136	954
Amount contributed to the plan	507	588
Benefits paid by the plan	(7,613)	(5,102)
Fair value of plan assets on December 31	**$ 23,678**	**29,330**

(4) The Company had no upper limit impact on defined benefit plan assets in 2019 and 2018.

(5) Expenses recognized as profit and loss

The expenses recognized as profit and loss of the Company in 2019 and 2018 are as follows:

	2019	2018
Net interest from net defined benefit liability (asset)	**$ (2)**	**11**

Expenses are recognized in the statement of comprehensive income as follows:

	2019	2018
Operating cost	**$ (2)**	**11**

(6) Remeasurement of net defined benefit liability (asset) recognized as other comprehensive income

The remeasurement of the net defined benefit liability (asset) accumulated and recognized as other comprehensive income of the Company as of December 31, 2019 and 2018 is as follows:

		2019	2018
Accumulated balance on January 1	$	1,728	1,157
Current recognition		907	571
Accumulated balance on December 31	$	2,635	1,728

(7) Actuarial assumption

The material actuarial assumptions used by the Company to determine the present value of the defined benefit obligations at the end of the financial report are as follows:

	2019.12.31	2018.12.31
Discount rate	1.00%	1.15%
Future salary increase	1.75%	1.75%

The Company expects to pay NT$436,000 to the defined benefit plan within one year after the reporting date of 2019.

The weighted average duration of defined benefit plans is 13.1 years.

(8) Sensitivity analysis

The impact of changes in the main actuarial assumptions to be adopted on December 31, 2019 and 2018 on the present value of defined benefit obligations are as follows:

	Impact on defined benefit obligations	
	Increase	Decrease
December 31, 2019		
Discount rate (change of 0.25%)	(646)	672
Future salary increase (change of 1%)	2,798	(2,455)
December 31, 2018		
Discount rate (change of 0.25%)	(862)	895
Future salary increase (change of 1%)	3,736	(3,283)

The above sensitivity analysis is based on the impact of changes in a single assumption when other assumptions remain unchanged. In practice, the changes in assumptions may be interlinked. Sensitivity analysis is consistent with the method used to calculate net defined benefit liabilities on the balance sheet.

The methods and assumptions used in the preparation of sensitivity analysis in this period are the same as those in the previous period.

2. Defined Contribution Plans

The Company's defined contribution plan contributes 6% of the worker's monthly wage to the individual labor pension accounts at the Bureau of Labor Insurance per the provisions of the Labor Pension Act. Under this plan, the Company contributes a fixed amount to the Bureau of Labor Insurance, and there is no legal or constructive obligation to pay the additional amount.

The pension expenses of the Company under the defined contribution pension mechanism in 2019 and 2018 are NT$21,613,000 and NT$20,840,000 respectively, which have been contributed to the Bureau of Labor Insurance.

3. Short-term Compensated Absences

The details of employee benefit liabilities of the Company are as follows:

		2019.12.31	2018.12.31
Short-term compensated absences	$	14,433	11,511

(XII) Income Tax

1. The details of income tax expenses of the Company in 2019 and 2018 are as follows:

		2019	2018
Current income tax expense			
Arising in the current period	$	96,365	105,793
Adjustments of income tax in the prior period		(3,333)	1,751
Surtax on unappropriated retained earnings		2,843	3,394
		95,875	110,938
Deferred tax expense			
Origination and reversal of temporary differences		(3,080)	(4,671)
Change in income tax rate		-	(2,409)
		(3,080)	(7,080)
Income tax expense	$	92,795	103,858

2. The relationship between the income tax expense and the profit before tax of the Company in 2019 and 2018 is adjusted as follows:

		2019	2018
Profit before tax	$	495,143	511,364
Income tax calculated according to the domestic tax rate of the location of the Company	$	99,028	102,272
Change in income tax rate		-	(2,409)
Adjustments of income tax in the prior period		(3,333)	1,751
Surtax on unappropriated retained earnings		2,843	3,394
Investment profit and loss recognized by the equity method		(4,717)	(3,522)
Tax exemption profit		(117)	(60)
Non-deductible expense		120	34
Others		(1,029)	2,398
Total	$	92,795	103,858

3. Deferred tax assets

(1) Unrecognized deferred tax assets

Items not recognized as deferred tax assets by the Company are as follows:

	2019.12.31	2018.12.31
Deductible temporary difference	$ 798	798

(2) Recognized deferred tax assets

The changes in deferred tax assets in 2019 and 2018 are as follows:

	Provisions	Unrealized construction loss	Cumulative compensated absences	Others	Total
January 1, 2019	$ 15,608	2,160	2,302	664	20,734
Recognized in the income statements	4,656	(2,160)	584	-	3,080
December 31, 2019	$ 20,264	-	2,886	664	23,814
January 1, 2018	$ 9,785	6	1,805	2,058	13,654
Recognized in the income statements	5,823	2,154	497	(1,394)	7,080
December 31, 2018	$ 15,608	2,160	2,302	664	20,734

4. The Company's business income tax declaration has been approved by the collection authority until 2017.

(XIII) Capital and Other Equity

As of December 31, 2019 and 2018, the total authorized capital stock of the Company is NT$1,200,000,000; the total number of shares is 120,000,000 with a par value of $ 10 per share, and the number of issued shares is 106,036,000. The payment of all issued shares has been collected.

1. Capital Surplus

The balance of the Company's capital surplus is as follows:

	2019.12.31	2018.12.31
Paid-in capital in excess of par value	$ 383,109	383,109
Conversion premium of corporate bond	130,766	130,766
Changes in the equity net value of subsidiaries, associates and joint ventures recognized by the equity method	2,568	2,568
Overdue unclaimed dividend	361	328
Others	1,437	1,437
	$ 518,241	518,208

According to the Company Act, after the capital surplus has priority to cover the deficit, it may issue new shares or cash with the realized capital surplus according to the proportion of the original shares of the shareholders. The realized capital surplus referred to in the preceding paragraph includes the overage from the issuance of shares over the par value and the proceeds from the receipt of gifts. In accordance with the provisions of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be capitalized, and the combined amount of any portions capitalized may not exceed 10% of the paid-in capital each year.

2. Retained Earnings

According to the corporation by-laws of the Company, if there are any earnings in the general final accounts of each year, other than the tax contributed in accordance with the law, the Company shall first make up the deficits of the previous year, and the second contribute 10% as the legal capital surplus and contribute or revert the special capital surplus according to the laws. As for the remaining, apart from the dividend distribution, if there are still any earnings, the Board of Directors shall prepare an earnings distribution plan and submit it to the shareholders' meeting for resolution.

The Company will develop towards contracting large-scale constructions and strive for growth and innovation. To continuously expand appropriate capital to meet the needs of the business, and to take into account the cash needs of shareholders, the Company's future cash dividend ratio will be based on the lower limit of 20% of the total cash and stock dividends to be issued in the current year.

(1) Legal capital surplus

According to the Company Act, the Company shall contribute 10% of the after-tax net profit as the legal capital surplus until it is equal to the total capitalization. When the Company has no loss, it may, by resolution of the shareholders' meeting, issue new shares or cash with the legal capital surplus, provided that the surplus exceeds 25% of the paid-in capital.

(2) Earnings distribution

On June 17, 2019 and June 22, 2018, the Company passed resolutions on earnings distribution in 2018 and 2017 at the general meeting of shareholders. The amount of dividends distributed to the owners is as follows:

	2018		2017	
	Dividend rate (NT$)	**Amount**	**Dividend rate (NT$)**	**Amount**
Dividends distributed to owners of ordinary shares:				
Cash	$ 3.00	318,107	2.16	229,037

3. Other Equity (net after tax)

	Unrealized gains or losses on financial assets at fair value through other comprehensive income	**Available-for-sale investment**	**Total**
Balance on January 1, 2019	$ 3,177	-	3,177
Unrealized profit (loss) of financial assets measured at fair value through other	122,982	-	122,982

comprehensive income			
Balance on December 31, 2019	$ 126,159	-	126,159
Balance on January 1, 2018	$ -	11,710	11,710
Adjustments for retroactive application of new standards	4,074	(11,710)	(7,636)
Balance after restatement on January 1, 2018	4,074	-	4,074
Unrealized profit (loss) of financial assets measured at fair value through other comprehensive income	(897)	-	(897)
Balance on December 31, 2018	$ 3,177	-	3,177

(XIV) Earnings per Share

The basic and diluted earnings per share of the Company in 2019 and 2018 are calculated as follows:

	2019	2018
Basic earnings per share		
Net profit attributable to ordinary equity holders of the Company	$ 402,348	407,506
The weighted average number of ordinary shares outstanding	106,036	106,036
	$ 3.79	3.84
Diluted earnings per share		
Net profit attributable to ordinary equity holders of the Company	$ 402,348	407,506
The weighted average number of ordinary shares outstanding	106,036	106,036
Impact of potential ordinary shares with the dilution effect		
Influence of potentially diluted shares - employee compensation	185	284
The weighted average number of ordinary shares outstanding (after adjusting the impact number of diluted potential ordinary shares)	106,221	106,320
	$ 3.79	3.83

(XV) Revenue from Client Contracts

1. Disaggregation of Revenue

	2019	2018
Timing of revenue recognition:		
Gradually transferred constructions over time	$ 11,356,536	11,295,309
Gradually transferred services over time	6,082	22,903
	$ 11,362,618	11,318,212

2. Contract Balance

	2019.12.31	2018.12.31	2018.01.01
Notes and accounts receivable (including affiliates)	$ 3,035,793	3,363,929	2,121,339
Less: Loss allowance	-	-	-
Total	$ 3,035,793	3,363,929	2,121,339
Contract asset construction-	$ 1,555,198	1,195,153	1,446,174
Contract asset service income-	-	-	5,737
Less: Loss allowance	-	-	-
Total	$ 1,555,198	1,195,153	1,451,911
Contract liability construction-	$ 978,454	995,684	941,700

Please refer to Note 6 (4) for the disclosure of accounts receivable and their impairment.

The changes in contract assets and contract liabilities are mainly due to the difference between the time when the Consolidated Company transfers commodity or services to clients to meet the performance obligations and the time when clients pay. Therefore, there was no other material change in 2019 and 2018.

(XVI) Remuneration of Employees, Directors, and Supervisors

According to the corporation by-laws of the Company, if there is any profit in the year, 0.5% - 1% should be allocated as the employees' remuneration and no more than 2% as the remuneration of Directors and Supervisors. However, if the Company still has accumulated deficits, it shall reserve the amount of compensation in advance. The Company's estimated remuneration of employees in 2019 and 2018 are NT$5,105,000 and NT$5,272,000 respectively, and estimated remuneration of Directors and Supervisors are NT$10,209,000 and NT$10,544,000 respectively. That is based on the Company's profit before tax before deducting remuneration of employees, Directors, and Supervisors during the period multiplied by the remuneration distribution ratio of employees, Directors, and Supervisors stipulated in the corporation by-laws of the Company as the estimated basis, and reported as the operating costs and operating expenses in 2019 and 2018. There is no difference between the remuneration of the employees, Directors, and Supervisors allocated by the aforesaid resolution of the Board of Directors and the amount estimated in the parent company only financial statements for 2019 and 2018. For relevant information, please refer to the Market Observation Post System (MOPS).

(XVII) Non-operating Income and Expenses

1. Other Income

Details of other income of the Company in 2019 and 2018 are as follows:

	2019	2018
Interest income		
Loans and receivables	$ 4,772	1,937
Bank deposits	768	683
Other interest income	-	10,503
Dividend income	500	250
Rent income	11	11
Other income	2,798	4,574
	$ 8,849	17,958

2. Other Gains and Losses

Details of other gains and losses of the Company in 2019 and 2018 are as follows:

	2019	2018
Profit (loss) of financial assets at fair value through profit or loss	$ 4,723	(1,527)
Other expenses	-	(3,886)
	$ 4,723	(5,413)

3. Financial Cost

Details of the financial cost of the Company in 2019 and 2018 are as follows:

		2019	2018
Interest expense			
Bank loans	$	2,024	1,798
Others		29	204
	$	2,053	2,002

(XVIII) Financial Instruments

1. Credit Risk

(1) Credit risk exposure

The carrying amount of financial assets and contractual assets represents the maximal amount of credit risk exposure.

(2) The concentration of credit risk

The revenue of the Company in 2019 and 2018 is derived from the sales to domestic clients, the clients of the Company are concentrated in the construction industry and public works, etc. As of December 31, 2019 and 2018, 98% of notes and accounts receivable balance is composed of six clients respectively, but they are mainly companies within the group, companies with good credit, and government agencies, etc., therefore no material concentration of credit risk in the evaluation of the Company. The Company still regularly evaluates the possibility of recovery of accounts receivable and provides the allowance for bad debts, also the loss of bad debts is within the expectation of the management.

2. Liquidity Risk

The following table shows the contractual maturity of financial liabilities, including estimated interest but excluding the impact of net amount agreements.

	Carrying amount	Contractual cash flow	Within 1 year	13 years-	35 years-	Later than 5 years
December 31, 2019						
Non-derivative financial liabilities						
Unsecured bank loans	$ 150,000	151,400	151,400	-	-	-
Notes payable	356,433	356,433	356,433	-	-	-
Accounts payable	3,497,894	3,497,894	2,065,395	1,432,499	-	-
Other payables	73,652	73,652	73,652	-	-	-
	$ 4,077,979	4,079,379	2,646,880	1,432,499	-	-
December 31, 2018						
Non-derivative financial liabilities						
Notes payable	$ 377,531	377,531	377,531	-	-	-
Accounts payable	2,538,707	2,538,707	1,468,520	1,070,187	-	-
Other payables	48,449	48,449	48,449	-	-	-
	$ 2,964,687	2,964,687	1,894,500	1,070,187	-	-

The Company does not expect the cash flow of maturity analysis to occur significantly earlier, or the actual amount will be meaningfully different.

3. Interest Rate Analysis

The risk of interest rate exposure on the financial assets and financial liabilities of the Company is described in the liquidity risk management of this Note.

The following sensitivity analysis is determined by the interest rate risk exposure of derivative and non-derivative instruments on the reporting date. For floating rate liabilities, the analysis method presumes that the amount of outstanding liabilities on the reporting date is outstanding throughout the year. The rate of change used in reporting the interest rate to the key management within the Company is 0.5% increase or decrease in the interest rate, which also signifies the management's evaluation of the reasonable range of likely variations in the interest rate.

4. Other Price Risk

On the reporting date, if the price of equity securities changes (two periods of analysis are based on the same basis, assuming that other variable factors remain unchanged), the impact on the comprehensive profit and loss items is as follows:

	2019		**2018**	
Securities price on the reporting date	**After-tax amount of other comprehensive income**	**After-tax profit or loss**	**After-tax amount of other comprehensive income**	**After-tax profit or loss**
Up by 10%	$ 1,595	-	1,023	-
Down by 10%	$ (1,595)	-	(1,023)	-

5. Fair Value Information

(1) Type and fair value of financial instruments

The Company's financial assets and liabilities measured at fair value through profit or loss, hedging financial assets and liabilities, and other financial assets (available for sale financial assets) measured at fair value through comprehensive income are measured at fair value on a repeatability basis. The carrying amount and fair value of various types of financial assets and financial liabilities (including fair value level information, then again the carrying amount of financial instruments not measured by fair value is a reasonable approximation, and the fair value of equity instrument investment without quotation in the active market that cannot be reliably measured, the fair value is not required to be disclosed according to regulations) are listed as follows:

	2019.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets enforced at fair value through profit or loss	$ 22,474	22,474	-	-	22,474
Financial assets measured at fair value through other comprehensive income	$ 15,950	15,950	-	-	15,950
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,288,640	-	-	-	-
Notes receivable and accounts receivable (including affiliates)	3,035,793	-	-	-	-
Other financial assets - current-	243,552	-	-	-	-
Other financial assets - non-current-	7,955	-	-	-	-
Subtotal	5,575,940	-	-	-	-
Total	**$ 5,614,364**	**38,424**	-	-	**38,424**
Financial liabilities measured at amortized cost					
Short-term loans	$ 150,000	-	-	-	-
Notes payable and accounts payable	3,854,327	-	-	-	-
Other payables	73,652	-	-	-	-
Total	**$ 4,077,979**	-	-	-	-

	2018.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets enforced at fair value through profit or loss	$ 17,835	17,835	-	-	17,835
Financial assets measured at fair value through other comprehensive income	$ 10,225	10,225	-	-	10,225
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 1,130,538	-	-	-	-
Notes receivable and accounts receivable (including affiliates)	3,363,929	-	-	-	-
Other financial assets - current-	341,814	-	-	-	-
Other financial assets - non-current-	9,241	-	-	-	-
Subtotal	4,845,522	-	-	-	-
Total	$ 4,873,582	28,060	-	-	28,060
Financial liabilities measured at amortized cost					
Notes payable and accounts payable	$ 2,916,238	-	-	-	-
Other payables	48,449	-	-	-	-
Total	$ 2,964,687	-	-	-	-

(2) Fair value evaluation technique of financial instruments measured at fair value

Non-derivative financial instruments

If a financial instrument has a quoted price in an active market, then the active market quotation shall be the fair value. The market price of the major exchanges and the market price of popular central government bonds judged and released by the Taipei Exchange (TPEx), which is the basis of the fair values of TWSE/TPEx listed equity instruments and debt instruments with active market quotations.

If the public quotation of a financial instrument can be obtained from an exchange, broker, underwriter, industry association, pricing service agency or competent authority in a timely and frequent manner, and the price represents the actual and regular fair market transactions, then the financial instrument has an active market quotation. If the above conditions are not met, the market is deemed not active. Generally speaking, large bid-ask spread, a significant increase in bid-ask spread, or a small volume of transactions are indicators of inactivity.

If the financial instruments held by the Company fit into an active market, their fair values are listed according to the categories and attributes as follows :

The stock of a TWSE/TPEx listed company is a financial asset with standard terms and traded in an active market, and its fair value is determined by reference to the market quotation.

In addition to the aforementioned financial instruments with an active market, the fair value of other financial instruments is acquired by valuation technique or by reference to the counterparty quotes. The fair value acquired through valuation technique can refer to the current fair value, the discounted cash flow method or other valuation techniques for financial instruments with similar substantive conditions and characteristics in essence, including calculations based on the market information available on the reporting date using the model (such as the reference yield curve of the TPEx and the average quotation of Reuters commercial promissory note rate).

If the financial instruments held by the Company do not fit into the active market, their fair values are listed according to the categories and attributes as follows:

The equity instrument without public quotation: The discounted cash flow model is used to estimate fair value. Its main assumption is that the expected future cash flow of the investee will be measured by discounting the rate of return, reflecting the time value of money and investment risk.

The equity instrument without public quotation: The market comparable company approach is used to estimate the fair value. Its main assumption is based on the estimated earnings before tax, interest, depreciation, and amortization of the investee and the earnings multiplier derived from the market quotation of comparable TWSE/TPEx listed companies. This estimate has adjusted the discount effect of the lack of market liquidity of the equity securities.

(3) There is no transfer between different levels in 2019 and 2018.

(XIX) Financial Risk Management

1. Outline

The Company is exposed to the following risks due to the use of financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

The notes convey the aforementioned various risk exposure of the Company and the objectives, policies, and procedures for the measurement and risk management of the Company. For further quantitative disclosure, please refer to the notes to the parent company only financial statements.

2. Risk Management Framework

(1) Risk management policies:

In the process of operation, enterprises often encounter many uncertain factors that may threaten their operations. In order to perceive and control them as early as possible and reduce the losses caused by the occurrence of risks, a good risk management policy is essential. The Board of Directors of the Company establishes the overall risk management policy in line with the operating strategy, operating environment and segment plan. Its main subjects include the aspects of the environment, internal and external operational flow, and strategic decision-making, etc. Furthermore, the Board of Directors shall put forward risk management reports on the resolutions, deliverables, supervision, and subsequent execution process of various risk management issues. So when the future operation and management encounter similar or the same problems, it can refer to the experience and propose better solutions.

(2) Organizational structure of risk management:

Each hierarchy level or department of the Company shall be responsible for the risks. Once the situation is found to be wrong, it shall promptly report to the auditing office or the senior executive and seek solutions as soon as possible. The decision-maker shall also take action within the shortest time.

The organizational structure of risk management of the Company is as follows:

Name of Organization	Scope of authority and responsibility
The Board of Directors	Establish risk management policies to ensure the effective operation and resource allocation of risk management mechanism
Senior Executive	Implement risk management decisions of the Board of Directors Coordinate risk management affairs across departments
Auditing Office	Conduct daily risk management audit Supervise risk management activities and report the implementation to the Board of Directors and Supervisors
Other Departments	Consolidate the implementation results of risk management activities Conduct daily risk management operations

	Determine the risk category depending on environmental changes, and propose the undertaking plan

3. Credit Risk

Credit risk refers to the risk of financial loss due to the failure of the Company's clients or counterparties of financial instruments to perform their contractual obligations. It mainly comes from the accounts receivable from clients and securities investment of the Company.

(1) Accounts receivable and other receivables

The credit risk exposure of the Company is primarily affected by the individual circumstances of each client. The management also considers the statistical data of the Company's client base, including the default risk of the client's industry and country, as these factors may affect the credit risk. In order to reduce the credit risk of receivables, the Company continuously assesses the financial status of its clients and requires the counterparty to provide collaterals or guarantees when necessary.

(2) Investment

The credit risks of bank deposits, fixed-income investments, and other financial instruments are measured and monitored by the financial department of the Company. Given that the trading counterpart and the contract performing party of the Company are financial institutions, corporate organizations, and government agencies with good credit, there is no material credit risk as there is no significant doubt about the contract performance.

(3) Guarantee

In line with the Company's policy, financial guarantee can only be provided to fully owned subsidiaries, companies with business contacts, etc. As of December 31, 2019 and 2018, the endorsements and guarantees provided by the Company were all NT$14,192,000.

4. Liquidity Risk

Liquidity risk refers to the risk that the Company is unable to deliver cash or other financial assets to settle financial liabilities and fails to perform relevant obligations. The method of managing the liquidity of the Company is to ensure that the Company has sufficient circulating capital to pay for its due liabilities under normal and stressful conditions, without any risk of unacceptable loss or damage to the reputation of the Company.

Generally speaking, the Company ensures that there is sufficient cash to meet the needs of expected operating expenses, including the performance of financial obligations, but excluding the potential impact that can not be reasonably expected under extreme circumstances, such as natural disasters. Moreover, the unused comprehensive loan facilities (including NT dollar loan, letter of credit and commercial paper facilities) of the Company on December 31, 2019 and 2018 totaled NT$3,671,975,000 and NT$3,597,523,000.

5. Market Risk

Market risk refers to the risk that changes in market prices, such as exchange rate, interest rate, and equity instrument price will affect the earnings of the Company or the value of the financial instruments it holds. The goal of market risk management is to control the market risk to an acceptable extent and optimize the return on investment.

(1) Interest rate risk

The policy of the Company is to ensure that the risk of borrowing interest rate variation is based on fixed interest rates. To achieve this goal, part of this is through the signing of fixed interest rate instruments, and part is through the borrowing floating interest rates, and the use of interest rate swap contracts is attributed to avoid the cash flow variability due to interest rate fluctuations.

(2) Other market price risks

The Company has the risk of exposure in equity price due to the equity securities investment of the TWSE/TPEx listed companies. The equity investment is not held for trading but a strategic investment. The Company has not actively traded such investments, and the managing personnel of the Company manage the risks by holding different risk investment portfolios.

(XX) Capital Management

The goal of the capital management of the Company is to ensure the ability to sustain operation to continuously offer the shareholders' remuneration and other stakeholders' interests and to maintain the best capital structure to reduce the cost of capital.

In order to maintain or recapitalize structure, the Company may adjust the dividends paid to the shareholders, refund of capital reduction to shareholders, issue new shares, or sell assets to settle the liabilities.

The Company is the same as its peers and uses debt to capital ratio as the foundation of capital control. The ratio is calculated by dividing net indebtedness over the capitalization. Net indebtedness is the total liabilities, shown in the balance sheets, less cash and cash equivalents. Capitalization is the entire component of equity (that is, equity, capital surplus, retained earnings, and other equity) plus net indebtedness.

The capital management strategy of the Company in 2019 is consistent with that in 2018, to ensure financing at a reasonable cost. The debt to capital ratios at December 31, 2019 and 2018 are as follows:

	2019.12.31	2018.12.31
Total liabilities	$ 5,405,720	4,338,104
Less: Cash and cash equivalents	(2,288,640)	(1,130,538)
Net indebtedness	3,117,080	3,207,566
Total equity	2,740,961	2,532,798
Adjusted capital	$ 5,858,041	5,740,364
Debt to capital ratio	53%	56%

VII. Related Party Transactions

(I) The Parent Company and the Ultimate Controlling Party

Kingdom Development Co., Ltd. is the parent company of the Company and the ultimate controller of the group to which it belongs and holds 34.18% of the outstanding ordinary shares of the Company. Kingdom Development Co., Ltd. has prepared consolidated financial statements for public use.

(II) Name and Relation of Affiliates

During the period covered by these parent company only financial statements, the affiliates who have transactions with the Company are as follows:

Name of affiliates	Relationship with the Company
Kindom Development Co., Ltd.	The parent company of the Company
Guanqing Electromechanical Co., Ltd.	Subsidiary of the Company
Dingtian Construction Co., Ltd.	Subsidiary of the Company
ReadyCom eServices Corp.	Associates
Kindom Yu San Education Foundation	The Chairman of the board and the Chairman of the Company are within the second-degree kinship

(III) Material Transactions with Affiliates

1. Sales of Services to Affiliates

The material sales amount of the Company to affiliates is as follows:

		2019			
	Nature	Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period
Parent company - Kindom Development Co., Ltd.-	Construction contract	$ 20,037,538	10,158,533	5,000,015	5,629,172

		2018			
	Nature	Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period
Parent company - Kindom Development Co., Ltd.-	Construction contracts	$ 25,156,833	12,753,510	6,858,591	5,882,829

(1) The construction contracted by the Company to the affiliate is the contract price after the reasonable management fee and profit are added in accordance with the project budget, following the outsourcing operation regulations of the construction project of the affiliated company, and

submitted to the supervisor for approval through price comparison and negotiation procedures.

(2) In 2019 and 2018, the gross profit rate of the construction contracted by the Company with the non-affiliated company are about (1.92)%-22.92% and (1.81)%-18.55% respectively, and the gross profit rate with the affiliated company are about 3.85%-4.94% and 2.56%-5.75% respectively.

2. Outsourcing project

The current valuation amount of the Company's outsourcing project to affiliates is as follows:

	2019			2018		
	Total contract amount	**Valuated amount**	**Current valuation amount**	**Total contract amount**	**Valuated amount**	**Current valuation amount**
Subsidiaries	$ 1,651,896	1,189,929	581,876	1,662,855	1,046,891	510,302

The total contract amount of the project shall be negotiated by both parties, and payment shall be made according to the progress of the project according to the contract concluded after negotiation.

3. Contract Assets and Receivables from Affiliates

Details of the Company's receivables from affiliates are as follows:

Accounting items	Category of affiliates	2019.12.31	2018.12.31
Notes receivable	Parent company - Kindom Development Co., Ltd.-	$ 1,287,602	1,899,951
Accounts receivable	Parent company - Kindom Development Co., Ltd.-	620,603	726,358
Contract Assets	Parent company - Kindom Development Co., Ltd.-	347,810	130,118
Contract assets (retention receivables)	Parent company - Kindom Development Co., Ltd.-	21,494	43,714
		$ 2,277,509	2,800,141

The collection period of the Company for the affiliate is 100% paid with 90 days promissory notes, and the general case is one or two assessments per month, 100% on spot, or 100% for 30 days, or 100% for 90 days.

4. Payables to Affiliates

Details of the Company's payables to affiliates are as follows:

Accounting items	Category of affiliates	2019.12.31	2018.12.31
Notes payable	Subsidiaries	$ 9,535	29,567
Accounts payable	Subsidiaries	97,993	29,830
		$ 107,528	59,397

5. Endorsement and Guarantee

On December 31, 2019 and 2018, the Company is the joint partner and joint debtor of the ultimate parent company Kindom Development Co., Ltd. for cooperative development and construction, with the amount of NT$14,192,000.

6. Leases

In 2019 and 2018, the Company leased to parent company Kindom Development Co., Ltd. office building and signed a tenancy agreement concerning the rental market of offices in neighboring areas. The total contract value is NT$294,000 per month. The rental income for both 2019 and 2018 is NT$3,360,000.

Also, the Company leased office building from its parent company Kindom Development Co., Ltd., with a total contract value of NT$186,000 per month for both 2019 and 2018. The rental expense for both 2019 and 2018 is NT$2,229,000.

7. Others

(1) In 2019 and 2018, the Company donated NT$4,000,000 and NT$5,500,000 respectively to Yu San Education Foundation, a syndicate legal entity, for the promotion of the foundation's business.

(2) In October 2017, the Company signed an information project consulting service contract with ReadyCom eServices Corp. for a total contract price of NT$3,990,000, which has been paid in full as of December 31, 2018.

(3) In 2018, the Company paid an information consulting fee of NT$343,000 to ReadyCom eServices Corp.

(IV) Key Management Personnel Transactions

Remuneration of key management personnel includes:

		2019	2018
Short-term employee benefits	$	59,766	53,287
Benefits after retirement		145	230
	$	59,911	53,517

VIII. Pledged Assets

The details of the asset carrying value pledged as collateral by the Company are as follows:

Name of assets	Object pledged as collateral		2019.12.31	2018.12.31
Other financial assets - current	Loan facilities collaterals and construction guarantees	$	224,488	317,428
Net amount of property, plant and equipment	Loan facilities collaterals		53,200	53,394
Net amount of investment property	Loan facilities collaterals		95,585	102,817
		$	373,273	473,639

IX. Material Contingent Liabilities and Unrecognized Contract Commitments

(I) Material Unrecognized Contract Commitments

1. On December 31, 2019 and 2018, the total amount of material construction contracts by the Company were NT$34,596,725,000 and NT$36,016,936,000 respectively, and the payments received according to the contracts were NT$12,258,009,000 and NT$15,416,652,000 respectively.

2. Approved by the Board of Directors on December 20, 2019 and December 21, 2018, the Company committed to donating NT$5,500,000 and NT$4,000,000 to the Kindom Yu San Education Foundation in 2020 and 2019 for the promotion of the foundation's business.

(II) Contingent Liability

1. For the construction project 041A contracted by the Company, the neighboring manufacturer appealed that the improper construction of the Company caused the damage to the plant structure and floor, and the two parties failed to coordinate, so the neighboring manufacturer sued and claimed the Company for joint damage indemnity of NT$15,665,000, and the Company will continue to deal with it according to the judgment result.
2. The Company was sued for the construction contracts and claimed to pay a loan amount of NT$2,032,000, and the Company will continue to deal with it according to the judgment result.

X. Material Disaster Losses: None

XI. Material Post-period Matters: None

XII. Others

The function of employee benefits, depreciation, depletion, and amortization are summarized as follows:

Function / Nature	2019 Attributed to operating cost	2019 Attributed to operating expense	2019 Total	2018 Attributed to operating cost	2018 Attributed to operating expense	2018 Total
Employee benefit expenses						
Salary expense	$ 429,443	135,599	565,042	463,503	122,207	585,710
Labor insurance and national health insurance expense	38,046	8,812	46,858	35,909	7,673	43,582
Pension expense	16,631	4,980	21,611	16,407	4,444	20,851
Remuneration of Directors	-	12,849	12,849	-	13,200	13,200
Other employee benefits expense	232	11,732	11,964	584	8,976	9,560
Depreciation expense	466	247	713	467	288	755
Depletion expense	-	-	-	-	-	-
Amortization expense	-	-	-	-	-	-

Additional information on the number of employees and employee welfare expenses of the Company in 2019 and 2018 is as follows:

	2019	2018
Number of employees	769	764
Number of directors not concurrently employed	5	5
Average employee benefit expenses	$ 845	869
Average employee salary expense	$ 740	772
Adjustment of average employee salary expenses (Note)	(4.15)%	

Note: The Company's salary expense reflects the composition of manpower required by each year's operation and the performance of coordinating with the project's declared completion progress. The number of the above employees includes foreign workers who receive a basic salary. Among the salary expenses of the Company in 2019 and 2018, the base salary of non-executive full-time employees is adjusted by 2.78% and 2.95% respectively, and the foreign workers account for about 30% of the total number.

XIII. Supplementary Disclosures

(I) Information on Material Transactions

In 2019, under Regulations Governing the Preparation of Financial Reports by Securities Issuers, information related to material transactions should be disclosed by the Company is as the following:

1. Loan of funds to others: none.
2. Endorsement guarantee for others:

Unit: NT$1,000

No.	Company name of the endorser	Endorsee		Endorsement guarantee limit for single enterprise (Note II)	Maximum balance of endorsement guarantee in current period	Ending balance of endorsement guarantee	Actual expenditure	Endorsement guarantee amount secured by the property	The ratio of accumulated endorsement guarantee amount to the net value of the latest financial statements	Maximum amount of endorsement guarantee (Note II)	Endorsement guarantee of the parent company to the subsidiary	Endorsement guarantee of the subsidiary to the parent company	Endorsement guarantee for mainland China
		Company Name	Relationship (Note I)										
0	Kedge Construction Co., Ltd.	Kindom Development Co., Ltd.	Parent/Subsidiary Company	$ 5,481,922	14,192	14,192	14,192	-	0.52%	5,481,922	-	Y	-
1	Dingtian Construction Co., Ltd.	Kindom Development Co., Ltd.	Parent/Subsidiary Company	53,430	14,192	14,192	14,192	-	26.56%	53,430	-	Y	-
1	〃	Kedge Construction Co., Ltd.	〃	8,014,571	1,376,500	1,376,500	1,376,500	-	2,576.27%	16,029,141	-	Y	-

Note 1. Listed below are 7 types of relationship between the endorser and the endorsee, simply indicating the type will do:

(1) A company with business contacts.

(2) A company in which the Company directly or indirectly holds more than 50% of the voting rights.

(3) A company that directly or indirectly holds more than 50% of the voting rights of the Company.

(4) Companies in which the Company holds directly or indirectly 90% or more of the voting rights.

(5) Where a company fulfills its contractual obligations by providing mutual endorsements for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) Where all capital contributing shareholders make endorsements and guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Where companies in the same industry provide among themselves joint and several securities for a performance bond of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2. 1. The Company's endorsement guarantee method is that the total amount of external endorsements and guarantees shall not exceed 200% of the net value of the Company's latest financial statements, and the endorsement guarantee amount for a single enterprise shall not exceed 200% of the net value of the Company's latest financial statements. Nevertheless, the total guarantee amount for construction projects shall not exceed 10 times the net value of the Company's latest financial statements, and the total guarantee amount for construction projects of a single enterprise shall not exceed 5 times the net value of the Company's latest financial statements.

2. The endorsement guarantee method of Dingtian Construction Co., Ltd. is that the total amount of external endorsements and guarantees shall not exceed 100% of the net value of the latest financial statements of the company, and the endorsement guarantee amount for a single enterprise shall not exceed 100% of the net value of the latest financial statements of the company. Nevertheless, the total guarantee amount for construction projects shall not exceed 300 times the net value of the company's latest financial statements, and the total guarantee amount for construction projects of a single enterprise shall not exceed 150 times the net value of the company's latest financial statements.

Note 3. The above transactions have been written off at the time of preparation of the consolidated financial statements.

3. Securities held at the end of the period (excluding investment in subsidiaries, associates and interest in joint ventures):

Unit: NT$1,000

Holding company	Type and name of securities	Relationship with the issuer of securities	Accounting item	End of Period				Remarks
				Number of shares (1,000 shares)	Number of shares (1,000 shares) Carrying amount	Shareholding ratio	Fair value	
Kedge Construction Co., Ltd.	Shares - Kindom Development Co., Ltd.	Kedge Construction Co., Ltd. is a subsidiary of the company	Financial assets measured at fair value through other comprehensive income - non-current	500	$ 15,950	0.10 %	15,950	
〃	Beneficiary certificate - Fuh Hwa Aegis Fund	-	Financial assets at fair value through profit or loss - current	733	22,474	- %	22,474	
Jiequn Investment Co., Ltd.	Shares - Fubon Financial Holding Co., Ltd.	-	〃	472	21,878	- %	21,878	
〃	Shares - SinoPac Financial Holdings Co., Ltd.	-	〃	211	2,744	- %	2,744	
〃	Beneficiary certificate - Fuh Hwa China New Economy A Shares Equity Fund-	-	〃	766	7,590	- %	7,590	
〃	Shares - Kindom Development Co., Ltd.	Jiequn Investment Co., Ltd. is the second-tier subsidiary of the company	Financial assets measured at fair value through other comprehensive income - non-current	8,518	271,739	1.69 %	271,739	
〃	Shares - Taiwan Calcom International Computer Graphic Co., Ltd.	-	〃	405	-	0.78 %	-	
Guanqing Electromechanical Co., Ltd.	Shares - Kindom Development Co., Ltd.	Guanqing Electromechanical Co., Ltd. is the second-tier subsidiary of the company	〃	1,607	51,263	0.32 %	51,263	
〃	Shares - Global Views – Commonwealth Publishing Co.	-	〃	132	5,920	0.59 %	5,920	
〃	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	419	19,432	- %	19,432	

4. Accumulated purchase or sale of the same securities amounts to NT$300 million or more than 20% of the paid-in capital: none.
5. The amount of property acquired reaches NT$300 million or more than 20% of the paid-in capital: none.
6. The amount of property disposal reaches NT$300 million or more than 20% of the paid-in capital: none.
7. Where the amount of goods purchased or sold with affiliates reaches NT$100 million or more than 20% of the paid-in capital: none.

Unit: NT$1,000

Purchases (Sales) Company	Name of transaction counterpart	Relationship	Transaction situation				The situation and reason for the difference between the transaction terms and the general transaction		Notes and accounts receivable (payable)		Remarks
			Purchases/sales	Amount (Note)	Ratio to total goods purchased (sold)	Credit period	Unit price	Credit period	Balance	Ratio to total notes and accounts receivable (payable)	
Kedge Construction Co., Ltd.	Kindom Development Co., Ltd.	An investment company that evaluates Kedge Construction Co., Ltd. by the equity method	041B etc	$ (5,000,015)	(47.24)%	Payment by installment following the contract is equivalent to the general transaction.	Equivalent	Slightly longer than normal	1,929,699	63.56%	

Note: It refers to the current valuation amount.

8. Receivables from affiliates amount to NT$100 million or more than 20% of paid-in capital:

Unit: NT$1,000

The company record it as receivable	Name of transaction counterpart	Relationship	Balance of receivables from affiliates	Turnover rate	Overdue receivables from affiliates		Recovery amount of receivables from affiliates after the period	Provisions for loss allowance
					Amount	Action taken		
Kedge Construction Co., Ltd.	Kindom Development Co., Ltd.	An investment company that evaluates Kedge Construction Co., Ltd. by the equity method	$ 1,929,699	2.47	-	-	445,601	-

9. Dealing in derivatives: none.

(II) Information on Reinvestment

The information on the reinvestment of the Consolidated Company in 2019 is as follows:

Unit: NT$1,000/1,000 shares

Name of investor company	Name of investee company	Location	Primary operating item	Original investment amount		Holdings at the end of the period			Current profit and loss of the investee	Investment profit and loss recognized in the current period	Remarks
				End of this period	End of last year	Number of shares	Ratio	Carrying amount			
Kedge Construction Co., Ltd.	Jiequn Investment Co., Ltd.	Taiwan	General investment	$ 163,935	163,935	16,396	99.98%	369,801	11,617	11,614	Subsidiary
Kedge Construction Co., Ltd.	Guanqing Electromechanical Co., Ltd.	Taiwan	Electrical equipment installation and fire safety equipment installation industry, etc.	81,326	81,326	7,747	99.96%	203,204	11,976	11,972	〃
Jiequn Investment Co., Ltd.	Dingtian Construction Co., Ltd.	Taiwan	The comprehensive construction industry, etc.	16,500	16,500	-	30.00%	16,029	5,592	1,678	Second-tier subsidiary
Guanqing Electromechanical Co., Ltd.	Dingtian Construction Co., Ltd.	Taiwan	The comprehensive construction industry, etc.	11,105	11,105	-	70.00%	37,401	5,592	3,914	〃
Dingtian Construction Co., Ltd.	ReadyCom eServices Corp.	Taiwan	Information software services and management consultants, etc.	15,000	15,000	1,400	46.67%	20,506	2	1	-

Note: The transactions of the above subsidiaries and second-tier subsidiaries have been written off at the time of preparing the consolidated financial statements.

(III) Information on Investments in Mainland China: None

XIV. Segment Information: None

KEDGE CONSTRUCTION CO., LTD.
Statement of Cash and Cash Equivalents
December 31, 2019

Unit: NT$1,000

Item	Description	Amount
Cash and petty cash		$ 710
Bank deposit	Demand deposit	470,722
	Check deposit	178,591
Cash equivalents	Financial bills	1,638,617
		$ 2,288,640

Statement of Accounts Receivable

Client's Name	Description	Amount	Remarks
Company A	Construction payment and retained amount	$ 449,484	
Company B	〃	313,839	
Company C	〃	165,492	
Company D	〃	103,162	
Others	〃	95,611	The balance of each client is less than 5% of the amount of this account
		$ 1,127,588	
Affiliates			
The investment company (parent company) evaluates the Company by the equity method.	Construction payment	$ 1,908,205	

KEDGE CONSTRUCTION CO., LTD.
Statement of Contract Assets / Liabilities
December 31, 2019

Unit: NT$1,000

Name of construction project	Accumulated cost incurred and profit recognized	Accumulated claim amount according to construction progress	Contract assets	Contract liabilities
031J	637,455	530,578	106,877	-
041B	489,592	480,357	9,235	-
041D	2,470,145	2,494,487	-	24,342
061B	3,777,036	3,407,072	542,370	-
061C	388,063	364,721	23,342	-
061D	101,151	65,253	35,898	-
061G	188,100	179,398	8,702	-
061I	102,396	102,428	-	32
061J	380,355	288,951	91,404	-
061K	9,598	-	9,598	-
061L	162,683	202,181	9,951	39,498
061M	117,244	251,328	3,470	134,084
071G	316,154	240,281	99,901	-
071K	65,734	21,957	43,777	-
071L	-	-	1,713	-
071O	579,217	506,363	89,084	-
071P	10,892	-	10,892	-
071Q	8,253	11,396	-	3,143
071S	235,902	227,816	8,086	-
081A	704,497	1,068,839	23,566	364,342
081B	17,215	225,822	-	208,607
081C	3,213	-	3,213	-
081D	121,730	125,994	291	4,264
081E	242,977	202,688	60,558	-
081F	12,803	157,611	-	144,808
991C	1,047,154	1,102,488	-	55,334
Cases closed	-	-	373,270	-
	12,189,559	**12,258,009**	**1,555,198**	**978,454**

KEDGE CONSTRUCTION CO., LTD.
Statement of Changes in Investments under the Equity Method
January 1 to December 31, 2019

Unit: 1,000 shares / NT$1,000

Name	Beginning balance		The increase in the period (Note)		The decrease in the period (Note)		Ending balance			Equity net value		Details of collaterals, pledges or loans provided	Remarks
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Shareholding ratio	Amount	Unit price	Total price		
Jiequn Investment Co., Ltd.	16,396	$ 260,672	-	109,129	-	-	16,396	99.98%	369,801	-	369,883	-	
Guanqing Electromechanical Co., Ltd.	7,747	171,491	-	31,713	-	-	7,747	99.96%	203,204	-	203,283	-	
		$ 432,163		140,842		-			573,005		573,166		

Note: The increase in the period is the total of the share of subsidiaries' profit and loss recognized by the equity method of NT$23,586,000 and the unrealized valuation profit of equity instrument investment measured at fair value through other comprehensive income of NT$117,256,000 .

KEDGE CONSTRUCTION CO., LTD.
Statement of Other Financial Assets - Current
December 31, 2019

Unit: NT$1,000

Item	Description	Amount
Refundable deposit of constructions		$ 13,298
Restricted assets		224,488
Other notes receivable		123
Other receivables		4,774
Others		869
		$ 243,552

Statement of Notes Payable

Item	Description	Amount	Remarks
Subsidiary of the Company	Construction payment	$ 9,535	
Company A	〃	36,991	
Company B	〃	31,109	
Company C	〃	23,001	
Company D	〃	22,333	
Others	〃	233,464	The balance of each client is less than 5% of the amount of this account
		$ 356,433	

KEDGE CONSTRUCTION CO., LTD.
Statement of Accounts Payable
December 31, 2019

Unit: NT$1,000

Manufacturer name	Description	Amount	Remarks
Company A	Construction payment and retained amount	$ 80,828	
Company B	〃	35,434	
Company C	〃	24,196	
Company D	〃	18,217	
Company E	〃	17,165	
Company F	〃	16,102	
Company G	〃	15,287	
Company H	〃	14,441	
Company I	〃	13,888	
Company J	〃	13,533	
Company K	〃	13,414	
Company L	〃	13,392	
Company M	〃	12,134	
Company N	〃	11,583	
Company O	〃	10,197	
Company P	〃	10,037	
Others	〃	3,178,046	The balance of each client is less than NT$10,000,000 and less than 1% of the amount of this account
		$ 3,497,894	

KEDGE CONSTRUCTION CO., LTD.
Statement of Operating Revenue
January 1 to December 31, 2019

Unit: NT$1,000

Item	Description	Amount
Construction contract revenue	031B	$ 94,266
	031J	360,534
	041B	294,375
	041D	1,407,946
	041E	1,784,603
	051F	338,228
	051H	656,830
	061A	25,129
	061B	1,487,191
	061C	239,011
	061D	101,151
	061G	188,100
	061H	10,897
	061I	102,396
	061J	380,355
	061L	162,683
	061M	117,244
	071A	117,617
	071D	333,142
	071F	359,253
	071G	290,816
	071H	27,810
	071I	4,793
	071K	65,735
	071M	2,262
	071O	579,217
	071Q	8,254
	071R	5,873
	071S	235,902
	081A	704,497
	081D	121,730
	081E	242,977
	991C	469,066
	Others	36,653
	Subtotal	11,356,536
Rental income of investment property		6,082
		$ 11,362,618

KEDGE CONSTRUCTION CO., LTD.
Statement of Operating Costs
January 1 to December 31, 2019

Unit: NT$1,000

Item	Description	Amount
Construction contract costs	031B	$ 37,326
	031J	343,842
	041B	280,746
	041D	1,338,324
	041E	1,712,605
	051F	308,478
	051H	670,461
	061A	13,553
	061B	1,449,038
	061C	227,945
	061D	96,468
	061G	179,392
	061H	7,613
	061I	98,452
	061J	365,707
	061L	149,515
	061M	111,372
	071A	107,915
	071D	248,445
	071F	346,599
	071G	274,808
	071H	21,487
	071I	3,616
	071K	62,691
	071M	778
	071O	556,308
	071Q	6,763
	071R	3,902
	071S	224,980
	081A	614,235
	081D	109,559
	081E	226,483
	991C	447,408
	Others	20,586
	Subtotal	10,667,400
Rental cost of investment property		467
		$ 10,667,867

KEDGE CONSTRUCTION CO., LTD.
Statement of Administrative Expenses
January 1 to December 31, 2019

Unit: NT$1,000

Item	Description	Amount	Remarks
Salary expenses		$ 148,448	
Insurance expenses		11,776	
Donations		6,027	
Employee benefits		7,122	
Service expenses		9,126	
Sundry purchases		16,185	
Other expenses		36,029	
		$ 234,713	

Statement of Other Income

Item	Description	Amount
Interest income	Time deposit interest, demand deposit interest, and construction payment interest, etc	$ 5,540
Dividend income		500
Rental income		11
Other income	Indemnity income, etc.	2,798
		$ 8,849