Stock Code: 2546

KEDGE CONSTRUCTION CO., LTD.
Parent Company Only Financial Statements and Independent Auditors' Report
2020 and 2019

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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 parent company only Balance Sheets of Kedge Construction Co., Ltd. as of December 31, 2020, and 2019, the Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes to Parent Company Only Financial Statements (including Summary of Significant Accounting Policies) for the annual period from January 1 to December 31, 2020, and 2019.

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, 2020, and 2019, and its financial performance and cash flows for the year 2020 and 2019 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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 individual financial statements of Kedge Construction Co., Ltd. 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 (12) "revenue recognition" of the parent company only financial statements for details of the accounting policies related to the building contracts. Please refer to Note 5 of the 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 the 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 bodies of Kedge Construction Co., Ltd. (including the Audit Committee or the supervisors) have the responsibility to oversee the process by which the financial statements are prepared.

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 affiliated 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 affect the independence of CPAs.

From the matters communicated with those charged with governance, we determined the key audit matters of the parent company only financial statements of Kedge Construction Co., Ltd. of 2020. 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 26 2021

Notices to Readers

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

As of December 31, 2020, and 2019

Unit: NT$ thousand

		2020.12.31		2019.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1) and (18))	$ 3,809,741	41	2,288,640	28
1110	Financial assets at fair value through profit or loss - current (Note 6(2) and (18))	-	-	22,474	-
1170	Notes and accounts receivable, net (Note 6(4), (15) and (18))	939,444	10	1,127,588	15
1180	Notes and accounts receivable - related-parties, net (Note 6(15) and (18) and 7)	1,888,856	21	1,908,205	23
1140	Current contract assets (Note 6(15) and 7)	1,419,467	15	1,555,198	19
1410	Prepayments	91,505	1	202,562	2
1470	Other current assets	34,485	-	20,579	-
1476	Other financial assets - current (Note 6(18) and 8)	201,775	2	243,552	4
		8,385,273	90	7,368,798	91
	Non-current assets:				
1518	Equity instrument measured at fair value through other comprehensive income (Note 6 (3) and (18))	16,825	-	15,950	-
1550	Investments accounted for using equity method (Note 6(5))	605,247	7	573,005	7
1600	Property, plant and equipment (Note 6(6) and 8)	123,952	2	53,254	1
1760	Investment property, net (Note 6(7) and 8)	102,077	1	102,544	1
1755	Right-of-use assets	7,529	-	-	-
1840	Deferred tax assets(Note 6(12))	34,416	-	23,814	-
1975	Net defined benefit assets - non-current (Note 6 (11))	3,400	-	1,361	-
1980	Other financial assets - non-current (Note 6(18))	11,170	-	7,955	-
		904,616	10	777,883	9
	Total assets	$ 9,289,889	100	8,146,681	100

		2020.12.31		2019.12.31	
	Liabilities and equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term loans (Note 6(8), (18) and 8)	$ 150,000	2	150,000	2
2130	Current contract liabilities (Note 6(15))	1,495,664	16	978,454	12
2150	Notes payable (Note 6(18) and 7)	326,123	4	356,433	4
2170	Accounts payable (Note 6(18) and 7)	3,656,982	39	3,497,894	43
2200	Other payables (Note 6(11) and (18))	310,826	3	253,702	3
2230	Current tax liabilities	117,200	1	47,929	1
2300	Other current liabilities (Note 6(18))	6,831	-	18,572	-
		6,063,626	65	5,302,984	65
	Non-current liabilities:				
2552	Warranty long-term provisions (Note 6(9))	149,369	2	101,321	1
2600	Other non-current liabilities (Note 6(18))	7,785	-	1,415	-
		157,154	2	102,736	1
	Total liabilities	6,220,780	67	5,405,720	66
	Equity (Note 6(13))				
3100	Share capital	1,060,357	11	1,060,357	13
3200	Capital surplus	518,294	6	518,241	6
3300	Retained earnings	1,345,805	14	1,036,204	13
3400	Other equity interest	144,653	2	126,159	2
	Total equity	3,069,109	33	2,740,961	34
	Total liabilities and equity	$ 9,289,889	100	8,146,681	100

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

Kedge Construction Co., Ltd.
Statements of Comprehensive Income
From January 1 to December 31, 2020 and 2019

Unit: NT$ thousand

		2020			2019	
			Amount	%	Amount	%
4000	**Operating revenue (Note 6(10), (15) and 7)**	$	14,103,408	100	11,362,618	100
5000	**Operating costs (Note 6(11), (16), 7 and 12)**		13,058,255	93	10,667,867	94
	Gross profit		1,045,153	7	694,751	6
	Operating expenses:					
6200	**General and administrative expenses (Note 6(11), (16), 7 and 12)**		274,682	2	234,713	2
	Net Operating Profit		770,471	5	460,038	4
	Non-operating income and expenses:					
7100	Interest income (Note 6(17) and Note 7)		7,591	-	5,540	-
7010	Other income (Note 6(17))		4,935	-	3,309	-
7020	Other gains and losses (Note 6(17))		(14,171)	-	4,723	-
7050	Financial costs (Note 6(17))		(2,934)	-	(2,053)	-
7070	Share of profit and loss of subsidiaries, associates and joint ventures using equity method recognition		14,622	-	23,586	-
			10,043	-	35,105	-
	Net income before tax from continuing operating department		780,514	5	495,143	4
7950	**Less: Income tax expenses (Note 6(12))**		154,074	1	92,795	1
	Net income		626,440	4	402,348	3
8300	**Other comprehensive income:**					
8310	**Items that will not be reclassified to profit or loss**					
8311	Remeasurements of defined benefit plans		1,268	-	907	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		18,494	-	122,982	1
			19,762	-	123,889	1
8300	**Other comprehensive income(net of taxes)**		19,762	-	123,889	1
	Total Comprehensive Income	$	646,202	4	526,237	4
	Earnings per share (NTD) (Note 6(14))					
9750	**Basic earnings per share (NT$)**	$		5.91		3.79
9850	**Diluted earnings per share (NTD)**	$		5.87		3.79

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

Kedge Construction Co., Ltd.
Statements of Changes in Equity
From January 1 to December 31, 2020 and 2019

Unit: NT$ thousand

	Share Capital		Retained Earnings			Other equity interest		
	Common stock	Capital surplus	Legal reserve	Unappropriated 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, 2019	$ 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 surplus	-	-	40,751	(40,751)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(318,107)	(318,107)	-	-	(318,107)
Unclaimed dividends after effective period	-	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
Net income	-	-	-	626,440	626,440	-	-	626,440
Other Comprehensive Income	-	-	-	1,268	1,268	18,494	-	19,762
Total Comprehensive Income	-	-	-	627,708	627,708	18,494	-	646,202
Earnings appropriation and distribution:								
Provision for legal capital surplus	-	-	40,325	(40,325)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(318,107)	(318,107)	-	-	(318,107)
Unclaimed dividends after effective period	-	53	-	-	-	-	-	53
Balance as of December 31, 2020	**$ 1,060,357**	**518,294**	**282,311**	**1,063,494**	**1,345,805**	**144,653**	**-**	**3,069,109**

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

Kedge Construction Co., Ltd.
Statements of Cash Flows
From January 1 to December 31, 2020 and 2019

Unit: NT$ thousand

		2020	2019
Cash flows from operating activities:			
Profit before tax	$	780,514	495,143
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation expense		11,851	713
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss		5,099	(4,723)
Interest expense		2,934	2,053
Interest income		(7,591)	(5,540)
Dividend income		(750)	(500)
Share of profit of subsidiaries, associates and joint ventures using equity method recognition		(14,622)	(23,586)
Total adjustments to reconcile profit (loss)		(3,079)	(31,583)
Changes in operating assets and liabilities:			
Changes in operating assets:			
Decrease in financial instruments mandatorily measured at fair value through profit or loss		17,375	84
Decrease (Increase) in notes and accounts receivable		188,144	(389,968)
Notes and accounts receivable - decrease in related parties		19,349	718,104
Decrease (increase) in contract assets		136,407	(360,045)
Decrease (increase) in prepayments		111,057	(27,746)
Increase in other financial instruments - current		(13,906)	(2,636)
Decrease in other financial assets		41,885	98,665
Increase in non-current net defined benefit assets-		(2,039)	(1,361)
Total changes in operating assets		498,272	35,097
Changes in operating liabilities:			
Decrease in notes payable		(30,310)	(21,098)
Increase in accounts payable		159,088	959,187
Increase (decrease) in contract liabilities		517,210	(17,230)
Increase in other payables		57,177	12,452
Increase in liability reserve		48,048	23,281
Decrease in other current liabilities		(13,776)	(4,342)
Increases in net defined benefit liabilities		1,268	852
Increase (decrease) in other non-current liabilities		829	(1,304)
Total changes in operating liabilities		739,534	951,798
Total changes in operating assets and liabilities		1,237,806	986,895
Total adjustments		1,234,727	955,312
Cash inflow generated from operations		2,015,241	1,450,455
Interests received		7,482	5,138
Dividends received		750	500
Interest payment		(2,934)	(2,053)
Income taxes paid		(95,405)	(129,117)
Net cash inflows from operating activities		1,925,134	1,324,923
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(80,717)	-
Decrease (increase) in other financial assets		(3,215)	1,286
Net cash outflows (inflows) from investing activities		(83,932)	1,286
Cash flows from financing activities:			
Increase in short-term loans		581,000	321,000
Decrease in short-term loans		(581,000)	(171,000)
Increase in short-term promissory notes payable		200,000	90,000
Decrease in short-term promissory notes payable		(200,000)	(90,000)
Repayment of lease principal amount		(1,994)	-
Cash dividend distribution		(318,107)	(318,107)
Net cash outflows from financing activities		(320,101)	(168,107)
Net increase in cash and cash equivalents		1,521,101	1,158,102
Opening balance of cash and cash equivalents of the period		2,288,640	1,130,538
Ending balance of cash and cash equivalents of the period	$	3,809,741	2,288,640

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

Kedge Construction Co., Ltd.
Notes to Parent Company Only Financial Statements
2020 and 2019
(Unless otherwise stated, the unit for all amounts is in NT$ thousands.)

1. 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.

2. The Approval Date and Procedures of the Financial Report

The indiviaual financial statements were published upon approval by the Board of Directors on March 26, 2021.

3. Application of Newly Issued and Revised Standards and Interpretations

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

The Company has adopted the following newly amended IFRSs starting from January 1, 2020, which have not had a material impact on the parent company only financial statements.

- Amendments to IFRS 3, "Definition of a Business"
- Amendments to IFRS 9, IAS 39, and IFRS 7, "Changes in Interest Rate Indicators"
- Amendments to IAS 1 and IAS 8, "Definition of Material"
- Amendments to IFRS 16, "COVID-19-Related Rent Concessions"

(2) Impacts of IFRS Endorsed by FSC but yet to come into effect

The Company has assessed that the application of the above newly endorsed IFRS, effective on January 1, 2021, will not result in a material impact on the parent company only financial statements.

- Amendments to IFRS 4, "Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16, "Interest Rate Benchmark Reform - Phase 2"

(3) Newly issued and amended standards and interpretations yet to be endorsed by the FSC

For IFRSs issued by IASB but not yet endorsed by the FSC, the impact on the Company are as follows:

New or amended standards	Main amendments to the content	The effective date of issuance by IASB
Amendments to IAS 1 "Classify Liabilities as Current or Non-current"	The amendments are intended to enhance the consistency of the application of the standard, in order to assist companies in determining whether debts or other liabilities with uncertain liquidation dates should be classified as current (or those that might expire within one year) or non-current on the balance sheet. The amendments also clarify the classification requirements for debts that may be repaid through convert into equity.	2023.1.1
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	The amendments stated that the cost of fulfilling a contract comprises the costs that relate directly to the contract. The costs include: ・Incremental costs (for example, direct labor and materials). ・Allocations of costs that relate directly to contract activities (for example, depreciation property, plant and equipment used in fulfilling the contract, etc.)	2022.1.1

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.

The Company expects that the following newly published and amended IFRS unendorsed will not result in a material impact on the parent company only financial statements.

- Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- IFRS 17, "Insurance Contracts," and amendments to IFRS 17
- Amendments to IAS 16, "Property, Plant and Equipment - Proceeds before Intended Use"
- Annual Improvements to IFRS Standards during 2018 - 2020 Cycle-
- Amendments to IFRS 3, "Reference to the Conceptual Framework"
- Amendments to IAS 1, "'Disclosure of Accounting Policies"
- Amendments to IAS 8, "Definition of Accounting Estimates"

4. Summary of Significant 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.

(1) Compliance Statement

The parent company only financial report is prepared in accordance with the standards for the "Preparation Standards of Financial Reports for Securities Issuers."

(2) 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 (13).

2. Functional Currency and Presentation Currency

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

(3) Classification Standard 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 twelve 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 twelve 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.

(4) 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.

(5) 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. Receivables that the Company intend to sell immediately or in the near future are measured at fair value through profit or loss, but included under Accounts Receivable. 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, other financial assets, etc.,) account 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 (i.e., the occurrence of default risk exceeding the expected duration of financial instruments) has not increased significantly since the initial recognition.

The loss allowance for accounts receivable and contractual 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.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’ s or twA or higher per Taiwan Ratings.-

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) Derecognition of Financial Assets

The Company only derecognizes the financial assets when the contractual rights of the assets’ cash flow are terminated, or when the financial assets have been transferred and almost all the risks and remuneration of the ownership of the asset have been transferred to other enterprises, or when almost all the risks and remuneration of the ownership have not been transferred or retained, and the control of the financial assets have 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) Derecognition 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.

(6) Investee

In preparing parent company only financial reports, the Company adopts equity method evaluation for controlled investees. By the equity method, the current profit and loss and other comprehensive income in the individual financial report shall be the same as the allocation of other comprehensive income attributable to the parent company owners in the combined financial report, and the owners' equity in the parent company only financial report shall be the same as the equity attributable to the parent company's owners in the combined financial report.

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

(7) 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 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.

(8) 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:

(1) 5 to 53 years for houses and buildings

(2) 5 years for transportation equipment

(3) 3 to 5 years for other equipment

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

(9) Leases

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.

(10) Impairments of Non-Financial Assets

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, and 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.

No reversal of impairment loss on goodwill Non-financial assets except for goodwill are reversed only to the extent that they do not exceed the carrying amount (minus depreciation or amortization) determined if the asset had not recognized impairment losses in previous years.

(11) 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.

(12) Revenue Recognition

1. Revenue from Contracts with Clients

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. Cost of Client Contracts

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.

(13) 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.

(14) Income Tax

Income tax includes current and deferred income tax. Except for items related to the Consolidated Company 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 revert the reduced amount to the extent that they are likely to become sufficient taxable income.

(15) 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.

(16) Segment Information

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

5. Significant Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty

The management must make judgments, estimates, and assumptions when preparing the parent company only financial statements under the “Preparation Standards of Financial Reports for 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.

The following assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, of which the details are as follows:

(1) Revenue Recognition

The recognition of the profit and loss of the construction 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. The above estimation basis is subject to change due to conditions of work, overall price fluctuations, and owner requirements.

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 back testing, 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:

1. Level 1: The public offer price (unadjusted) of the same asset or liability in the active market.
2. 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.
3. 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

6. Description of Significant Accounting Items

(1) Cash and cash equivalents

		2020.12.31	2019.12.31
Petty cash	$	710	710
Demand deposits		155,007	470,722
Check deposits		477,689	178,591
Time deposits		1,548	-
Cash equivalents		3,174,787	1,638,617
Cash and cash equivalents	$	3,809,741	2,288,640

The aforementioned cash equivalents are short-term bills, whose maturity ranges are between January and March in 2021 and 2020, and the interest rate ranges are 0.24% to 0.26% and 0.53% to 0.57%, respectively.

For the disclosed information on the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company, please refer to Note 6(18).

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

The details are as follows:

	2020.12.31	2019.12.31
Financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Funds	$ -	22,474

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

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

	2020.12.31	2019.12.31
Equity instruments measured at fair value through other comprehensive income		
Stocks listed in TWSE or TPEx - Kindom Development Co., Ltd.	$ 16,825	15,950

1. Equity instrument investments 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 incomes recognized by the Company in 2020 and 2019 were NT$750,000 and NT$500,000.
3. The Company did not dispose of strategic investment in 2020 and 2019, and accumulated profit and loss during that period were not transferred within the equity.
4. As of December 31, 2020, and 2019, none of the financial assets of the Company was pledged as collateral.
5. Please refer to Note 6 (18) for credit risk (including impairment of debt instrument investment) and market risk information.

(4) Notes and accounts receivable

	2020.12.31	2019.12.31
Accounts Receivable	$ 939,444	1,127,588
Less: Loss allowance	-	-
	$ 939,444	1,127,588

The Company adopted a simplified method to estimate expected credit loss for notes receivable and accounts receivable, namely measurement through lifetime expected credit loss. For this purpose of measurement, the notes receivable and accounts receivable are grouped by the joint credit risk characteristics of the ability to pay the due amount according to the contract terms of representative customers, and incorporated into prospective information. The expected credit loss of notes receivable and accounts receivable of the Company is analyzed as follows:

	2020.12.31		
	The carrying amount of notes receivable and accounts receivable	**Weighted average expected credit loss rate**	**Allowance of lifetime expected credit losses**
Not past due	$ 939,444	-	-

	2020.12.31		
	The carrying amount of notes receivable and accounts receivable	**Weighted average expected credit loss rate**	**Allowance of lifetime expected credit losses**
Not past due	$ 1,127,588	-	-

Changes of loss allowance of notes receivable and accounts receivable of the Company is as follows:

	2020	2019
Beginning balance	$ -	-
Impairment losses recognized	11,587	-
Reversal of impairment loss	(11,587)	-
Ending Balance	$ -	-

As of December 31, 2020, and 2019, none of the receivables of the Company were pledged as collateral.

(5) Investments accounted for using equity method

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

	2020.12.31	2019.12.31
Subsidiary	$ 605,247	573,005

1. Subsidiary

   Please refer to the 2020 Consolidated Financial Statements

2. Collateral

   As of December 31, 2020, and 2019, none of the investments under the equity method of the Company was pledged as collateral.

(6) Property, Plant and Equipment

The changes in the cost, depreciation and impairment losses of property, plant and equipment in 2020 and 2019 of the Company are as follows:

	Land	Houses and buildings	Transportation equipment	Others equipment	Total
Cost or deemed cost:					
Balance on January 1, 2020	$ 53,200	12,667	1,930	407	68,204
Additions	-	21,344	-	59,373	80,717
Reclassification to contract assets	-	-	-	(811)	(811)
Balance on December 31, 2020	**$ 53,200**	**34,011**	**1,930**	**58,969**	**148,110**
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**
Depreciation and impairment losses:					
Balance on January 1, 2020	$ -	12,667	1,876	407	14,950
Depreciation for the year	-	1,778	11	7,554	9,343
Reclassification to contract assets	-	-	-	(135)	(135)
Balance on December 31, 2020	**$ -**	**14,445**	**1,887**	**7,826**	**24,158**
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**
Book Value:					
December 31, 2020	**$ 53,200**	**19,566**	**43**	**51,143**	**123,952**
January 1, 2019	**$ 53,200**	**194**	**107**	**-**	**53,501**
December 31, 2019	**$ 53,200**	**-**	**54**	**-**	**53,254**

Please refer to Note 8 for details of collateral for the financing line as of December 31, 2020, and 2019.

(7) Investment Property

The changes in the cost, depreciation and impairment losses of investment property in 2020 and 2019 of the Company are as follows:

	Land, houses and buildings
Cost or deemed cost:	
Balance on January 1, 2020	$ 127,549
Balance on December 31, 2020	$ 127,549
Balance on January 1, 2019	$ 127,549
Balance on December 31, 2019	$ 127,549
Depreciation and impairment losses:	
Balance on January 1, 2020	$ 25,005
Depreciation for the year	467
Balance on December 31, 2020	$ 25,472
Balance on January 1, 2019	$ 24,539
Depreciation for the year	466
Balance on December 31, 2019	$ 25,005
Carrying amount:	
December 31, 2020	$ 102,077
January 1, 2019	$ 103,010
December 31, 2019	$ 102,544
Fair value:	
December 31, 2020	$ 174,536
December 31, 2019	$ 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 discount rate applied for the years ended on December 31, 2020, and 2019 ranged from 1.18% to 1.19%.

Please refer to Note 8 for details of the investment property of the Company pledged as collateral for the financing line as of December 31, 2020, and 2019.

(8) Short-term Loans

Details of the Company’ s short-term loans are as follows：

	2020.12.31	2019.12.31
Unsecured bank loans	$ 150,000	150,000
Unused limit	$ 4,288,003	3,571,975
Interest rate interval	1.1%	1.6%

For the Company’ s details on interest rate risk and liquidity risk, please refer to Note 6(18).

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

(9) Provisions

		Warranty
Balance on January 1, 2020	$	101,321
Additional provisions for the current period		53,233
Provisions used in the current period		(5,185)
Balance on December 31, 2020	**$**	**149,369**
Balance on January 1, 2019	$	78,040
Additional provisions for the current period		27,816
Provisions used in the current period		(4,535)
Balance on December 31, 2019	**$**	**101,321**

In 2020 and 2019, the warranty provisions of the Company are 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 one year after the construction acceptance.

(10) Operating lease

The investment property leased by the Company doesn't transfer all risks and remuneration attached to the ownership of the underlying assets, so the tenancy agreement is classified as an operating lease. Please refer to Note 6 (7) investment property for details.

The maturity analysis of the lease payment is listed as follows according to the non-discounted future cash flows of lease receivable after the reporting date:

		2020.12.31	2019.12.31
Less than 1 year	$	6,074	6,074
1 to 2 years		580	2,715
2 to 3 years		-	580
Non-discounted future cash flows of lease	**$**	**6,654**	**9,369**

In 2020 and 2019, the rental income from investment property both was NT$6,082,000. In addition, there was no material maintenance and servicing expense.

(11) 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:

		2020.12.31	2019.12.31
Present value of defined benefit obligations	$	22,148	22,317
Fair value of plan assets		(25,548)	(23,678)
Net defined benefit obligation (assets) liabilities	**$**	**(3,400)**	**(1,361)**

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 under the Labor Standards Act is calculated based on the base number of service years and the average salary of 6 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, with regard to 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.

The Company's contributions to the pension funds were deposited with Bank of Taiwan, which amounted to NT$25,548,000 on the reporting date. 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 2020 and 2019 are as follows:

	2020	2019
Defined benefit obligation on January 1	$ 22,317	29,385
Current service cost and interest	201	316
Remeasurement of net defined benefit liability (asset)		
- Actuarial gain and loss arising from changes in financial assumptions	512	391
- Experience adjustments	(639)	(162)
Benefits paid by the plan	(243)	(7,613)
Defined benefit obligation on December 31	$ 22,148	22,317

(3) Changes in fair value of plan assets

Changes in fair value of defined benefit plan assets of the Company in 2020 and 2019 are as follows:

	2020	2019
Fair value of plan assets on January 1	$ 23,678	29,330
Interest income	217	318
Remeasurement of net defined benefit liability (asset)		
- Return on plan assets (excluding current interest)	1,141	1,136
Amount contributed to the plan	755	507
Benefits paid by the plan	(243)	(7,613)
Fair value of plan assets on December 31	$ 25,548	23,678

(4) The Company had no upper limit impact on defined benefit plan assets in 2020 and 2019.

(5) Expenses recognized as profit and loss

The expenses recognized as profit and loss of the Company in 2020 and 2019 are as follows:

	2020	2019
Net interest from net defined benefit liability (asset)	$ (16)	(2)

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

	2020	2019
Operating costs	$ (16)	(2)

(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, 2020, and 2019 is as follows:

	2020	2019
Accumulated balance on January 1	$ 2,635	1,728
Current recognition	1,268	907
Accumulated balance on December 31	$ 3,903	2,635

(7) Actuarial assumption

The main actuarial assumptions used by the Company at the end of the financial reporting period are as follows:

	2020.12.31	2019.12.31
Discount rate	0.80%	1.00%
Future salary increase	2.00%	1.75%

Based on the actuarial report, the Company is expected to make a contribution payment of NT$755,000 to the defined benefit plans for the one-year period after the reporting date of 2020.

The weighted average lifetime of the defined benefit plans is 12.5 years.

(8) Sensitivity analysis

The impact of changes in the main actuarial assumptions to be adopted on December 31, 2020, and 2019 on the present value of defined benefit obligations is as follows:

	Impact on defined benefit obligations	
	Increase	**Decrease**
December 31, 2020		
Discount rate (change of 0.25%)	(638)	662
Future salary increase (change of 1%)	2,748	(2,427)
December 31, 2019		
Discount rate (change of 0.25%)	(646)	672
Future salary increase (change of 1%)	2,798	(2,455)

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 Plan

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 cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2020, and 2019 amounted to NTD 21,457,000 and NTD 21,613,000, respectively.

3. Short-term Compensated Absences

Details of employee benefit liabilities of the Company are as follows:

		2020.12.31	2019.12.31
Short-term compensated absences	$	14,913	14,433

(12) Income tax

1. The details of income tax expenses of the Company in 2020 and 2019 are as follows:

		2020	2019
Current income tax expenses			
Accrued in current year	$	164,339	96,365
Adjustments to income tax expenses of previous period		(1,904)	(3,333)
Surtax on unappropriated retained earnings		2,241	2,843
		164,676	95,875
Deferred tax expense			
Occurrence and reversal of temporary differences		(10,602)	(3,080)
Income tax expenses	$	154,074	92,795

2. The relationship between the income tax expense and the profit before tax of the Company in 2020 and 2019 is adjusted as follows:

		2020	2019
Profit before tax	$	780,514	495,143
Income tax calculated according to the domestic tax rate of the location of the Company	$	156,103	99,028
Adjustments to income tax expenses of previous period		(1,904)	(3,333)
Surtax on unappropriated retained earnings		2,241	2,843
Investment gain accounted for using equity method		(2,924)	(4,717)
Tax exemption profit		(170)	(117)
Non-creditable expense		157	120
Others		571	(1,029)
Total	$	154,074	92,795

3. Deferred tax assets

(1) Unrecognized deferred tax assets

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

	2020.12.31	2019.12.31
Deductible temporary difference	$ 798	798

(2) Recognized deferred tax assets

The changes in deferred tax assets in 2020 and 2019 are as follows:

	Liability reserve	Unrealized construction loss	Cumulative compensated absences	Others	Total
January 1, 2020	$ 20,264	-	2,886	664	23,814
Recognized in the income statements	9,610	-	96	896	10,602
December 31, 2020	$ 29,874	-	2,982	1,560	34,416
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

4. The Company's business income tax declaration has been approved by the collection authority until 2018.

(13) Capital and other equity

As of December 31, 2020, and 2019, 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 NT$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

Details of capital surplus was as follows:

	2020.12.31	2019.12.31
Shares premium	$ 383,109	383,109
Premium on conversion of convertible bonds	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
Unclaimed dividends after effective period	414	361
Others	1,437	1,437
	$ 518,294	518,241

In accordance with the Company Act, realized capital surplus can only be distributed to shareholders based on their original shareholding percentage as new shares or cash dividends after offsetting losses. 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

The Company's Articles of Association stipulates that the Company's earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, if any, can be distributed to the shareholders as dividends, and bonus dividends according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

The Company will develop towards contracting large-scale constructions and strive for growth and innovation. To continuously maintain sufficient capital to meet the needs of the business, and to take into account the cash required for shareholders, the Company's future cash dividend ratio will be no less than 20% of the total cash and share dividends to be distributed in the current year.

(1) Legal reserve

In accordance with provisions of the Company Act, the Company shall contribute 10% after-tax net profit as a legal reserve until equalization with the total amount of capital. When there is no loss in the Company, the legal reserve will be used to issue new shares or cash dividends upon resolution by the Shareholders' Meeting, to the limit of the part of the reserve that has exceeded 25% of the paid-in capital.

(2) Earnings distribution

The 2019 and 2018 distributions of earnings were resolved at the shareholders' meetings on June 15, 2020 and June 17, 2019, respectively. The dividends distributed to owners are as follows:

	2019		**2018**	
	Dividend rate (NT$)	**Amount**	**Dividend rate (NT$)**	**Amount**
Dividends to common shareholders:				
Cash dividend	$ 3.00	**318,107**	3.00	**318,107**

3. Other equity interest (net after tax)

		Unrealized gains and losses from financial assets at fair value through other comprehensive income
Balance on January 1, 2020	$	126,159
Unrealized gains (losses) from financial assets at fair value through other comprehensive income		18,494
Balance on December 31, 2020	**$**	**144,653**
Balance on January 1, 2019	$	3,177
Unrealized gains (losses) from financial assets at fair value through other comprehensive income		122,982
Balance on December 31, 2019	**$**	**126,159**

(14) Earnings per share

The basic and diluted earnings per share of the Company in 2020 and 2019 are calculated as follows:

		2020	2019
Basic earnings per share			
Net profit attributable to ordinary equity holders of the Company	**$**	**626,440**	**402,348**
Weighted average number of ordinary shares outstanding		**106,036**	**106,036**
	$	**5.91**	**3.79**
Diluted earnings per share			
Net profit attributable to ordinary equity holders of the Company	**$**	**626,440**	**402,348**
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		711	185
Weighted average number of ordinary shares outstanding (after adjusting the impact of diluting potential ordinary shares)		**106,747**	**106,221**
	$	**5.87**	**3.79**

(15) Revenue from contracts with customers

1. Disaggregation of revenue

		2020	2019
Timing of revenue recognition:			
Gradually transferred constructions over time	$	14,097,326	11,356,536
Gradually transferred services over time		6,082	6,082
	$	**14,103,408**	**11,362,618**

2. Contract balances

		2020.12.31	2019.12.31	2019.1.1
Notes and accounts receivable (including related parties)	$	2,828,300	3,035,793	3,363,929
Less: Loss allowance		-	-	-
Total	**$**	**2,828,300**	**3,035,793**	**3,363,929**
Contract asset construction-	$	1,419,467	1,555,198	1,195,153
Less: Loss allowance		-	-	-
Total	**$**	**1,419,467**	**1,555,198**	**1,195,153**
Contract liability construction-	**$**	**1,495,664**	**978,454**	**995,684**

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 2020 and 2019.

(16) Remuneration to employees, Directors and Supervisors

The Company's Articles of Association stipulates that, after annual earnings first offset against any deficit, a minimum of 0.5% shall be allocated as employee remuneration and a maximum of 2% as Directors' and Supervisors' remuneration. However, profits must first be taken to offset against cumulative losses if any.

The Company's estimated remuneration of employees in 2020 and 2019 are NT$ 33,223,000 and NT$5,105,000 respectively, and those of Directors and Supervisors are NT$16,611,000 and NT$10,209,000 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 Articles of Association of the Company as the estimated basis, and reported as the operating costs and operating expenses in 2020 and 2019. 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 2020 and 2019. For relevant information, please refer to the Market Observation Post System (MOPS).

(17) Non-operating income and expenses

1. Interest income

Details of interest income of the Company in 2020 and 2019 are as follows:

		2020	2019
Loans and receivables	$	7,268	4,772
Bank deposits		323	768
	$	7,591	5,540

2. Other income

Details of other income of the Company in 2020 and 2019 are as follows:

		2020	2019
Dividend income	$	750	500
Rental income		11	11
Other income		4,174	2,798
	$	4,935	3,309

3. Other gains or losses

Details of other gains and losses of the Company in 2020 and 2019 are as follows:

		2020	2019
Profit (loss) of financial assets at fair value through profit or loss	$	(5,099)	4,723
Other expenses		(9,072)	-
	$	(14,171)	4,723

4. Financial costs

Details of the financial cost of the Company in 2020 and 2019 are as follows:

		2020	2019
Interest expense			
Bank loans	$	2,721	2,024
Others		213	29
	$	2,934	2,053

(18) Financial instruments

1. Credit Risk

(1) Credit risk exposure

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

(2) The concentration of credit risk

Revenues of the Group in 2020 and 2019 are derived from the sales to domestic clients; the clients of the Group are concentrated in the construction industry and public works. Among the notes receivable and balance of accounts receivable as of December 31, 2020 and 2019, 99% and 98% were composed of 6 clients, respectively, but mainly companies in the Group, creditworthy companies and government agencies. Therefore, no material concentration of credit risk is found in the evaluation of the Group. 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 flows	Within 1 year	1 to 3 years-	3 to 5 years-	Over 5 years
December 31, 2020						
Non-derivative financial liabilities						
Unsecured bank loans	$ 150,000	151,100	151,100	-	-	-
Notes payable	326,123	326,123	326,123	-	-	-
Accounts payable	3,656,982	3,656,982	1,785,359	1,871,623	-	-
Other payables	310,826	310,826	310,826	-	-	-
Other current liabilities (leases liabilities)	2,035	2,455	2,455	-	-	-
Other non-current liabilities (leases liabilities)	5,541	5,370	-	4,081	1,289	-
	$4,451,507	4,452,856	2,575,863	1,875,704	1,289	-
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	-	-

The Company does not expect that the occurrence timing of cash flow analyzed on due date would arrive significantly earlier, or the actual amount would significantly vary.

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 fluctuations in the interest rate.

4. Other Price Risk

On the reporting date, if the price of equity securities fluctuates (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:

	2020		2019	
Securities price on the reporting	After-tax other comprehensive income	After-tax profit or loss	After-tax other comprehensiv e income	After-tax profit or loss
Up by 10%	$ 1,683	-	1,595	-
Down by 10%	$ (1,683)	-	(1,595)	-

5. Fair Value Information

(1) Type and fair value of financial instruments

Financial assets and liabilities measured at fair value through profit or loss and financial assets measured at fair value through other 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:

	2020.12.31				
		Fair value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through other comprehensive income	$ 16,825	16,825	-	-	16,825
Financial assets measured at cost after amortization					
Cash and cash equivalents	$3,809,741	-	-	-	-
Notes receivable and accounts receivable (including related parties)	2,828,300	-	-	-	-
Other financial assets - current-	201,775	-	-	-	-
Other financial assets - non-current-	11,170	-	-	-	-
Subtotal	6,850,986	-	-	-	-
Total	**$6,867,811**	**16,825**	**-**	**-**	**16,825**
Financial liabilities measured at amortized cost					
Short-term loans	$ 150,000	-	-	-	-
Notes payable and accounts payable	3,983,105	-	-	-	-
Other payables	310,826	-	-	-	-
Other current liabilities (leased assets)	2,035	-	-	-	-
Other non-current liabilities (leased assets)	5,541	-	-	-	-
Total	**$4,451,507**	**-**	**-**	**-**	**-**

	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 mandatorily measured 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 cost after amortization					
Cash and cash equivalents	$2,288,640	-	-	-	-
Notes receivable and accounts receivable (including related parties)	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**

	2019.12.31				
		Fair value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
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**	-	-	-	-

(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, 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 difference in buying and selling price, significant increase of buying and selling price, and few transactions are indexes of market not active.

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 the market information available on the reporting date using the model (such as the reference yield curve of the OTC market 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) The Company did not have any transfers between levels in 2020 and 2019.

(19) 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 in the parent company only financial report.

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 department 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 Responsibilities
The Board of Directors	Establish risk management policies and ensure the effective operation and resource allocation of risk management mechanism
Senior Management	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 because there is no significant doubt about the contract performance.

(3) Guarantee

The Company' s policy stipulates that financial guarantee can only be provided to fully-owned affiliated companies and companies with business interaction. As of December 31, 2020, and 2019, the endorsement guarantee provided by the Company was both 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 cannot be reasonably expected under extreme circumstances, such as natural disasters. Moreover, the unused comprehensive loan facilities (including NTD loans, letters of credit, and commercial paper facilities) of the Company on December 31, 2020, and 2019 totaled NT$4,488,003,000 and NT$3,671,975,000.

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 fluctuation 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 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.

(20) 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 2020 is consistent with that in 2019, to ensure financing at a reasonable cost. The debt to capital ratios at December 31, 2020, and 2019 are as follows:

	2020.12.31	2019.12.31
Total Liabilities	$ 6,220,780	5,405,720
Less: Cash and cash equivalents	(3,809,741)	(2,288,640)
Net liabilities	2,411,039	3,117,080
Total Equity	3,069,109	2,740,961
Adjusted capital	**$ 5,480,148**	**5,858,041**
Debt-to-capital ratio	**44%**	**53%**

7. Related-Party Transactions

(1) The parent company and the ultimate controlling party

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

(2) Names and relation of related parties

The related parties which have trading with the Company within the period of the parent company only financial report are as follows:

Name of related parties	Relationship with the Company
Kindom Development Co., Ltd.	The parent company of the Company
Guanqing Electromechanical Co., Ltd.	The Company’s subsidiary
Dingtian Construction Co., Ltd.	The Company’s subsidiary
Kindom Yu San Education Foundation	The entity's chairman is the first-degree relatives of the Company's Directors

(3) Significant transactions with related parties

1. Sales of services to related parties

The substantial sales amount of the Company to related party were as follows:

	2020				
	Nature	**Total contract amount**	**Valuated amount**	**Current valuation amount**	**Income recognized in the current period**
Parent company, Kindom Development Co., Ltd.-	Engineering construction	$ 17,709,729	11,592,336	5,733,902	5,304,012

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

(1) The constructions contracted by the Company from the related parties are compliant to the outsourcing regulations of the related parties, plus a reasonable management fee and profit in accordance with the project budget, and after the price comparison and negotiation procedures, the contract prices are determined after they are submitted to the supervisors for approval.

(2) From January 1 to September 30 in 2020 and 2019, the gross profit margin of the constructions contracted by the Company from non-related parties was approximately 1.92% to 19.90% and (1.92) % to 22.92%, and that of the related parties was about 3.74% to 4.94% and 3.85% to 4.94%, respectively.

2. Contracted works

The current valuation amount of the works contracted by the Company to related parties is as follows:

	2020			2019		
	Total contract amount	**Valuated amount**	**Current valuation amount**	**Total contract amount**	**Valuated amount**	**Current valuation amount**
Subsidiary	$1,113,702	824,376	324,120	1,651,896	1,189,929	581,876

The total price of the project contract is based on the negotiation between the two parties, and the payment is made based on the progress of the project according to the contract concluded after the negotiation.

3. Contract assets and receivables from related parties

The Company's details of receivables from related party were as follows:

Accounting items	Type of related parties	2020.12.31	2019.12.31
Notes receivable	Parent company, Kindom Development Co., Ltd.-	$ 1,119,596	1,287,602
Accounts Receivable	Parent company, Kindom Development Co., Ltd.-	769,260	620,603
Contract assets	Parent company, Kindom Development Co., Ltd.-	124,909	347,810
Contract assets (retention receivables)	Parent company, Kindom Development Co., Ltd.-	19,774	21,494
		$ 2,033,539	**2,277,509**

The collection period of the Company for the related parties is 100% payment with 90-day promissory notes. One or two assessments are performed on general cases in a month, 100% on spot, or 100% for 30 days, or 100% for 90 days.

4. Payables to related parties

The Company's details of payables to related party were as follows:

Accounting items	Type of related parties	2020.12.31	2019.12.31
Notes payable	Subsidiary	$ 2,160	9,535
Accounts payable	Subsidiary	50,553	97,993
		$ 52,713	**107,528**

5. Endorsements/guarantees

On December 31, 2020, and 2019, 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 2020 and 2019, 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 2020 and 2019 is NT$3,360,000.

The Company leased office building from its parent company Kindom Development Co., Ltd., with a total contract value of NT$575,000 and NT$195,000 per month for 2020 and 2019, respectively. The rental expense for 2020 and 2019 is NT$2,952,000 and NT$2,229,000, respectively.

7. Others

(1) In 2020 and 2019, the Company donated NT$5,500,000 and NT$4,000,000 to Yu San Education Foundation, a syndicate legal entity, for the promotion of the foundation's business.

(4) Key management personnel transactions

Remuneration to major management personnel includes:

		2020	2019
Short-term employee benefits	$	94,662	59,766
Benefits after retirement		162	145
	$	**94,824**	**59,911**

8. Pledged Assets

The Company's details of the carrying value of pledged assets were as follows:

Name of assets	Pledge guarantee object		2020.12.31	2019.12.31
Other financial assets - current	Loan facilities collaterals and construction guarantees	$	168,484	224,488
Property, plant, and equipment - net	Loan facilities collaterals		53,200	53,200
Net amount of investment property	Loan facilities collaterals		95,353	95,585
		$	317,037	373,273

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Significant unrecognized contract commitments:

1. On December 31, 2020, and 2019, the total amounts of material construction contracts by the Company were NT$43,875,723,000 and NT$34,596,725,000 respectively, and the payments received according to the contract were NT$19,507,756,000 and NT$12,258,009,000 respectively.
2. Approved by the Board of Directors on December 30, 2020, and December 20, 2019, the Consolidated Company committed to donate NT$6,000,000 and NT$5,500,000 to the Kindom Yu San Education Foundation in 2021 and 2020 for the promotion of the foundation's business.

(2) Contingent liability

1. In relation to the construction project under Project Code 041A, the neighbor manufacturer alleged that the structural damages on the manufacturer's plants and land were as a result of the Company's construction. As both parties were not able to settle the issue in mediation, the Company was sued by the neighbor manufacturer, in the amount of NT$15,665,000. The Company has yet to assess any contingent liability for this litigation.

10. Significant Disaster Loss: None.

11. Significant Events after the End of the Financial Reporting Period: None.

12. Others

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

Function / Nature	2020			2019		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefits expenses						
Salaries and wages	$ 492,569	157,337	649,906	429,443	135,599	565,042
Labor insurance and national health insurance	35,890	8,998	44,888	38,046	8,812	46,858
Pension expenses	16,407	5,034	21,441	16,631	4,980	21,611
Remuneration of Directors	-	19,609	19,609	-	12,849	12,849
Other employee benefits expenses	1,026	13,287	14,313	232	11,732	11,964
Depreciation expenses	3,466	8,385	11,851	466	247	713
Depletion expenses	-	-	-	-	-	-
Amortization expenses	-	-	-	-	-	-

(2) The Company's employee number and employee benefit expenses in 2020 and 2019 are as follows:

	2020	2019
Number of employees	730	769
Number of Directors who are not employees	5	5
Average employee benefits	$ 1,008	845
Average employee salaries and wages	$ 896	740
Adjustments to average employee salary expenses (note)	21.08%	
Supervisors' remuneration	$ 109	240

Note: The Company's salary expenses reflect the manpower structure of each year's operating requirements and the performance of the progress of the project completion. The above number of employees includes foreign workers who receive basic wages. Out of the Company's salary expenses in 2020 and 2019, the salary increase of non-executive full-time employees was 3.09% and 2.78% respectively. The number of foreign workers accounted for about 25% of the total number of employees.

(3) The Company's salary and remuneration policy (including Directors, Supervisors, managers, and employees) is as follows:

1. The Company's employee salary and renumeration policy is committed to providing employees with compensation and salary which meets the salary market dynamics and responds to changes in economic conditions and government regulations. Employee's compensation mainly consists of basic payroll (including salary and fixed allowances, etc.), year-end and performance bonuses, etc. Each year, according to the operating conditions and internal and external salary analysis, the Company sets out salary adjustment policies in due course. The average increase in employees' basic salary over the most recent 2 years is about 3%.
2. According to the Company's operating results, reference to the domestic industry bonus level and the Articles of Association, the Company shall decide the total number of year-end bonuses and compensation. The remuneration committee shall submit the amount and distribution method for approval by the Board of Directors. The amount allocated to each employee depends on the job, contribution and

performance. The minimum salary standards for employees without working experience and foreign workers are in accordance with government regulations.

3. The Company's remuneration policy for the manager is based on the Company's operating strategy, profit status, performance and job contribution, and reference to the salary market. The Remuneration Committee shall submit for approval by the Board of Directors.
4. According to the Articles of Association, the Company's remuneration for the Chairman and Director is authorized to the Board which shall agree on the common industry standard according to its degree of participation in the operation and value of the contribution. The Articles of Association also specifies that no more than 2% of the annual profit shall be the remuneration of directors. Independent Directors receive a fixed monthly remuneration and do not participate in the distribution of the Directors' remuneration mentioned above.

13. Disclosure Notes

(1) Information on Material Transactions

In 2020, 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/guarantees for others:

Unit: NT$ thousand

No.	Name of endorsement/guarantee provider	Subject of endorsements/guarantees		Limit of Endorsements/guarantees for a Single Entity (Note II)	Maximum balance for this period	Outstanding Endorsements/guarantees - Ending	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	Limit of Endorsements/guarantees (Note II)	Endorsement/guarantees provided by subsidiaries to parent company	Endorsement/guarantees provided by parent company to subsidiaries	Endorsement/guarantee provided to subsidiary in China
		Company name	Relationship (Note I)										
0	Kedge Construction Co., Ltd.	Kindom Development Co., Ltd.	Parent/Subsidiary Company	$ 6,138,218	14,192	14,192	14,192	-	0.46%	6,138,218	-	Y	-
1	Dingtian Construction Co., Ltd.	Kindom Development Co., Ltd.	Parent/Subsidiary Company	54,187	14,192	14,192	14,192	-	26.19%	54,187	-	Y	-
1	"	Kedge Construction Co., Ltd.	"	8,128,105	1,376,500	1,376,500	1,376,500	-	2,540.28%	16,256,210	-	Y	-

Note I: Listed below are 7 types of relationship between the endorser and the endorsee, simply indicating the type will do:
(1) A company with which the Company has business relationship.
(2) A company in which the Company directly or indirectly holds more than 50% of the voting shares.
(3) A company that directly or indirectly holds more than 50% of the voting shares in 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 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 II: (1) The Company's endorsement method is that the total amount of external endorsements shall not exceed 200% of the net value of the Company's latest financial statements, and the endorsement amount for a single enterprise shall not exceed 200% of the net value of the Company's latest financial statements. The aggregate amount of endorsements/guarantees on all construction projects shall not exceed 10 times of its net equity as stated in its latest financial statement, and the aggregate amount of endorsements/guarantees on a single construction project shall not exceed 5 times of its net equity as stated in its latest financial statements.
(2) The endorsement method of Dingtian Construction Co., Ltd. is that the total amount of external endorsement shall not exceed 100% of the net value of the latest financial statements of the Company, and the endorsement amount for a single enterprise shall not exceed 100% of the net value of the latest financial statements of the Company. The aggregate amount of endorsements/guarantees on all construction projects shall not exceed 300 times of its net equity as stated in its latest financial statement, and the aggregate amount of endorsements/guarantees on a single construction project shall not exceed 150 times of its net equity as stated in its latest financial statements.

Note III: 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$ thousand

Holding company	Types and names of securities	Relationship with the securities issuer	Accounting item	End of period				Remarks
				Number of shares (thousand shares)	Carrying amount	Shareholding Ratio	Fair value	
Kedge Construction Co., Ltd.	Shares - Kindom Development Co., Ltd.	Kedge Construction Co., Ltd. is its subsidiary	Financial assets measured at fair value through other comprehensive income - non-current	500	$ 16,825	0.10 %	16,825	
Jiequn Investment Co., Ltd.	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	472	22,043	- %	22,043	
"	Shares - SinoPac Financial Holdings Co., Ltd.	-	"	211	2,418	- %	2,418	
"	Shares - Kindom Development Co., Ltd.	Jiequn Investment is the second-tier subsidiary of that company.	Financial assets measured at fair value through other comprehensive income - non-current	8,518	286,646	1.69 %	286,646	
"	Shares - Taiwan Calcom International Computer Graphic Co., Ltd.	-	"	405	-	0.78 %	-	
Guanqing Electromechanical Co., Ltd.	Shares - Kindom Development Co., Ltd.	Guanqing Electromechanical is the second-tier subsidiary of that company.	"	1,607	54,075	0.32 %	54,075	
"	Shares - Global Views-Commonwealth Publishing Co.	-	"	132	5,825	0.59 %	5,825	
"	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	419	19,579	- %	19,579	

4. Accumulated to buy or sell the same marketable securities amount to NT$300 million or more than 20% of the paid-up 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 related parties reaches NT$100 million or more than 20% of the paid-in capital: none.

Unit: NT$ thousand

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/accounts receivable (or payable)		Remarks
			Purchases/sales	Amount (Note)	As a percentage of total purchase (sales)	Loan period	Unit Price	Loan 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.	$ (5,733,902)	(37.99)%	Payment by installment following the contract is equivalent to the general transaction.	Equivalent to other transactions	Slightly longer than normal	1,908,630	48.95%	
"	Dingtian Construction Co., Ltd.	Investee of Kedge Construction accounted for using the equity method	043A etc	195,988	1.50%	Payment by installment following the contract is equivalent to the general transaction.	"	Equivalent to other transactions	(19,719)	(0.50)%	
"	Guanqing Electromechanical Co., Ltd.	"	023A etc	128,132	0.98%	"	"	"	(32,994)	(0.83)%	
Dingtian Construction Co., Ltd.	Kedge Construction Co., Ltd.	"	043A etc	(195,988)	(100.00)%	Payment by installment following the contract is equivalent to the general transaction.	"	"	19,719	100.00%	
Guanqing Electromechanical Co., Ltd.	"	"	023A etc	(128,132)	(70.17)%	"	"	"	32,994	68.55%	

Note: Refers to the valuation amount for current period.

8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital:

Unit: NT$ thousand

The companies that record such transactions as receivables	Name of transaction counterpart	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Recovery amount of receivables from related parties after the period	Provisions for loss allowance
					Amount	Treatment Method		
Kedge Construction Co., Ltd.	Kindom Development Co., Ltd.	An investment company that evaluates Kedge Construction Co., Ltd. by the equity method	$1,908,630	2.76	-	-	507,020	-

9. Derivative financial instrument transactions: None.

(2) Information on Reinvestment

The information on the reinvestment of the Consolidated Company in 2020 is as follows:

Unit: NT$ thousand/thousand shares

Name of investment company	Investee	Location	Principal business	Original investment amount		Holdings at the end of the period			Net income (loss) of the investee	Share of profit/loss of investee	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%	395,247	10,544	10,542	Subsidiary
Kedge Construction Co., Ltd.	Guanqing Electromechanical Co., Ltd.	Taiwan	Electrical equipment installation and fire safety equipment installation, etc.	81,326	81,326	7,747	99.96%	210,000	4,082	4,080	"
Jiequn Investment Co., Ltd.	Dingtian Construction Co., Ltd.	Taiwan	The comprehensive construction industry, etc.	16,500	16,500	-	30.00%	16,256	757	227	Second-tier subsidiary
Guanqing Electromechanical Co., Ltd.	Dingtian Construction Co., Ltd.	Taiwan	The comprehensive construction industry, etc.	11,105	11,105	-	70.00%	37,931	757	530	"
Dingtian Construction Co., Ltd.	ReadyCom eServices Corp.	Taiwan	Information software services and management consultants, etc.	15,000	15,000	1,400	46.67%	20,507	1	-	Investments accounted for using equity method

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

(3) Information on Investments in Mainland China:

1. Relevant information incl. names and principal business of investees in Mainland China: None.
2. Limit of investment in Mainland China: None.
3. Material transactions with investee companies in Mainland China: None.

(4) Information on major shareholders:

Expressed in shares

Shareholding / Name of Major Shareholders	Shareholding (shares)	Shareholding Ratio
Kindom Development Co., Ltd.	36,247,768	34.18%
Yute Investment Co., Ltd.	8,785,536	8.28%

14. Segment Information

Please refer to the 2020 Consolidated Financial Report.

Kedge Construction Co., Ltd.

List of Cash and Cash Equivalents

As of December 31, 2020 **Unit: NT$ thousand**

Items	Summary	Amount
Cash and petty cash		$ 710
Bank deposits	Demand deposits	155,007
	Check deposits	477,689
	Time deposits	1,548
Cash equivalents	Financial notes	3,174,787
		$ 3,809,741

List of Accounts Receivable

Account Name	Summary	Amount	Remarks
Company A	Project receivables and reserves	$ 419,636	
Company B	"	303,475	
Company C	"	98,490	
Company D	"	84,809	
Others	"	33,034	Each client balance does not reach 5% of the account
		$ 939,444	
Related parties			
The investing company valuates the Company by the equity method (parent companies)	Project receivables	$ 1,888,856	

Kedge Construction Co., Ltd.
List of Contract Assets/Liabilities
As of December 31, 2020

Unit: NT$ thousand

Project Name	Cumulative Costs Accrued and Profit Recognized	Accumulated Project Progress Payment Amount	Contract assets	Contract liabilities
041B	940,199	972,536	-	32,337
061B	4,380,847	4,386,944	230,314	6,097
061C	796,338	806,753	-	10,415
061D	221,072	172,027	49,045	-
061G	398,823	379,105	19,718	-
061I	268,684	307,856	-	39,172
061J	1,067,188	1,251,514	-	184,326
061L, 061M	769,928	1,020,728	45,339	250,800
071G	898,302	959,203	95,920	60,901
071K	188,130	197,539	-	9,409
071O	1,554,538	1,499,009	130,479	-
071P	299,694	252,252	47,442	-
071S	551,267	574,090	-	22,823
081A	2,124,091	2,361,340	116,180	237,249
081B, 081C	344,244	493,963	10,936	149,719
081F	541,351	852,695	28,217	311,344
091A	74,649	32,075	42,718	-
091B	2,692,836	2,616,074	333,359	-
091D	8,704	-	8,704	-
091E	149,887	96,681	58,281	-
091F	94,300	275,372	-	181,072
Case closed	-	-	202,814	-
	18,365,072	19,507,756	1,419,466	1,495,664

Kedge Construction Co., Ltd.

List of changes in investments under equity method

From January 1 to December 31, 2020

Unit: thousand shares / NT$ thousand

Name	Opening balance		Increase in the current period (Note)		Decrease in the current period (Note)		Closing balance			Equity net worth		Guarantee, pledge or Lending summary	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	$ 369,801	-	25,446	-	-	16,396	99.98%	395,247	-	395,335	-	
Guanqing Electromechanical Co., Ltd.	7,747	203,204	-	6,796	-	-	7,747	99.96%	210,000	-	210,081	-	
		$ 573,005		32,242		-			605,247		605,416		

Note: The increase in the current period is due to NT$14,622,000 from the share of gains and losses of subsidiaries recognized by the equity method and NT$17,620,000 in the unrealized assessment gain of equity instrument investment measured at fair value through other comprehensive income.

Kedge Construction Co., Ltd.

List of Other Financial Assets - Current

As of December 31, 2020 **Unit: NT$ thousand**

Items	Summary	Amount
Project refundable deposit		$ 18,893
Restricted assets		168,484
Other notes receivable		123
Other payables		13,297
Others		978
		$ 201,775

List of Notes Payable

Items	Summary	Amount	Remarks
The Company’s subsidiary	Project receivables	$ 2,160	
Company A	"	32,726	
Company B	"	32,669	
Company C	"	22,537	
Company D	"	20,475	
Others	"	215,556	Each client balance does not reach 5% of the account
		$ 326,123	

Kedge Construction Co., Ltd.

List of Accounts Payable

As of December 31, 2020 **Unit: NT$ thousand**

Vendor	Summary	Amount	Remarks
Company A	Project receivables and reserves	$ 47,296	
Company B	"	30,834	
Company C	"	30,257	
Company D	"	27,471	
Company E	"	26,511	
Company F	"	22,865	
Company G	"	20,326	
Company H	"	19,719	
Company I	"	19,070	
Company J	"	18,090	
Company K	"	15,800	
Company L	"	15,512	
Company M	"	14,485	
Company N	"	14,473	
Company O	"	13,890	
Company P	"	11,571	
Company Q	"	11,502	
Company R	"	11,365	
Company S	"	10,262	
Others	"	3,275,683	Each company balance does not reach NT$10,000,000 and 1% of the account
		$ 3,656,982	

Kedge Construction Co., Ltd.
List of Operating Revenue
From January 1 to December 31, 2020 Unit: NT$ thousand

Items	Summary	Amount
Construction Contract Revenues	031J	$ 360,530
	041B	450,608
	041D	1,723,739
	061B	603,811
	061C	408,276
	061D	119,920
	061G	210,723
	061I	166,288
	061J	686,833
	061L, 061M	490,001
	071G	582,148
	071K	122,395
	071O	975,321
	071P	299,694
	071Q	3,196
	071S	315,365
	081A	1,419,594
	081B, 081C	344,244
	081D	125,577
	081E	670,341
	081F	541,350
	091A	74,649
	091B	2,692,836
	091E	149,887
	091F	94,300
	991C	430,996
	Others	34,704
	Subtotals	14,097,326
Rental Receipt of Investment Property		6,082
		$ 14,103,408

Kedge Construction Co., Ltd.

List of Operating Costs

From January 1 to December 31, 2020 **Unit: NT$ thousand**

Items	Summary	Amount	
Construction Contract Costs	031J	$	343,807
	041B		429,746
	041D		1,638,709
	061B		560,950
	061C		389,374
	061D		114,363
	061G		200,967
	061I		159,884
	061J		660,382
	061L, 061M		464,922
	071G		550,103
	071K		116,716
	071O		968,378
	071P		288,491
	071Q		2,516
	071S		300,744
	081A		1,087,134
	081B, 081C		324,414
	081D		112,416
	081E		602,530
	081F		503,773
	091A		67,825
	091B		2,555,662
	091E		141,639
	091F		84,815
	991C		411,188
	Others		(23,660)
	Subtotals		13,057,788
Rental Cost of Investment Property			467
		$	**13,058,255**

Kedge Construction Co., Ltd.

List of Management Expense

From January 1 to December 31, 2020 **Unit: NT$ thousand**

Items	Summary	Amount	Remarks
Payrolls		$ 176,946	
Insurance premiums		12,255	
Endowments		6,060	
Employee benefits		9,592	
Labor expenses		9,806	
Sundry purchases		14,251	
Other expenses		45,772	
		$ 274,682	

List of Other Income

Items	Summary	Amount
Dividend income		$ 750
Rental income		11
Other income	Reparation	4,174
		$ 4,935