

Stock Code: 2546

Annual Report 2020



Kedge Construction Co., Ltd.

Published date: May 25, 2021

This Annual Report can be accessed from: Market Observation Post System:

<https://mops.twse.com.tw>

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- V. Information on Overseas Securities: None
- VI. Company Website: <https://www.kedge.com.tw>

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Chapter 1. Letter to Shareholders

Dear Shareholders,

Facing the harsh situation of extreme volatility of the financial market and stagnation of economic activities from the outbreak of COVID-19 at the beginning of 2020, numerous countries launched large-scale incentive financial and monetary policies in succession; the global economy was depressed and overseas market demand was weak, which lasted until the second half of the year when the economy recovered slowly. The global easing of monetary policy also gave rise to the price hike of raw material, which furthermore drove the price of domestic main bulk construction materials (including steel bars, concrete, and formwork) to go up. In addition, semiconductor companies continued to invest in advanced process, while technology companies continued to invest in supply chains in Taiwan; both actions caused the overall domestic construction cost to gradually increase, and some of the real estate developers reduced project quantity and veered toward land development and commercial offices. In addition, the government bolstered public construction investment by the means of "expanding, increasing, and speeding up." The policy aims to drive industrial innovation and development, as well as revive the economy and creating employment on the basis of balancing regional infrastructure over the country. All these actions are expected to contribute to the growth of domestic investment. Generally speaking, the construction industry is expected to continue to expand into the public and private sectors, driven by the government's construction policies and the trend of increasing capital expenditure within the industry.

In addition to the continuous support from leading benchmark clients in the technology industry, the Company's business in 2020 achieved a new record of operating revenue with the active promotion of projects such as the most advantageous tender for public construction projects and the most advantageous tender for contracting, etc. In addition to maintaining a stable scale of operation in the future, the Company will continue to invest in innovative materials, technologies and construction methods to improve the performance and operating profit.

I. Operating Results for 2020

Items included in the consolidated operating revenue in 2020 include construction revenues and non-operating income, totaling NT\$14.161 billion, with a growth of 23.2% compared with that of 2019. Among them, the proportion of construction revenues is based on the progress of construction and steady investment to achieve the goal of stable revenue scale.

The total of consolidated operating expenses for 2020 is NT\$13.379 billion, including construction costs, operating expenses, and non-operating expenses, with a growth of 21.69% compared with that of 2019. Apart from the fact that the construction costs increase as the scale of the construction increases, as for operating expenses, the increase in employee welfare expenses due to the increase in operating income and the number of employees and the increase in expenses (e.g. operation demand) are all major reasons for the increase in operating expenses from the previous period.

Upon the increase of single scale and total performance of projects the Company undertook and scheduled receipt of funds (e.g. advance payment) as per contract and supplementation of working capital, in 2020, the consolidated net cash inflow from operating activities was NT\$1.986 billion and consolidated net cash outflow from investment and financing activities was NT\$404 million, realizing a net inflow of NT\$1.582 billion compared with cash flow of 2019. In 2020, the return on assets (ROA) was 7.10%, return on equity (ROE) was 21.65% and consolidated earnings per share (EPR) was NT\$ 5.91. All those reflect the operation result is better than that of 2019.

II. Annual Business Plan for 2021

With the goal to undertake high-tech content and high-value-added project bids, the Company adopted the strategies of diversified contracting and medium and long-term business layout and accelerated the development of intelligent construction technology. In 2021, our business will mainly focus on the needs such as hi-tech plant expansion and increase and development of

government's track economy, which is in favor of the layout of short and medium-term bid stocks and future performance kinetic energy. Our management team will maintain the Company's brand and goodwill by creating the mode of mutual benefit and cooperative development and try to develop towards the goal that construction project becomes our leading and sustainable business.

As of February 2021, there are 21 on-going projects, ten residential and commercial office building projects including Kindom Wenhua and Kindom Roosevelt, three civil projects (C712A bid, C212 bid, and C611 bid), and 11 indicative construction and construction of high-tech plants including the turnkey project Taipei Veterans General Hospital, the first phase of Kaohsiung Municipal Feng-Shan Hospital, the turnkey project of reconstruction of Nanmen Market, the turnkey project of Taoyuan Convention and Exhibition Center and TSMC F18P6 FAB, with the total amount of NT\$ 44 billion or so.

Kedge Construction responded to the short-term scheduling impact of workers and materials through the policies such as purchase flexibility and contract awarding split. In light of the fact that bid evaluation and commencement of works tend to be cautious and conservative, the Company, besides finishing the existing projects, tried to win the bids of building, road and bridge projects with highly competitive advantages, expanded the project resources of rail, tunnel and cutting-edge technology plant, so as to create new performance and improved our value.

III. The Effect of External Competition Environment, the Legal Environment, and the Overall Business Environment

The COVID-19 pandemic continued to spread all over the world. Countries in the world were forced to take such measures as “lockdown” and “quarantine”, which severely affect economic activities. In response to the unprecedented large scale of fiscal, monetary and regulatory measures introduced by various countries in response to the pandemic, although the global economic forecasts have moderated in terms of levels of recession, the global economic growth in 2021 is expected to rebound, but the forecast remains highly uncertain, as the economic performance depends on the subsequent actions of every government to put the pandemic under control. Trade tensions among major economies may slow down the pace of recovery; the short-term economy is expected to rebound strongly, but the medium-term debt burden has inhibited economic growth and the impact of trade stagnation will also continue.

Due to the continuous growth of long-distance business opportunities in Taiwan due to the COVID-19 pandemic, and the continuous expansion of emerging technology applications such as 5G communications, automotive electronics, and high-performance computing, domestic semiconductor manufacturers continue to invest in advanced manufacturing processes, and domestic and foreign technology industry manufacturers continue to increase their investment in the supply chain in Taiwan. In addition, the return of Taiwanese businessmen and the continued investment of foreign businessmen in Taiwan have helped boost domestic investment momentum. In addition, driven by the abundant funds in the domestic market, coupled with the strong demand from life insurance companies and the government's monetary rewards of urban renewal projects, the real estate development volume in seven metropolitan areas in Taiwan has increased by almost 10% over the previous year. The real estate market is expected to return to owner-occupied demand in 2021, and whether the impact of the suppression of flipping properties from the government will defer the willingness of buying properties is still waiting to be seen.

In respect of public engineering projects, the total budget plus special budget for 2021 amounted to NT\$534 billion, which is an increase of NT\$96.2 billion, approximately 22%, as compared to that of 2020. The budget is in line with the priority of the government policy, as the total budget for public infrastructure investment will fund the projects such as MRT systems, highways, national highways and bridge construction and improvement projects, railway elevation projects, public sewage treatment plants treating reclaimed water and industrial innovation projects. These infrastructure projects will balance regional infrastructure

construction and guiding industrial upgrading through appropriate and effective public investment, and help drive private investment and industrial development.

In respect of the raw materials for construction, although the increase in investment from domestic and international enterprises as well as the high willingness of private investment have boosted the construction projects of office buildings and factories, the increase in international crude oil and steel prices, and the shortage of the supply of concrete materials has not yet been solved. It is also necessary to prepare for problems such as redistribution of budgets for public engineering projects, difficulties of dispatch of labor and raw materials, as well as extreme climate. Kedge Construction has a complete supply chain. The Company will continue to pay attention to the follow-up changes of the pandemic, and conduct flexible procurement and adjust the construction schedule accordingly to ensure the on-time delivery, cost and quality of projects, and to create a win-win and mutually beneficial high-quality project with the owners and suppliers.

In regard to the labor market, domestic students are reluctant to engage in the construction industry, resulting in an age gap and long-term labor shortage, which will affect the operating cost, construction quality and project progress. Due to the enthusiasm of the real estate market, the return of Taiwanese businessmen, the large-scale construction of new factories by technology factories, and the continued release of government investment projects, the construction manpower is in shortage. Under the impact of the pandemic, the problem of labor shortage will become even more serious. Kedge Construction values labor relations and regards every colleague as an important partner. The Company builds the growing foundation of human resources through three strategies: attracting, nurturing and retaining talents, including making efforts to create a friendly working environment, planning a comprehensive education and training system, encouraging staff to self-develop and enhance their professional skills, so as to nurturing talent and reinforcing the synergy of Kedge Construction.

IV. Future Development

Focused on the intelligent technology and innovative application development by building leading business and deepening core competitiveness, Kedge Construction will try to achieve our blueprint goal of sustainable strategy, advance steadily based on the four business polices such as "strengthening corporate governance," "implementing internal control system," "integrating group resources" and "participating in social public welfare," and build the sustainable strategy blueprint through "green homeland," "smart city" and "happy society;" decrease the impact of buildings on environment by means of innovative technology, undertake the social responsibility of caring local and weak groups continuously and develop towards the goal of sustainability; perform responsibilities of enterprise and shareholder and create a better future.

With a focus on the business idea of "honesty, quality, service, innovation and sustainability," Kedge Construction has highlighted practical operation and developed business comprehensively; introduced more modern, delicate and information-based construction method systematically and integrated and improved construction management process with technical tools, so as to make sure the unified purchase resources for key material are allocated, to give play to the occasions of price restraint by quantity and judgment; construction item contract awarding is flexibly integrated and analyzed in order to master contractor's resources and conform to the requirements for construction period; innovation method is continuously improved and developed, so as to provide higher-value services for owner and lead contractor to improve technology.

Wishing you all
Good health and good luck.

Kedge Construction Co., Ltd.
Chairman Ai-Wei Yuan

Chapter 2. Company Profile

- I. Date of Incorporation: April 13, 1982.
- II. Company History:
 - April 1982: The Company was registered and incorporated in Taoyuan County with a capital of NT\$3 million.
 - October 1987: The Company increased its capital to NT\$7.5 million.
 - February 1990: The Company was promoted to a class A construction plant, and increased its capital to NT\$22.5 million in the same year.
 - December 1994: The Company relocated to 6F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.), and increased its capital to NT\$190 million in the same year.
 - December 1995: The Company passed the national quality certification ISO 9002, being the second construction factory in Taiwan to pass the certification.
 - September 1996: The Company passed the assessment of the Chinese Society for Quality and was awarded the "Quality Control Group Award". In the same year, the company increased its capital to NT\$368.5 million and won the "Chinese Architectural Golden Stone Award - Construction Quality".
 - June 1997: The Company increased its capital to NT\$461.175 million and was selected as an excellent construction plant by Construction and Planning Agency, Ministry of the Interior.
 - December: The re-invested company Guanqing Electromechanical Co., Ltd. was registered for incorporation.
 - January 1998: The re-invested company Jiequn Investment Co., Ltd. was registered for incorporation.
 - May: The Company passed the international environmental protection certification ISO 14001.
 - July: The Company was listed on Taipei Exchange.
 - August: The Company increased its capital to NT\$530.351 million and was selected again as an excellent construction plant of Taiwan Province.
 - July 1999: The Company was awarded the Gold Medal for "Excellent Trademark Design" by the Bureau of Standards, Metrology and Inspection, M.O.E.A.
 - May 2000: The Company increased its capital to NT\$676.993 million.
 - September: The Company's shares were changed to list on the stock exchange.
 - May 2001: The Company decreased its capital to NT\$671.063 million.
 - October: The Company decreased its capital to NT\$661.063 million.
 - July 2009: The Company issued domestic guarantee convertible corporate bonds of NT\$240 million for the first time.
 - October: The Company was awarded the Green Building Label Certificate by the Ministry of the Interior for the "New Construction of the Children's Medical Building of the Affiliated Hospital of the National Taiwan University College of Medicine".
 - April 2010: The Company converted its corporate bonds into common stocks to increase the paid-in capital to NT\$664.041 million.
 - October: The Company issued 27,200 shares to increase capital by cash for the first time, and increased the paid-in capital to NT\$958.007million.
 - April 2011: The Company converted its corporate bonds into common stocks to increase the paid-in capital to NT\$1,040.118 million.
 - August: The Company converted its corporate bonds into common stocks to increase the paid-in capital to NT\$1,079.497 million.
 - November 2012: The Company canceled its treasury shares for capital reduction to decrease the paid-in capital to NT\$1,060.357 million. The construction of the New

- Building of the Cross-Strait Exchange Foundation won the 14th National Gold Award for Architecture - Construction Quality Class - National First Award.
- December: The "YCL-121 Yuanlin Overpass Project" won the Public Construction Golden Safety Award - Engineering Class - Finalist.
- October 2014: "The Rainwater and Waterway Engineering at Fukuo Road" won the Public Construction Golden Safety Award - Engineering Class - Outstanding.
- May 2015: The construction turnkey projects of the "New Taipei City Yonghe Civil Sports Center, Xizhi Civil Sports Center and Shulin Civil Sports Center" won the 2014 New Taipei City Occupational Safety Award - Excellent Public Construction Class - Excellent Award, and the Rainwater and Waterway Engineering at Fukuo Road won the 2014 Taipei City Labor Safety Award - Excellent Entity Class.
- November 2015: The Company was awarded the "2015 Taiwan Corporate Sustainability Awards", including Taiwan Corporate Sustainability Report Awards and Taiwan Corporate Sustainability Performance - Growth through Innovation Award.
- October 2016: The construction turnkey project of the "New Taipei City Shulin Civil Sports Center" won the 2016 New Taipei City Government Public Construction Quality Award.
- November 2016: The construction turnkey projects of the "New Taipei City Yonghe Civil Sports Center, Xizhi Civil Sports Center and Shulin Civil Sports Center" won the 16th Public Construction Quality Excellence Award-Gold Award for Architecture.
- June 2017: The construction turnkey projects of the "New Taipei City Yonghe Civil Sports Center, Xizhi Civil Sports Center and Shulin Civil Sports Center" won the Engineering Excellence Award from the Chinese Institute of Engineers.
- November: The Company was awarded the "2017 TCSA Taiwan Corporate Sustainability Awards" - Real Estate and Construction Industry - Gold Award.
- January 2018: The Company passed the new national quality management certification ISO 9001:2015.
- November: The Company won the "2018 TCSA Taiwan Corporate Sustainability Awards" - Sustainability Report Awards - Gold Award, and was the first to pass the certification of the International Building Information Modeling (BIM).
- December: The Company obtained the certificate of civil construction industry passing the ISO 45001 new version certification of occupational safety and health management, being the first in the country.
- July 2019: The Company obtained the Carbon Footprint Verification Statement for the "C1 Section Project of Anshuo-Caopu Section of South Link Highway of Provincial Highway No. 9".
- September: "Civil Engineering and General Mechanical and Electrical Engineering of the Pu'an-Jinlun Section of the C712A Section" won the 13th Public Construction Golden Safety Award - Outstanding of the Ministry of Labor.
- September: The Company obtained the first national ISO 19650 BIM Verification Certificate.
- November: The Company was awarded the Gold Award and Innovation Growth Award of the "12th TCSA Taiwan Corporate Sustainability Awards" - Sustainability Report Gold Awards and Growth through Innovation Award.
- November: The "BOT project of Fengshan Hospital" won the 2019 Urban Construction Quality Gold Award and Green Building Gold Excellence Award of the

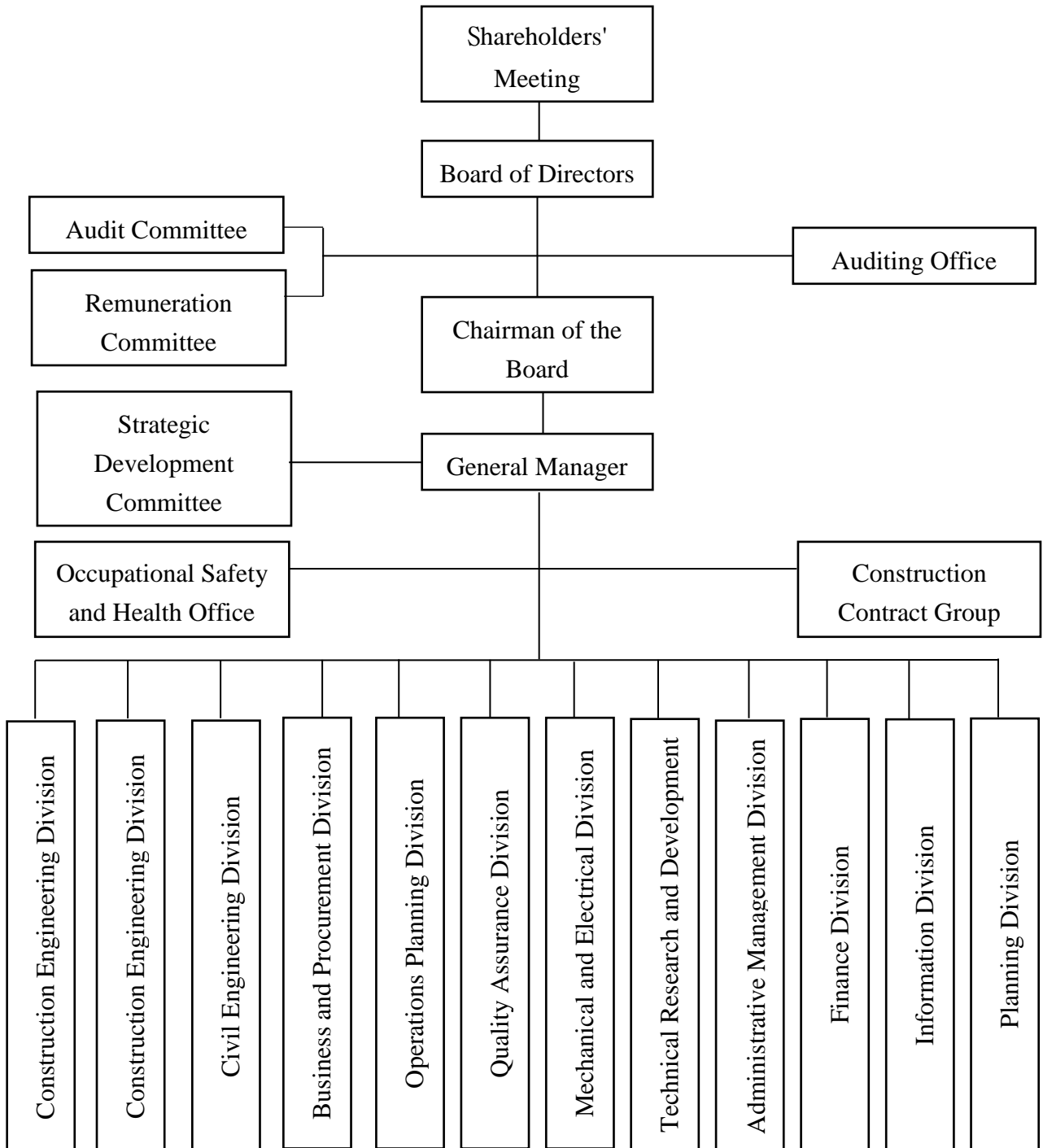
- Kaohsiung City Government.
- November: The Company was awarded the 2019 Green Procurement Performance Excellence Award by the New Taipei City Government.
- December: The Company obtained the first national BS 8001 Circular Economy Verification Certificate.
- September 2020: The BOT project of Fengshan Hospital was awarded "Outstanding Unit for Promotion of Occupational Safety and Health" by the Ministry of Labor.
- October: The "C1 Section Project of Anshuo-Caopu Section of South Link Highway of Provincial Highway No. 9" was awarded No. 1 in Excellent Engineering Project of the Golden Way Award from the Ministry of Transportation and Communications.
- November: The Company was awarded Taiwan Sustainability Award in the categories of "Taiwan Top 50 Sustainable Enterprises" and "Taiwan Enterprise Sustainability Report Award - Real Estate and Construction Industries - Gold Award."
Phase I of the BOT project of Fengshan Hospital was awarded the "2020 Urban Engineering Quality Golden Award" from Kaohsiung City Government.
- December: New construction of Zhongyuan Project B of Kindom Xinzhuang was awarded an Excellence Award of the 14th Golden Safety Award in the Group of Civil Engineering - Engineering Category.
The Company was awarded the TASS 2020 Circular Economy Awards in the category of Excellence in Innovative Service and Excellence in Supply Chain. The Company was awarded the 2020 Green Procurement Performance Excellence Award by the Environmental Protection Department, New Taipei City Government.
The "C4 Section Project of Provincial Highway No. 9" obtained the Carbon Footprint Verification from BSI.

- III. Information on the merger and acquisition activities, strategic investments in affiliated enterprises and corporate reorganization in the most recent fiscal year and the current fiscal year up to the date of publication of the annual report: None.
- IV. Instances in which a major quantity of shares belonging to Directors, Supervisors, or shareholders holding greater than a 10 percent stake in the Company is transferred or otherwise changes hands in the most recent fiscal year and the current fiscal year up to the date of publication of the annual report: None.
- V. Any change in managerial control, any material change in operating methods or type of business, and any other matters of material significance that could affect shareholders' equity in the most recent fiscal year and the current fiscal year up to the date of publication of the annual report: None.

Chapter 3. Corporate Governance Report

I. Organizational System:

(I) Organization Structure:



(II) The Tasks of Each Principal Division:

Name of Division	Tasks
Auditing Office	<ol style="list-style-type: none"> 1. Establish and implement the Company's audit system. 2. Evaluate the Company's operation performance and quality management.
Audit Committee	<p>The functional committee established pursuant to Article 14-5 of the Securities and Exchange Act, consisting of all Independent Directors, is established to assist the Board of Directors in carrying out its supervisory functions and improving corporate governance performance.</p>
Remuneration Committee	<p>The functional committee established in accordance with 14-6 of the Securities and Exchange Act shall, in a professional and objective manner, evaluate the Company's remuneration policies and systems for Directors, Supervisors and Managerial Officers of the company and make recommendations to the Board of Directors for their reference in making decisions.</p>
Strategic Development Committee	<p>Plan operational objectives and establish development strategies, and be responsible for industry trend analysis and evaluation of planning-related innovations or certification of benchmarking standards.</p>
Construction Contract Group	<ol style="list-style-type: none"> 1. Review the contract documents, drawings and tender conditions of public works owners. 2. Review the scope of contractor's contractual responsibility, material specifications, and use of construction methods, etc. 3. Assist in reviewing the appropriateness of issued documents for the construction site to avoid subsequent disputes stipulated in the contract.
Occupational Safety and Health Office	<ol style="list-style-type: none"> 1. Plan and implement the management of labor safety and health, and formulate plans to prevent occupational disasters. 2. Manage and control the labor safety and health works of engineering projects, including reviewing and developing construction safety plans, safety facility standards, and assessing dangerous workplace.
Construction Engineering Division	<p>Be responsible for the schedule arrangement, construction planning management, project cost control, and quality management of residential, commercial and projects engineering.</p>
Construction Engineering Division	<p>Be responsible for the schedule arrangement, construction planning management, project cost control and quality management of factories, turnkey, and projects engineering.</p>
Civil Engineering Division	<p>Be responsible for the schedule arrangement, construction planning management, project cost control and quality management of roads, bridges, and projects engineering.</p>
Business and Procurement Division	<ol style="list-style-type: none"> 1. Business Department: Draw up business contracting plan, be responsible for business development and bidding integration, maintain and serve client relationship. 2. Procurement Department: Develop procurement operating procedures, implement procurement, contract awarding and management and control of schedule, including price comparison and award of bid, contract signing, development of manufacturers, credit investigation and evaluation.
Operations Planning Division	<ol style="list-style-type: none"> 1. Operation Management Department: Draw up, control and review the schedule planning and audit schedule valuation of engineering

	<p>projects, and formulate relevant management measures for the support of the works projects.</p> <p>2. Cost Management Department: Manage and control engineering project costs, draw up, control and review the project budget and cost control of each project, and formulate management process for the support of the works projects.</p>
Quality Assurance Division	Be responsible for the improvement recommendations of quality assurance operations or procedures, and the overall management of ISO standards and procedures.
Mechanical and Electrical Division	<p>1. Formulate, analyze and review mechanical and electrical standard operating procedures.</p> <p>2. Set up the management of sub-projects and subcontracts.</p> <p>3. Manage and control the quality and progress of mechanical and electrical facilities, test and review mechanical and electrical systems.</p>
Technical Research and Development Division	Research and develop the construction innovation engineering technology, develop and manage the BIM technology application, and provide technical support for engineering projects.
Administrative Management Division	<p>1. Human Resources Department: Be responsible for the strategic planning of human resources, promotion and training programs, employee remuneration, rewards and welfare work, employee care and labor issues handling.</p> <p>2. General Affairs Department: Be responsible for property management, general affairs procurement and general administration.</p> <p>3. Legal Department:</p> <p>3.1 Implement and control legal risks and provide legal advice.</p> <p>3.2 Approve various contracts and official documents and control the relevant printing.</p> <p>3.3 Handle litigation or provide legal compliance advice for non-litigation dispute cases.</p>
Finance Division	<p>1. Accounting Department: Be responsible for accounting, management of shareholder services, budget management, and auditing and providing various financial analysis management statements.</p> <p>2. Fund Center: Be responsible for the planning and management of funds and transactions with banks.</p>
Information Division	Be responsible for the development planning and implementation of the Company's information software and hardware, the construction of the information system for the future development of the enterprise, the maintenance and management of computer equipment.
Planning Division	<p>1. Build the corporate brand image to enhance the market competitiveness and visibility.</p> <p>2. Assist in industry innovation and competitiveness analysis of benchmarking standards.</p> <p>3. Plan and implement corporate image campaigns and manage official websites and social media.</p>

II. Information on the Company's Directors, Supervisors, General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Supervisors of All the Company's Divisions and Branch Units:

(I) Directors and Supervisors:

April 18, 2021 (Unit: shares)

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected (Assumed)	Term (Year)	Commencement Date of the First Term (Note 2)	Shares Held when Elected		Current Shareholding		Shares Held by Spouse and Children of Minor Age		Shares Held through Nominees		Principal Work Experience and Academic Qualifications (Note 3)	Position(s) Held Concurrently in the Company and/or in Any Other Company	Other Managers, Directors, and Supervisors Having a Spousal Relationship or a Relationship within the Second Degree of Kinship with Another			Remarks(Note 4)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Chairman of the Board	Taiwan	Kindom Development Co., Ltd. Representative: Ai-Wei, Yuan	Male	2020.06.15	3	2014.06.17	36,247,768	34.18%	36,247,768	34.18%	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	Chairman of the Board, Kedge Construction Co., Ltd.	-	-	-	-
Director	Taiwan	Kindom Development Co., Ltd. Representative: Mike, Ma	Male	2020.06.15	3	2020.06.15	36,247,768 1,830,951	34.18% 1.73%	36,247,768 1,830,951	34.18% 1.73%	-	-	-	-	Master, Department of Statistics, Columbia University	1. Chairman of the Board and General Manager, Global Mall Co., Ltd. 2. Chairman of the Board, Guan Cheng Co., Ltd. (Global Mall Banqiao Store) 3. Chairman of the Board, Guan Hua Co., Ltd. 4. Chairman of the Board, Guan Yo Co., Ltd. 5. Director, Yude Investment Co., Ltd. 6. Director, Guanqing Electromechanical Co., Ltd. 7. Director, Chieh Chun Investment Co., Ltd. 8. Director, KGM International Investment Co., Ltd. 9. Director, Kindom Yu San Education Foundation	Director	Mei- Chu, Liu	Mother and son	-

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected (Assumed)	Term (Year)	Commencement Date of the First Term (Note 2)	Shares Held when Elected		Current Shareholding		Shares Held by Spouse and Children of Minor Age		Shares Held through Nominees		Principal Work Experience and Academic Qualifications (Note 3)	Position(s) Held Concurrently in the Company and/or in Any Other Company	Other Managers, Directors, and Supervisors Having a Spousal Relationship or a Relationship within the Second Degree of Kinship with Another			Remarks(Note 4)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Director	Taiwan	Kindom Development Co., Ltd. Representative: Ching-Sung, Tseng	Male	2020.06.15	3	2020.06.15	36,247,768	34.18%	36,247,768	34.18%	-	-	-	-	Bachelor, Department of Industrial Engineering, Tunghai University	1. Chief Consultant, Kindom Development Co., Ltd. 2. Director, Global Mall Co., Ltd. 3. Director, Kindom Yu San Education Foundation	-	-	-	-
Director	Taiwan	Kindom Development Co., Ltd. Representative: Mei-Chu, Liu	Female	2020.06.15	3	2017.12.22	36,247,768 2,824,973	34.18% 2.66%	36,247,768 2,824,973	34.18% 2.66%	-	-	-	-	Bachelor, Department of Chinese Literature, Tamkang University	1. Chairman of Yude Investment Co., Ltd. 2. Director of Kindom Development Co., Ltd.	Director	Mike, Ma	Mother and son	-
Director	Taiwan	Kindom Development Co., Ltd. Representative: Yi-Fang, Huang	Male	2020.06.15	3	2014.03.13	36,247,768	34.18%	36,247,768	34.18%	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	Executive Assistant General Manager, Civil Engineering Division, Kedge Construction Co., Ltd.	-	-	-	-
Director	Taiwan	Kindom Development Co., Ltd. Representative: Shih-Hsuan, Chou	Male	2020.06.15	3	2011.04.01	36,247,768 73,789	34.18% 0.07%	36,247,768 73,789	34.18% 0.07%	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	Executive Assistant General Manager, Construction Engineering Division, Kedge Construction Co., Ltd.	-	-	-	-
Independent Director	Taiwan	Hung-Chin, Huang	Male	2020.06.15	3	2017.06.19	-	-	-	-	-	-	-	-	Master of Professional Accounting, Shanghai University of Finance and Economics	1. Independent Director, Kindom Development Co., Ltd. 2. CPA, Henghui United Accounting Firm 3. Assistant Professor, Department of Accounting, Fu Jen Catholic University	-	-	-	-

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected (Assumed)	Term (Year)	Commencement Date of the First Term (Note 2)	Shares Held when Elected		Current Shareholding		Shares Held by Spouse and Children of Minor Age		Shares Held through Nominees		Principal Work Experience and Academic Qualifications (Note 3)	Position(s) Held Concurrently in the Company and/or in Any Other Company	Other Managers, Directors, and Supervisors Having a Spousal Relationship or a Relationship within the Second Degree of Kinship with Another			Remarks(Note 4)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Independent Director	Taiwan	Shen-Yu, Kung	Male	2020.06.15	3	2017.06.19	-	-	-	-	-	-	-	-	EMBA, National Chengchi University	1. Independent Director, Kindom Development Co., Ltd. 2. Chief Investment Officer, Sinar Mas Paper (China) Investment Co., Limited 3. Independent Director, Donpon Precision Inc. 4. Independent Director, Ever Power Co., Ltd.	-	-	-	-
Independent Director	Taiwan	Kuo-Feng, Lin	Male	2020.06.15	3	2020.06.15	-	-	-	-	-	-	-	-	Ph.D. in Civil Engineering, University of Pittsburgh	1. Independent Director, Kindom Development Co., Ltd. 2. Distinguished Professor, Department of Civil Engineering, National Taiwan University 3. Independent Director, Ruentex Engineering & Construction Co., Ltd. 4. Independent Director, TaiMed Biologics Inc.	-	-	-	-

Note 1: Please refer to Table 1 on the next page for the information on the major shareholder of a juristic person shareholder if a Director is a representative of the juristic person shareholder, and the major shareholder if the major shareholder of the juristic person shareholder is a juristic person.

Note 2: Any disruption of duty as a Director or Supervisor after he/she is elected for the first time shall be included in a separate note.

Note 3: Work experiences of anyone in the table above that are related to their current roles, such as previous employment at CPA firms or employment in affiliated companies, shall be disclosed along with job titles and responsibilities.

Note 4: Where the Chairman of the Board of Directors and the General Manager or a person of an equivalent post of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

Table 1: Major Shareholders of the Juristic Person Shareholders:

April 18, 2021

Name of Juristic Person Shareholder (Note 1)	Major Shareholders of the Juristic Person Shareholders (Note 2)
Kindom Development Co., Ltd.	Yude Investment Co., Ltd. (19.12%)
	Mei-Chu, Liu (12.13%)
	Guanyi Investment Co., Ltd. (3.54%)
	Mike, Ma (1.79%)
	Jiequn Investment Co., Ltd. (1.69%)
	Changlin International Co., Ltd. (1.45%)
	HSBC, the custodian of BAYVKA3 - Global Investment Responsibility under the custody of HSBC (1.37%)
	Capital Marathon Fund (1.21%)
	JPMorgan Chase & Co. Taipei Branch, the custodian of investment account at JPMorgan Chase Securities Limited (1.21%)
	Baiqian Co., Ltd. (1.09%)

Note 1: Where a Director or Supervisor is the representative of a juristic person shareholder, the name of the juristic person shareholder shall be stated.

Note 2: Fill in the name of major shareholders (with shareholding ratio of top 10) of the juristic person shareholder and their shareholding ratio. Where a major shareholder is a juristic person, please proceed to fill in more details in Table 2 below.

Note 3: Where a juristic person shareholder is the organizer of the Company, the name, and shareholding ratio of the shareholders, the name of contributors or donors, and their contribution or donation ratio shall be disclosed in the proceeding table.

Table 2: The Major Shareholders in Table 1 that are Juridical Person Shareholders:

April 18, 2021

Name of Juridical Person (Note 1)	Major Shareholders of Juridical Person (Note 2)
Yude Investment Co., Ltd.	Trust Property Account in the Custody of Cathay United Bank (43.70%); Mike, Ma (29.92%); Shao-Ling, Ma (13.19%); Miriam, Ma (13.19%)
Guanyi Investment Co., Ltd.	Kai-Chou Li (14.73%); Kai-Ting Li (14.71%); Yi-Mou Chen (8.97%); Fang Chen (8.88%); Kun-Chih Li (8.70%); Mi-Mi Hung (7.63%); Chao-Feng Chen (0.13%)
Jiequn Investment Co., Ltd.	Kedge Construction Co., Ltd (99.98%); Mei-Chu, Liu (0.005%); Shao-Ling, Ma (0.005%); Jung-Tai, Chen (0.005%); Kun-Chih, Li (0.005%)
Changlin International Co., Ltd.	Yue-Chang, Tsai (69.43%); Yi-Lin, Li (26.57%); Hsian-Min, Tsai (2%); Song-Yan, Tsai (2%)

Note 1: If the major shareholder in the above Table 1 is a juristic person, the name of such juristic person shall be filled in.

Note 2: Fill in the name of major shareholders (with shareholding ratio of top 10) of the juristic person and their shareholding ratio.

Note 3: Where a juristic person shareholder is the organizer of the Company, the name, and shareholding ratio of the shareholders, the name of contributors or donors, and their contribution or donation ratio shall be disclosed in the proceeding table.

(II) Professional Qualifications and Independence of the Directors and Supervisors:

April 18, 2021

Name (Note 1)	Has More than 5 Years of Work Experience and the Following Professional Qualifications			Independent Status (Note 2)												Number of Other Public Companies in which Concurrently Holding Position as Independent Director
	An Instructor or Higher in A Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in A Public or Private Junior College, College, or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed A National Examination and Been Awarded A Certificate in A Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Kindom Development Co., Ltd. Representative: Ai-Wei, Yuan		✓	✓		✓	✓	✓				✓	✓	✓	✓		None
Kindom Development Co., Ltd. Representative: Mike, Ma			✓									✓		✓		None
Kindom Development Co., Ltd. Representative: Ching-Sung, Tseng			✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		None
Kindom Development Co., Ltd. Representative: Mei-Chu, Liu			✓	✓								✓		✓		None
Kindom Development Co., Ltd. Representative: Yi-Fang, Huang			✓		✓	✓	✓				✓	✓	✓	✓		None
Kindom Development Co., Ltd. Representative: Shih-Hsuan, Chou			✓		✓	✓	✓				✓	✓	✓	✓		None
Hung-Chin, Huang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Shen-Yu, Kung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Kuo-Feng, Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

Note 1: The description is based on the actual number of people as of April 18, 2021.

Note 2: For any Director or Supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [✓] sign in the field next to the corresponding conditions. ✓

(1) Neither an employee of the Company nor its affiliates.

- (2) Neither a Director nor Supervisor of the Company's affiliates (not apply to Independent Directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by the company or its parent or subsidiary).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Neither a Director, Supervisor, or employee of a juristic person shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27, paragraph 1 or 2 of the company Act (not apply to Independent Directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at the company and its parent or subsidiary or a subsidiary of the same parent).
- (6) If a majority of the Company's Director seats or voting shares and those of any other company are controlled by the same person, neither a Director, Supervisor, or employee of that other company (not apply to Independent Directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at the company and its parent or subsidiary or a subsidiary of the same parent).
- (7) If the Chairperson, General Manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses, neither a Director (or governor), Supervisor, or employee of that other company or institution (not apply to Independent Directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at the company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Neither a Director, Supervisor, Managerial Officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (not apply to a specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the company, and Independent Directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at the company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an owner, partner, Director, Supervisor, or Managerial Officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or a relative within the second degree of kinship with any Director.
- (11) Not one of any of the circumstances in the subparagraphs of Article 30 of the Company Act.
- (12) No Director or Supervisor was elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.

(III) Information on the Company's General Manager, Assistant General Managers, Deputy Assistant General Managers and the Supervisors of all the company's Divisions and Branches Units:

April 18, 2021 (Unit: shares)

Title	Nationality	Name	Gender	Date Elected (Assumed)	Shareholding		Shares Held by Spouse and Minor Children		Shares Held through Nominees		Principal Work Experience and Academic Qualifications (Note 1)	Position(s) Held Concurrently in Any Other Company	Managers Having a Spousal Relationship or a Relationship within the Second Degree of Kinship with Another			Remarks (Note 2)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Executive Assistant General Manager	Taiwan	Shih-Hsuan, Chou	Male	2009.11.01	73,789	0.07%	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	Chairman of the Board, Ding Tian Construction Co., Ltd.	-	-	-	-
Executive Assistant General Manager	Taiwan	Yi-Fang, Huang	Male	2009.05.01	-	-	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	-	-	-	-	-
Assistant General Manager	Taiwan	Chin-Hua, Fan	Male	2015.12.01	71,262	0.07%	2,257	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	1. Chairman of the Board, Guanqing Electromechanical Co., Ltd. 2. Director, Global Mall Co., Ltd. 3. Director, Kindom Yu San Education Foundation	-	-	-	-
Acting Assistant General Manager (Note 3)	Taiwan	Chun-Ming, Chen	Male	2006.03.01	690	-	16,000	0.02%	-	-	Master, Department of Civil Engineering, National Chiao Tung University	Director, Jiequn Investment Co., Ltd.	-	-	-	-
Senior Deputy Assistant General Manager (Note 4)	Taiwan	Li-Ya, Chen	Female	2018.01.01	-	-	-	-	-	-	Master, Department of Business Administration, Chung Yuan Christian University	1. Corporate Governance Manager, Kindom Development Co., Ltd. 2. Supervisor, Guan Yo Co., Ltd.	-	-	-	-
Deputy Assistant General Manager	Taiwan	Chao-Ming, Chen	Male	2010.12.20	-	-	-	-	-	-	Bachelor, Department of Civil Engineering, National Taiwan University	-	-	-	-	-

Title	Nationality	Name	Gender	Date Elected (Assumed)	Shareholding		Shares Held by Spouse and Minor Children		Shares Held through Nominees		Principal Work Experience and Academic Qualifications (Note 1)	Position(s) Held Concurrently in Any Other Company	Managers Having a Spousal Relationship or a Relationship within the Second Degree of Kinship with Another			Remarks (Note 2)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Deputy Assistant General Manager	Taiwan	Wen-Hsiung, Chou	Male	2012.01.01	-	-	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	Supervisor, Jiequn Investment Co., Ltd.	-	-	-	-
Senior Deputy Assistant General Manager	Taiwan	Chih-Kuo, Tseng	Male	2012.12.27	-	-	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	-	-	-	-	-
Deputy Assistant General Manager	Taiwan	Hsien-Chin, Chiu	Male	2012.01.01	-	-	-	-	-	-	Bachelor, Department of Civil Engineering, Tamkang University	-	-	-	-	-
Deputy Assistant General Manager	Taiwan	Chung-Te, Hsiao	Male	2104.07.01	-	-	2,846	-	-	-	Associate Degree, Department of Civil Engineering, Nanya Industrial and Commercial College	-	-	-	-	-
Deputy Assistant General Manager	Taiwan	Wen-Yen, Lin	Male	2016.03.01	-	-	-	-	-	-	Bachelor, Department of Civil Engineering, National Central University	Director, Jiequn Investment Co., Ltd.	-	-	-	-
Deputy Assistant General Manager	Taiwan	Wen-Chin, Li	Male	2013.09.01	-	-	-	-	-	-	Associate Degree, Department of Architecture, Hwa Hsia Industrial and Commercial College	-	-	-	-	-
Deputy Assistant General Manager	Taiwan	Ju-Ping, Chang	Male	2018.08.16	-	-	-	-	-	-	Associate Degree, Department of Resource Conservation Technology, National Pingtung Polytechnic Institute	-	-	-	-	-
Deputy Assistant General Manager (Note 5)	Taiwan	Wen-Yao, Liu	Male	2014.10.20	-	-	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	-	-	-	-	-

Title	Nationality	Name	Gender	Date Elected (Assumed)	Shareholding		Shares Held by Spouse and Minor Children		Shares Held through Nominees		Principal Work Experience and Academic Qualifications (Note 1)	Position(s) Held Concurrently in Any Other Company	Managers Having a Spousal Relationship or a Relationship within the Second Degree of Kinship with Another			Remarks (Note 2)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Deputy Assistant General Manager (Note 5)	Taiwan	Chun-Cheng, Liang	Male	2015.08.03	-	-	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	-	-	-	-	-
Acting Deputy Assistant General Manager	Taiwan	Ming-Chung, Lin	Male	2016.10.01	-	-	-	-	-	-	Bachelor, Department of Business Administration, Hsuan Chuang University	-	-	-	-	-
Acting Deputy Assistant General Manager	Taiwan	Chin-Chih, Hsu	Male	2016.12.01	-	-	-	-	-	-	Bachelor, Department of Civil Engineering, National Central University	-	-	-	-	-
Acting Deputy Assistant General Manager	Taiwan	Hsu-Yuan, Yeh	Male	2018.01.16	-	-	-	-	-	-	Master, Institute of Architecture, National Cheng Kung University	-	-	-	-	-
Acting Deputy Assistant General Manager	Taiwan	Chia-Hsing, Li	Male	2019.07.08	17,748	0.02%	1,096	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	-	-	-	-	-
Acting Deputy Assistant General Manager (Note 6)	Taiwan	Chun-Jen, Huang	Male	2020.06.01	-	-	-	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	-	-	-	-	-
Acting Deputy Assistant General Manager (Note 7)	Taiwan	Wei-Wen, Chen	Male	2021.01.01	23,631	0.02%	1,000	-	-	-	Master, Division of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	-	-	-	-	-

Title	Nationality	Name	Gender	Date Elected (Assumed)	Shareholding		Shares Held by Spouse and Minor Children		Shares Held through Nominees		Principal Work Experience and Academic Qualifications (Note 1)	Position(s) Held Concurrently in Any Other Company	Managers Having a Spousal Relationship or a Relationship within the Second Degree of Kinship with Another			Remarks (Note 2)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Acting Deputy Assistant General Manager (Note 7)	Taiwan	Ming-Hsiu, Li	Male	2021.01.18	-	-	-	-	-	-	Master, Department of Civil and Construction Engineering, National Taiwan University of Science and Technology	-	-	-	-	-

Note 1: None of the above persons has worked for the Company's certified public accountants firm or affiliated companies during the period mentioned above in connection with his/her current position.

Note 2: Where the Chairperson of the Board of Directors and the General Manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given for the reason, rationality, necessity, and the measures adopted in response thereto:(for example, increase the number of Independent Directors, and there be a majority of the members of the Board of Directors who are not employees or Managerial Officers, etc.).

Note 3: Promoted from Senior Deputy Assistant General Manager to Assistant General Manager on March 15, 2021.

Note 4: Promoted from Deputy Assistant General Manager to Senior Deputy Assistant General Manager on January 1, 2021.

Note 5: Promoted from an acting position to Deputy Assistant General Manager between July 2020 and January 2021.

Note 6: Assumed office on June 1, 2020.

Note 7: Promoted from Manager to Acting Deputy Assistant General Manager in January 1, 2021.

Title	Name	Directors' Remuneration						Ratio of Total Remuneration of A, B, C, D in Net Income after Tax in Net Income after Tax		Compensations Paid to Concurrent Employees						Ratio of Total Remuneration of A, B, C, D, E, F, and G in Net Income after Tax		Remuneration from an Invested Company Other than the Company's Subsidiary or from the Parent Company		
		Base Remuneration (A)		Retirement Allowance (B)		Bonus to Directors (C) (Note 1)		Allowances (D) (Note 2)		Salary, Bonus, and Allowance (E)		Retirement Allowance (F) (Note 4)		Employee Bonus (G) (Note 3)						
		The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company		Companies in the Consolidated Financial Statements			The Company	Companies in the Consolidated Financial Statements
	Cash Amount	Stock Amount	Cash Amount	Stock Amount																
Independent Director	Kindom Development Co., Ltd. Representative: Shih-Hsuan, Chou	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Shen-Yu, Kung	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Hung-Chin, Huang	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Kuo-Feng, Lin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<p>1. Please state the policies, systems, standards, and structure for the remuneration of the Independent Directors, and state the correlation to the remuneration according to the responsibilities, risks time commitment and other factors: In accordance with the Articles of Incorporation, the Independent Directors shall receive remuneration on a monthly basis and shall not participate in the annual distribution of Directors' remuneration.</p> <p>2. Unless disclosed in the above table, remuneration received in the most recent fiscal year by the Directors for providing services (e.g. serving as a non-employee consultant) to the companies in the consolidated financial statements: None.</p>																				

Table of Remuneration Ranges

Ranges of Remuneration Paid to Each Director of the Company	Name of Director			
	Total Remuneration for the First Four Items (A+B+C+D)		Total Remuneration for the First Seven Items (A+B+C+D+E+F+G)	
	The Company	Companies in the Consolidated Financial Statements (H)	The Company	Companies in the Consolidated Financial Statements (I)
Less than NT\$1,000,000	Yi-Fang, Huang, Ai-Wei, Yuan, Miriam, Ma (Note 5) Shih-Hsuan, Chou, Ming-Tao, Chen, Mei-Chu, Liu, Hung-Chin, Huang, Shen-Yu, Kung	Yi-Fang, Huang, Ai-Wei, Yuan, Miriam, Ma (Note 5) Shih-Hsuan, Chou, Ming-Tao, Chen, Mei-Chu, Liu, Hung-Chin, Huang, Shen-Yu, Kung	Mei-Chu, Liu, Shen-Yu, Kung, Hung-Chin, Huang, Ming-Tao, Chen (Note 6)	Mei-Chu, Liu, Shen-Yu, Kung, Hung-Chin, Huang, Kuo-Feng, Lin, Ching-Sung, Tseng, Mike, Ma, Ming-Tao, Chen (Note 6)
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	-	-	Ai-Wei, Yuan	Ai-Wei, Yuan
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-	Yi-Fang, Huang, Shih-Hsuan, Chou	Yi-Fang, Huang, Shih-Hsuan, Chou
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	-	-	Miriam, Ma (Note 5)	Miriam, Ma (Note 5)
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Kindom Development Co., Ltd.	Kindom Development Co., Ltd.	Kindom Development Co., Ltd.	Kindom Development Co., Ltd.
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-	-	-
More than NT\$100,000,000	-	-	-	-
Total	Juristic Person Shareholder(s): 1 Representative(s) of Juristic Person: 6 Number of Natural Person(s): 2	Juristic Person Shareholder(s): 1 Representative(s) of Juristic Person: 6 Number of Natural Person(s): 2	Juristic Person Shareholder(s): 1 Representative(s) of Juristic Person: 6 Number of Natural Person(s): 2	Juristic Person Shareholder(s): 1 Representative(s) of Juristic Person: 6 Number of Natural Person(s): 2

Note 1: Directors' remuneration for 2020 was adopted by the Board of Directors on March 26, 2021.

Note 2: Include the depreciation of vehicles and the fuel costs of the non-Independent Director who is also concurrently a Manager.

Note 3: The amount of employees' remuneration for 2020 adopted by the Board of Directors on March 26, 2021 expected to be distributed to the Director concurrently serve as a Manager.

Note 4: The amounts above do not include the provision for retirement allowance as provided for in accordance with the law of NT\$285 thousand.

Note 5: Resigned on April 24, 2020.

Note 6: Newly elected and assumed office on June 15, 2020.

* The content of remuneration disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. Therefore, this table is for information disclosure purposes, instead of taxation.

2. Remuneration Paid to Supervisors:

Expressed in thousands of New Taiwan Dollars

Title	Name	Supervisors' remuneration						Ratio of Total Remuneration of A, B, and C in Net Income after Tax		Remuneration from an Invested Company Other than the Company's Subsidiary or from the Parent Company
		Base Remuneration (A)		Remuneration (B)		Allowances (C)		The Company	Companies in the Consolidated Financial Statements	
		The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements			
Supervisor	Peng-Lung, Hua	-	-	-	-	109	109	0.02%	0.02%	-

Table of Remuneration Ranges

Ranges of Remuneration Paid for Supervisors	Name of Supervisor	
	Total Remuneration for the First Three Items (A+B+C)	
	The Company	Companies in the Consolidated Financial Statements (D)
Less than NT\$1,000,000	Peng-Lung Hua	Peng-Lung Hua
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	-	-
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
More than NT\$100,000,000	-	-
Total	Juristic Person Shareholder(s): 0 Representative(s) of Juristic Person: 0 Number of Natural Person(s): 1	Juristic Person Shareholder(s): 0 Representative(s) of Juristic Person: 0 Number of Natural Person(s): 1

* The content of remuneration disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. Therefore, this table is for information disclosure purposes, instead of taxation.

3. Remuneration Paid to the General Manager and Assistant General Managers:

Expressed in thousands of New Taiwan Dollars

Title	Name	Pay (A)		Retirement Allowance (B)		Bonus and Allowance (C) (Note 1)		Employee Bonus (D) (Note 2)				Ratio of Total Remuneration of A, B, C and D in Net Income after Tax (%)		Remuneration from an Invested Company Other than the Company's Subsidiary or from the Parent Company (Note 3)
		The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company		Companies in the Consolidated Financial Statements		The Company	Companies in the Consolidated Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
General Manager (Note 4)	Hui-Jen Huang	8,620	8,620	-	-	30,079	30,151	880	-	880	-	6.32%	6.33%	None
Executive Assistant General Manager	Yi-Fang, Huang													
Executive Assistant General Manager	Shih-Hsuan, Chou													
Assistant General Manager (Note 5)	Wei-Chi Li													
Assistant General Manager	Chin-Hua, Fan													

* Regardless of title, any position equivalent to General Manager, Assistant General Manager (e.g., President, CEO, Director, etc.) shall be disclosed.

Table of Remuneration Ranges

Ranges of Remuneration paid to General Manager and Assistant General Manager of the Company	Name of General Manager and Assistant General Managers	
	The Company	Companies in the Consolidated Financial Statements
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Wei-Chi, Li (Note 5)	Wei-Chi, Li (Note 5)
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Yi-Fang, Huang, Yi-Fang, Huang, Chin-Hua, Fan	Yi-Fang, Huang, Yi-Fang, Huang, Chin-Hua, Fan
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	-	-
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Hui-Jen, Huang(Note 4)	Hui-Jen, Huang(Note 4)
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
More than NT\$100,000,000	-	-
Total	5 people	5 people

Note 1: Include the depreciation of vehicles and the fuel costs.

Note 2: The amount of employees' remuneration for 2020 adopted by the Board of Directors on March 26, 2021 expected to be distributed to the Director concurrently serve as a Manager.

Note 3: Remuneration refers to compensation, reward (including reward for employees, Directors, and Supervisors), allowances, and other related remuneration received by the company's General Manager and Assistant General Manager for being a Director, Supervisor, or Managerial Officer of investment companies other than subsidiaries of the Company or the parent company.

Note 4: Dismissed on April 8, 2021.

Note 5: Dismissed on April 20, 2020.

* The content of remuneration disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. Therefore, this table is for information disclosure purposes, instead of taxation.

4. The Name of Managerial Officers to whom the Employee Bonus is Paid and the Distribution Status:

April 18, 2021; Expressed in thousands of New Taiwan Dollars

	Title	Name	Stock Amount	Cash Amount	Total	Total Amount as A Percentage in Net Income After Tax (%)
Managers	Executive Assistant General Manager	Shih-Hsuan, Chou	-	3,083	3,083	0.49%
	Executive Assistant General Manager	Yi-Fang, Huang				
	Assistant General Manager	Chin-Hua, Fan				
	Acting Assistant General Manager	Chao-Ming, Chen				
	Senior Deputy Assistant General Manager and Financial Officer and Corporate Governance Officer	Li-Ya, Chen				
	Deputy Assistant General Manager	Chao-Ming, Chen				
	Deputy Assistant General Manager	Wen-Hsiung, Chou				
	Deputy Assistant General Manager	Chih-Kuo, Tseng				
	Deputy Assistant General Manager	Hsien-Chin, Chiu				
	Deputy Assistant General Manager	Chung-Te, Hsiao				
	Deputy Assistant General Manager	Wen-Yen, Lin				
	Deputy Assistant General Manager	Wen-Chin, Li				
	Deputy Assistant General Manager	Ju-Ping, Chang				
	Deputy Assistant General Manager	Wen-Yao, Liu				
	Deputy Assistant General Manager	Chun-Cheng, Liang				
	Acting Deputy Assistant General Manager	Ming-Chung, Lin				
	Acting Deputy Assistant General Manager	Chin-Chih, Hsu				
	Acting Deputy Assistant General Manager	Chun-Jen, Huang				
	Acting Deputy Assistant General Manager	Hsu-Yuan, Yeh				
	Acting Deputy Assistant General Manager	Chia-Hsing, Li				

Note 1: The amount of employees' remuneration for 2020 adopted by the Board of Directors on March 26, 2021 expected to be distributed to the Managers.

Note 2: This table disclosed the names of Managers who are eligible for receiving employee bonus and the distribution status. The actual distribution objects and payment amount shall be subject to the Manager who is still in-service at the time of payment.

5. Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the company and by each other company included in the consolidated financial statements during the past 2 fiscal years to Directors, Supervisors, General Managers, and Assistant General Managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

Title	Total Remuneration as A Percentage of Net Income After Tax			
	2020		2019	
	The Company	Companies Included in the Consolidated Financial Statements	The Company	Companies Included in the Consolidated Financial Statements
Director	6.28%	6.29%	7.56%	7.56%
Supervisor	0.02%	0.02%	0.06%	0.06%
General Manager and Assistant General Manager	6.32%	6.33%	11.38%	11.40%

- (1) For the remuneration paid to Directors, Supervisors, General Manager and Assistant General Manager in 2020 by the company and companies in the consolidated financial statements, affected by the fact that the payment of total remuneration was deferred to 2020 due to the increase of annual profit in 2019 compared with the previous period, the proportion of total remuneration in net profit after tax decreased from 19% in 2019 to 12.64%, which is considered reasonable.
- (2) For the remuneration paid to Directors, Supervisors, General Manager and Assistant General Managers, in accordance with Article 18 of the Articles of Incorporation, the Company authorizes the Board of Directors to determine the remuneration to Directors and Supervisors according to the degree of participation in the operation of the company and the value of their contribution, with reference to the industry standards, and authorizes the Chairman of the Board to approve the remuneration to General Manager and Assistant General Managers according to the employee compensation ranking table and measures on business performance bonus. From the above, the policies, standards, and packages of the total remuneration as paid by the Company and by each other company included in the consolidated financial statements in 2020 to Directors, Supervisors, General Manager, and Assistant General Managers, and the procedure for determining remuneration, are comparable to that in 2019.
- (3) The linkage to operating performance and future risk exposure: None.

III. The State of the Company's Implementation of Corporate Governance:

(I) The State of Operations of the Board of Directors:

A total of 10 meetings (A) of the Board of Directors have been held in the most fiscal year, with the Directors' attendance shown as follows:

Title	Name (Note 1)	Times of Actual Attendance (or of Attendance as a Non-voting Participant) (B)	Times of Proxy Attendance	Rate of Actual Attendance (or of Attendance as a Non-voting Participant) (%) [B/A] (Note 2)	Remarks
Chairman	Kindom Development Co., Ltd. Representative: Ai-Wei, Yuan	10	0	100.00%	Elected as the Chairman of the Board on April 24, 2020, re-elected on June 15, 2020
Chairman	Kindom Development Co., Ltd. Representative: Ming-Nai, Ma	0	2	0.00%	Resigned on April 24, 2020
Director	Kindom Development Co., Ltd. Representative: Mike, Ma	6	1	85.71%	Newly elected on June 15, 2020, and a total of 7 meetings were held since the election
Director	Kindom Development Co., Ltd. Representative: Ching-Sung, Tseng	7	0	100.00%	Newly elected on June 15, 2020, and a total of 7 meetings were held since the election
Director	Kindom Development Co., Ltd. Representative: Mei-Chu, Liu	7	1	70.00%	Re-elected on June 15, 2020
Director	Kindom Development Co., Ltd. Representative: Yi-Fang, Huang	9	1	90.00%	Re-elected on June 15, 2020
Director	Kindom Development Co., Ltd. Representative: Shih-Hsuan, Chou	10	0	100.00%	Re-elected on June 15, 2020

Director	Kindom Development Co., Ltd. Representative: Ming-Tao, Chen	1	2	33.33%	Resigned on June 15, 2020
Independent Director	Hung-Chin, Huang	10	0	100.00%	Re-elected on June 15, 2020
Independent Director	Shen-Yu, Kung	10	0	100.00%	Re-elected on June 15, 2020
Independent Director	Kuo-Feng, Lin	7	0	100.00%	Newly elected on June 15, 2020, and a total of 7 meetings were held since the election

Other matters that shall be reported:

- I. Where one of the following circumstances apply for the operations of the Board of Director meetings, the date, session, proposal contents, opinions of all Independent Directors, and the Company's actions in response to the opinions of the Independent Directors shall be stated:
- (I). Matters listed in Article 14-3 of the Securities and Exchange Act: None.
- (II). Except for the aforementioned matters, any other resolutions from the Board of Directors where an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None
- II. Where a Director recuses himself or herself from a proposal in which he/she has a personal interest, the name of the Director, the content of proposal, the reason for recusal, and the results of the voting should be stated:
- (I). On May 11, 2020, the 21st Meeting of the 10th Session of the Board of Directors discussed the proposal on the payment of the Chairman's salary approved by the Remuneration Committee. Chairman Ai-Wei, Yuan is an interested party, and, therefore, he recused himself from the discussion and the voting on the proposal. Director Hung-Chin, Huang was appointed by the Chairman to preside over the meeting temporarily, and the proposal was adopted with the consent of the other directors present.
- (II). On June 29, 2020, the 2nd Meeting of the 11th Session of the Board of Directors discussed the proposal on the adjustment to the Chairman's salary approved by the Remuneration Committee. Chairman Ai-Wei, Yuan is an interested party, and, therefore, he recused himself from the discussion and the voting on the proposal. Director Hung-Chin, Huang was appointed by the Chairman to preside over the meeting temporarily, and the proposal was adopted with the consent of the other directors present.
- (III). On December 30, 2020, the 5th Meeting of the 11th Session of the Board of Directors discussed the proposal on the payment of the managerial officers' year-end and special performance bonuses approved by the Remuneration Committee in accordance with the Company's "Evaluation Methods". Chairman Ai-Wei, Yuan, Director Yi-Fang, Huang, and Director Shih-Hsuan, Chou are interested parties, and, therefore, they recused themselves from the discussion and the voting on the proposal. Director Shen-Yu, Kung was appointed by the Chairman to preside over the meeting temporarily, and the proposal was adopted with the consent of the other directors present.
- (IV). On December 30, 2020, the 5th Meeting of the 11th Session of the Board of Directors discussed the proposal of transfer of the Company's former chairman approved by the Remuneration Committee. Director Mei-Chu, Liu is a relative within the first degree of kinship of Ming-Nai, Ma, the Company's former Chairman and Director Mike, Ma is a relative within the second degree of kinship of Ming-Nai, Ma, the Company's former

Chairman, and, therefore, they recused themselves from the discussion and the voting on the proposal, and the proposal was adopted with the consent of the other directors present.

- (V). On December 30, 2020, the 5th meeting of the 11th Session of the Board of Directors discussed the proposal of the donation to Kindom Yu San Education Foundation. Directors Mike, Ma and Ching-Sung, Tseng concurrently serve as the directors of the Foundation, and Director Mei-Chu, Liu is a relative within the first degree of kinship of Director Mike, and, therefore, they recused themselves from the discussion and the voting on the proposal, and the proposal was adopted with the consent of the other directors present.
- (VI). On March 26, 2021, the 7th meeting of the 11th Session of the Board of Directors discussed the proposal on the payment of the Chairman's performance bonuses for 2020 approved by the Remuneration Committee. Chairman Ai-Wei, Yuan is an interested party, and, therefore, he recused himself from the discussion and the voting on the proposal. Director Hung-Chin, Huang was appointed by the Chairman to preside over the meeting temporarily, and the proposal was adopted with the consent of the other directors present.
- (VII). On March 26, 2021, the 7th Meeting of the 11th Session of the Board of Directors discussed the plan to subscribe to Dingtian Construction Co., Ltd.'s cash capital increase ordinary shares of NT\$127,000 thousand approved by the Audit Committee. Director Shih-Hsuan, Chou is an interested party, and, therefore, he recused himself from the discussion and the voting on the proposal, and the proposal was adopted with the consent of the other directors present.
- (VIII). On March 26, 2021, the 7th Meeting of the 11th Session of the Board of Directors lifted the non-compete for the Company's directors. Director Shih-Hsuan, Chou is an interested party, and, therefore, he recused himself from the discussion and the voting on the proposal, and the proposal was adopted with the consent of the other directors present.
- (IX). On March 26, 2021, the 7th Meeting of the 11th Session of the Board of Directors lifted the non-compete for the Company's managerial officers. Director Shih-Hsuan, Chou is an interested party, and, therefore, he recused himself from the discussion and the voting on the proposal, and the proposal was adopted with the consent of the other directors present.

III. The State of Implementation of the Board Performance Evaluation:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
The Company's board performance evaluation shall be conducted once a year, shall be completed before the end of the first quarter of the following year and submitted to the Board of Directors for review and improvement.	January 1, 2020~ December 31, 2020	Including the performance evaluation of the board as a whole, individual Directors and functional committees.	Including internal evaluation of the board, self-evaluation by the board members of themselves and internal self-evaluation of functional committees.	The evaluation was carried out in accordance with Article 7 of the Measures on Board Performance Evaluation amended by the Company on March 20, 2019.

IV. An Evaluation of Targets (e.g. the Establishment of an Audit Committee and the Improvement of Information Transparency, etc.) for Strengthening of the Functions of the Board of Directors during the Current and Immediately Preceding Fiscal Years, and Measures Taken Toward

Achievement thereof:

- (I). Carried out the following targets to strengthen the functions of the Board of Directors:
- 1.the Company established an Audit Committee on June 15, 2020, to assist the Board of Directors in supervising the Company’s quality and credibility in the accounting, audit, financial reporting process and financial control.
 - 2.the Company set up a corporate governance officer on January 1, 2021 to safeguard the rights and interests of shareholders and strengthen the functions of the Board of Directors.
 - 3.The Board of Directors shall notify the directors and supervisors of the contents of the proposal prior to the meeting, and shall take into full consideration the opinions of the directors when discussing the proposal. The proceedings shall be distributed to the directors and supervisors within five days after the meeting. Good results have been achieved.
- (II). At the end of each year, according to the Measures on Board Performance Evaluation amended on March 20, 2019, the evaluation shall be conducted at least once for the overall operation state of the Board of Directors, the performance of individual Directors and the performance evaluation of the functional committees. The results of the performance evaluation of the Board of Directors in 2020 need to be strengthened, and it was reported to the Board of Directors and disclosed on the Company’s website on March 26, 2021.

Note 1: Where a Director or Supervisor is a juristic person, the name of the juristic person shareholder and the name of its representative shall be disclosed.

Note 2: (1)Where Directors or Supervisors resign before the end of the year, the date of resignation shall be indicated in the Remarks column. Rate of actual attendance (or of attendance as a non-voting participant)(%) shall be calculated by the number of board meetings convened and times of actual attendance (or of attendance as a non-voting participant) during the term of service.

(2)If any Director or Supervisor is re-elected before the end of the year, the new or former Directors and Supervisors shall be listed. Indicate in the Remarks column that whether the Director or Supervisor is former, new or re-elected, and the date of re-election. Rate of actual attendance (or of attendance as a non-voting participant) (%) shall be calculated by the number of board meetings convened and times of actual attendance (or of attendance as a non-voting participant) during the term of service.

(II) The State of Operations of the Audit Committee or the State of Participation in board meetings by the Supervisors:

1. The state of operations of the Audit Committee:

- (1) The Company elected three independent directors at the shareholders meeting on June 15, 2020, and set up an Audit Committee to replace the supervisors.
- (2) A total of 5 meetings (A) of the Audit Committee have been held in the most fiscal year, with the attendance shown as follows:

Title	Name (Note 1)	Times of Actual Attendance (or of Attendance as a Non-voting Participant) (B)	Times of Proxy Attendance	Rate of Actual Attendance (or of Attendance as a Non-voting Participant) (%) [B/A] (Note 2)	Remarks
Independent Director	Hung-Chin, Huang	5	0	100.00%	Newly-elected on June 15, 2020
Independent Director	Shen-Yu, Kung	5	0	100.00%	Newly-elected on June 15, 2020
Independent Director	Kuo-Feng, Lin	5	0	100.00%	Newly-elected on June 15, 2020

Other matters that shall be reported:

I. The Company’s Audit Committee aims to assist the Board of Directors in supervising the Company’s quality and credibility in the implementation of related accounting, audit, financial reporting process and financial control.

The tasks of the Audit Committee mainly include the following:

1. Financial statements
2. Auditing and maintenance of accounting policies and procedures
3. Internal control system and related policy and procedure
4. Material assets or derivatives trading
5. Material loaning of funds, and provision of endorsements/guarantees
6. Placement or issuance of securities
7. Derivative financial products and cash investment
8. Legal compliance
9. Related-party transactions and potential conflicts of interests involving managerial officers and directors
10. Complaint report
11. Fraud prevention and investigation report
12. Information security
13. the Company's risk management
14. Evaluation of the qualifications, independence, and performance of the CPAs
15. Appointment, discharge or compensation of CPAs
16. Appointment or discharge of a finance manager, accounting manager or chief internal auditor
17. Self-evaluation questionnaire for the performance of the Audit Committee, etc.

II. With regard to the implementation of the Audit Committee, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:

(I). Circumstances referred to in Article 14-5 of the Securities and Exchange Act.

(II). Other matters not approved by the Audit Committee but approved by two-thirds or more of all directors: None.

The Board of Directors	Resolutions	Matter Listed in Article 14-5 of the Securities and Exchange Act	Resolution Results of the Audit Committee	the Company's actions in response to the opinions of the Audit Committee
June 29, 2020 The 11th Session The 2nd Meeting	<ol style="list-style-type: none"> 1. The proposal to add "Management Procedures for the Discussion in the Audit Committee" to the Company's internal control system and revise some articles of the five procedures, including "Operating Procedures for Loan of Funds to Others", "Endorsement and Guarantee Operating Procedures", "Operating Procedures for Derivative Commodities Trading", "Handling Procedures for Acquiring or Disposing of Real Estate, Equipment or its Right-of-use assets" and "Management Procedures for Discussion in the Board of Directors". 2. The Company obtained the bid for "Chiayi Urban Railway Elevated Project C611 Section Chiayi Project Railway Viaduct and Under-bridge Flat Road Engineering" from the Northern Engineering Office of Railway Bureau, MOTC. 	✓	Approved by all members present in the meeting	Approved by all directors present in the meeting
November 9, 2020 The 11th Session The 4th Meeting	<ol style="list-style-type: none"> 1. Amendment to the system handbook and part of the procedures of the Company's Internal Control System. 2. the Company obtained the bid for the "New Construction Project of P6 Upper and Lower Structures of Tainan Plant 18" by Taiwan Semiconductor Manufacturing Company 	✓	Approved by all members present in the meeting	Approved by all directors present in the meeting

December 30, 2020 The 11th Session The 5th Meeting	1. Formulated the Company's 2021 audit plan. 2. Evaluate the independence and competency of the Company's CPAs.	✓	Approved by all members present in the meeting	Approved by all directors present in the meeting
January 27, 2021 The 11th Session The 6th Meeting	The appointment and removal of the Company's chief internal auditor.	✓	Approved by all members present in the meeting	Approved by all directors present in the meeting
March 26, 2021 The 11th Session The 7th Meeting	1. Proposed to prepare the Company's "Statement on Internal Control System" for 2020. 2. Proposed to prepare the Company's Business Report and Financial Statements for 2020. 3. Proposed to prepare the Company's Earnings Distribution Proposal for 2020. 4. Proposed to subscribe for the common shares of Dingtian Construction Co., Ltd. for a cash capital increase of NT\$127,000 thousand. 5. Proposed to formulate the "Procedures for Ethical Management and Guidelines for Conduct". 6. Proposed to amend certain provisions of the Company's "Articles of Incorporation" and "Rules of Procedure for Shareholders Meetings".	✓	Approved by all members present in the meeting	Approved by all directors present in the meeting

II. Regarding recusals of Independent Directors from voting due to conflicts of interests, the names of the Independent Directors, contents of motions, reasons for recusal, and the results of the voting shall be specified: None.

III. Communication between the independent directors, chief internal auditor, and CPAs (including the key items, methods, and the results of the audit of finances and operations)

(I) The Company's chief auditor regularly submits the audit report (including follow-up audit matters) for the previous month to the independent directors for review and communication and discussion, and attends the meetings of the Audit Committee to discuss the audit proposals.

(II) The CPAs shall report the Company's financial position and audit results to the independent directors at least on the yearly basis, and communicate with them on major adjustments, amendments by law and suggestions on internal control.

Note: (1) If an independent director resigns before the end of the accounting year, the resignation date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of the number of Audit Committee meetings held during his or her tenure and the number of such meetings attended.

(2) If any independent director is re-elected before the end of the accounting year, the names of current and previous independent directors shall be listed and their appointment status and re-election date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of the number of Audit Committee meetings held during his or her tenure and the number of such meetings attended.

2. The state of participation in board meetings by the Supervisors:

A total of 3 meetings (A) of the Board of Directors were held prior to the reelection on June 15, 2020. The attendance of supervisors was as follows:

Title	Name	Times of Actual Attendance (B)	Rate of Actual Attendance (%) (B/A) (Note)	Remarks
Supervisor	Peng-Lung Hua	3	100.00%	
<p>Other matters that shall be reported:</p> <p>I. Composition and Duties of the Supervisors:</p> <p>(I) Communications between Supervisors and employees/shareholders (e.g. channel and method of communication): Supervisors communicate with employees and shareholders on the Company's annual review meeting and shareholders meeting, as well as by telephone or E-mail.</p> <p>(II) Communication between Supervisors, internal audit officer and CPAs (e.g. matters, methods and results of communications regarding the Company's financial and business status, etc.):</p> <ol style="list-style-type: none"> 1. The audit officer attended the board meeting as a non-voting member to report on the audit affairs, and delivered the internal audit report to the Supervisors for approval without any dissent. 2. The Supervisors communicate with the CPAs in person or by telephone or E-mail on a quarterly or irregular basis. <p>II. If a Supervisor present at the board meeting stated any opinion, the date, session, proposal contents and resolutions of the Board of Directors, and the Company's actions in response to the opinions of the Supervisor shall be stated: None.</p>				

Note: (1) Where Supervisors resign before the end of the year, the date of resignation shall be indicated in the Remarks column. Rate of actual attendance (or of attendance as a non-voting participant)(%) shall be calculated by the times of actual attendance (or of attendance as a non-voting participant) during the term of service.

(2) Where any Supervisor is re-elected before the end of the year, the new or former Supervisors shall be listed. Indicate in the Remarks column that whether the Supervisor is former, new or re-elected, and the date of re-election. Rate of actual attendance (or of attendance as a non-voting participant) (%) shall be calculated by the number of board meetings convened and times of actual attendance (or of attendance as a non-voting participant) during the term of service.

(III) The State of the Company's Implementation of Corporate Governance, Any Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance:

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
I. Does the Company formulate and disclose its Corporate Governance Practice Principles according to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company and its subsidiaries (hereinafter also referred to as "merged company") formulated their Corporate Social Responsibility Best Practice Principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and disclosed them on the Company's website and the Market Observation Post System (MOPS). The merged company shall, at all times, pay attention to the development of corporate social responsibility system and the change of business environment at home and abroad, so as to improve the corporate social responsibility system, review the implementation of corporate social responsibility, and enhance the efficiency of the implementation of the corporate social responsibility policy.	No variance
II. Ownership Structure and Shareholders' Equity				
(I) Has the Company formulated internal operating procedures to handle shareholder proposals, inquiries, disputes and litigation matters, and does it implement these in accordance with its procedures?	✓		(I) The merged company has designated a management unit of shareholder services in the Finance Division and a special section for shareholders on the Company's website to accept proposals and inquiries from shareholders, and handle disputes. There is no litigation matter with shareholders.	No variance
(II) Does the Company retain a register of major shareholders who have controlling power over the Company, and of the persons with ultimate control over those major shareholders?	✓		(II) The merged company keeps a close relation with its major shareholders, and master at all times the shareholding status of major shareholders and of the persons with ultimate control over those major shareholders, through the register of shareholders provided by the stock agent.	No variance
(III) Does the Company establish and implement risk control and a firewall system between it and its affiliated	✓		(III) The merged company is operationally and financially independent of its affiliated enterprises, and has formulated the Management Procedures for Related Party Transactions,	No variance

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
<p>enterprises?</p> <p>(IV) Has the Company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?</p>	✓		<p>Management Procedures for Supervision of Subsidiaries, Operational Procedures for Loaning Funds to Others, Operational Procedures for Endorsements and Guarantees, Handling Procedures for Acquisition or Disposal of Real Estate, Equipment or its Right-of-use assets, and other procedures, and established the risk control and firewall system between it and its affiliated enterprises.</p> <p>(IV) The merged company specified in the Procedures for Handling Material Inside Information that insiders are prohibited from trading securities using information not disclosed to the market, and regularly carries out education and promotion for insiders and reminds insiders of the procedures regularly.</p>	No variance
<p>III. Composition and Duties of the Board of Directors</p> <p>(I) Does the board formulate and implement a policy on diversity based on the composition of board members?</p> <p>(II) In addition to the Remuneration</p>	✓		<p>(I) It is stipulated in Article 20 of the “Corporate Governance Practice Principles” of the merged company that the composition of the Board of Directors shall be determined by taking diversity into consideration. The current Board of Directors of the Company consists of 9 Directors, including 6 Directors and 3 Independent Directors, who have rich experience and education in the fields of finance and accounting, business and management. In addition, the Company also focuses on gender equality in the composition of the Board of Directors. Currently, among the 9 Directors, there is 1 female Director, that is a ratio of 11%. The Company will continue to strengthen the goal of achieving a female director ratio of 25% or more. Please refer to Note 1 for details of the implementation of the policy on diversity of board members.</p> <p>(II) The merged company currently only sets up a Remuneration</p>	No variance

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
Committee and Audit Committee established according to law, is the Company willing to set up other functional committees?			Committee and an Audit Committee in accordance with the law, and will continue to evaluate and set up other functional committees in the future based on operational development needs and regulatory requirements.	No variance
(III) Does the Company formulate rules and procedures for performance evaluation of the Board of Directors, conduct regularly scheduled performance evaluation each year, submit the results of the performance evaluation to the Board of Directors and use them as reference in determining compensation for individual Directors, their nomination and additional office term?	✓		(III) The merged company has resolved the amendment to the Measures on Board Performance Evaluation amended at the board meeting on March 20, 2019. The evaluation indicators are based on the operation and requirements. The evaluation shall be conducted at least once for the overall operation state of the Board of Directors, the performance of individual Directors and the performance evaluation of the functional committees, and the results of the performance evaluation shall be reported to the Board of Directors. The 2020 annual performance evaluation of the Board of Directors has been reported at the board meeting on March 26, 2021. The operation of the Board of Directors of the merged company needs to be improved. Please refer to Note 2 for details of the relevant evaluation results.	No variance
(IV) Does the Company regularly evaluate the independence of its CPAs?	✓		(IV) In order to implement corporate governance, the Finance Division of the Company regularly evaluates the independence and suitability of the CPAs based on the Independence and Suitability Evaluation Form for the Financial Reports' CPAs and prepares a written record, summarizes the evaluation results and submits to the Board of Directors upon the approval by the responsible officer every year. the Company has reported on the independence and suitability evaluation form of CPAs at the board meeting on December 30, 2020. Please refer to Note 3 for details of the results of the annual independence evaluation for 2021. Upon evaluation, the CPAs appointed by the Company meet	No variance

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
			the evaluation standard, including : (1) do not have any direct or indirect financial interest or kinship relationship with the Company or its Directors; (2) comply with the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 on independence. The quality and timeliness of services from the CPAs such as auditing and taxation are in line with the standards, and they are of substantial independence and suitability, thus are qualified as CPAs of the Company.	
IV. Does the TWSE/TPEX listed company have an eligible and appropriate number of personnel for corporate governance and appointed an officer in charge of the Company' corporate governance affairs (including but not limited to providing information required for Director/Supervisor's operations, assisting Directors and Supervisors to comply with laws and regulations, convening board/shareholder's meetings in compliance with the law, and producing meeting minutes of board/shareholder's meetings)?	✓		<p>The merged company's Finance Division and its subordinate unit for shareholder services management are responsible for the corporate governance related matters including: providing information required for Director/Independent Director's operations, convening board/shareholder's meetings in compliance with the law, producing meeting minutes of board/shareholder's meetings, and disclosing relevant information on corporate governance, stakeholders and corporate social responsibility on the Company websites. Please refer to details of the operation and implementation of corporate governance on the Company's website: https://www.kedge.com.tw/</p> <p>the Company passed the resolution of the Remuneration Committee on December 22, 2020 and the resolution of the Board of Directors on December 30, 2020, and appointed finance and accounting officer Li-Ya, Chen as the corporate governance officer to safeguard shareholders' rights and strengthen the functions of the Board of Directors. Li-Ya Chen, Deputy Assistant General Manager has over three years experience in the managerial roles of financial operations of public companies. The corporate governance officer is responsible for handling matters related to the board meetings and shareholders meetings, producing meeting minutes, assisting directors in taking office and continuing education, providing the</p>	No variance

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
			<p>information required by the directors to conduct business, assisting the directors to comply with laws and regulations.</p> <p>Implementation status from 2020 to 2021 is as follows:</p> <ol style="list-style-type: none"> 1. Assist independent directors and general directors in performing their duties by providing the necessary information and arranging for continuing education for directors: <ol style="list-style-type: none"> (1) Review the confidentiality level of the relevant information and provide corporate information required by the directors to maintain smooth communication and interaction between directors and the heads of various departments. (2) In accordance with the “Corporate Governance Best Practice Principles”, independent directors, chief internal auditor, and CPAs will arrange to communicate and discuss matters associated with the Company’s finance and business. (3) According to the Company’s industrial characteristics and business needs, the directors of the merged company were arranged to participate in a total of 6 hours of “home-taught” contenting education courses in November and December of 2020. (4) Provide information on directors’ public continuing education courses and publicize relevant laws and regulations on an irregular basis. 2. Handle related matters of board meetings and shareholders meetings in accordance with the law and assist directors in complying with laws and regulations: <ol style="list-style-type: none"> (1) Formulate annual meeting time for functional committees and the Board of Directors, summarize the proposals of various departments, and sends meeting notices and meeting agendas 7 days ago. If issues need to be avoided, send a reminder and complete the minutes of the meetings of functional committees and the Board of Directors within 20 days after 	

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
			<p>the meeting.</p> <p>(2) Formulate shareholders meeting date and pre-registration of the shareholders meeting date in accordance with the law, execute stock affairs related affairs, and prepare announcement materials to be declared by the shareholders meeting and changes to the registration affairs of the Ministry of Economic Affairs within the statutory time limit.</p> <p>(3) Assist and remind directors of the laws and regulations to be followed when making formal board resolutions.</p> <p>(4) After the board meetings and shareholders meetings, review the release of material information on material resolutions, ensure the legality and correctness of the content of the material information, so as to ensure the equivalence of investor transaction information.</p> <p>3. Handle the self-evaluation of "Corporate Governance Evaluation" and assist relevant departments in implementing and complying with the corporate governance evaluation indicators and relevant regulations promulgated by the competent authority.</p>	
V. Has the Company established communication channels and a dedicated section for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) on its website, and responded appropriately to interested parties concerning important corporate social responsibility issues?	✓		The merged company has spokespersons and unit for shareholder services management which are responsible for communication and established dedicated sections for corporate social responsibility and stakeholders on the Company's website to appropriately respond to interested parties concerning important corporate social responsibility issues.	No variance
VI. Has the Company engaged a professional shareholder services agent to handle shareholders meeting matters?	✓		The Company engages the CTBC Bank Transfer Agency to handle the related matters of the shareholders meeting and implements according to law.	No variance
VII. Information Disclosure (I) Does the Company set up a website to	✓		(I) The merged company has set up a website in accordance with	No variance

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
<p>disclose information on the financial operations and corporate governance?</p> <p>(II) Has the Company adopted other measures(such as English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesperson system, the investor conferences uploaded to website, etc.)to disclose information?</p> <p>(III) Does the Company publish and report its annual financial reports within two months after the end of a fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating status for each month before the specified deadline?</p>	<p>✓</p> <p>✓</p>		<p>the regulations to disclose information on financial, business,, and corporate governance, and regularly updated and maintained it.</p> <p>(II) The merged company discloses the Company information on the Market Observation Post System in accordance with the regulations, appoints a dedicated person to be responsible for the collection and disclosure of the Company information, and implements the spokesperson system to make a prompt statement to the public.</p> <p>(III) The merged company publish and report its financial reports for the year and for the first, second, and third quarters as well as its operating status for each month before the specified deadline</p>	<p>No variance</p> <p>No variance</p>
<p>VIII. Does the Company have any other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, rights and interests of stakeholders, continuing education of Directors and Supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, taking out liability insurance for the Company's Directors and Supervisors)?</p>	<p>✓</p>		<p>(I) Interests and rights of employees, care for employees, relation with suppliers, rights and interests of stakeholders: Please refer to the description of Disbursements for Environmental Protection, Labor Relations and Supplier Information in Chapter 5 Operations Overview of the annual report.</p> <p>(II) Relation with investors: The merged company has set up a website in accordance with the regulations to disclose information on financial, business and corporate governance and regularly update it for investors' reference.</p> <p>(III) Continuing education of Directors and Supervisors: The merged company has regularly disclosed the information on the continuing education of Directors and Supervisors and their attendance on the Board of Directors meetings on the Market Observation Post System.</p>	<p>No variance</p>

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
			<p>(IV) Implementation of risk management policies and risk measurement standards: Please refer to the description of Chapter 7 Review, Analysis, and Risks of Financial Conditions and Performance of the annual report.</p> <p>(V) Implementation of customer policies: The Operations Planning Division of the merged company has set a Sales and Service Group to serve customers and maintain a stable and good relationship.</p> <p>(VI) the Company takes out liability insurance for its Directors and Supervisors: The merged company has taken out the liability insurance for its Directors, Supervisors, and Managers on June 10, 2020, and has reported the insured amount, coverage, premium rate, and other major contents of the liability insurance at the Board of Directors on June 29, 2020.</p> <p>(VII) Linkage between performance evaluation and remuneration of Directors: the Company shall, in accordance with the Articles of Incorporation, set not more than 2% of the annual profits of the current year as the remunerate to Directors and Supervisors, and shall provide a reasonable level of remuneration to the Directors and Supervisors according to the degree of participation in the operation of the Company and the value of their contribution, with reference to the industry standards. The Board of Directors shall authorize the chairman to approve the remuneration to General Manager and Assistant General Managers according to the employee remuneration ranges table and business performance. The reasonableness of relevant performance evaluation and remuneration has been audited by the Remuneration Committee and the Board of Directors, and the remuneration system is reviewed from time to time according to the actual operating conditions and relevant laws and regulations, so as to seek a balance between</p>	

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
			the Company's sustainable operation and risk control.	

IX. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center, and provide the priorities and plans for improvement with items yet to be improved.

Item No.	Evaluation Indicator	Whether has been improved	After the Amendment
1.9	Does the Company upload the notice of meeting in English concurrently 30 days before the annual shareholders meeting?	Yes	The Company has implemented it in 2020.
1.10	Does the Company upload the agendas and supplementary information of shareholders meetings in English 30 days before the annual shareholders meeting?	Yes	The Company has implemented it in 2020.
1.11	Does the Company upload the annual financial statements in English 7 days before the annual shareholders meeting?	Yes	The Company has implemented it in 2020.
2.10	Has the Company established an Audit Committee that complies with the regulations?	Yes	The Company has been established after the shareholders meeting on June 15, 2020.
2.21	Does the Company appoint a corporate governance officer to be responsible for related corporate governance affairs and disclose the scope of functional authority, key business implementation items, and continuing education on its website and annual report?	No	The Company has passed a resolution of the Board of Directors on December 30, 2020, appointing a corporate governance officer and disclosing the scope of functional authority, key business implementation items, and continuing education on its website and annual report.
2.22	Does the Company formulate risk management policies and procedures approved by the Board, which disclose the scope, the organizational structure, and the operations of risk management?	No	The Company plans to formulate risk management policies and procedures, which will be disclosed on the Company's website after being submitted to the Board of Directors for approval.
2.24	Has the Company established an information security risk management structure, information security policy and specific management measures, and disclosed it on the company's website or annual report?	No	The Company plans to build an information security risk management structure and policies, which will be disclosed on the Company's website after being submitted to the Board of Directors for approval.
3.2	Does the Company report material information in English	Yes	The Company has implemented it in 2020.

Evaluation Item	Implementation Status			Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No	Description	
			concurrently?	
3.5	Yes		Does the Company upload the annual financial statements in English 7 days before the annual shareholders meeting on the Market Observation Post System?	The Company has implemented it in 2020.
3.6	Yes		Are the mid-term financial statements disclosed on Company's website or Market Observation Post System in English?	The Company has implemented it in 2020.
3.10	No		Has the financial report been approved or submitted to the Board of Directors 7 days before the date of announcement and published within 1 day after the date of approval or submission?	It is under planning by the Company.
3.18	Yes		Does the Company set up a website in English containing the information regarding the Company's finances, operations, and corporate governance?	The Company has implemented it in 2020.
3.20	No		Has the Company been invited (voluntarily) to hold at least two investor conferences at an interval of more than three months between the first and last two investor conferences of the evaluation year?	It is under planning by the Company.
4.2	No		Does the Company set up a dedicated (part-time) unit that promotes corporate social responsibility and ethical corporate management, and describe the operation and implementation of the unit in the annual report and the Company's website, and regularly report to the Board of Directors?	The Company has disclosed the promotion plan and implementation achievements of corporate social responsibility in the annual report, and set up a CSR section on the Company's website to describe the operation and implementation of corporate social responsibility, and plans to report to the Board of Directors on a regular basis.
4.15	Yes		Does the Company disclose its ethical corporate management policies on its website or annual report, specify specific practices, and prevention plans for unethical conduct?	The Company has disclosed the Ethical Corporate Management Best Practice Principles on its website, and actively promotes the entire ethical corporate management policies to the employees and partners.
4.16	No		Has the Company established and disclosed a reporting system for the internal and external employees of the Company to report illegal (including corruption) and unethical acts?	The Company has established a mailbox and hotline for whistle-blowing and complaints. The Human Resources Department is responsible for

Evaluation Item	Implementation Status		Description	Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Variance
	Yes	No		
				handling the related affairs, and handle complaints and penalties according to the Company's prescribed operating procedures. The Company plans to establish a complete system.

Note 1: Please refer to the following table for the diversify of composition of the Board of Directors.

Core Projects of Diversify	Basic Requirements						Professional Competence					Background										
	Nationality	Gender	Serve concurrently as the Company (parent company)'s	Age			Term Seniority of Independent Director			Operational Judgments	Operation Management	Knowledge of the Industry	Finance and Accounting Leadership	Decision-making and	Engineering Management	Business	Accounting	Operation Management	Civil engineering			
				41 to 50	51 to 60	61 to 70	70 above	3 years below	3 to 9 years											9 years above		
Name of Director																						
Ai-Wei, Yuan	Taiwan	Male		1 person	4 persons	3 persons	1 person				✓	✓	✓	✓	✓							
Mike, Ma	Taiwan	Male											✓	✓	✓	✓	✓		✓			
Ching-Sung, Tseng	Taiwan	Male											✓	✓	✓		✓	✓				
Yi-Fang, Huang	Taiwan	Male	✓										✓	✓	✓		✓	✓				
Shih-Hsuan, Chou	Taiwan	Male	✓										✓	✓	✓		✓	✓				
Mei-Chu, Liu	Taiwan	Female											✓	✓		✓	✓		✓			
Hung-Chin, Huang	Taiwan	Male										✓	✓		✓	✓				✓		
Shen-Yu, Kung	Taiwan	Male										✓		✓	✓	✓	✓				✓	
Kuo-Feng, Lin	Taiwan	Male						✓		✓	✓	✓	✓					✓				

Note 2: The performance evaluation results of the Board of Directors in 2020 are detailed in the table below.

I. Overall Internal Performance Evaluation Results of the Board of Directors:

Item No.	Evaluation Item	Rate of Achievement %
1	Participation in the operation of the Company	95
2	Improvement of the quality of the Board of Directors' decision making	100
3	Composition and structure of the Board of Directors	94
4	Election and continuing education of the Directors	89
5	Internal control	100

II. Self-evaluation by Board Members:

Item No.	Evaluation Item	Rate of Achievement %
1	Alignment of the goals and mission of the Company	86
2	Awareness of the duties of a Director	86
3	Participation in the operation of the Company	83
4	Management and communication of internal relationship	86
5	The Director's professionalism and continuing education	84
6	Internal control	86

III. Internal performance self-evaluation results of the Remuneration Committee:

Item No.	Evaluation Item	Rate of Achievement %
1	Participation in the operation of the Company	100
2	Awareness of the duties of the functional committee	100
3	Improvement of quality of decisions made by the functional committee	100
4	Makeup of the functional committee and election of its members	100
5	Internal control	Not applicable

IV. Internal performance self-evaluation results of the Audit Committee:

Item No.	Evaluation Item	Rate of Achievement %
1	Participation in the operation of the Company	100
2	Awareness of the duties of the functional committee	100
3	Improvement of quality of decisions made by the functional committee	100
4	Makeup of the functional committee and election of its members	100
5	Internal control	100

Note 3: Please refer to the following table for the independence and suitability evaluation results of CPAs in 2021.

Evaluation Item	Evaluation Results	Whether it Meets
1. Do the CPAs have close business and potential employment relationships with the Company or its affiliates?	No	Yes
2. Do the CPAs hold or broker any stock or other securities issued by the Company or its affiliates?	No	Yes
3. Do the CPAs act as the defender of the Company or its affiliates or on behalf of the Company to coordinate conflicts with other third parties?	No	Yes
4. Do the CPAs have kinship with any of the Company's Directors, managers, or other individuals in positions to exert material impact over the subject matter of the engagement?	No	Yes
5. Does the former partner within one year of disassociating from the joint accounting firm to which the CPA is affiliated join the Company as a Director, officer or is in a key position to exert material impact over the subject matter of the engagement?	No	Yes
6. Have the CPAs provided audit services to the Company for 7 consecutive years?	No	Yes
7. Have the CPAs complied with the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 on independence?	Yes	Yes
8. Do the CPAs and audit services team make appropriate recommendations and keep records on the audit of the Company's management system and internal control system?	Yes	Yes
9. Do the CPAs and audit services team take the initiative to provide the Company with updates on laws and regulations, amendment information and courses?	Yes	Yes

(IV) Composition, Duties and Implementation Status of the Remuneration Committee:

1. Information on Members of the Remuneration Committee:

Title (Note 1)	Name	Has More than 5 Years of Work Experience and the Following Professional Qualifications	Independent Status (Note 2)	Number of Other Public Companies in which Concurrently Holding Position as Independent Director	Remarks Full Text							
						An Instructor or Higher in A Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in A Public or Private Junior College, College, or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed A National Examination and Been Awarded A Certificate in A Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4
Independent Director	Hung-Chin, Huang	✓	✓	1								
Independent Director	Kuo-Feng, Lin	✓	✓	1	Assumed office on June 15, 2020							
Member	Tung-Hsuan, Wan	✓	✓	1	Assumed office on June 15, 2020							
Independent Director	Shen-Yu, Kung		✓	1	Assumed office on June 15, 2020							
Others	Ting-Ya, Hsieh	✓	✓	1	Assumed office on June 15, 2020							

Note 1: Please indicate in the "Title" field Director, Independent Director or otherwise.

Note 2: For any members who fulfill the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [✓] sign in the field next to the corresponding conditions. ✓

- (1) Neither an employee of the Company nor its affiliates.
- (2) Neither a Director nor Supervisor of the Company nor any of its affiliates. Not applicable in cases where an Independent Director of the Company has served as an Independent Director of the Company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the Company.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Neither a Director, Supervisor, nor employee of a juristic person shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act (not apply to Independent Directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) If a majority of the Company's Director seats or voting shares and those of any other company are controlled by the same person, neither a Director, Supervisor, or employee of that other company (not apply to Independent Directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) If the Chairperson, General Manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses, neither a Director (or governor), Supervisor, or employee of that other company or institution (not apply to Independent Directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

- (8) Neither a Director, Supervisor, Managerial Officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (not apply to a specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company, and Independent Directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an owner, partner, Director, Supervisor, or Managerial Officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not one of any of the circumstances in the subparagraphs of Article 30 of the Company Act.

2. Information on Implementation Status of the Remuneration Committee:

- (1) There are 3 members on the Remuneration Committee of the Company.
- (2) Term of office of the current committee member: From June 15, 2020 to the date of re-election of the Company's Directors and Supervisors in 2023. Total 6 meetings (A) of the remuneration committee have been held in the most recent fiscal year. The qualifications and attendance of members are as follows:

Title	Name	Times of Actual Attendance (B)	Times of Proxy Attendance	Rate of Actual Presence (%) (B/A) (Note)	Remarks
Convener	Hung-Chin, Huang	6	0	100%	
Member	Kuo-Feng, Lin	4	0	100%	Assumed office on June 15, 2020
Member	Tung-Hsuan, Wan	4	0	100%	Assumed office on June 15, 2020
Member	Shen-Yu, Kung	2	0	100%	Released of duty on June 15, 2020
Member	Ting-Ya, Hsieh	2	0	100%	Released of duty on June 15, 2020

Other matters that shall be reported:

- I. If the Board of Directors does not adopt or amend recommendations proposed by the Remuneration Committee, the date, session, proposal contents and resolutions of the Board of Directors, and the Company's actions in response to the opinions of the Remuneration Committee shall be stated (also, where the remuneration approved by the Board of Directors is superior to that recommended by the Remuneration Committee, the differences and reasons shall be stated): None.
- II. Where resolutions of the Remuneration Committee include dissenting or qualified opinion which is on record or stated in a written statement, the date, session, proposal contents, opinions from every member, and actions in response to the opinions of the members shall be stated: None.
- III. The Implementation Status of the Remuneration Committee in the Most Recent Fiscal Year:

Remuneration Committee	Content of Motion and Follow-up Actions	Results of Resolution	the Company's Actions in Response to the Remuneration Committee's Opinions
The 3rd Session The 6th Meeting 2020.03.23	<ol style="list-style-type: none"> 1. The proposal of the Company's allocation and distribution plan for employee bonus and the remuneration of Directors and Supervisors for 2019. 2. The proposal of the adjustment on the Company's Table of Compensation Structure for Each Position and Level. 3. The proposal for promoting the Company's managerial officers. 	Approved by all members present in the meeting	Submitted to the Board of Directors and approved by all the Directors present
The 3rd Session The 7th Meeting 2020.05.11	<ol style="list-style-type: none"> 1. The proposal for the salary of the Company's new Chairman. 	Approved by all members present in the meeting	Submitted to the Board of Directors and approved by all the Directors present
The 4th Session The 1st Meeting 2020.06.29	<ol style="list-style-type: none"> 1. Compensation to and operating expenses of the 11th Board of Directors, the 1st Audit Committee members and the 4th Remuneration Committee members 2. The proposal for adjusting the salary of the Company's Chairman. 	Approved by all members present in the meeting	Submitted to the Board of Directors and approved by all the Directors present

	3. The proposal for promoting the Company's managerial officers.		
The 4th Session The 2nd Meeting 2020.12.22	<ol style="list-style-type: none"> 1. The proposal on the payment of managerial officers' year-end and special performance bonuses according to the Company's "Evaluation Methods" 2. The proposal for the transfer of the Company's former Chairman to a special committee. 3. The proposal for promoting the Company's managerial officers. 4. The proposal for adjusting the subsidies of the Company's managerial officers. 5. The proposal to appoint finance and accounting officer Li-Ya, Chen to concurrently serve as the corporate governance officer of Kindom Development and Kedge Construction. 	Approved by all members present in the meeting	Submitted to the Board of Directors and approved by all the Directors present
The 4th Session The 3rd Meeting 2021.01.25	<ol style="list-style-type: none"> 1. The proposal for promoting the Company's managerial officers. 2. The proposal for adjusting the subsidies of the Company's managerial officers. 	Approved by all members present in the meeting	Submitted to the Board of Directors and approved by all the Directors present
The 4th Session The 4th Meeting 2021.03.25	<ol style="list-style-type: none"> 1. Amended certain provisions of the Company's "Remuneration Committee Charter". 2. The proposal on the Company's employee remuneration and directors' remuneration allocation and distribution for 2020. 3. The proposal on the performance bonus of the Company's chairman for 2020. 4. The proposal on the promotion and salary adjustment of the Company's managerial officers. 	Approved by all members present in the meeting	Submitted to the Board of Directors and approved by all the Directors present

- Note: (1) Where members of the Remuneration Committee resign before the end of the year, the date of resignation shall be indicated in the Remarks column. Rate of actual attendance (%) shall be calculated by the number of Remuneration Committee meetings convened and times of actual presence during the term of service.
- (2) Where any member of the Remuneration Committee is re-elected before the end of the year, the new or former members shall be listed. Indicate in the Remarks column that whether the member is former, new or re-elected, and the date of re-election. His or her attendance rate (%) will be calculated on the basis of the number of Remuneration Committee meetings held during his or her tenure and the number of such meetings attended.

(V) The state of Performance of Social Responsibilities:

Evaluation Item	Implementation Status			Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
I. Does the Company conduct risk evaluation on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		In accordance with the sustainability reporting standards and materiality principles, the merged company identifies major economic, environmental, and social issues on the major principles of identification, analysis, and confirmation, and the authorized and responsibility department will make various risk assessment, management and formulate related strategies for each issue. Please refer to the description of "Interaction and Significance of Stakeholders" in the CSR report.	No variance
II. Does the Company set up exclusively (or concurrently) dedicated units to promote corporate social responsibility, and does the Board of Directors appoint senior executives to handle and report the status to the Board of Directors?	✓		The Company has established a Corporate Social Responsibility Committee to be responsible for the planning of corporate social responsibility actions. The Chairman is the top person in charge of the committee, the General Manager acts as the chairman, and the Deputy General Manager of the Business and Purchasing Division acts as the Secretary-General. A promotion team is set up and the team shall report work to the Board of Directors once a year. Under the Executive Center there are: Environmental Sustainability Group, Operation Management Group, and Employee Care/Social Participation Group. The first-level officer of each unit acts as the committee member, and the members serve on a part-time basis. Regular meetings are held every year to discuss the implementation of corporate social responsibility, so that CSR promotion can be implemented.	No variance
III. Environmental Matters (I) Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓		(I) The merged company has been committed to the introduction of various green engineering technologies for a long time, and providing owners with environmental protection and energy-saving solutions that reduce pollutions and the risk of	Since the Company is not a manufacturing plant, it is not applicable to the payment of "using recycled materials".

Evaluation Item	Implementation Status			Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
(II) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	✓		<p>affecting human health and environmental damage from the perspective of the whole life cycle. In addition, environmental protection measures shall be formulated in accordance with the local environment of the project, and the environmental management system shall be implemented in accordance with relevant environmental protection laws and regulations of the owners and government units.</p> <p>(II) The merged company makes every effort to improve the utilization efficiency of various resources and energy conservation and carbon reduction. The Carbon Footprint Verification Statement has been obtained for the C4 Section Project in December 2020. The carbon emission of materials and transportation was effectively reduced by replacing the cement in concrete with the recycled fly ash furnace powder and by other methods. At the same time, various resource reuse projects were implemented at various construction sites. In terms of professional engineering, the merged company constantly pursues the development and application of new technologies, conducts local green procurement, uses energy-saving products to reduce energy consumption and prevent and control pollution, handles local and green purchases, and uses products with energy-saving labels to reduce energy consumption and prevent pollution. In daily affairs, the merged company constantly advocates energy conservation, carries out e-document operation, and actively promotes the full use of recycled paper and the replacement of power-hungry lamps, so as to</p>	No variance

Evaluation Item	Implementation Status			Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
(III) Does the Company evaluate the present and future potential risks and opportunities of climate change to the Company, and taken measures to respond to climate-related issues?	✓		<p>improve the utilization efficiency of various resources.</p> <p>(III) The merged company regards mitigating climate change as one of its top priorities, is actively facing the impact of global climate change on its operations, integrates climate change into material environmental issues for risk and opportunity assessment, and adds buffer time, raises flood control standards, recruits younger staffs and provides more personal weather-resistant equipment when making the project plan, so as to avoid disasters or construction delays caused by climate change.</p>	No variance
(IV) Does the Company calculate greenhouse gas emissions, water consumption and the total weight of waste over the past two years, and formulate policies for energy conservation and carbon emissions reduction, greenhouse gas emissions reduction, water consumption reduction or other waste management?	✓		<p>(IV) The merged company makes statistics on water and electricity consumption and the total weight of waste for more than 3 years, discloses them in the corporate social responsibility report, implement energy policies on a daily basis, as well as makes energy-saving plans and relevant management measures to reduce the energy consumption during the construction process and daily works. The merged company is committed to promoting energy conservation and carbon reduction, and was the first to introduce ISO 14064-1 greenhouse gas inventory and verification in projects C1 and C4. The head office regularly announces the use of photocopy paper and water and electricity to promote the concept of energy conservation and formulate a reduction plan. At present, the electronic mode has been adopted on asking for leave, working overtime, traveling on business and attendance, which have reduced the</p>	No variance

Evaluation Item	Implementation Status			Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
			waste of paper and effectively achieved the target of energy saving and carbon reduction. Taking public transportation is promoted to reduce greenhouse gas emissions. Garbage classification and reducing volume and activity using disposable products have been conducted. Energy-saving measures have been implemented on power-consuming lighting and air conditioning projects in public space. The annual per capita water consumption and the carbon emission from electricity use were both reduced by more than 5% compared with the base year, and the target of 1% per capita emission reduction was achieved.	
IV. Social Matters				
(I) Does the Company establish proper management methods and procedures in accordance with the relevant laws and regulations, and the International Covenant on Human Rights?	✓		(I) The merged company supports and respects the spirit of the International Declaration of Human Rights and the Constitution, has formulated the basic code of conduct such as the Code of Ethical Conduct and the Corporate Social Responsibility Best Practice Principles, as well as complied with the Labor Standards Act and related regulations. No violation of personal freedom, no forced labor, no discrimination, no use of child labor. And the merged company has formulated the Prevention Measures, Complaints and Disciplinary Measures for Sexual Harassment, and established a committee to investigate sexual harassment complaints and prevent inappropriate sexual harassment caused by the execution of official duties.	No variance
(II) Does the Company establish and implement reasonable employee benefits measures (including remuneration, leave	✓		(II) The merged company attaches great importance to the welfare and care of employees, analyzes and investigates the market salary, welfare situation and	No variance

Evaluation Item	Implementation Status			Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
<p>and other benefits, etc.) and appropriately reflect the corporate business performance or achievements in the employee remuneration?</p> <p>(III) Does the Company provide a safe and healthy working environment for its employees and organize training on safety and health on a regular basis?</p>	✓		<p>employment environment with a professional team, formulates a reasonable salary and remuneration policy and sets up a remuneration committee to regularly review the performance and remuneration standards of Directors and all senior executives, and carries on the compensation structure design for employees according to the evaluation of their functions and positions. Evaluation Methods for Kedge Construction and Employee Reward and Punishment Method have been formulated to regulate the daily operation of employees that employee should abide by the work ethics and environmental safety regulations. Employee ethics, department performance and job performance are all included in the promotion evaluation, of which the results will have impact on the proportion of year-end bonus payment, level promotion and salary adjustment. Where employees of the Company have obtained bidding projects which are special or have material contributions, colleagues who participated in the bidding will be rewarded for their credits in the bid in the current year. At the time of completion, the bonus budget will be appropriated from the profit to the project personnel and staff who are in charge of the site and have good performance.</p> <p>(III) The merged company also provides a vacation system, employee benefits (birthday gift certificates, three-festival gift certificates, wedding gifts, birth certificates, occasional happy event gifts, employee house purchase discount, injury condolence subsidy, emergency assistance fund, annual health check,</p>	No variance

Evaluation Item	Implementation Status			Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
(IV) Has the Company established an effective competency development career training program for employees?	✓		<p>funeral subsidy, irregular staff dinners, year-end party) in accordance with laws and regulations, and an insurance system (labor insurance, national health insurance, provision for labor pension, group insurance), etc.</p> <p>(IV) In accordance with the Occupational Safety and Health Act, the Occupational Safety and Health Office of the merged company regularly organizes safety and health education and training, and some special occupational safety and security professional training is entrusted to the external professional institutions, enabling employees or suppliers to acquire the knowledge and skills necessary to perform their jobs, promoting the industrial safety and security concept of employees or partner manufacturers by continuous training. In addition, in order to provide a safe, healthy and comfortable working environment, the merged company arranges health checks for employees every year. To create a friendly working environment, it also sets up a nursing room in the head office to encourage employees to settle down and have children, so as to maintain the right of postpartum female employees to breast-feed (group).</p>	No variance
(V) Is the Company in compliance with relevant laws and regulations as well as international standards when it comes to customer health and safety, customer privacy, marketing and labeling of products and services, and make relevant	✓		<p>(V) The Human Resources Department develops the coming annual education and training plan according to the business needs every year. Specific training is arranged for promoted officers, position changes and new colleagues. According to the business needs, each unit will put forward the training needs every year,</p>	No variance

Evaluation Item	Implementation Status			Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
<p>policies and appeal procedures on the protection of consumer rights and interests?</p>			<p>and the Human Resources Department will coordinate the training, and engages colleagues in the field or outside the field to provide courses, thus all colleagues can exchange professional skills. Through continuous training, the merged company is able to promote the quality and professional work skills of manpower, to enhance the competitiveness of all colleagues, shaping a working environment of unlimited career and endless development.</p> <p>The merged company guards the health and safety of customers, does not use any hazardous substance in the construction process, and has obtained relevant inspection certificates provided by suppliers for the raw materials used, such as non-radioactive pollution certificate of steel bars, chloride content inspection certificate of concrete and no use of marine sand, etc., so as to guarantee the quality. And the CRM customer relationship management system was introduced for customer privacy, including software security management, peripheral device security management and file directory monitoring and management, so as to ensure that customer privacy and confidential information are not disclosed.</p> <p>The merged company has obtained the international standard certification of ISO 9001:2015, ISO 45001 and CSR, and established the quality management system and set up the quality management standard in each link of project management. The Company contracts projects by bidding or bargaining system, and most customers entrust professional supervision companies to monitor the construction on behalf, therefore, it will not mislead customers into buying</p>	

Evaluation Item	Implementation Status			Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
(VI) Does the Company formulate and implement supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights?	✓		<p>products or services that do not meet their needs with unfair, incomplete or inaccurate marketing and information.</p> <p>What's more, the Purchasing Department and Customer Service Department also set up a complaint and customer service window. Purchasing Department is responsible for responding to any problems raised by suppliers, while a dedicated person of the Customer Service Department is managing systematically for any customer feedback about quality problems, responding within 24 hours, providing immediate after-sales service. There were not any violations of health and safety regulations or complaints of suspected personal information disclosure in 2020.</p> <p>(VI) The merged company attaches great importance to environmental and social protection and is committed to ensuring the safety of the working environment, occupational safety and health of workers or labor human rights in the industrial supply chain. Therefore, it has formulated the Supplier Code of Conduct and management strategy, requiring the supplier to implement in accordance with the content of the code and comply with the laws and regulations of the country where the supplier is located. Moreover, the appraisal and evaluation system were carried out before the quotation and after the winning of the bid of suppliers, and the relevant evaluation system was also adopted for the completion and acceptance</p>	No variance

Evaluation Item	Implementation Status			Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
			inspection, which shall conform to the aspects of labor human rights and environmental protection measures, so as to serve as the basis for the subsequent contract awarding. The contracts signed by the merged company and the suppliers have clauses about corporate social responsibility, and the Ethical Agreement Statement shall be signed separately, so as to achieve the purpose of promoting corporate social responsibility jointly by the merged company and the suppliers. In case that the supplier is involved in violating the Company's corporate social responsibility policy or has a significant impact on the environment and society, the contract may be terminated or dissolved at any time. The implementation rate of contracts signed with suppliers in 2020 is 100%.	
V. Does the Company adopt internationally widely recognized standards or guidelines when producing corporate social responsibility report and other reports that disclose non-financial information of the Company? Whether assurance or verification opinions have been obtained for the aforementioned reports by a third-party certification unit?	✓		The merged company prepares the corporate social responsibility report with reference to the Global Reporting Initiative (GRI) Standards, the Sustainable Development Goals (SDGs) of United Nations, and the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies promulgated by the Taiwan Stock Exchange/Taipei Exchange (TWSE/TPEX), and obtains the Assurance Statement from external unit BSI Taiwan in accordance with requirements of the international standard AA 1000 ASv3.	No variance
VI. Where the Company has formulated its own corporate social responsibilities principles according to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, please state the variances between its implementation and the principles formulated: the Company has formulated its “Corporate Social Responsibility Best Practice Principles” in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, stipulating that directors shall undertake the primary obligation of urging the Company to carry out its social responsibility and shall keep the implementation effectiveness under review and make continuous improvement at any time, and the Company shall actively practice corporate social responsibility (CSR) to ensure the implementation of CSR policies on “Corporate Governance, Sustainable Environment and				

Evaluation Item	Implementation Status			Any Variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
Social Welfare” through corporate citizenship's undertaking of responsibilities. At the same time, the CSR report issued by the Company has been verified by an external unit to comply with the three basic principles of the international standard AA 1000: inclusiveness, materiality and responsiveness.				
VII. Other key information useful for understanding the implementation status of corporate social responsibility practices: Please refer to the Company’s website: CSR Zone and the Company’s CSR Report for the corporate social responsibility operation of the merged company. https://www.kedge.com.tw/wp-content/uploads/2021/01/2019KEDGECSRBOOK.pdf				

(VI) Implementation Status of Ethical Corporate Management:

Evaluation Item	Implementation Status			Any Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
I. Adopt ethical corporate management policy and programs				
(I) Has the Company formulated its ethical management policy approved by the Board of Directors, clarified it in its regulations and external documents and the commitment of the Board of Directors and Senior Managers to active implementation?	✓		(I) In order to establish a corporate culture of ethical management and a reference framework for good business operation, the Company has formulated the “Corporate Governance Practice Guidelines”, “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” to regulate the Company and its directors, supervisors, managerial officers, employees, appointees and substantial controllers, as well as the ethical standards and codes of conduct in the performance of duties.	No variance
(II) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include preventive measures against the behaviors as stipulated in Article 7, Paragraph 2 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		(II) To ensure the implementation of ethical management, the merged company has established effective accounting and internal control systems, and its internal auditors regularly audit the compliance of the preceding systems. Select suitable candidates when selecting cooperative manufacturers, and state in the statement "do not exercise gifts, hospitality or give improper benefits".	No variance
(III) Has the Company in the prevention programs for unethical conduct clearly prescribed the operational procedures, conduct guidelines and disciplinary and appeal system for violations of the ethical corporate	✓		(III) The merged company has formulated the “Procedures for Ethical Management and Guidelines for Conduct” on March 26, 2021, targeting the directors, supervisors, managerial officers, employees, assignees, and persons	No variance

Evaluation Item	Implementation Status			Any Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
management rules and implemented them, and conducted review and amendment on the aforementioned programs on a regular basis?			with substantial control capabilities of the Company and the Group's companies and organizations. It is forbidden to offer or accept bribes, provide illegal political contributions, improper charitable donations or sponsorships, provide or accept improper gifts, reception or other improper benefits, leak the Company's trade secrets, infringe on intellectual property rights, and engage in unfair competition behaviors and services dishonest acts that harm consumers or other interested parties. In addition to that the Staff Working Rules and other personnel policies have stipulated that employees shall not involve in unethical conduct, the merged company includes the prevention operational procedures in the training courses for new employees or other personnel education and training.	
II. Implementation of Ethical Corporate Management				
(I) Does the Company evaluate the ethical record of its business partners and set ethical conduct policies in the terms and conditions of its contracts with the counterparties?	✓		(I) When selecting cooperative manufacturers, the merged company selects suitable candidates by means of credit investigation, and stipulates in the statement "do not exercise gifts, hospitality or give improper benefits".	No variance
(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	✓		(II) The Human Resources Department of the merged company is responsible for the formulation and promotion of business policies and rules, and the audit unit shall carry out the compliance audit and report to the Board of Directors.	No variance
(III) Does the Company adopt policies for preventing conflicts of interest and provide proper statement channels and implement?	✓		(III) The merged company has formulated the "Procedures for Ethical Management and Guidelines for Conduct" on March 26, 2021. The Auditing Office, the	No variance

Evaluation Item	Implementation Status			Any Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
(IV) Has the Company established an effective accounting system, internal control system to put ethical corporate management into practice? The internal audit unit shall draw up the relevant audit plan to audit the compliance of the prevention programs for unethical conduct according to the risk valuation results of the unethical conduct, or audited by CPAs	✓		Administrative Management Division and the Finance Division jointly set up an ethical management team, and the Human Resources Department of the Administrative Management Division is the personnel statement window, submits the statements to the ethical management team for discussion and implementation, and reports work to the Board of Directors on a regular basis. (IV) The audit unit of the merged company conducts regular or irregular audits on various operating activities to ensure the effective implementation of various systems.	No variance
(V) Does the Company organize internal or external trainings of ethical corporate management regularly?	✓		(V) The merged company adheres to the business philosophy of ethical management and strengthens the publicity and guidance in the business meeting for implementation.	No variance
III. Operation of the Company's Whistle-blowing System				
(I) Does the Company adopt a concrete whistle-blowing and reward system to facilitate the whistle-blowing channel and appoint appropriate dedicated personnel to handle the whistle-blowing matters?	✓		(I) The merged company has established a mailbox and hotline for whistle-blowing and complaints. The Human Resources Department is responsible for handling relevant affairs and handling complaints and penalties according to the Company's prescribed operating procedures.	No variance
(II) Has the Company formulated the standard operating procedures for accepting the	✓		(II) The Human Resources Department of the merged company shall be responsible for keeping confidential	No variance

Evaluation Item	Implementation Status			Any Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
<p>investigation, follow-up measures to be taken upon completion of the investigation and the relevant confidentiality mechanism?</p> <p>(III) Does the Company adopt measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?</p>	✓		<p>the information of the parties concerned when handling the whistle-blowing matters.</p> <p>(III) The merged company has adopted a confidentiality system for the whistle-blowing process, thus the whistle-blower will not be punished for the whistle-blowing.</p>	No variance
<p>IV. Strengthening of Information Disclosure</p> <p>(I) Does the Company disclose the status of implementation and effectiveness of promotion of ethical corporate management on its website and the Market Observation Post System (MOPS)?</p>	✓		<p>the Company has set up a website with a "CSR Section", which clearly reveals that "ethic" is the most fundamental business philosophy, and promotes the Company spirit as "emphasis on integrity, quality insistence, sincere service, innovation and progress, sustainable operation".</p>	No variance
<p>V. Where the Company has formulated its own ethical corporate management best practices according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please state the variances between its implementation and the principles formulated:</p> <p>(I) In order to practice corporate social responsibility and promote the balance of economy, society and environment and sustainable development, the Board of Directors of the Company adopted the Ethical Corporate Management Best Practice Principles on March 24, 2016, and regularly reviewed the implementation status in accordance with the principles and made improvements accordingly. There is no variance since its implementation.</p> <p>(II) the Company attaches great importance to ethical corporate management, and has organized educational and training courses related to ethical corporate management (such as new employee education and training with corporate culture and ethical management as theme, Money Laundering Control Act, etc.) in 2020, with 97 participants and a total of 619.5 hours.</p>				
<p>VI. Other important information for better understanding of the ethical corporate management: (such as review and amendment of the principles of ethical corporate management):</p> <p>(I) the Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, TWSE/TPEX listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.</p> <p>(II) The merged company has specified the article of recusal system for Directors in the Rules of Procedure for Board of Directors Meetings that if a Director or a juristic person that the Director represents is an interested party in relation to an agenda item, and the relationship is likely to prejudice the interest of the Company, the Director shall state opinions and answer inquiries, may not participate in and shall recuse himself or herself from the discussion or the voting on the agenda item, and may not exercise voting rights as a proxy for another Director.</p> <p>(III) The merged company has formulated the Procedures for Handling Material Inside Information, specifying that no Director, Supervisor, Managerial Officer, or employee with knowledge of material inside information of the Company may divulge the information to others, nor may inquire about or collect any</p>				

Evaluation Item	Implementation Status			Any Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Any Such Variance
	Yes	No	Description	
<p>non-public material inside information of the Company not related to their individual duties from a person with knowledge of such information, or nor may they disclose to others any non-public material inside information of the Company of which they become aware for reasons other than the performance of their duties.</p> <p>(IV) The merged company has formulated the “Ethical Corporate Management Best Practice Principles”, which clearly stipulates that directors, managerial officers, employees, assignees or persons with substantial control capabilities, in the process of engaging in business activities related to the Company, shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.</p>				

- (VII) If the Company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched: The merged company has formulated the Corporate Governance Practice Principles and disclosed it on the MOPS and the Company website.
- (VIII) Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance may also be disclosed: Note.

- (IX) Implementation State of the Internal Control System:
1. Statement of Internal Control System:

Kedge Construction Co., Ltd.
Statement on Internal Control System

Date: March 26, 2021

According to the self-evaluation results of internal control system by the Company in 2020, we hereby state as follows:

- I. The Company's Board of Directors and Managerial Officers understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives: (a) The effectiveness and efficiency of business operation (including earnings, operation performance and the safeguard of company assets); (b) The reliability, timeliness, transparency of report; and (c) Achieve compliance objectives according to the relevant laws and regulations in order to provide reasonable assurances.
- II. The internal control system has its inherent limitations. It can only provide reasonable assurance for the achievement of the aforementioned three objectives regardless of the improvement of the design. The effectiveness of the internal control system is also subject to changes in the environment and situation. Since the Company's internal control system is provided with a self-monitoring mechanism, the Company will take corrective actions once defects are identified.
- III. the Company makes judgments on whether the design and implementation of the internal control system are effective in accordance with the judgments items of the effectiveness of internal control system specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "the Regulations"). The Regulations are made to examine the following five factors during the management and control process: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) supervision. Each factor also includes several items. For the aforementioned items, please refer to the provisions of the Regulations.
- IV. The Company has already adopted the aforementioned internal control system judgments items to evaluate the effectiveness of the design and implementation of the system.
- V. The evaluation results indicated that the Company's internal control system (including supervision and management of subsidiaries) dated December 31, 2020 has effectively assured that the following objectives have been reasonably achieved during the assessing period: (a) The degree that effectiveness and efficiency of business operation; (b) The reliability of the financial and related

reports; (c) The compliance of the relevant laws/regulations and company policies.

- VI. This statement will be the main content of the Company's annual report and prospectuses and shall be open to the public. If any of the above-disclosed contents contains false information or omits any material content, the Company will involve legal liability under Article 20, Article 32, Article 171, and Article 174 set forth in the Security and Exchange Act.
- VII. the Company hereby declares that this statement had been approved by the Board of Directors on March 26, 2021. Among the 8 attending Directors, no one raised any objection and all consented to the content expressed in this statement.

Kedge Construction Co., Ltd.

Chairman (Signature): Ai-Wei Yuan

General Manager (Signature): Hui-Jen Huang

2. A CPA is entrusted to carry out a special audit of the internal control system:
None.

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

(XI) Material resolutions of a shareholders meeting or a Board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1. Material resolutions of the Annual Shareholders Meeting:

Meeting Time	Major Resolutions		Implementation State
2020.06.15	Ratifications	Ratified the Company's Business Report and financial statements for 2019	Proceed with the resolution results.
		Adoption on the Earnings Distribution Proposal for 2019 of the Company.	A cash dividend of NT\$3 per share was distributed on August 12, 2020.
	Discussions	Adoption on the amendments to the Operational Procedures for Acquisition and Disposal of Assets, Operational Procedures for Endorsements and Guarantees and Operational Procedures for Loaning Funds to Others.	Proceed with the resolution results.
	Election Matters	The proposal on the election of the Company's 11th session of directors (including independent directors)	The declaration has been announced and registered with the competent authority.
	Other Matters	Approved the proposal to lift the non-compete for newly-elected directors (including independent directors)	It has been announced on the Market Observation Post System (MOPS).

2. Major Resolutions of the board meetings:

Meeting Date	Session	Major Resolutions
2020.03.23	The 10th Session The 19th Meeting	<ol style="list-style-type: none"> 1. Proposal on the election of acting chairman of the board meeting. 2. Proposal on the allocation and distribution plan for employee bonus and the remuneration of Directors and Supervisors for 2019. 3. Proposal on the adjustment on the Company's Table of Compensation Structure for Each Position and Level. 4. the Company's compensation plan for promoted Managerial Officers. 5. 2019 Business Reports and Financial Statements. 6. 2019 Earnings Distribution Plan. 7. A Statement on Internal Control System for the Year 2019.

Meeting Date	Session	Major Resolutions
		<ol style="list-style-type: none"> 8. Proposed to amend partial articles of the Operational Procedures for Acquisition and Disposal of Assets, Operational Procedures for Endorsements and Guarantees and Operational Procedures for Loaning Funds to Others. 9. Proposed to amend partial articles of the Rules of Procedure for Board of Directors Meetings, Ethical Corporate Management Best Practice Principles and Corporate Social Responsibility Best Practice Principles. 10. Proposed to formulated the Audit Committee Charter and amend partial articles of the Corporate Governance Practice Principles of the Company. 11. Election of the eleventh Session of the Company's Directors (including Independent Directors). 12. The agenda of the Company's 2020 annual shareholders meeting and other relevant matters. 13. Cooperating with the internal adjustment of KPMG, the CPAs of the Company's financial statements will be changed to Yi-Lien, Han, Ti-Nuan, Chien from the first quarter of 2020. 14. Evaluated the independence and suitability of CPAs appointed by the Company. 15. F18P4, F18P5 and F18P6 Excavation of Soil Retaining Piles from Taiwan Semiconductor Manufacturing Company.
2020.04.24	The 10th Session The 20th Meeting	<ol style="list-style-type: none"> 1. Proposal on the election of acting chairman of the board meeting. 2. Proposed to approve the roster of Director candidates and review the qualifications of the nominees of Independent Directors. 3. Proposal on the lifting of the non-competition restrictions on new Directors. 4. Proposal to add matters in "Other Proposals" for the 2020 Annual Shareholders Meeting. 5. Extraordinary motions: A by-election of the chairman of the Company.
2020.05.11	The 10th Session The 21st Meeting	The proposal on the salary of the Company's new Chairman
2020.06.15	The 11th Session The 1st Meeting	<ol style="list-style-type: none"> 1. The proposal on electing the Company's Chairman 2. The proposal to appoint the members of the Remuneration Committee
2020.06.29	The 10th Session The 2nd Meeting	<ol style="list-style-type: none"> 1. Compensation to and operating expenses of the 11th Board of Directors, the 1st Audit Committee members and the 4th Remuneration Committee members 2. The proposal for adjusting the salary of the Company's Chairman. 3. The proposal on the promotion and salary adjustment of the Company's managerial officers. 4. The proposal to add the "Management Procedures for the Discussion in the Audit Committee" and amend certain

Meeting Date	Session	Major Resolutions
		<p>articles of the five procedures, including the “Operational Procedures for Loaning Funds to Others”, “Operational Procedures for Endorsements and Guarantees”, “Operational Procedures for Derivative Commodities Trading”, “Handling Procedures for Acquiring or Disposing of Real Estate, Equipment or its Right-of-use assets”, and “Management Procedures for Operation of board meetings”.</p> <p>5. the Company obtained the bid for “Chiayi Urban Railway Elevated Project C611 Section Chiayi Project Railway Viaduct and Under-bridge Plane Road Engineering” from the Northern Engineering Office of Railway Bureau, MOTC.</p> <p>6. Formulated the base date of the Company’s cash dividend distribution for 2019.</p>
2020.11.09	The 11th Session The 4th Meeting	<p>1. The proposal on amending the system manual and some procedures of the Company’s “Internal Control System”</p> <p>2. the Company obtained the bid for the “New Construction Project of P6 Upper and Lower Structures of Tainan Plant 18” by Taiwan Semiconductor Manufacturing Company</p>
2020.12.30	The 11th Session The 5th Meeting	<p>1. Formulated the Operational Plan for 2021</p> <p>2. Formulated the Audit Plan for 2021</p> <p>3. Evaluated the independence and suitability of CPAs appointed by the Company.</p> <p>4. The proposal on the payment of managerial officers’ year-end and special performance bonuses according to the Company’s “Evaluation Methods”</p> <p>5. The proposal for the transfer of the Company’s former Chairman to a special committee.</p> <p>6. the Company's compensation plan for promoted Managerial Officers.</p> <p>7. The proposal for adjusting the subsidies of the Company’s managerial officers.</p> <p>8. The proposal to appoint finance and accounting officer Li-Ya, Chen to concurrently serve as the corporate governance officer of Kindom Development and Kedge Construction.</p> <p>9. the Company proposes to donate NT\$6 million to Kindom Yu San Education Foundation in the coming year (2021).</p>
2020.01.27	The 11th Session The 6th Meeting	<p>1. the Company's compensation plan for promoted Managerial Officers.</p> <p>2. The proposal for adjusting the subsidies of the Company’s managerial officers.</p> <p>3. The appointment and removal of the Company’s chief internal auditor.</p>
2021.03.26	The 11th Session The 7th Meeting	<p>1. Amended certain provisions of the Company’s “Remuneration Committee Charter”.</p> <p>2. The Remuneration Committee approved the proposal of the Company’s allocation and distribution plan for employee bonus and the remuneration of directors for 2020.</p>

Meeting Date	Session	Major Resolutions
		<p>3. The Remuneration Committee passed the proposal for Chairman's performance standards and bonus for 2020.</p> <p>4. The Remuneration Committee has ratified and approved the proposal on the promotion and salary adjustment of the Company's managerial officers.</p> <p>5. The Audit Committee approved the drafting of the Company's "Statement on Internal Control System" for 2020.</p> <p>6. The Audit Committee approved the proposal to prepare the Company's Business Report and financial statements for 2020.</p> <p>7. The Audit Committee approved the proposal for the Company's earnings distribution for 2020.</p> <p>8. The Audit Committee approved the proposed subscription of NT\$127,000 thousand in cash capital increase for ordinary shares of Dingtian Construction Co., Ltd.</p> <p>9. The Audit Committee approved the Company's "Procedures for Ethical Management and Guidelines for Conduct".</p> <p>10. The Audit Committee approved the proposed amendment to certain provisions of the Company's "Articles of Incorporation" and "Rules of Procedure for Shareholders Meetings".</p> <p>11. Proposal to lift the non-compete for the Company's directors</p> <p>12. Proposal to lift the non-compete for the Company's managerial officers</p> <p>13. Formulate the agenda and other related matters for the Company's annual shareholders meeting 2021.</p> <p>14. For business needs, the Company plans to sign financing contracts with financial institutions.</p>

(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a Director or Supervisor has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, the main content: None.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's Chairman, General Manager, Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D:

Title	Name	Date of Assumption	Date on Which Current Position was Resigned	Reasons for Resignation or Dismissal
Chairman	Ming-Nai, Ma	2017.06.19	2020.04.24	Personal reasons
Head of Internal Audit	Chao-Ming, Chen	2018.07.02	2021.01.27	Job adjustment

IV. Information on CPA Professional Fees:

(I) Range Table of CPA Professional Fees:

Name of CPA Firm	Name of CPA	Audit Fee (NT\$ thousand)	Non-audit Fee (NT\$ thousand)				Subtotals	Audit Period	Remarks
			System Design	Commercial Registration	Human Resources	Others			
KPMG	I-Lien, Han	2,900	0	0	30	0	30	2020.01.01~2020.12.31	The non-audit fee is the review fee for the Compensation Information Checklist for Full-time Employees who are not in Officer Positions.
	Ti-Nuan, Chien								

(II) When non-audit fees paid to the CPA, to the accounting firm of the CPA, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto: None.

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

(IV) Whether the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more: None.

V. Information on Replacement of CPA:

(I) Regarding the Former CPA:

Date of Replacement	2020.03.09		
Replacement Reasons and Explanations	Cooperate with the accounting firm to adjust the internal duties of CPAs		
Termination by the Company or the CPAs	Condition	Party	Client
	Termination by the Company	CPA	Not applicable
	Termination by the CPAs	Not applicable	Not applicable
Opinions (Other than Unmodified Opinions) in the Past 2 Years and Reasons	Not applicable		
Deviation from the Issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Others
	None	✓	
Description: Not applicable.			
Other Revealed Matters (Article 10, Subparagraph 5, Item 1, Point 4 of this Guidelines shall be disclosed)	None		

(II) Regarding the Successor CPA:

Name of CPA Firm	KPMG
Name of CPA	I-Lien Han, Ti-Nuan Chien
Date of Appointment	2020.03.09
Inquiries into Accounting Treatments or Principles for Specific Transactions and Possible Opinions on Financial Statements before Appointment	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(III) Former CPAs' Reply to Disclosures under Items 1 and 2-3, Subparagraph 6, Article 10 of the Guidelines: N/A.

VI. Whether the Company's chairman, General Manager, or any Managerial Officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm: None.

VII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder With a Stake of More than 10 % During the Most Recent Fiscal Year or During The Current Fiscal Year up to the Date of Publication of the Annual Report:

(I) The Status of any Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder With a Stake of More than 10%:

Title	Name	2020		As of April 18 of the Current Fiscal Year (2021)	
		Increase (Decrease) of Shareholding	Increase (Decrease) of Pledged Shares	Increase (Decrease) of Shareholding	Increase (Decrease) of Pledged Shares
Chairman of the Board (Note 1)	Kindom Development Co., Ltd. Representative: Ai-Wei, Yuan	-	-	-	-
Chairman of the Board (Note 2)	Kindom Development Co., Ltd. Representative: Miriam, Ma	-	-	-	-
Director (Note 3)	Kindom Development Co., Ltd. Representative: Mike, Ma	-	-	-	-
Director (Note 3)	Kindom Development Co., Ltd. Representative: Ching-Sung, Tseng	-	-	-	-
Director	Kindom Development Co., Ltd. Representative: Mei-Chu, Liu	-	-	-	-
Director	Kindom Development Co., Ltd. Representative: Yi-Fang, Huang	-	-	-	-
Director	Kindom Development Co., Ltd. Representative: Shih-Hsuan, Chou	-	-	-	-
Director (Note 4)	Kindom Development Co., Ltd. Representative: Ming-Tao, Chen	-	-	-	-
Independent Director	Hung-Chin, Huang	-	-	-	-
Independent Director	Shen-Yu, Kung	-	-	-	-
Independent Director (Note 3)	Kuo-Feng, Lin	-	-	-	-
Supervisor (Note 5)	Peng-Lung Hua	-	-	-	-

Title	Name	2020		As of April 18 of the Current Fiscal Year (2021)	
		Increase (Decrease) of Shareholding	Increase (Decrease) of Pledged Shares	Increase (Decrease) of Shareholding	Increase (Decrease) of Pledged Shares
General Manager (Note 6)	Hui-Jen Huang	-	-	(10,000)	-
Executive Assistant General Manager	Shih-Hsuan, Chou	-	-	-	-
Executive Assistant General Manager	Yi-Fang, Huang	-	-	-	-
Assistant General Manager (Note 7)	Wei-Chi Li	-	-	-	-
Assistant General Manager	Chin-Hua, Fan	-	-	-	-
Acting Assistant General Manager (Note 8)	Chun-Ming, Chen	-	-	-	-
Senior Deputy Assistant General Manager, Financial Officer, and Corporate Governance Officer (Note 9)	Li-Ya, Chen	-	-	-	-
Deputy Assistant General Manager	Chao-Ming, Chen	-	-	-	-
Deputy Assistant General Manager	Wen-Hsiung, Chou	-	-	-	-
Deputy Assistant General Manager	Chih-Kuo, Tseng	-	-	-	-
Deputy Assistant General Manager	Hsien-Chin, Chiu	-	-	-	-
Deputy Assistant General Manager	Chung-Te, Hsiao	-	-	-	-
Deputy Assistant General Manager	Wen-Yen, Lin	-	-	-	-
Deputy Assistant General Manager	Wen-Chin, Li	-	-	-	-
Deputy Assistant General Manager (Note 10)	Wen-Yao, Liu	-	-	-	-
Deputy Assistant General Manager	Ju-Ping, Chang	-	-	-	-
Deputy Assistant General Manager (Note 11)	Chun-Cheng, Liang	-	-	-	-
Deputy Assistant General Manager (Note 12)	Nai-Cheng, Yu	-	-	-	-
Deputy Assistant General Manager (Note 13)	Hsiao-Ching, Ho	(2,000)	-	-	-
Acting Deputy Assistant General Manager	Ming-Chung, Lin	-	-	-	-
Acting Deputy Assistant General Manager	Chin-Chih, Hsu	-	-	-	-
Acting Deputy Assistant General Manager	Hsu-Yuan, Yeh	-	-	-	-
Acting Deputy Assistant General Manager	Chia-Hsing, Li	-	-	-	-
Acting Deputy Assistant	Chun-Jen, Huang	-	-	-	-

Title	Name	2020		As of April 18 of the Current Fiscal Year (2021)	
		Increase (Decrease) of Shareholding	Increase (Decrease) of Pledged Shares	Increase (Decrease) of Shareholding	Increase (Decrease) of Pledged Shares
General Manager (Note 14)					
Acting Deputy Assistant General Manager (Note 15)	Wei-Wen, Chen	-	-	-	-
Acting Deputy Assistant General Manager (Note 16)	Ming-Hsiu, Li	-	-	-	-

Note 1: Elected by the Board of Directors as the Chairman on April 24, 2020, and re-elected on June 15, 2020.

Note 2: Resigned as representative on April 24, 2020.

Note 3: Newly elected and assumed office on June 15, 2020.

Note 4: Left office after the election on June 15, 2020.

Note 5: Left office after the election on June 15, 2020; the Audit Committee was established to replace Supervisors pursuant to relevant laws.

Note 6: Dismissed on April 8, 2021.

Note 7: Dismissed on April 21, 2020.

Note 8: Promoted on March 25, 2021.

Note 9: Promoted on January 1, 2021.

Note 10: Promoted on July 1, 2020.

Note 11: Promoted from an acting position to Deputy Assistant General Manager on January 1, 2021.

Note 12: Dismissed on May 1, 2020.

Note 13: Dismissed on April 9, 2021.

Note 14: Assumed office on June 1, 2020.

Note 15: Promoted on January 1, 2021.

Note 16: Promoted on January 18, 2021.

(II) Information on Transfer of Equity: None.

(III) Information on Pledge of Equity: None.

VIII. Information on the top 10 shareholders of the Company's identified as related parties, spouse or relative within second-degree of kinship:

Information on relationship among the Company's top 10 shareholders

April 18, 2021 (Unit: shares)

Name	Shares Held by Director		Shares Held by Spouse and Minor Children		Total Shareholding through Nominees		Title or Name and Relationships of the Top 10 Shareholders Where They are Related Parties, Spouses, or Relatives within the Second Degree of Kinship		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship	
Kindom Development Co., Ltd. Representative: Mike, Ma	36,247,768	34.18%	-	-	-	-	Yute Investment Co., Ltd.	This company's chairman is a relative within the first degree of kinship of the chairman of Yute Investment Co., Ltd.	
							Mike, Ma	The chairman of this company	
							Mei-Chu, Liu	A relative within the first degree of kinship of the chairman of this company	
Yute Investment Co., Ltd. Representative: Mei-Chu, Liu	8,785,536	8.29%	-	-	-	-	Kindom Development Co., Ltd.	This company's chairman is a relative within the first degree of kinship of the chairman of Kindom Development Co., Ltd.	
							Mike, Ma	A relative within the first degree of kinship of the chairman of this company	
							Mei-Chu, Liu	The chairman of this company	
							Ming-Nai, Ma	A relative within the first degree of kinship of the chairman of this company	
Mei-Chu, Liu	2,824,973	2.66%	-	-	-	-	Kindom Development Co., Ltd.	Has a relative within the first degree of kinship of the chairman of Kindom Development Co., Ltd.	
							Yute Investment Co., Ltd.	The chairman of this company	
							Ming-Nai, Ma	First degree of kinship	
							Shao-Ling, Ma	First degree of kinship	
Ming-Nai, Ma	1,949,153	1.84%	-	-	-	-	Kindom Development Co., Ltd.	Has a relative within the second degree of kinship of the chairman of Kindom Development Co., Ltd.	
							Yute Investment Co., Ltd.	Has a relative within the first degree of kinship of the chairman of Yude Investment Co., Ltd.	
							Mike, Ma	Second degree of kinship	
							Mei-Chu, Liu	First degree of kinship	

Name	Shares Held by Director		Shares Held by Spouse and Minor Children		Total Shareholding through Nominees		Title or Name and Relationships of the Top 10 Shareholders Where They are Related Parties, Spouses, or Relatives within the Second Degree of Kinship		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship	
							Shao-Ling, Ma	Second degree of kinship	
Mike, Ma	1,830,951	1.73%	-	-	-	-	Kindom Development Co., Ltd.	The chairman of this company	
							Yute Investment Co., Ltd.	Has a relative within the first degree of kinship of the chairman of Kindom Development Co., Ltd.	
							Mei-Chu, Liu	First degree of kinship	
							Shao-Ling, Ma	Second degree of kinship	
							Ming-Nai, Ma	Second degree of kinship	
Mei-Chin, Wu	1,767,232	1.67%	-	-	-	-	-	-	
Po-Wen Chang	1,759,000	1.66%	-	-	-	-	-	-	

Information on relationship among the Company's top 10 shareholders (continued)

April 18, 2021 (Unit: shares)

Name	Shares Held by Director		Shares Held by Spouse and Minor Children		Total Shareholding through Nominees		Title or Name and Relationships of the Top 10 Shareholders Where They are Related Parties, Spouses, or Relatives within the Second Degree of Kinship		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship	
Shao-Ling, Ma	1,315,069	1.24%	286,652	0.27%	-	-	Kindom Development Co., Ltd.	Has a relative within the second degree of kinship of the chairman of Kindom Development Co., Ltd.	
							Yute Investment Co., Ltd.	Has a relative within the first degree of kinship of the chairman of Yude Investment Co., Ltd.	
							Mike, Ma	Second degree of kinship	
							Mei-Chu, Liu	First degree of kinship	
							Ming-Nai, Ma	Second degree of kinship	
Su-Yueh, Chuang	1,142,000	1.08%	-	-	-	-	-	-	
Yung-Hsin, Chang	1,135,000	1.07%	-	-	-	-	-	-	

Note: The above information is based on the shareholders register as of April 18, 2021.

IX. The Number of Shares Held by the Company, by the Directors, Supervisors and Managerial Officers of the Company, and by any Entities either Directly or Indirectly Controlled by the Company in the Same Investee Enterprise, and the Calculation of the Consolidated Shareholding Ratio of the above Categories:

Total equity stake held

Unit: Share; %

Investee business (Note)	Ownership by the Company		Investment by Directors, Supervisors, Managerial Officers, and Entities either Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Guanqing Electromechanical Co., Ltd.	7,747,000	99.96%	-	-	7,747,000	99.96%
Jiequn Investment Co., Ltd.	16,396,352	99.98%	-	-	16,396,352	99.98%

Note: Investments accounted for using equity method by the Company

Chapter 4. Capital Overview

I. Capital and Shares:

(I) Source of Capital Stock:

April 18, 2021; Unit: NT\$; Shares

Month/Year	Issue Price	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Offset against Share Payments by Property Other than Cash	Others
1982.04	-	300,000	3,000,000	300,000	3,000,000	Incorporation	-	-
1987.10	-	750,000	7,500,000	750,000	7,500,000	Capital increase by cash: 4,500,000	-	-
1990.02	-	2,250,000	22,500,000	2,250,000	22,500,000	Capital increase by cash: 15,000,000	-	-
1994.08	10	2,250,000	22,500,000	2,250,000	22,500,000	-	-	Note 1
1994.12	10	19,000,000	190,000,000	19,000,000	190,000,000	Capital increase by cash: 167,500,000	-	-
1996.09	10	90,000,000	900,000,000	36,850,000	368,500,000	Capital increase from transfer of surplus: 28,500,000 Capital increase by cash: 150,000,000	-	Note 2
1997.06	10	90,000,000	900,000,000	46,117,500	461,175,000	Capital increase from transfer of surplus: 55,275,000 Capital increase by cash: 37,400,000	-	Note 3
1998.08	10	90,000,000	900,000,000	53,035,125	530,351,250	Capital increase from transfer of surplus: 69,176,250	-	Note 4
1999.06	10	90,000,000	900,000,000	60,990,393	609,903,930	Capital increase from transfer of surplus: 79,552,680	-	Note 5
2000.06	10	90,000,000	900,000,000	67,699,336	676,993,360	Capital increase from transfer of surplus: 67,089,430	-	-
2001.05	10	90,000,000	900,000,000	67,106,336	671,063,360	Capital reduction: 5,930,000	-	-
2001.10	10	90,000,000	900,000,000	66,106,336	661,063,360	Capital reduction: 10,000,000	-	-
2009.11 ~ 2010.07	10	90,000,000	900,000,000	67,847,858	678,478,580	Conversion of corporate bonds: 17,415,220	-	Note 6
2010.10	10	120,000,000	1,200,000,000	95,047,858	950,478,580	Capital increase by cash: 272,000,000	-	Note 7
2010.10~ 2011.07	10	120,000,000	1,200,000,000	107,949,660	1,079,496,600	Conversion of corporate bonds: 129,018,020	-	Note 6
2012.11	10	120,000,000	1,200,000,000	106,035,660	1,060,356,600	Cancellation of treasury shares: 19,140,000	-	Note 8

Note 1: Changed from limited company into a limited liability company.

Note 2: Public offering approved by the Ministry of Finance Securities & Futures Commission Letter No. (1996) Taiwan-Finance-Securities-(1)-41457 issued on July 4, 1996.

Note 3: Public offering approved by the Ministry of Finance Securities & Futures Commission Letter No. (1997) Taiwan-Finance-Securities-(1)-37370 issued on May 10, 1997.

Note 4: Public offering approved by the Ministry of Finance Securities & Futures Commission Letter No. (1998) Taiwan-Finance-Securities-(1)-45573 issued on May 22, 1998.

Note 5: Public offering approved by the Ministry of Finance Securities & Futures Commission Letter No. (1999) Taiwan-Finance-Securities-(1)-38317 issued on April 30, 1999.

Note 6: Approved by the Financial Supervisory Commission Order No. Financial-Supervisory-Securities-Corporate-0980031018.

Note 7: Public offering approved by the Financial Supervisory Commission Order No. Financial-Supervisory-Securities-Corporate-0990041384.

Note 8: Approved by the Financial Supervisory Commission Order No. Financial-Supervisory-Securities-Corporate-0980060602.

April 18, 2021; Unit: Shares

Share Type	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Ordinary Share	106,035,660	13,964,340	120,000,000	Listed shares

(II) Shareholder Structure:

April 18, 2021

Shareholder Structure Quantity	Government agencies	Financial Institutions	Other Legal Persons	Individuals	Foreign Institutions and Persons	Total
Number of Individuals	-	2	189	23,296	73	23,560
Shareholding (shares)	-	1,168,000	47,273,347	53,972,129	3,622,184	106,035,660
Shareholding Ratio	-	1.10%	44.58%	50.90%	3.42%	100.00%

(III) Diffusion of Equity Ownership:

April 18, 2021

Shareholding Range	Number of Shareholders	Shareholding (shares)	Shareholding Ratio
1-999	17,642	188,033	0.18%
1,000-5,000	4,644	8,978,651	8.47%
5,001-10,000	629	5,086,538	4.80%
10,001-15,000	170	2,222,340	2.10%
15,001-20,000	126	2,372,485	2.24%
20,001-30,000	113	2,862,846	2.70%
30,001-40,000	43	1,507,319	1.42%
40,001-50,000	43	1,992,172	1.88%
50,001-100,000	74	5,444,586	5.13%
100,001-200,000	36	4,921,838	4.64%
200,001-400,000	19	5,155,494	4.86%
400,001-600,000	7	3,081,365	2.91%
600,001-800,000	1	760,000	0.72%
800,001-1,000,000	3	2,705,311	2.55%
More than 1,000,001 shares	10	58,756,682	55.40%
Total	23,560	106,035,660	100.00%

Note: No preferred stocks are issued by the Company.

(IV) List of Major Shareholders:

April 18, 2021

Name of Major Shareholders	Shareholding	Shareholding (shares)	Shareholding Ratio
Kindom Development Co., Ltd.		36,247,768	34.18%
Yute Investment Co., Ltd.		8,785,536	8.29%
Mei-Chu, Liu		2,824,973	2.66%
Ming-Nai, Ma		1,949,153	1.84%
Mike, Ma		1,830,951	1.73%
Mei-Chin, Wu		1,767,232	1.67%
Po-Wen Chang		1,759,000	1.66%
Shao-Ling, Ma		1,315,069	1.24%
Su-Yueh, Chuang		1,142,000	1.08%
Yung-Hsin, Chang		1,135,000	1.07%

(V) Market Prices, Net Worth Per Share, Earnings Per Share, Dividends Per Share and Related Information in the Most Recent 2 Fiscal Years:

Unit: NTS

Item	Year		As of March 31 of Current Fiscal Year (2021) (Note 5)		
	2019	2020			
Market Price Per Share (Note 1)	Highest	39.50	53.80	54.00	
	Lowest	27.30	30.50	45.95	
	Average	34.58	42.96	49.46	
Net Worth Per Share	Before Distribution	25.85	28.95	30.65	
	After Distribution	22.85	(Note 6)	-	
Earnings Per Share	Weighted Average Shares	106,035,660	106,035,660	106,035,660	
	Earnings Per Share	3.79	5.91	1.10	
Dividends Per Share	Cash dividends		3.00	3.60 (Note 6)	-
	Stock Dividends	Stock Dividends from Retained Earnings	-	-	-
		Stock Dividends from Capital Reserve	-	-	-
	Accumulated Undistributed Dividends		-	-	-
Investment Return Analysis	Price-to-Dividends Ratio (Note 2)	9.02	7.20	-	
	Price-to-Earnings Ratio (Note 3)	11.39	11.83 (Note 6)	-	
	Yield on Cash Dividends (Note 4)	8.78%	8.45% (Note 6)	-	

Note 1: List the highest and lowest market price of common shares for each fiscal year and calculate the average market price for each fiscal year based on trading value and volume in each fiscal year.

Note 2: Price/earnings ratio = Average closing price per share for the current fiscal year/earnings per share.

Note 3: Price/dividend ratio = Average closing price per share for the current fiscal year/cash dividend per share.

Note 4: Cash dividend yield = Cash dividend per share/average closing price per share for the current fiscal year.

Note 5: For net worth per share and earnings per share, data from the most recent quarter that has been reviewed by CPAs as of the publication date of this annual report should be filled. For other fields in this column, data from the current fiscal year as of the publication date of this annual report should be filled.

Note 6: Subject to the resolution of the shareholders meeting.

(VI) Company's Dividend Policy and Implementation thereof:

1. Dividend policy adopted in the Company's Articles of Incorporation:

The Company will develop toward undertaking large-scale projects and strive for growth and innovation, continue to expand the appropriate amount of capital to meet the needs of the business and the shareholders' demand for cash. The articles of Incorporation of the Company stipulate that the future cash dividend ratio shall be 20% or more of the total cash and stock dividends paid in the current year. In recent years, the dividend distribution ratio has exceeded 70% of the distributable earnings of the current year. In the future, the most appropriate distribution ratio will be determined depending on the operating conditions of the current year and the capital budget planning of the following year.

2. The dividend distributions proposed at the current shareholders meeting:

The Company has drawn up the distribution of cash dividends for 2020 of NT\$3.60 per share at the board meeting on March 26, 2021, which will be handled in accordance with the relevant provisions after the resolution of the annual shareholders meeting on June 16, 2021.

3. Any expected material changes in the dividend policy: None.

(VII) Effects upon the Company's business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent Shareholders Meeting: None.

(VIII) Remuneration to Employees, Directors, and Supervisors:

1. The percentages or ranges with respect to the remuneration of the employee, Directors, and Supervisors, as set forth in the Company's Articles of Incorporation:

In accordance with article 22 of the Articles of Incorporation of the Company, if the Company has gained profits within the year, certain profits shall be reserved as: (1) employee compensation: 0.5% to 1.0% of profits; (2) remuneration to Directors and Supervisors: no more than 2%. However, in case of the accumulated losses, certain profits shall first be reserved to cover them.

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

In 2020, in accordance with the Company's Articles of Incorporation, 1% of the profits was set aside for employee remuneration and 2% of the profits was set aside for remuneration of Directors and Supervisors, which are estimated to recognize as expenses in 2020. If the actual distributed amount resolved by the shareholders meeting is different from the estimated amount, it shall be regarded as the change of accounting estimate and shall be classified as the profit and loss for the year the distribution is made.

3. Information on the proposed employees' compensation approved by the Board of Directors:

	Resolutions of the board meeting on March 26, 2021
Employee Compensation (Cash)	33,222,673
Remuneration to Directors and Supervisors (Cash)	16,611,337
Total	49,834,010

4. The actual distribution remuneration of employees, Directors, and Supervisors for the previous fiscal year (including the distributed number, amount, and shares price), and

where is any discrepancy between the actual distribution and the recognized remunerations for employees, Directors, and Supervisors, the discrepancy, cause, and how it is treated shall be stated:

Unit: NT\$

	On June 15, 2020 Reported on the shareholders meeting	Actual Amount Distributed
Employee Compensation (Cash)	5,104,567	5,104,567
Remuneration to Directors and Supervisors (Cash)	10,209,135	10,209,135
Total	15,313,702	15,313,702

(IX) Status of the Company Repurchasing its Own Shares: None.

II. Issuance of Corporate Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Issuance of Global Depository Receipts: None

V. The State of Handling Employee Share Subscription Warrants and New Restricted Employee Shares: None

VI. Status of Issuance of New Share in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

VII. The State of Implementation of the Company's Capital Allocation Plans:

(I) Content of the plan:

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

(II) Status of Implementation:

With respect to funds usage under the plans referred to in the preceding subparagraph, the annual report shall (for the period as of the quarter preceding the date of publication of the annual report) analyze the status of implementation and compare actual benefits with expected benefits: None.

Chapter 5. Operational Highlights

The core business of the merged company is the integrated construction industry, and the operations of the merged company are summarized as follows:

I. Description of Business:

(I) Scope of Business:

1. Major Lines of Business:

(1) Residential engineering: congregate residential buildings and urban renewal projects.

(2) Civil engineering: government transportation construction, roads, bridges, stations, etc.

(3) Other engineering: government public works, government index construction projects, high-tech and civilian factories, corporate headquarters office buildings, foundation pile site works, etc.

2. Relative Weight of Each Business:

The relative weight of operating revenue of the merged company in 2020 is as follows:

Engineering	Relative Weight of Business
Residential Engineering	37.54%
Civil Engineering	9.35%
Other Engineering	53.11%

3. Current Products (Services), and New Products (Services) Planned for Development:

The purpose of the project contracted by the merged company is as follows. In the future, except for the projects of residential buildings, factory buildings and commercial office buildings, the Company will actively participate in the bidding of public construction to select the most favorable bidding, turnkey projects and other projects with high technology and high added value according to the nature of the projects.

(1) Residential engineering: civil construction and development to meet the needs of housing.

(2) Civil engineering: government transport construction to provide convenient transportation for people.

(3) Other engineering: government public works, factory buildings, office buildings, and other constructional engineering.

(II) Industrial Overview:

1. The Current Status and Development of the Industry:

The COVID-19 pandemic continued to spread all over the world. Countries in the world were forced to take such measures as “lockdown” and “quarantine”. Economic activities have almost come to a standstill, interpersonal communication has been reduced to a minimum, and people’s lives have been severely affected. In response to the COVID-19 pandemic, countries have introduced unprecedented large-scale fiscal, monetary, and regulatory measures. By the second half of 2020, the global economic recession was

expected to ease compared to the first half of the year. However, it is still full of risks for global economic activities to return to pre-pandemic levels.

Although global economic growth is expected to rebound in 2021, there are still great uncertainties in the forecast, depending on the subsequent pandemic control of the situation in each country. The “Organization for Economic Cooperation and Development” (OECD) report pointed out that as long as the vaccine can effectively control the spread of COVID-19, the global economy will continue to grow moderately, but the service industry, which is more affected, will still make the job market sluggish. The international trade tensions may slow down the pace of recovery. The “International Monetary Fund” (IMF WEO) explained that due to the huge fiscal expenditures of each country, although the economic deterioration has been reduced and the short-term economy has rebounded strongly, the medium-term debt burden has inhibited economic growth and the impact of trade stagnation will also continue.

Due to the continuous growth of long-distance business opportunities in Taiwan due to the COVID-19 pandemic, and the continuous expansion of emerging technology applications such as 5G communications, automotive electronics, and high-performance computing, domestic semiconductor manufacturers continue to invest in advanced manufacturing processes, and domestic and foreign technology industry manufacturers continue to increase their investment in the supply chain in Taiwan. In addition, the return of Taiwanese businessmen and the continued investment of foreign businessmen in Taiwan have helped boost domestic investment momentum. Regarding the construction industry, although domestic and foreign investment in Taiwan has increased, private investment has heated up, which has promoted commercial and factory offices, we must also be cautious about issues such as redistribution of public project budgets, tight schedules of labor and materials, and extreme weather due to the rise in international crude oil and steel prices, and the insufficient supply of concrete materials has not yet been resolved. Therefore, manufacturers still view future prosperity in a fair manner.

In the future, the government’s “Expansion, Increase, and Acceleration” of public construction investment and the balanced regional infrastructure will promote industrial innovation and development, revitalize the economy and create employment, and help domestic investment growth. Also, the active promotion of the most favorable bids for public works bids and the most favorable bids for turnkey projects and introduction of innovative materials, technologies and construction methods will boost industrial R&D and technological upgrading.

A. Residential Engineering

Both the stock market and the real estate market have achieved good results in 2020.

Due to factors such as proper control of the COVID-19 pandemic, the return of

Taiwanese businessmen, the expansion of technology industries, ample market capital, active life insurance, and more rewards, real estate transaction market has warmed up and the housing market has achieved dazzling results. In 2020, the construction value of various construction projects for the whole year was NT\$799.31 billion, an increase of 8.0% compared with that in 2019. In terms of annual direct construction project revenue, residential projects (31.1%) were the highest. The total number of construction projects in the seven metropolitan areas in 2020 was more than 1.6 trillion, an increase of nearly 10% over the previous year. Even if the Central Bank launched the crackdown on real estate speculation in December, the confidence in housing purchases was temporarily impacted. However, under the support of self-occupation and rigid demand, housing market transactions are still stable. This year's housing market is expected to return to self-use demand, it remains to be seen whether the crackdown on real estate speculation will defer the impact on buying.

B. Public Construction

The total budget for 2021 includes NT\$132.4 billion for public construction design, plus NT\$104.1 billion for the special budget for forward-looking infrastructure design, and NT\$297.5 billion for operating and non-operating special funds, a total of NT\$534 billion, an increase of NT\$96.2 billion from the previous year, and a growth rate of about 22%. In the overall budget arrangement, the current governance priorities have been prioritized. The domestic public construction investment will continue to be supported, and the regional infrastructure needs will be balanced to accumulate the national economic strength. The various constructions mainly include mass rapid transit system, highway, national highway and bridge construction and improvement projects, three-dimensional railway construction, rapid transit construction, public sewage treatment plant reclaimed water promotion and industrial innovation projects, etc. The appropriate and effective public investment guides industrial upgrading, which will be beneficial to promote private investment and industrial development.

C. Commercial Offices and Factories

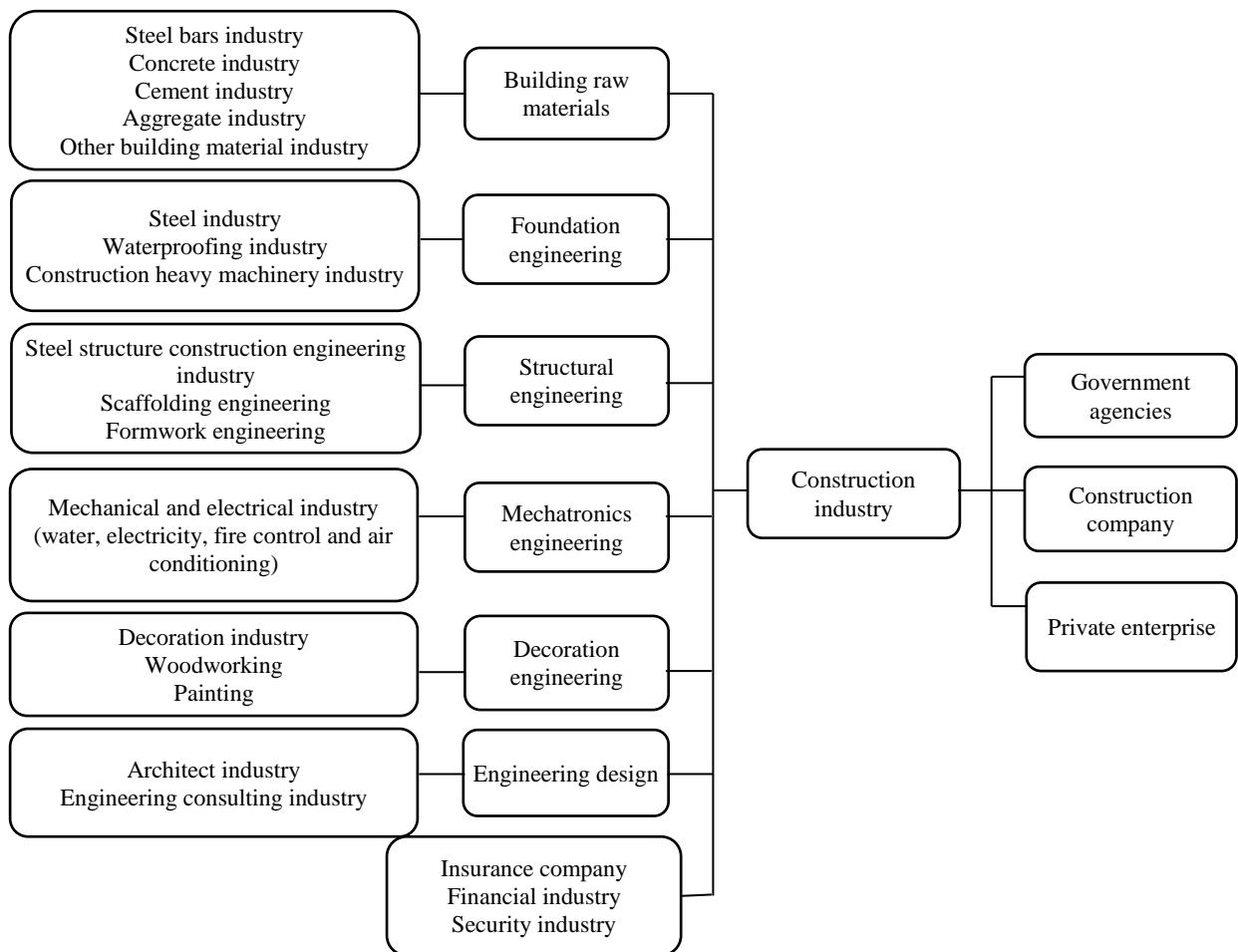
Affected by the COVID-19 pandemic in 2020, the mainstream investment targets (such as offices, retail, and business hotels, etc.) in the past are now facing the dual challenges of the COVID-19 pandemic and the adjustment of market structure. Remote work, business activities blockage, the global economy faces a sharp decline, together with the simultaneous decline of commercial real estate and land markets. However, Taiwan's pandemic situation is well under controlled, business operations are stable in the face of adversity. Taiwanese businessmen continue to return from abroad, and the government actively assists industry players in removing investment barriers, provides policy incentives and optimizes the

domestic investment environment. The domestic investment of manufacturers continues to increase, and the overall private investment is relatively less disrupted by the COVID-19 pandemic. This has resulted in tight demands for industrial real estate (including factory offices, plants, and warehouse logistics). According to statistics, the commercial real estate transaction volume reached NT\$83.7 billion this year (2020), a significant increase of 47% compared with the previous year. If the industrial land of NT\$39.6 billion is included, the total of the two is as high as NT\$123.3 billion, breaking through the one hundred billion mark in two years and setting a new high since statistics.

Looking forward to 2021, continued investment in high-end manufacturing processes, continued implementation of Taiwanese investment plans, deployment of 5G networks by telecommunications companies, and green energy investments such as offshore wind power are accelerating. It is expected that private investment will continue to grow steadily this year and next year.

2. The Links between the Upstream, Midstream, and Downstream Segments of the Industry Supply Chain:

Construction is one of the links of the construction industry. The links between the upstream, midstream, and downstream segments of the industry supply chain are shown below.



(1) Links with the upstream industries: The fluctuation of the price of building materials, the increase of the cost of professional contractors, the increase of the labor cost resulting from the labor shortage, the increase of the machine and tools cost due to the price fluctuation are all related to the construction cost of the construction industry. And the development and prosperity of the upstream industries are deeply affected by the boom of the construction industry. Therefore, the construction industry is closely related to the upstream industries.

(2) Links with the downstream industries: According to business source, the downstream includes the government units, public and private institutions, private construction companies and other owners, who obtain business mainly through public bidding or price comparison and bargaining, in which the main business sources are public works subject to public bidding by government agencies and construction commissioned by private construction companies. Therefore, the industry boom mainly depends on the government's promotion of public works policies and the impact of the prosperity of the construction industry.

3. Development Trends and Competition for the Company's Products:

As the construction industry continues to move towards large-scale, sophisticated design and high technical standards, large construction plants will be more competitive in terms of their bidding qualifications and conditions. According to the statistics of the Construction and Planning Agency Ministry of the Interior, the total capital of the construction industry in Taiwan was about NT\$876.5 billion in 2020, an increase of about NT\$24.2 billion over 2019. The annual average capital of each manufacturer for 2020 is NT\$46.06 million.

the Company's capital has reached NT\$1.06 billion. Since its establishment, the Company has accumulated various engineering achievements in the industry, including residential commercial offices, civil bridges, public buildings, medical buildings and science and technology factories, etc., which have been highly recognized by the owners in terms of quality and schedule control. With sound financial health, and profitability above the average level of the industry, the Company retains a strong competitive advantage.

(III) Overview of Technology and Research and Development:

1. Overview

The merged company is a comprehensive construction industry, and the research and development content is mainly aimed at research and improvement of the construction technology, the working process of information hardware and software, and the working method of innovative technology, to achieve "improve quality, enhance efficiency, reduce costs, promote image" and other targets.

The Technical Research and Development Division and Information Division as the leader, cooperate with the construction department and related staff units to

independently research and develop or cooperate with the manufacturers to introduce technology.

In recent years, in addition to the research and improvement of construction technology, ERP system has been built for the management and integration of the Company's core business processes and resources. The construction management system was introduced to improve the efficiency of project site works management. The above information engineering to enhance the competitiveness of the Company has been introduced to various departments and sites and started to be cloud-based.

The Company has been committed to the development of BIM (International Building Information Modeling) and the promotion of CIM (Civil Information Modeling). In the process of BIM development, in order to provide information to the BIM model or extract information from the BIM model for application, all kinds of software and hardware will be attached to BIM and provide various possibilities and solutions, such as AR, VR, Drone, image processing, IoT... Etc. BIM provides a platform where participants can create many possibilities. In the following years, the Company will continue to use the BIM platform to integrate these innovative ideas and derivative software and hardware to create better benefits.

2. Research and Development Plans as well as Technologies and/or Products Successfully Developed during the Most Recent Fiscal Year:

Item No.	Research Project in 2019	Research Project in 2020	Implementation Results and Description
1	ERP system innovation plan-1	ERP system innovation plan-1	1. Upgrade of the administrative expenses request system 2. Upgrade of the administration management system 3. Upgrade of the finance system
2	ERP system innovation plan-2	ERP system innovation plan-2	1. Team cloud collaborative system - communication platform (MS TEAMS) 2. Team cloud collaborative system - operating platform (MS OFFICE 365)
3	Mobilization of construction management system APP	Mobilization of construction management system APP	1. Quality self-inspection 2. Quality control audit system 3. Occupational safety and health system
4		Face recognition access control system	Introduce face recognition system to the construction site access control
5		AI-assisted occupational safety management system	AI-assisted occupational safety high-risk engineering projects
6	Research on the quantitative output of BIM auxiliary engineering - tekla software system	Application of the quantitative output of BIM auxiliary engineering - tekla software system	Use structural software Tekla to quickly check the settlement amount of steel structure proposed by the manufacturer.
7	Research and development of the quantitative output of BIM auxiliary engineering - revit software system	Research and development of the quantitative output of BIM auxiliary engineering - revit software system	Self-developed BIM structure quantity calculation APP, which can capture the amount of formwork concrete in the model.

Item No.	Research Project in 2019	Research Project in 2020	Implementation Results and Description
8	Research on the introduction of UAV aerial photography image converted into numerical terrain data into BIM drawing information	Research on the introduction of UAV aerial photography image converted into numerical terrain data into BIM drawing information	The 3D image of UAV Drone is transformed into the CIM software by the image post-processing software, which can generate 3D topographic map quickly, to carry out construction planning and calculate the quantity of earthwork.
8	Graphing output of construction drawing of BIM general modeling software Revit	Graphing output of construction drawing of BIM general modeling software Revit	Continued to develop and promote the key function of graphing of BIM construction drawings - automatic labeling.
9	Research on the introduction of UAV aerial photography image converted into numerical terrain data into BIM drawing information	Research on the introduction of UAV aerial photography image converted into numerical terrain data into BIM drawing information	The 3D image of UAV Drone is transformed into the CIM software by the image post-processing software, which can generate 3D topographic map quickly, to carry out construction planning and calculate the quantity of earthwork.
10	Research and introduction of FIM maintenance platform	Research and introduction of FIM maintenance platform	<ol style="list-style-type: none"> 1. Export parameters conforming to international maintenance standards (COBie), which can be used by back-end maintenance management platform. 2. Continuously import the execution of project site.
11	Introduction of BIM collaborative operation platform	Introduction of BIM collaborative operation platform	<ol style="list-style-type: none"> 1. BIM 360 collaborative platform for 2D/3D image management of projects. 2. Continuously import the execution of project site.
12	BIM projects comply with the certification of international standard BSI-BIM	BIM projects comply with the certification of international standard BSI-BIM	Enter the application phase of the project in 2020
13	Introduction of CIM (Civil Information Modeling)	Introduction of CIM (Civil Information Modeling)	Actual implementation of CIM project
14	Research on the pre-assembling technique of structural construction mould moment	Research on the pre-assembling technique of structural construction mould moment	<ol style="list-style-type: none"> 1. Column steel cage pre-assembly and on-time stirrup technology. 2. Construction method of the pre-assembling for structural column moment of lightweight system formwork. 3. Application of steel mesh wall.
15	Arch control for long span BCM construction	Arch control for long span BCM construction	By structural analysis of the arch and the arch difference value of construction monitoring, evaluating the arch closure difference by linear regression method, the actual implementation of the finished line is good.
16	Double span asymmetric support advanced work vehicle planning	Double span asymmetric support advanced work vehicle planning	Space demand for the translation operation vehicle is designed on the sea level to reduce the space conflict of the mountain side, and change to a double-span work vehicle at the same time, to achieve the purpose of shortening the construction period.
17	Research on construction technology of biased shallow-covered tunnel excavation	Research on construction technology of biased shallow-covered tunnel excavation	Ensure the feasibility and safety of tunnel construction support design, and the tunnel deformation meets the tolerance design permitted by design units.

(IV) Long-term and Short-term Business Development Plans:

1. Short-term Plans:

- (1) Cooperate with domestic excellent construction owners to build high-quality exquisite houses and establish the corporate image of excellent construction manufacturers.
- (2) Actively participate in the government's most favorable bidding projects and turnkey projects, get rid of the low-price bidding mode, to obtain the best profit.
- (3) Strive for targeted public works, construction engineering to maintain competitive advantage, road and bridge engineering to continue business growth, rail engineering to expand the business field, hidden shield and tunnel engineering to create emerging performance.
- (4) Combine with the Japanese construction team to enhance the construction strength.
- (5) Participate in the competition of special targeted projects.
- (6) Actively strive for urban renewal projects.
- (7) Actively participate in green energy construction projects.

2. Long-term Plans:

- (1) Integrate architectural design, mechanical and electrical planning, raw material production and supply, engineering consulting and other relevant industries to form a strong bidding team.
- (2) Cooperate with foreign well-known manufacturers on technology to enhance technical capabilities and move toward internationalization.
- (3) Long-term investment in research and development.
- (4) Cultivate design talents, combine with domestic famous design team to provide overall customer service.
- (5) Actively strive for large and most favorable bidding projects, turnkey projects and other policy plans to improve the technical capacity of construction engineering.
- (6) Participate in land development and create company performance growth.
- (7) To become one of the top ten construction factories in Taiwan.
- (8) Tap into the overseas market.
- (9) Establish brand image.

II. Overview of Market and Production and Marketing:

(I) Market Analysis:

1. Geographic Areas where the main Products and Services are Provided and Supplied:

- (1) The main business of the merged company is contracting for residential construction projects, civil bridge projects and hospital plant projects in Taiwan.

(2) Future planned services:

Item	Short-term Objective	Long-term Objective
Business Scope	<ul style="list-style-type: none"> 1. Domestic large-scale construction engineering business 2. Domestic civil engineering business 3. Domestic large-scale factory construction engineering business 4. Domestic turnkey engineering business 	<ul style="list-style-type: none"> 1. Large-scale construction engineering business at home and abroad 2. Civil engineering business at home and abroad 3. Factory construction engineering business at home and abroad 4. Turnkey engineering business at home and abroad 5. Participating in domestic land development

2. Market Share:

Unit: NT\$ hundred million

Year	Turnover of the Merged Company	Turnover of the Construction Industry	Market Share
2016	83	21,517	0.39%
2017	84	21,465	0.39%
2018	114	23,301	0.49%
2019	115	24,806	0.46%
2020	141	26,829	0.53%

Data source: monthly financial statistics report Department of Statistics of the Ministry of Finance.

3. Demand and Supply Conditions for the Market in the Future, and the Market's Growth Potential:

(1) Supply Conditions:

According to the statistics of the Construction and Planning Agency Ministry of the Interior, there are now 19,028 construction enterprises at all levels in Taiwan, of which 2,956 are class-A construction enterprises. According to the statistical results, the number of construction enterprises at all levels in Taiwan increased by 322 over 2019, and the number of class-A comprehensive construction enterprises increased by 111 over the same period.

(2) Demand Conditions:

The estimated government investment in public works in 2020 is NT\$534 billion, an increase of 22% over the previous year. In order to build and improve infrastructure, maintain the momentum of economic growth and expand domestic demand, the government will continue to implement the "forward-looking infrastructure plan" and other important policies. In addition, new construction projects such as factories in industrial parks, urban renewal facilities and long-term care service facilities will also continue to be promoted, which will enhance business opportunities in the construction projects.

4. Competitive Niche:

(1) The Company has won numerous awards from government units over the years and has a competitive advantage in the selection process of the most advantageous public works.

(2) Sound financial structure, sufficient working capital, and good corporate image are of great benefit to business contract.

(3) The Company has obtained ISO 9001 certification, improved the quality management system to a perfect level, and obtained the construction industry's first ISO 45001 certification in 2019.

(4) The Company publishes CSR report every year, carries out the first type, medium guarantee grade verification according to AA1000 standard, and become the first listed construction company in Taiwan that passed the certification by a third-party (BSI Taiwan) and meet sustainability reporting GRI Standards, and continuously win the TCSA sustainability award.

(5) The Company is the first enterprise in Taiwan to pass the certification of the international BIM standard (PAS 1192-2:2013) in 2018, and the first enterprise in

Taiwan to obtain the certification of ISO 19655:2018 of the international BIM standard in 2019.

- (6)The Company is the first construction plant in Taiwan to pass the highest level certificate of circular economy standard verified by British Standard Institution (BSI) in 2019.
 - (7)The Company has professional managers with rich experience and neat quality and equipped with a complete consulting team (land, structure, materials, productivity, legal consultants); and employees are of younger tendency and specialization, in which 23.51% have a master degree or above, and 74.95% have a junior college degree or above in 2020, with an average age of 39.27 years old and average seniority of 5.37 years. There are total of more than 291 people with licenses of architect, structure technician, civil engineer, site Director, quality control, safety and health, and so on. The Company is able to enhance its industrial competitiveness.
 - (8)With the continuous accumulation of project performance including sports centers, hospitals and other targeted turnkey projects, the Company is able to effectively integrate internal and external professional teams to create the maximum benefits of the project.
5. Positive and Negative Factors for Future Development, and the Company's Response to Such Factors:
- (1)Positive Factors:
 - a. Contract various kinds of domestic projects for many years, constantly won the owner's praise, have rich engineering experience and good corporate image.
 - b. With a complete construction supply chain system, the Company is able to timely grasp the price fluctuation of building materials and create profits.
 - c. Outstanding professional and technical personnel in engineering, finance, legal and management.
 - d. Construct information system network, improve work efficiency, promote e-construction, strengthen interface integration and reduce management cost.
 - e. Introduce the concept of circular economy into projects, change the traditional linear thinking, and become the first construction company in Taiwan to obtain BS 8001 certification, which is conducive to enhancing the competitiveness of the Company.
 - f. Standardized (ISO) operations and comprehensive digitization, institutionalized project management, cooperative vendor management, and bulk material procurement, significantly reduce construction mobilization costs, effectively control the impact of price fluctuations, and being the first construction plant in Taiwan to obtain the BIM international standard certification, which is of great help to competitiveness.
 - g. Has introduced and obtained the ISO 45001 Certification of Taiwan Occupational Safety and Health Management System Standard, to reduce occupational safety management risks, and establish a quality health and safety working environment.
 - h. Implement the construction management system (Q.C.D.S.E), and aim at high quality, low cost, fast construction and zero disaster.
 - i. Promote total quality management (TQM) activities, participate in all aspects, and make continuous improvement and innovation breakthroughs.

- j. The government implements the most advantageous bidding, turnkey projects and BOT projects which has driven the economic recovery, and continuously improves the performance benefit of projects, in which the large-scale construction plants with scale and actual achievements will have a higher competitive advantage.
- k. The government's efforts to promote innovative industrial models and technologies for green energy and carbon reduction will facilitate the implementation and application of public construction projects such as smart green buildings.

(2) Negative Factors:

- a. The situation of cut-price bidding still exists.
- b. The price of steel bar, ready-mixed concrete, aggregate and metal building materials are vulnerable to the international raw material market and transportation costs, profits are easy to be compressed.
- c. With the joining of international construction factories in the domestic market, the construction market is more competitive.
- d. Due to severe climate, the construction period is difficult to grasp, which increases the difficulty of contract performance and the risk of labor's life safety.
- e. The serious shortage of human resources arising from an aging population poses a cost risk.
- f. The lack of aggregate materials brings the risk of instability of concrete supply, cost and uncontrollability of construction period. In addition, the impact of COVID-19 makes the aggregate shortage more extensive and the price more difficult to control.
- g. The trade war between China and the United States and the fluctuation of the decision made by the leaders of the United States cause confusion in the market, which affects the business strategy and increases the uncertainty of the bidding risk.

(3) Response Strategies:

- a. Strengthen the long-term cooperative relationship with domestic excellent construction companies.
- b. Actively cultivate talents and improve the management ability of the most favorable bidding projects and turnkey projects, get rid of the low-price bidding mode, to obtain the best profit.
- c. Build up excellent cooperative team, strengthen supply chain relationship and management.
- d. Master the fluctuation trend of bulk materials and formulate countermeasures for risk control.
- e. Learn the advantages of international construction plants and strengthen the Company's international outlook.

(II) Usage and Manufacturing Processes for Main Products:

1. Usage for Main Products:

(1) Construction engineering:

In view of the development of domestic buildings towards refinement and traffic characteristics, the Company integrates various types of professional contractors and

technicians, properly plan and prepare various types of building materials, and construct various types of building structures and decoration works for residential and office buildings by the construction management methods on time, cost and quality. At present, the constructions contracted by the Company includes Kindom Tachi, Kindom Innovation Hall/City Hall, Kindom Taijing, Taichung G8 Station, Kindom Dunbei Project, Kindom Roosevelt, Kindom Tianqing, Kindom Bei'an Section Public Office Urban Renewal, Kindom Sanchong F, Kindom Rui'an Section Public Office Urban Renewal, Kindom Sanchong Erchong Pu, Kindom Wanda Line LG08, and other projects, all of which showing the responsibility of Kedge Construction to the society.

(2)Public Construction:

The Company cooperated with the government's major construction and private investment and development plans, properly planned the implementation of the overall project, prioritized the public interest, effectively integrated professional contractors and other skilled workers through construction management methods, prepared various construction materials, completed various major public projects with professional technology, drove the overall domestic economic development, and undertook civil engineering, such as C212 Tainan Station Underground Project, C611 Chiayi Railway Elevated Project, and C712A Standard Pu'an Jinlun Section and general electrical and mechanical engineering to build a safe and convenient track construction. In addition, the Company has also contracted the turnkey project of Baogao Smart Industrial Park in Xindian District, New Taipei City, the reconstruction turnkey project of South Gate Building and Market, the new construction project of Nanhu Elementary School Sports Center in Neihu District, Taipei City, the turnkey project of Taoyuan Convention and Exhibition Center and other public construction projects.

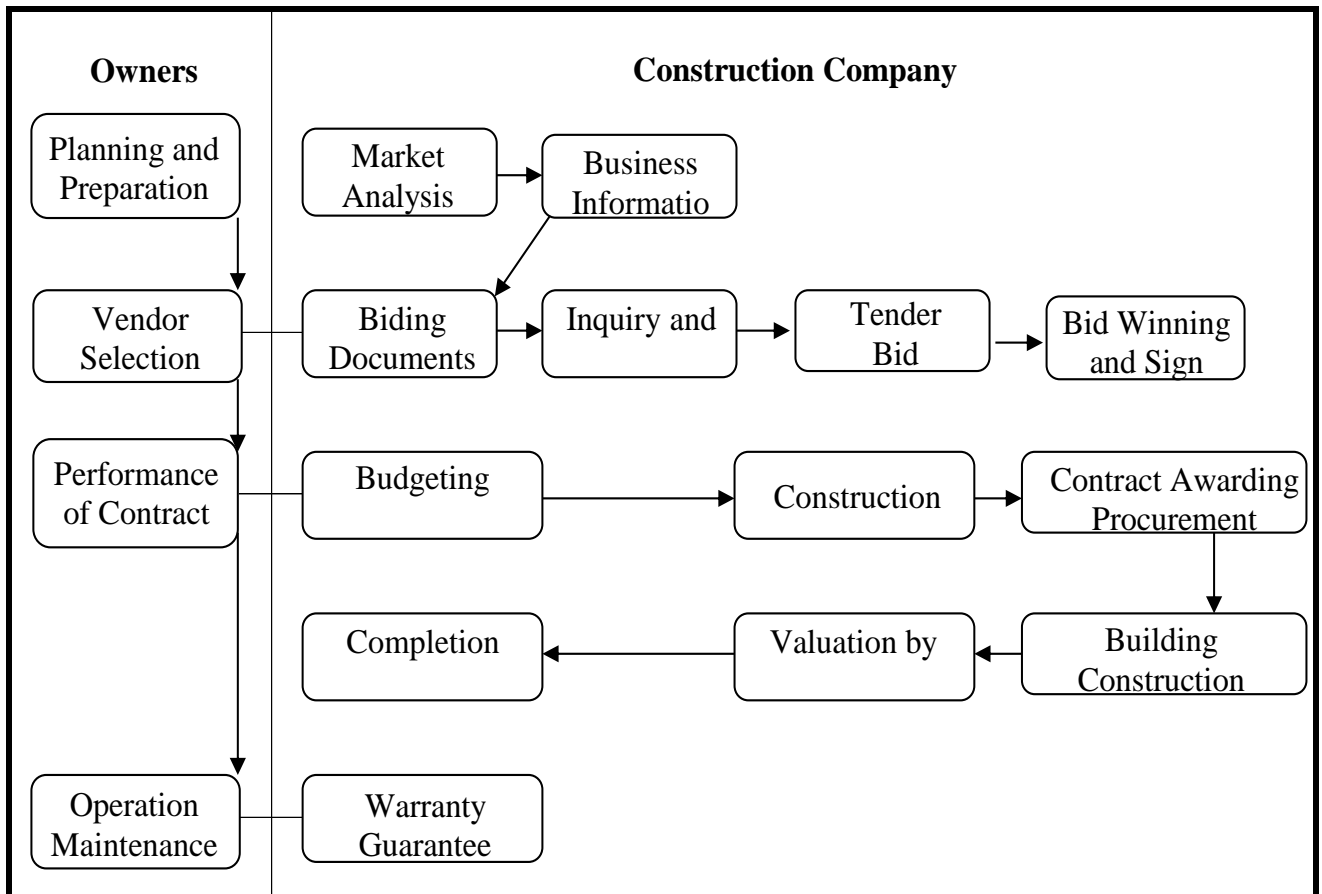
Other major constructions in progress include the new construction project of Hsinchu Biomedical Park Branch of National Taiwan University Hospital, the turnkey project of the new medical building of Taipei Veterans General Hospital, the construction project of the public works and the first building of the Southern Area of the Academia Sinica, which contribute to promoting the development of medical care and biotechnology, optimizing cancer treatment and shaping quality medical services, and enhancing the innovative energy of research and development in the agricultural and human environment in the southern region and Taiwan as a whole.

(3)Factory construction project:

In line with the development trend of science and technology, and the domestic demand of 5G and IOT for high-tech plant construction and the trend of Taiwanese businessmen returning to Taiwan, the Company integrates professional contractors and material suppliers to build professional plants within the most efficient

construction period. Suppliers and contractors can also boost the domestic economy by investing in various industries. The engineering projects contracted include the excavation project of F18 N3 hypothetical foundation pile earthwork of TSMC, new construction project of P3 CUB factory building of TSMC 18th Plant, the P6 new construction project of TSMC 18th Plant, and the first phase of the BOT project of Kaohsiung Fengshan Hospital, etc.

2.Manufacturing Processes for Main Products:



3. Supply Situation for the Company's Major Raw Materials:

The main raw materials required by the merged company include steel bar, cement, premixed concrete, tile, aluminum window, steel structure, etc., which are purchased by the merged company itself except those supplied by the owner as stipulated in the contract. According to the actual material requirements of each construction project, the Company signs contracts with each supplier to clarify the engineering requirements and responsibilities before the commencement of construction, so as to master the source of goods; When purchasing steel bars, steel plate, and other key materials, the Company will first compare the price with that of the domestic market, and purchase in large quantities at an appropriate time; otherwise, purchase in small quantities. When awarding contract, one of the measures adopted for the fluctuation of raw materials is

to get the price by quantity to ensure the excellent quality and reasonable price of raw materials. The purchase of other raw materials is all based on the international economic trends and fluctuations, and the bulk materials and manpower market forecast in the second half of the year is put forward every six months as the reference for new project bidding and cost control. The current situation is as follows:

Name of Raw Material	Main Suppliers	Supply Status
Steel Bars	Tung Ho, Feng Hsin, Hai Kwang, Chi Hi	Good
Concrete	Goldsun, Taiwan Cement, Ya Tung, UCC	Good
Steel Plate	Hksteel, CGSP	Good
Steel Structure	Evergreen, CSSC, Chun Yuan	Good
Mechanical and Electrical	Yi Feng, Ming Hong, Pai Chung, Wen Yen, Yu Chao, Lee Yang, Shan Fa, Xiong Ling, Hao Zhi, Yi Chang, Zhao Hong, Guan Qing, J S J	Good

In order to achieve excellent engineering quality, the Company carefully selects material suppliers and construction partner manufacturers, and attaches importance to their engineering experience and professional quality. Before the materials and tools enter the site, the Company always plans and fully communicates with the relevant cooperation partners in advance to cultivate a good cooperative relationship and take ethical management as the principle, regularly evaluates and manages suppliers according to ISO procedures, and guides and replaces suppliers according to the scoring results. the Company has effectively established a complete, high-quality, and stable supply chain to facilitate construction period and cost control through good supplier management and evaluation system.

In response to issues such as green energy, environmental protection, and circular economy, we actively seek, visit, and adopt relevant manufacturers, or introduce them to the Company's construction site in a cooperative manner to save manpower, increase labor rates, and reduce costs.

In order to prevent the impact of shortages of labor and materials due to the COVID-19 pandemic, a work shift database is established to understand work shift dynamics, so as to quickly support construction sites and cooperate with foreign workers to reduce the impact of manufacturers' lack of labor. For contracted materials or work shifts, the Company regularly contacts the supplier to confirm the stability of the supply. Suppliers must report immediately if they are affected by the COVID-19 pandemic, and determine the status of the imported materials affected by the COVID-19 pandemic as a countermeasure.

(IV) A List of Any Suppliers and Clients Accounting for 10 Percent or More of the Total Amount of Goods Purchased (Sold) in Either of the Most Recent Two Years and the Amount and Proportion of the Goods Purchased (Sold), and State the Reasons for the Increase or Decrease:

1. List of Major Suppliers:

Expressed in thousands of New Taiwan Dollars; %

Item	2019				2020				First Quarter of 2021			
	Name (Note)	Amount	As A Percentage of Annual Net Purchases (%)	Relationship with the Issuer	Name (Note)	Amount	As A Percentage of Annual Net Purchases (%)	Relationship with the Issuer	Name (Note)	Amount	As A Percentage of Annual Net Purchases (%)	Relationship with the Issuer
1	Others	10,744,281	100.00	None	Others	13,082,780	100.00	None	Others	4,943,933	100.00	None
	Net Purchases	10,744,281	100.00		Net Purchases	13,082,780	100.00		Net Purchases	4,943,933	100.00	

Note: There is no single supplier with more than 10% of the total purchase amount in each period.

2. List of Major Clients:

Expressed in thousands of New Taiwan Dollars; %

Item	2019				2020				First Quarter of 2021			
	Name (Note)	Amount	As A Percentage of Annual Net Sales (%)	Relationship with the Issuer	Name (Note)	Amount	As A Percentage of Annual Net Sales (%)	Relationship with the Issuer	Name	Amount	As A Percentage of Annual Net Sales (%)	Relationship with the Issuer
1	Kindom Development Co., Ltd.	5,629,172	49.11	An investment company evaluates the Company by the equity method	Kindom Development Co., Ltd.	5,304,012	37.54	An investment company evaluates the Company by the equity method	Kindom Development Co., Ltd.	631,569	23.89	An investment company evaluates the Company by the equity method
2	Eastern Engineering Office of Railway Bureau, MOTC	1,587,015	13.85	None	Taiwan Semiconductor Manufacturing Co., Ltd.	3,450,023	24.43	None	Taiwan Semiconductor Manufacturing Co., Ltd.	342,172	12.26	None
3	Others	4,246,255	37.04	None	Economic Development Department of New Taipei City Government	1,419,594	10.05	None	Others	1,688,013	63.85	None
4	-	-	-	-	Others	3,956,083	27.98	None	-	-	-	None
	Net Sales	11,462,442	100.00		Net Sales	14,129,712	100.00		Net Sales	2,643,754	100.00	

Description of increase or decrease:

Due to the large amount of money involved in the contracted works and the construction period of 1 to 3 years, the construction industry is characterized by the fact that the construction will be concentrated on certain customers during a certain period when the total contract amount of some projects is large and the completion ratio is used to calculate the sales volume. However, all the projects of the merged company are obtained through bidding or negotiation, and the major customers change with the construction and completion of the project. Therefore, in the medium to long term, the merged company shall be free from the risk of concentrated sales in the general manufacturing industry.

(V) Table of Production Volume for the Most Recent Two Fiscal Years:

Expressed in thousands of New Taiwan Dollars; %

Item \ Year	2019		2020	
	Production Value	%	Production Value	%
Residential Engineering	5,353,674	49.83	5,030,713	38.45
Civil Engineering	1,581,994	14.72	1,230,886	9.41
Other Engineering	3,808,613	35.45	6,821,181	52.14
Total	10,744,281	100.00	13,082,780	100.00

Note: Yield is not applicable to the construction industry for its characteristics.

(VI) Table of Sales Volume for the Most Recent Two Fiscal Years:

Expressed in thousands of New Taiwan Dollars; %

Item \ Year	2019		2020	
	Sales Value	%	Sales Value	%
Residential Engineering	5,665,807	49.43	5,304,012	37.54
Civil Engineering	1,681,281	14.67	1,321,386	9.35
Other Engineering	4,115,354	35.90	7,504,314	53.11
Total	11,462,442	100.00	14,129,712	100.00

Note: Sales volume is not applicable to the construction industry for its characteristics.

III. Employee Information for The Most Recent Two Fiscal Years and up to The Date of Publication of the Annual Report:

Year		2019	2020	As of March 31 of Current Fiscal Year (2021)
Numbers of Employees	Engineering Personnel	398	407	402
	Administrative Personnel	118	117	117
	Total	516	524	519
Average Age		38.69	39.37	39.67
Average Service Year		4.91	5.44	5.49
Educational Distribution Ratio	PhD	0.00%	0.00%	0.00%
	Master's	24.81%	23.66%	22.74%
	Bachelor's	73.45%	74.43%	75.34%
	High school	1.74%	1.91%	1.92%
	Below Senior High School	-	-	-

IV. Disbursements for Environmental Protection:

(I) According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made:

1. The merged company has set up an Occupational Safety and Health Office, which is responsible for supervision matters relating to the environmental protection of construction projects, and appoints environmental protection personnel to be responsible for each construction project according to the provisions of the law, who shall be a person that has participated in the periodic/irregular environmental publicity or educational training organized by the local government environmental protection authority under the jurisdiction of the construction project. During the process of the construction project, the project bulletin board set up in accordance with the law shall specify the collection control number of the air pollution control fees for the construction project, the name and telephone number of the person in charge of the construction site and the telephone number of the local environmental protection authority for public nuisance whistleblowing. The owner shall bear the air pollution control fees, and no additional expenses shall be incurred by the Company.
2. The investment of the merged company in major anti-pollution facilities for construction project, the use purpose of such facilities, and the key points of anti-pollution that may produce possible effects:
 - (1) Handle according to the provisions of each county and city construction management and environmental protection authority or unit.
 - (2) Select low-pollution construction method, low-noise machines and tools in the planning stage.
 - (3) Adopt anti-pollution facilities during construction.

As each construction project is subcontracted by a professional contractor recognized by the owner, the anti-pollution facilities such as site fence (full barrier fence, semi barrier fence or simple fence), spill-proof base, dust-proof cloth, dust-proof net, renting the road cleaning water wheel, car wash, high-pressure car washing machine, intercepting ditch, water-collecting well, sedimentation tank, temporary toilet, high-rise waste pipe, waste dumps and other facilities are also handled by each subcontractor on its own. The Occupational Safety and Health Office of the merged company conducts regular or irregular inspections on various construction projects. In case of any defects, immediate improvement will be requested. Therefore, there is no need to install or purchase special facilities for anti-pollution.
3. With the rising awareness of environmental protection, the merged company also realizes the importance of anti-pollution, does its utmost to improve anti-pollution. Although the transient pollution caused by construction projects is a stationary pollution source, it is not an emission source for specific industries, and will disappear with the completion of construction, to maintain the living quality of the residents and clean environment around the construction site, the merged company provides environmental protection improvement measures and preventive measures according to the construction characteristics of various projects as follows:
 - (1) Disposal of wastes (including waste soil):
 - a. The Purchasing Department shall entrust a professional contractor recognized by the owner and sign the contract for excavation, sludge disposal, and backfilling works, which shall be transported to the legally established waste disposal site or the earthwork resource storage yard according to the provisions of the construction management unit.
 - b. If vehicles are carrying loose particulate pollutants, closed containers shall be used or the containers shall be covered tightly. If the dust cloth or dust-proof net is used

for the cover, it shall be firmly tied and the edge shall be extended to cover at least 15cm below the upper edge of the container to avoid scattering and polluting the site area and the surrounding environment.

- c. For each construction project, car washing equipment (e.g. car wash, high-pressure washing machine, intercepting ditch) is provided at the vehicle access control gate. The body and wheels of all vehicles (machines) driving out of the site should be cleaned. In case of any road pollution, the rented road cleaning water wheel will be used to clean the road at any time.
- d. Set up collecting well and sedimentation tank to collect the mud and sand produced by washing and clean it regularly to make full use of them.

(2) Noise control:

- a. In accordance with the Technical Guidelines for Noise Control at Construction Sites of Environmental Protection Administration, continue to handle noise reduction at construction sites, and adopt management measures and control facilities for construction planning, manage and control the construction personnel, construction period, construction method, construction machinery and tools and construction facilities.
- b. Install noise-proof canvases on the 2.4m high construction fence on the first-class construction site in the city to block construction noise, and to verify the effectiveness of noise control, regular noise testing during the construction period, in an effort to strengthen the effectiveness of self-control.
- c. According to the construction stage of land preparation, excavation, transportation, foundation, construction and decoration, the noise control measures have been formulated: Electric power generation instead of diesel, electrification of engine, use construction methods such as hydraulic crane, full casing, reverse circulation and other cast-in-place pile or pre-cast pile, use hydraulic or cutting demolition method, and try to avoid high-noise machinery work at the same time. Handle construction control coordination and prevent high-noise machinery from working at the same time.
- d. Noise control and regular maintenance of machines and tools: The exhaust outlet of the construction machine is equipped with a muffler; the noise-prone parts (e.g. engines) is equipped with a soundproof enclosure; install a vibration cushion or a spring (such as a rubber cushion) at the bottom of the base of the construction machines and tools which is liable to produce vibration and noise.
- e. Carry out the construction in accordance with the time stipulated in the statutory noise control area, reduce night construction and shorten the operation time.

(3) Air pollution control:

- a. Set up fences of appropriate height around the construction site according to law, install a dust-proof net to reduce dust dispersal during land preparation, excavation, transportation, foundation, construction, and decoration.
- b. Spray water regularly/ irregularly on the exposed surface of the site, cover with dust-proof cloth or dust-proof net or pave with concrete and gravel to reduce dust raising.
- c. Lay steel plates, or concrete, or asphalt concrete, or coarse gradation, or other particles of the same function on the vehicle path within the site, so as to effectively control dust dispersal.
- d. Personal protective equipment such as goggles, masks and gloves are provided to protect workers from health hazards caused by pollution.
- e. It is stipulated that the speed of movement of vehicles in and out of the site shall be lower than 20 km/h. Clean the body and wheels of the machine and tool vehicles away from the site. If vehicles are carrying loose particulate pollutants, closed containers shall be used or the containers shall be covered tightly. If the dust cloth

or dust-proof net is used for the cover, it shall be firmly tied and the edge shall be extended to cover at least 15cm below the upper edge of the container.

(4)Water pollution and soil pollution control:

- a. Enter into a contract with a professional environmental protection testing company recognized by the Environmental Protection Administration to carry out tests on domestic waste water, construction waste water, vehicle cleaning waste water, waste mud liquid, waste stabilizing solution and chemical grouting on specific sites.
- b. The washing water of concrete work and the mud water stabilizing solution of foundation excavation work shall be filtered by sedimentation tank before being discharged into the sewer or river.
- c. The construction liaison road is provided with suitable covering and drainage facilities to avoid erosion.
- d. When working in the vicinity of a river course, the water and soil conservation shall be carried out according to the law, the owners and other authorities, and the low-pollution construction methods shall be selected and the relatively adequate water pollution control facilities shall be equipped to reduce the pollution to the river.
- e. Maintain the construction vehicles and tools regularly to avoid oil leakage. It is forbidden to replace oil, lubricating oil and other liquid oil in the site area. All the maintenance and repair shall be carried out in the vehicle warranty center outside the site area.
- f. Select low sulfur oils for fuel oil machinery of construction and cooperate with environmental inspection and testing.

(5)Supervision, improvement and training of environmental protection:

- a. The merged company has set up an Occupational Safety and Health Office, which is responsible for supervision matters relating to the environmental protection of construction projects, and appoints environmental protection personnel to be responsible for each construction project according to the provisions of the law, who shall participate in the periodic/irregular environmental publicity or educational training organized by the local government environmental protection authority under the jurisdiction of the construction project.
- b. All environmental protection processes, including equipment and measures, are subject to environmental regulations (e.g., Waste Disposal Act, Water Pollution Control Act, Air Pollution Control Act) and the owner's special provisions. In case of any defects, immediate improvement will be requested.
- c. Organize environmental protection training and workshops for various construction projects from time to time, and regularly send staff to participate in environmental protection workshops organized by government units to enhance the environmental awareness of employees and workers of vendors and implement the environmental protection work.
- d. Actively invite and arrange nearby residents and government inspection units to participate in the briefing of the project, so as to conduct good neighborliness, coordination and communication.

4. Protection Measures for Work Environment and Employees' Personal Safety:

The merged company has set up an Occupational Safety and Health Office, and a dedicated primary management unit directly affiliated to the employer in accordance with Article 2-1 of the Occupational Safety and Health Act. The Occupational Safety and Health Office is equipped with 1 business executive for class A construction business, 1 class A safety manager, 1 class A health manager and 2 class B occupational safety and health managers, which conforms to the maximum number set in Article 86 of the Measures for the Administration of Occupational Safety and Health. An exclusive occupational safety and health management team is established for each construction project according to law, including 1 business executive for class A construction business

and at least 1 class B occupational safety and health manager, who is responsible for the occupational safety and health management of construction projects. In accordance with the regulations of labor health protection rules, the Occupational Safety and Health Office has added nurse practitioners and other medical staff, who are responsible for statutory on-site services related matters, and legally identifying and evaluating the workplace environment, operations, and internal hazards that affect the physical and mental health of workers, proposing suggestions for improvement measures, making suggestions for improvement plans for work environment safety and sanitation facilities, investigating the relevance of labor health conditions and operations, taking necessary preventive and health promotion measures, and providing consultation and suggestions for functional evaluation, job redesign or adjustment for returning workers.

The Company was certified by the ISO45001 occupational safety and health management system in 2018, and continues to handle the system tracking verification every year (2019, 2020, 2021), all of which have passed the verification. In addition, the Company clearly stipulates a comprehensive inspection, review and amendment of ISO45001 occupational safety and health management system procedures, standards and other documents of various departments before the third quarter of each year. The Company has completed the comprehensive inspection, review and amendment of ISO45001 occupational safety and health management system procedures and standards of each department before the end of September 2020, and these procedures and standards will be announced and implemented after the amendment.

The Company has set up an “Occupational Safety and Health Committee” in accordance with the law, with the General Manager as the chairman, the Company’s representatives as the executive secretary, and the supervisors of projects under construction and the occupational safety personnel as the committee members. The Occupational Safety and Health Committee shall hold meetings at least once every three months. There were a total of 13 members of the Occupational Safety and Health Committee in 2020. Related businesses of the Occupational Safety and Health Committee include making recommendations for the formulation of occupational safety and health policies, coordinating and suggesting occupational safety and health management plans, reviewing safety and health education and training implementation plans, reviewing work environment monitoring plans, monitoring results and measures taken, reviewing health management, occupational disease prevention and health promotion matters, reviewing various safety and health proposals, reviewing automatic inspections and safety and health audits of public institutions, reviewing preventive measures against machinery, equipment, raw materials, and materials, reviewing occupational disaster investigation reports, assessing on-site safety and health management performance, and reviewing the safety and health management issues of contracted operations. The Occupational Safety and Health Committee held 4 meetings in 2020, and the meeting minutes have been submitted for reference.

the Company handles relevant occupational safety and health education and trainings, in an effort to enhance the occupational safety and health concept of all employees and promote professional and effective on-site practice of safety and health management. The results are presented together with the human resources department education and training results, and are not shown here.

In accordance with the “Technical Guidelines for Risk Evaluation of Construction Projects” promulgated by the Occupational Safety and Health Administration of the Ministry of Labor and the spirit of hazard prevention of the ISO45001 occupational safety and health management system, the Occupational Safety Office takes charge of the “Construction Risk Evaluation Education and Training” course, assists and guides various

departments in compiling their evaluation forms, conducts regular evaluations once a year, proposes improvement control measures for the high-risk projects listed and controlled by various departments, and proposes possible display plans for opportunities. If there are new types of construction methods or changes in equipment or operating procedures, or abnormal incidents in the construction project, corrective countermeasures such as hazard risk identification and reevaluation, etc. shall be proposed and included in the meeting agenda of the Occupational Safety and Health Committee for discussion.

In response to the “2020 National Workplace Safety and Health Week Activity Implementation Plan” set by the Ministry of Labor, the Company handled related workplace safety publicity, health promotion, and other projects, and reported the results to the Ministry of Labor for record.

The Company actively participates in construction industry-related occupational safety and health organizations, such as the Construction Industry North District Occupational Safety and Health Promotion Association, Construction Industry Central District Occupational Safety and Health Promotion Association, Construction Industry South District Occupational Safety and Health Promotion Association, Taipei City Construction Site Independent Management Strategy Alliance, New Taipei City Labor Inspection Office Construction Industry Work Safety Family, Tainan City Construction Industry Work Safety Family, etc. For the construction projects, owners and the Southern District Occupational Safety and Health Center of the Ministry of Labor signed a safety partnership to promote the implementation and implementation of occupational safety and health in construction and construction, in an effort to ensure the safety and health of participating workers.

(1)Self-management:

- a. Occupational safety and health management plans are formulated for each construction project, and the personnel of the occupational safety and health management team are responsible for the formulation, planning, supervision and promotion of various occupational safety and health standards and activities.
- b. Implement access control of personnel, machinery and materials: All personnel entering the site shall obtain a 6-hour education and training record in the construction industry, or a Taiwan occupational safety card issued by the Occupational Safety and Health Administration of the Ministry of Labor, or the work safety card issued by the Labor Inspection Office of Taichung City Government. All personnel is required to sign a labor safety and health discipline commitment when entering the site, receive the notice of specific hazards and at least one hour of labor safety and health education and training. Hazardous machinery (such as mobile cranes) shall be applied for before entering the site, and the operator’s license, commander’s or hanging hand’s license shall be checked when entering the site. When entering the site, check the operator’s license, commander’s or suspender’s license, and vehicle qualification certificate. All of them comply with the regulations and can enter the site for construction within the valid period; The entry and exit of materials are subject to the access control of the construction project under construction, and the materials exiting the site shall be signed with a material allocation form or a material control form, etc., and the project management unit personnel can sign and agree to leave the site.
- c. All construction operations, machinery and equipment shall be automatically inspected according to the regulations and frequency, and the inspection records shall be kept on site for future reference.
- d. All professional construction drawings, calculations, etc. are properly designed and signed by professional technicians.

- e. It is clearly stated that the third-party manufacturers of each subdivisional work must assign relevant trained and qualified construction industry C-level business supervisors or higher qualifications to supervise and direct the operation on the spot.
- f. If subdivisional work includes soil retaining support operation, formwork support operation, scaffold assembly operation, steel structure assembly operation, open-air excavation work, roof works, and tunnel mining operation, tunnel lining operation, operations of organic solvents or lead, specific chemicals or dust, anoxic operations or high-pressure indoor operation, the affiliated legal operation executive shall be present to direct and supervise the operation.
- g. The operation executive shall handle the following (at least) matters on site according to law: decide on operation methods and direct labor operations; conduct inspection, check materials, tools, appliances, etc., and replace defective products; monitor the use of personal protective equipment; verify the effectiveness of safety and sanitation equipment and measures and other equipment and measures necessary to maintain the safety and sanitation of workers in operation.
- h. The construction projects shall be provided with qualified and adequate first aid personnel (at least one person per shift, and one additional person for each additional 50 workers) in accordance with Article 15 of the Occupational Safety and Health Education and Training Rules. When handling the injured who suffer from accidental injury or sudden illness according to law, immediate rescue shall be given before the emergency medical personnel arrive at the scene or before sending to the hospital for treatment.
- i. In the occupational safety and health plan of each construction project, the medical rescue units around the construction site shall be investigated and the emergency response plan shall be prepared, including at least the notification process and route map to hospital.

(2)Noise operation:

- a. If personnel need to work in a construction area of more than 90dBA, earplugs or earmuffs will be provided for workers.
- b. For vibratory hand tools used, purchase anti-vibration gloves for workers, and control the working schedule to avoid the occurrence of occupational injuries (such as white hand disease).
- c. In response to the construction noise control of the construction projects, purchasing of noise detectors separately, and conduct regular or irregular inspections (monitoring) during the construction period to reduce the impact of noise around the construction.

(3)High-altitude operation:

- a. Workers conduct high-altitude operation (conform to the construction height of more than 2 meters) are required to wear hard hats and safety belts conforming to CSN14253-1 personal escapement system at all times. Provide hooks of safety ropes for workers.
- b. The construction and dismantling of the suspended scaffold, cantilever scaffold and scaffolds with a height of more than 5 meters shall be properly designed in accordance with the principles of structural mechanics. The construction drawing, the strength calculation and construction drawings which are signed and confirmed by the engaged dedicated engineer shall be prepared. And the inspection mechanism shall be established according to the construction drawing.
- c. In addition to the installation of crossing bars on the inside and outside of the scaffold with a height of more than 2 meters, a guardrail shall be installed on the lower link and the two ends of the scaffold as well as on the corner. A proper guardrail shall be installed on the top of the crossing bar of the upper and lower equipment.

- d. For a scaffold with a height of more than 2 meters, the working table shall be covered with tightly jointed pedals, and the gap between the working sheet materials between the pedals shall not be more than 3 cm, to avoid the risk of dropping or falling down.
 - e. When the width of the opening between the working table of a scaffold with a height of more than 2 meters and the structure is more than 20 cm, before the removal of the inside crossing bar and the lower link, the supporting pedals can be installed between the scaffold and the structure at every interval of one layer (with the height difference of no more than 2 meters as the principle) of the position to be removed, or a long anti-falling net can be installed between each layer of scaffold to be dismantled and the structure, so that the width reserved between the scaffold and the structure will be less than 20 cm based on the need of the operation. However, the dismantled crossing bar and the lower link shall be restored when the operation is completed.
 - f. The use of high-altitude work vehicles for high-altitude operations of more than 2 meters shall comply with Articles 128-1 to 128-8 of the Rules for Occupational Safety and Health Facilities.
 - g. If a crane cage is used for high-altitude operation of more than 2 meters, it shall comply with Articles 97 to 105 of the Lifting Rules for Lifting Equipment.
- (4) Electric welding and gas welding during fire operation: provide workers with personal protective equipment, such as protective masks, reinforced glass lenses, rigid plastic lenses and safety face shield, which conform to the regulations of CNS 7175Z2032, CNS 7176Z2033, CNS 7177Z2034, and CNS 3504Z2019.
- (5) Dust operation
- a. Priority should be given to the planning of appropriate local ventilation facilities. Calculate adequate ventilation and select proper ventilation pumps for confined space operation.
 - b. Use a dust mask that conforms to CNS14755. If the solvent is needed for the construction, use a respirator with proper barrier and effective filtering function, airline respirator, a self-contained compressed air breathing apparatus (SCBA), and wear appropriate protective clothing.
- (6) Electrical operation:
- a. Electrical professionals not designated for construction projects shall not engage in electrical operations. Electrical construction shall be carried out in accordance with approved drawings.
 - b. Protective insulating equipment shall be used when laying, inspecting, repairing, painting, and other operations, and their affiliated operations are carried out close to circuits or circuit supports. Personnel engaged in live wire operation of high voltage circuit shall wear protective insulating equipment and live wire operation appliances.
 - c. Implement electricity management, including locking the distributor, posting the name and contact number of the person in charge, indicating electricity usage precautions; if an abnormal situation is found during the operation of electrical machinery, the management personnel shall be notified to replace and repair it immediately.
 - d. It is forbidden to install excessively extended electric appliances, equipment, and extension cords on a single electrical circuit; any objects and materials that are not related to the circuit shall not be hung or placed on wires or electrical appliances.
 - e. Do not use unknown or unclear specifications, unqualified electrical tools, equipment, etc. to avoid electricution and affect the power supply; when unplugging the electrical plug, pull it out from the plug, and install the electrical circuit of the leakage circuit breaker according to the regulations. Do not arbitrarily remove the leakage circuit breaker or jumper on the primary side.

- f. The frame of the distribution box and the frame supporting the fixed switchgear shall be grounded with copper rods, copper plates, and ground grids. The grounding device shall be checked regularly/irregularly; the fuse in the switch socket, etc. shall be installed according to the specified capacity, and do not use copper wire instead or use an oversized fuse.
- g. If the electrical equipment is abnormal, it shall be notified immediately. If the abnormality continues to expand, the power supply shall be cut off; if the abnormality is preliminary judged and controllable, if the electrical equipment or circuit initially catches fire, non-conductive fire extinguishing equipment, such as carbon dioxide, dry powder fire extinguisher, etc. shall be used for extinguishing.
- h. The scope of power failure management should be clearly defined, warning sign “No Operation under Power Failure” should be hung, the power supply should be cut off and safety measures such as switch and lock should be applied.
- i. Prevent personnel from inducing electric shock due to factors such as deterioration and damage of electrical equipment or line insulation; in case of electrical injury, the insulator shall be used as soon as possible to remove the person being shocked or the electrified objects the person comes into contact with, or the power supply shall be turned off.

(7) Confined space operation: Before entering the confined space for operation, workers should first confirm that there are no hazards in the space that can cause hypoxia, poisoning, electric shock, collapse, being trapped, being rolled, fire and explosion. Where there is a danger, a hazard prevention plan shall be drawn up and submitted to the authority for approval before implementation. A confined space hazard prevention plan shall cover:

- a. Confirmation of hazards, sources of hazards, or machinery and appliances that may cause hazardous operations.
 - b. Determination of the concentration of oxygen, dangerous substances, harmful substances, etc. in the space.
 - c. Calculation of ventilation volume, selection, installation and implementation of ventilation and ventilation equipment.
 - d. Isolation measures for electric energy, high temperature, low temperature and hazardous substances, and prevention measures for hazards such as hypoxia, poisoning, electric shock, collapse, being trapped and being rolled.
 - e. Operating methods and safety control methods.
 - f. Entering and working permit procedures.
 - g. Inspection and maintenance of protective equipment provided.
 - h. Operation control facilities and operation safety check method.
 - i. Emergency response measures.
5. Total Loss and Disposition due to Environmental Pollution Incidents in the Most Recent 2 Fiscal Year and up to the Date of Publication of the Annual Report:

Expressed in thousands of New Taiwan Dollars

Year	2019	2020	As of March 31 of Current Fiscal Year (2021)
Pollution	Violation of Waste Disposal Act and Air Pollution Control Act	Violation of Waste Disposal Act and Air Pollution Control Act	Violation of Waste Disposal Act and Air Pollution Control Act
Disposition Amount	4	-	-

The merged company attaches great importance to environmental protection and environmental sustainability. In addition to using low-noise machines and equipment to carry out work and implementing anti-pollution measures in accordance with the law, to maintain the construction environment in the work area and prevent pollution from

spilling out of the work area, it also employs personnel on the site to strengthen cleaning and maintaining environmental tidiness and cleanliness, and implements the 5S system. Pollution penalties were mostly caused by dust from excavation works and pollution of roads near the construction site by sand and gravel vehicles in the most recent two years. However, most of the above fines were paid on behalf of the contractors, and can be recovered from the contractors after the payments. Therefore, no other major environmental disputes or losses occurred.

(II) Future Countermeasures and Possible Expenditures:

1. Future countermeasures:

Based on the recent general promotion of environmental awareness and the concept of sustainable environmental management, the merger company regards the prevention and control of pollution and environmental protection as the responsibility of its business operation. The construction process of each project is in accordance with the relevant laws and regulations on environmental protection, and contractors are strictly required to do a good job in environmental protection, so as to reduce the pollution penalty. In order to ensure the environmental quality of the project and maintain public health, in addition to adding pollution control equipment, the following specific measures are also taken:

- (1) Implement environmental protection facilities for construction projects, such as construction site fences, soundproof canvases, dust-proof nets, canvases, diagonal fences, and garbage pipes to prevent dust spillage and entrust waste to legal environmental protection transportation companies for removal.
- (2) Regularly and irregularly maintain the existing drainage system around the construction project to dredge, and actively consult the environmental protection agency to adopt and maintain the surrounding roads of the construction project.
- (3) Actively select and introduce low-noise, low-pollution machinery and construction methods to reduce the impact on the surrounding environment, neighboring houses and other residents of the construction in progress. Control the construction hours of vehicles and heavy machinery, so as to reduce the noise and avoid disturbing the residents nearby.
- (4) Stipulate the requirements for noise and waste, the control clauses for waste water in the contracts with professional manufacturers.
- (5) Establish specific measures for environmental protection on construction site and assign personnel to be responsible for the environmental protection business.
- (6) To meet the needs of the project organizers/owners, with environmental sustainability goals, the building planning and construction period can meet the green quantity indicators, base water retention indicators, water resource indicators, daily energy saving indicators, carbon dioxide reduction indicators, waste reduction indicators, sewage and garbage improvement indicators, biodiversity indicators, and indoor environment indicators, ensure the constructed towards “ecology, energy conservation, waste reduction, and health”.
- (7) According to the needs of the project organizers/owners, priority shall be given to products with less impact on the environment, so that the materials used in the construction shall meet the recyclable, low-polluting, and resource-saving products as much as possible.
- (8) In line with the government’s new energy policy “Energy Transformation and Electricity Reform”, promote energy conservation maximization, improve energy efficiency, and gradually replace old traditional lamps and fluorescent tubes. Although the cost of procurement and construction is relatively high, durable and energy-saving LED lamps and tubes are planned for the area lighting in the aisle area, and the office areas (desks) shall be properly and adequately illuminated. Divide subject to the actual needs of the area and lighting, in order to achieve energy-saving purposes.

- (9) In line with the government's "National Action Program for Climate Change" policy to respond to climate change, in the future, it is planned to include in the calculation and evaluation of the carbon footprint of the building the carbon dioxide emissions generated during the five stages of the life cycle of building materials production and transportation, construction, construction, building use, repair and renewal, and demolition and abandonment of the construction life cycle. Towards carbon labeling, carbon emission hot spot diagnosis, and coordinate with the output of new building materials, the research and creation of new construction methods, and the reduction of transportation and consumption to achieve the goal of "carbon reduction".
 - (10) The ESG targets set by the various departments of the merged company will promote paperless system and building information models in an effort to reduce carbon emissions. the Company develops and prioritizes the use of supply chain vendors that participate in ESG, incorporates electrical and mechanical planning and training courses into green energy analysis courses or seminars, continues to promote the face recognition access control management system to ensure the qualification and safety of personnel entering the site, actively promotes the health of the workplace, and employs nursing staff and special professional physicians for providing the health care to the Company's employees.
2. Possible future expenditures:
During the construction of each project, the merged company complies with relevant laws and regulations on environmental protection, and strictly requires contractors to do a good job in environmental protection, so as to reduce the pollution penalty. The environmental protection work on the existing site has been implemented.
 3. The impacts of current pollution and related improvements on the Company's earnings, competitive position and capital expenditure and the material environmental protection capital expenditure expected in the coming two fiscal years: None.

V. Labor Relations:

(I) Employee Benefit Plans, Continuing Education, Training, and Retirement Systems and the Status of Their Implementation, and the Status of Labor-management Agreements and Measures for Preserving Employees' Rights and Interests

1. Employee benefit plans:

The merged company has established an Employee Welfare Committee which is responsible for the planning and implementation of various employee benefit plans. The main benefit plans and implementation status are as follows:

- (1) Giving gifts for the Dragon Boat Festival, Mid-Autumn festival, birthday, wedding, and childbirth, etc. NT\$3,000 for Dragon Boat Festival, Mid-Autumn Festival each, NT\$5,000 for birthday, wedding gift of NT\$20,000, childbirth gift of NT\$10,000 for the first child and NT\$20,000 for the second and subsequent child.
- (2) Grant hospitalization allowance for bereavement, injuries, and sickness. Bereavement allowances range from NT\$6,000 to NT\$20,000, depending on kinship, and NT\$4,000 for hospitalization of the employee and his/her relatives.
- (3) Provide health checks, group insurance, house purchase discount, and other benefits. The medical examination subsidy will be NT\$5,000 for each full year of service in June every year.
- (4) Organize sports meetings and other activities.
- (5) Provide tourism subsidies from time to time.
- (6) Allocate and distribute employee bonus in accordance with the Company's Articles of Incorporation.

2. Continuing education and training of employee:

The Company continued to provide education and training centralized in talent development in 2020, actively created a learning environment, and combined offline and

online trainings to make it easier for employees to quickly learn new knowledge and use new training methods. The Company participated in TTQS (Taiwan Training Quality System) evaluation in 2020, obtained certification from the Ministry of Labor, continuously utilizing and innovating Kedge Construction's training system, providing more complete training methods, retaining potential talents, and cultivating the cornerstone of the Company's future. The Human Resources Department plans relevant training courses according to the job requirements of all levels/functions, improves the professional skills of colleagues and develops the functions required by various positions, and formulates education and training plans. The main implementation status is as follows: (1) Each person shall independently participate in 20 hours of education and training per year:

- a. Internal instructor courses: In order to enable colleagues to learn and pass on their professional skills through the Company's internal instructor courses, nearly 133 internal instructor courses have been held in 2020, allowing colleagues to acquire knowledge through the courses to achieve inheritance and resource sharing. The number of participants reached 2,411.
- b. External education and training: In order to continue the founder's learning philosophy, we hope that our colleagues will not forget to improve themselves in their spare time. Subsidy of NT\$5,000 per person is provided for external training every year, and the Company encourages employees to accumulate their own strength through external training institutions. The total number of participants in 2020 is 334.
- c. Core competence course project: the Company provided 2 courses this year, including "Presentation Skills" and "Problem Analysis and Resolution" to enhance the core competence of employees.
- d. E-learning: Due to the COVID-19 pandemic in 2020, some courses were converted to online courses, and external online resources were arranged for employees to participate, so as to encourage employees to learn with zero time difference. A total of 131 online courses were opened in 2020, with a total of 1,660 participants.

(2) Management training:

- a. Intermediate supervisor training program: In 2020, the Company continued the 2019 DDI professional management consulting company trainings, selecting 10 personal development plans and consultants for one-to-one counseling from the talents cultivated in the previous year, and the implementation satisfaction rate was as high as 95 points.

(3) Lifelong learning plan:

- a. Graduation subsidy: In order to strengthen the employees' learning ability, encourage them on continuing education, and establish a perfect system of academic continuing education, with 11 colleagues have acquired master degree and doctoral degree, and 7 colleagues are currently in advanced study.
- b. Special study subsidy: In order to encourage colleagues to improve their majors and obtain relevant certificates (licenses), as long as they are willing and perform well, Kedge Construction subsidizes colleagues to participate in the course training. 34 participants have been subsidized in 2020, with an average amount of subsidy of NT\$12,000 per person.

(4) Internal instructor training: To inherit the Company's culture, construct professional course design and improve teaching ability, we continued to promote the second batch of internal instructor training in 2020, and a total of 12 people had qualified to become internal instructors.

(5) Digital learning: Kedge's construction sites are distributed throughout Taiwan. To enable colleagues to participate in education and training immediately crossing

industry, relevant courses have been available on the E-learning self-learning platform in 2020, so that colleagues can study at any time without being restricted by time and space.

(6) Overview of annual education and training in 2020:

Type of Training	Type		Number of Course	Cost (NT\$thousand)	Cost Ratio	Number of Participant	Participant ratio
	Internal Training	Internal Instructor Course		133	106	2.7%	2,411
External Instructor Course			14	622	15.8%	334	6.9%
	Middle-level Executive Training Program		6	1,703	43.4%	103	2.1%
Lifelong Learning	Professional Study Subsidy (License/Certificate Subsidy)		4	396	10.1%	34	0.7%
	Graduation Subsidy (Continuing Education of Master)		-	658	16.8%	Learning: 7 Graduated: 1	0.2%
	General external training subsidy		196	440	11.2%	305	6.2%
	Online session		131	0	0%	1,660	34.2%
	Total		484	3,925	100%	4,855	100%

3. Code of conduct and ethics for employees:

All employees of the Company shall abide by laws and regulations and the Company's internal control system when dealing with the Company's affairs, and adhere to personal integrity and social ethics standards in order to protect the Company's assets, rights and interests and image, which shall include:

- (1) Protection of confidential information: The basic information form of employees filled in by each colleague during job hunting with a consent form signed shall only be used for collection, disposal, and utilization within the Company. At the time of employment, a "Statement of Employee Confidentiality" shall also be signed, promising that one shall not disclose any business secrets of the Company during the period of employment or after dismissal.
- (2) Prohibition of seeking personal gain: Each colleague shall not use the Company's property, information or position for personal gain, and shall not run the same business for himself or for others.
- (3) Shall not solicit improper interests: Each colleague shall not claim a gift, kickback, entertainment or other improper interests from the Company's vendors. The executives shall not accept any form of financial gift from his/her subordinates.
- (4) Rules of fair trade: Each colleague shall treat the Company's supplier (clients) of goods purchased (sold), competitors and employees fairly.
- (5) Prohibition of insider trading: Each colleague shall not use the insider information obtained from the execution of the business for the interests of others or for personal gain. The financial business information of the Company shall not be published arbitrarily without permission or before disclosure, so as not to affect the rights and interests of other shareholders.

4. Retirement system:

The Company has formulated a retirement policy for the formally employed employees, and the retirement conditions, pension payment, and calculation method of employees

shall be handled in accordance with the Labor Standards Act, the Labor Pension Act, and the relevant laws and regulations.

The new pension system under the Labor Pension Act is a defined-contribution system. The merged company contributes labor pension funds on a monthly basis at a rate not less than 6% of the employee's monthly salary and to the individual labor pension accounts at the Bureau of Labor Insurance.

The old pension system under the Labor Standards Act is a defined-benefit system. Upon approval of retirement, the pension will be paid for two bases for each full year of seniority, one base for each full year of seniority for those with seniority exceeding fifteen years, up to a maximum of 45 months. The pension payment is calculated by multiplying the aforementioned base standard by the average monthly salary of the six months prior to the date of approval of retirement. At present, the merged company sets aside a pension reserve of 3% of the total monthly salary of the employees and supplements the pension reserve according to Article 56, paragraph 2 of the Labor Standards Act. The pension account is with the Bank of Taiwan.

5. Promotion of workplace safety, sanitation, and health:

the Company has been in line with the advanced countries in the world and passed the certification of ISO 45001 Occupational Safety and Health Management System on December 2, 2018, obtained the first TAF certificate of domestic construction industry issued by the international certification agency SGS. In addition, the Company is committed to providing employees with a safe, healthy, healthy and comfortable working environment. In addition to planning and continuing to provide various safety and health education and training, publicity, competitions and drills, the Company also insures group insurance for all employees. the Company has formulated the annual employee health promotion plan and subsidized health check-ups in accordance with the law, and the implementation results are as follows:

(1) Follow relevant laws and regulations and actively participate in relevant organizations:

Comply with relevant laws and regulations on occupational safety and health, and implement adjustments and responses in accordance with laws and regulations. Actively participate in the relevant activities of the Occupational Safety and Health Administration and the Ministry of Labor; participated in the “Construction Industry Site Independent Management Strategic Alliance” convened by the Taipei City Labor Inspection Office where the Company located, participated in the Construction Industry Occupational Safety and Health Promotion Association of the Occupational Safety and Health Administration of the Ministry of Labor in the Northern, Central and Southern districts. Chih-Kuo, Tseng, Deputy Assistant General Manager of the Company’s Operation Planning Division serves as the chairman of the North District, and the Southern District Executive Planning Group is executed by the Company. In addition, the Company also participated in the regular meetings of work safety family meetings and the safety & health observation itinerary in New Taipei City, Taoyuan City, Taichung City, and Tainan City.

(2) Formulation of occupational safety and health management related plan:

Formulate occupational safety and health management plans for each project in accordance with the law, set up occupational safety and health management units and full-time occupational safety and health management personnel, formulate, plan, supervise and promote the implementation of various occupational safety and health in accordance with the law; set up facilities and equipment that comply with laws and standards, conduct regular inspection and maintenance of facilities and equipment, conduct a comprehensive review and improvement of employees’ personal protective equipment in order to improve the safety of employees on the site.

(3) Provide staff with safety and health education and training, promotion, competition

and disaster prevention drill on an irregular basis:

Encourage employees to obtain occupational safety and health-related professional licenses, such as occupational safety and health administrators, construction industry Class A occupational safety and health business supervisors, etc.; conduct various occupational safety-related competitions, such as construction site high-risk safety and health project review performance rewards and similar Safety award competitions, especially for the construction of high-risk safety and health project inspection performance rewards on construction sites, the proportion of participations in the construction site was as high as 60%; hold relevant education and training from time to time, such as Taipei occupational safety cards.

- (4) Comply with the requirements and optimization of the “Labor Health Protection Rules”, provide employees with health check-ups every year at the Company’s expense, and continue to promote employees’ workplace health promotion.
- (5) Formulate health service plan, prevention plan for diseases triggered by abnormal workload, human hazards prevention plan, thermal hazards prevention plan, unlawful infringement prevention plan, and maternal employee health protection plan, etc. in accordance with the law, which are superior to other construction companies.
- (6) COVID-19 prevention and care:

In response to the COVID-19 pandemic prevention work, a total of 4 travel and contact history survey E-mails and 5 employee care E-mails were sent in 2020. Each construction site was provided with temperature measurement equipment and related cleaning and disinfection equipment. The Head Office implemented the remote work plan from March to May, with early preventative measure to minimize the risk.

6. Employee satisfaction and uniform survey, feedback:

In order to understand the degree of employees’ satisfaction with the Company’s service performance, and to provide a channel for employees to voice, the Company conducted a questionnaire survey in 2020, which was divided into “employee satisfaction” and “uniform survey”.

- (1) “Employee satisfaction” respondents were all employees, with a total average score of 4.13, which is a satisfactory range. The survey items included various human resources system operating functions, education and training course planning and arrangements, and human resources-related tasks that need to be strengthened. Employees are most satisfied with the top three items related to human resources, including the elimination of the problem of the leave and overtime system, salary/bonus/overtime payment time limit, and education and training subsidies. Employees feel that there is still room for improvement in recruitment efficiency. This problem reflects the current shortage of labor in the entire construction industry. In addition, in response to the feedback from employees that need improvement, the Human Resources Department also conducts follow-up analysis as a review of human resources-related policies to achieve labor relation harmony.
- (2) “Uniform survey” respondents were workers on the construction sites. According to statistics, the total average score was 3.76. Most of the employees were “satisfied” with the outerwear, while the uniform top and lower body comfort were “normal”. The uniform survey satisfaction is also the important reference basis for the next purchase of uniforms, so that employees can have comfortable work clothes and achieve a consistent entrepreneurial spirit.

(II) Any Losses Suffered by the Company in the Most Recent Fiscal Year and up to the Annual Report Publication Date due to Labor Disputes, and Disclosing an Estimate of Possible Expenses that could be Incurred Currently and in the Future and Measures Being or to be Taken: None.

1. As the Company has always attached great importance to labor relations, there is no loss

caused by labor disputes at present, so no loss is expected to be incurred at present and in the future.

2. The estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:

(1) Establish interactive communication and appeal channels. In order to protect all employees from physical or mental unlawful infringement when performing their duties, the Company provides the complaint channels of the Occupational Safety and Health Office and the Human Resources Department, encourages colleagues to adopt the established internal complaint handling system for such disputes, and will make every effort to provide additional assistance if required.

(2) Comply with relevant labor laws and regulations and strengthen welfare measures. In view of the improvement of labor welfare in recent years, the Company has set up and improved the mechanism to protect the physical and mental health of employees in accordance with relevant labor laws and regulations.

VI. Important Contract:

April 18, 2021

Contract Nature	Party	Contract Duration	Contract Content
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2021	New construction of Taichung MRT G8 Station Building
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2021	New construction of Fuhe Section, Chungcheng District, Taipei City
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2021	New construction of Sanchong Section, Sanchong District, New Taipei City
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2021	New construction of Sanmin Section, Sanchong District, New Taipei City
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2021	New construction of Minsheng Section, Songshan District, Taipei City
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2022	New construction of the urban renewal project for Bei'an Section, Zhongshan District, Taipei City
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2024	New construction of Zhongxing Section, Sanchong District, New Taipei City
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2023	New construction of the urban renewal project for Ruian Section, Da'an District, Taipei City
Construction Contract	Kindom Development Co., Ltd.	Estimated completion year: 2024	New construction of the National Highway Section, Zhonghe District, New Taipei City
Construction Contract	E.SUN Commercial Bank	Estimated completion year: 2021	New construction (decoration) of Minsheng Section, Songshan District, Taipei City
Construction Contract	Eastern Engineering Office of Railway Bureau, MOTC	Estimated completion year: 2021	Construction plan of the electrification project of the Taitung-Chaozhou Section of the South-link Line of Taiwan Railways - civil engineering and general mechanical and electrical engineering of the Pu'an-Jinlun Section of the C712A Section
Construction Contract	Taipei Veterans General Hospital	Estimated completion year: 2021	Turnkey project of the new medical building of Taipei Veterans General Hospital
Construction Contract	Chang Gung Medical Foundation	Estimated completion year: 2021	Phase I of the BOT project of Fengshan Hospital
Construction Contract	Academia Sinica	Estimated completion year: 2021	Construction project of the public and the first building of the Southern Area

Contract Nature	Party	Contract Duration	Contract Content
Construction Contract	Economic Development Department of New Taipei City Government	Estimated completion year: 2021	Turnkey project of Baogao Smart Industrial Park in Xindian District
Construction Contract	New Construction Office, Public Works Department, Taipei City Government	Estimated completion year: 2023	Turnkey project of South Gate Market and Nanhu Elementary School Sports Center
Construction Contract	Office of Public Construction, Taoyuan City	Estimated completion year: 2023	Turnkey project of Taoyuan Convention and Exhibition Center
Construction Contract	Central Engineering Office of Railway Bureau, MOTC	Estimated completion year: 2025	Undergrounding project of the Tainan Station of the C212 Section
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	Estimated completion year: 2021	TSMC Nanke F18 Plant N3 Hypothetical Foundation Pile Earthwork
Construction Contract	Northern Engineering Office of Railway Bureau, MOTC	Estimated completion year: 2026	C611 Standard Chiayi Project Railway Viaduct and Under-bridge Plane Road Engineering
Construction Contract	Taiwan Semiconductor Manufacturing Co., Ltd.	Estimated completion year: 2022	New construction of TSMC F18P6FAB shell structure

Chapter 6. Financial Information

I. Condensed Balance Sheet, Comprehensive Income Statement for the Most Recent Five Years and the Auditor's Opinions:

(I) Condensed Balance Sheet

1. Consolidated Financial Statements:

Expressed in thousands of New Taiwan Dollars

Item	Year	Financial Data for the Most Recent Five Fiscal Years					Financial Data as of March 31 of the Current Fiscal Year (2021) (Note 2)
		2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	
Current Assets		5,057,908	6,206,612	6,544,742	7,708,041	8,752,989	8,233,253
Property, Plant and Equipment		64,163	63,800	63,438	63,116	133,739	132,467
Intangible Assets		-	-	-	-	-	-
Other Assets		328,001	329,812	375,603	505,691	546,928	608,595
Total Assets		5,450,072	6,600,224	6,983,783	8,276,848	9,433,656	8,974,315
Current Liabilities	Before Distribution	3,178,702	4,183,820	4,368,826	5,427,525	6,202,049	5,564,595
	After Distribution	3,337,755	4,412,857	4,686,933	5,745,632	(Note 3)	-
Non-current Liabilities		57,626	61,809	82,035	108,201	162,329	159,758
Total Liabilities	Before Distribution	3,236,328	4,245,629	4,450,861	5,535,726	6,364,378	5,724,353
	After Distribution	3,395,381	4,474,666	4,768,968	5,853,833	(Note 3)	-
Equity Attributable to the Owners of the Parent Company		2,213,633	2,354,478	2,532,798	2,740,961	3,069,109	3,249,774
Share Capital		1,060,357	1,060,357	1,060,357	1,060,357	1,060,357	1,060,357
Capital surplus		517,880	518,031	518,208	518,241	518,294	518,294
Retained Earnings	Before Distribution	630,925	764,380	951,056	1,036,204	1,345,805	1,462,767
	After Distribution	471,872	535,343	632,949	718,097	(Note 3)	-
Other equity interest		4,471	11,710	3,177	126,159	144,653	208,356
Treasury Shares		-	-	-	-	-	-
Non-controlling interests		111	117	124	161	169	188
Total Equity	Before Distribution	2,213,744	2,354,595	2,532,922	2,741,122	3,069,278	3,249,962
	After Distribution	2,054,691	2,125,558	2,214,815	2,423,015	(Note 3)	-

Note 1: The financial data from 2016 to 2020 has been audited and attested by the CPAs.

Note 2: The financial data as of March 31, 2021 has been reviewed by the CPAs.

Note 3: The earnings distribution plan for the year 2020 has not been resolved and adopted by the shareholders meeting.

2. Parent Company Only Financial Statements:

Expressed in thousands of New Taiwan Dollars

Item	Year	Financial Data for the Most Recent Five Fiscal Years					Financial Data as of March 31 of the Current Fiscal Year (2021) (Note 2)
		2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	
Current Assets		4,742,420	5,878,977	6,242,028	7,368,798	8,385,273	-
Property, Plant and Equipment		54,077	53,789	53,501	53,254	123,952	-
Intangible Assets		-	-	-	-	-	-
Other Assets		528,374	544,756	575,373	724,629	780,664	-
Total Assets		5,324,871	6,477,522	6,870,902	8,146,681	9,289,889	-
Current Liabilities	Before Distribution	3,055,166	4,062,761	4,257,290	5,302,984	6,063,626	-
	After Distribution	3,214,219	4,291,798	4,575,397	5,621,091	(Note 3)	-
Non-current Liabilities		56,072	60,283	80,814	102,736	157,154	-
Total Liabilities	Before Distribution	3,111,238	4,123,044	4,338,104	5,405,720	6,220,780	-
	After Distribution	3,270,291	4,352,081	4,656,211	5,723,827	(Note 3)	-
Share Capital		1,060,357	1,060,357	1,060,357	1,060,357	1,060,357	-
Capital surplus		517,880	518,031	518,208	518,241	518,294	-
Retained Earnings	Before Distribution	630,925	764,380	951,056	1,036,204	1,345,805	-
	After Distribution	471,872	535,343	632,949	718,097	(Note 3)	-
Other equity interest		4,471	11,710	3,177	126,159	144,653	-
Treasury Shares		-	-	-	-	-	-
Total Equity	Before Distribution	2,213,633	2,354,478	2,532,798	2,740,961	3,069,109	-
	After Distribution	2,054,580	2,125,441	2,214,691	2,422,854	(Note 3)	-

Note 1: The financial data from 2016 to 2020 has been audited and attested by the CPAs.

Note 2: No parent company only financial statements have been issued as of March 31, 2021.

Note 3: The earnings distribution plan for the year 2020 has not been resolved and adopted by the shareholders meeting.

(II) Condensed Comprehensive Income Statement

1. Consolidated Financial Statements:

Expressed in thousands of New Taiwan Dollars

Item \ Year	Financial Data for the Most Recent Five Fiscal Years					Financial Data as of March 31 of the Current Fiscal Year (2021) (Note 2)
	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	
Operating revenue	8,313,902	8,369,078	11,429,192	11,462,442	14,130,629	2,645,265
Gross profit from operations	438,373	557,131	728,873	718,161	1,058,311	199,645
Net Operating Income	218,047	311,492	502,819	470,381	769,772	133,220
Non-Operating Income and Expenses	32,394	47,631	14,380	29,533	12,420	10,713
Profit before tax	250,441	359,123	517,199	499,914	782,192	143,933
Net Income from Continuing Operations in Current Period	250,441	359,123	517,199	499,914	782,192	143,933
Loss from Discontinuing Operations	-	-	-	-	-	-
Net Income	204,498	295,327	407,513	402,356	626,444	116,965
Other comprehensive income (net of taxes)	25,554	4,426	(326)	123,918	19,766	63,719
Total Comprehensive Income for the Current Period	230,052	299,753	407,187	526,274	646,210	180,684
Net Profit Attributable to Owners of the Parent Company	204,490	295,323	407,506	402,348	626,440	116,962
Net Profit Attributable to Non-controlling Interests	8	4	7	8	4	3
Total Comprehensive Income Attributable to Owners of the Parent Company	230,038	299,747	407,180	526,237	646,202	180,665
Total Comprehensive Income Attributable to Non-controlling Interests	14	6	7	37	8	19
Earnings Per Share (NT\$)	1.93	2.79	3.84	3.79	5.91	1.10

Note 1: The financial data from 2016 to 2020 has been audited and attested by the CPAs.

Note 2: The financial data as of March 31, 2021 has been reviewed by the CPAs.

2. Parent Company Only Financial Statements:

Expressed in thousands of New Taiwan Dollars

Item \ Year	Financial Data for the Most Recent Five Fiscal Years					Financial Data as of March 31 of the Current Fiscal Year (2021) (Note 2)
	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	
Operating revenue	8,113,165	8,359,822	11,318,212	11,362,618	14,103,408	-
Gross profit from operations	425,158	546,871	695,070	694,751	1,045,153	-
Net Operating Income	210,327	311,592	483,211	460,038	770,471	-
Non-Operating Income and Expenses	36,933	44,030	28,153	35,105	10,043	-
Profit before tax	247,260	355,622	511,364	495,143	780,514	-
Net Income from Continuing Operations in Current Period	247,260	355,622	511,364	495,143	780,514	-
Loss from Discontinuing Operations	-	-	-	-	-	-
Net Income	204,490	295,323	407,506	402,348	626,440	-
Other comprehensive income (net of taxes)	25,548	4,424	(326)	123,889	19,762	-
Total Comprehensive Income for the Current Period	230,038	299,747	407,180	526,237	646,202	-
Earnings Per Share (NT\$)	1.93	2.79	3.84	3.79	5.91	-

Note 1: The financial data from 2016 to 2020 has been audited and attested by the CPAs.

Note 2: No parent company only financial statements have been issued as of March 31, 2021.

(III) Name of CPAs and Their Opinions Given Thereby for the Most Recent Five Fiscal Years:

Year	Name of CPA	Audit Opinion
2016	Ti-Nuan, Chien, Shu-Ying, Chang	Unqualified Opinion
2017	Ti-Nuan, Chien, Shu-Ying, Chang	Unqualified Opinion
2018	Ti-Nuan, Chien, Shu-Ying, Chang	Unqualified Opinion
2019	Ti-Nuan, Chien, Shu-Ying, Chang	Unqualified Opinion
2020	I-Lien Han, Ti-Nuan Chien	Unqualified Opinion

II. Financial Analysis for the Most Recent Five Fiscal Years:

(I) Consolidated Financial Statements:

Year		Most Recent 5-Year Financial Analysis					As of March 31 of Current Fiscal Year (2021) (Note 2)
		2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	
Analysis Item							
Financial Structure	Debt-to-Asset Ratio (%)	59.38	64.33	63.73	66.88	67.46	63.79
	Proportion of Long-Term Capital in Property, Plant and Equipment (%)	3,548.18	3,787.47	4,122.07	4,514.42	2,416.35	2,574.01
Solvency	Current Ratio (%)	159.38	148.35	149.81	142.02	141.13	147.96
	Quick Ratio (%)	130.64	127.75	118.03	108.85	116.38	112.61
	Interest Coverage Ratio (Time)	2,123.38	1,085.96	259.34	235.70	260.95	837.82
Operating Ability	Receivables Turnover Rate (Times)	4.10	3.27	3.59	3.56	4.82	4.91
	Average Collection Days	89	112	101.67	102.52	75.72	74.33
	Inventory Turnover Rate (Times)	0.87	0.71	0.82	0.79	0.84	0.49
	Payables Turnover Rate (Times)	3.31	2.93	3.69	3.06	3.25	2.40
	Average Days of Sales	420	514	445	462	434.52	744
	Property, Plant and Equipment Turnover Rate (Times)	129.21	130.80	179.65	181.15	143.56	79.50
	Total Asset Turnover Rate (Times)	1.60	1.39	1.68	1.50	1.60	1.15
Profitability	Return on Assets (%)	3.94	4.91	6.02	5.30	7.10	5.09
	Return on Equity (%)	9.51	12.93	16.68	15.26	21.56	14.81
	PBT to Pay-in Capital (%)	23.62	33.87	48.78	47.15	73.77	54.30
	Net Profit Margin (%)	2.46	3.53	3.57	3.51	4.43	4.42
	Earnings per share (NT\$)	1.93	2.79	3.84	3.79	5.91	1.10
Cash Flow	Cash Flow Ratio (%)	7.11	7.62	(Note 3)	25.06	32.02	9.64
	Cash Flow Adequacy Ratio (%)	90.11	111.41	114.23	161.03	294.85	403.74
	Cash Reinvestment Ratio (%)	5.22	6.57	(Note 3)	36.37	51.20	15.61
Leverage	Operating Leverage	2.01	1.79	1.45	1.53	1.37	1.50
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Reasons for changes over 20% in financial ratios in the most recent 2 fiscal years:

1. Long-term funds accounted for the ratio of property, plant and equipment, and turnover rate of property, plant and equipment: Mainly due to the addition of the Southern Office during the current period, resulting in an increase of approximately NT\$21.34 million in housing equipment and approximately NT\$58.56 million in other equipment.
2. Accounts receivable turnover rate and average cash collection days: Mainly due to the growth of business scale and the peak period of investment in some projects, so the operating revenue is significantly larger than the accounts receivable.
3. Return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share: Mainly due to the substantial increase in net profit after tax with the scale of business.
4. Cash flow ratio, cash reinvestment ratio: Mainly caused by the increase of new construction volume in 2020, leading to the increase of advances from customers. Also, they are caused by the increase of net cash flow from operating activities due to recovery of the payments of the projects ended in the previous year.
5. Cash flow adequacy ratio: mainly caused by the increase in net cash flow from operating activities in the most recent 5 fiscal years.

(II) Parent Company only Financial Statements:

Analysis Item		Most Recent 5-Year Financial Analysis					As of March 31 of Current Fiscal Year (2021) (Note 2)
		2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	
Financial Structure	Debt-to-Asset Ratio (%)	58.43	63.65	63.14	66.35	66.96	-
	Proportion of Long-Term Capital in Property, Plant and Equipment (%)	4,206.81	4,489.32	4,885.16	5,339.87	2,602.83	-
Solvency	Current Ratio (%)	155.49	144.70	146.62	138.96	138.29	-
	Quick Ratio (%)	126.52	124.42	114.44	105.81	113.37	-
	Interest Coverage Ratio (Time)	2,096.42	1,075.39	256.43	242.18	267.02	-
Operating Ability	Receivables Turnover Rate (Times)	4.11	3.31	3.59	3.55	4.81	-
	Average Collection Days	89	110	101.67	102.81	75.88	-
	Inventory Turnover Rate (Times)	0.86	0.71	0.82	0.79	0.85	-
	Payables Turnover Rate (Times)	3.37	3.07	3.83	3.15	3.33	-
	Average Days of Sales	424	514	445	462	429.41	-
	Property, Plant and Equipment Turnover Rate (Times)	149.63	155.00	210.98	212.87	159.18	-
	Total Asset Turnover Rate (Times)	1.59	1.42	1.70	1.51	1.62	-
Profitability	Return on Assets (%)	4.02	5.01	6.13	5.38	7.21	-
	Return on Equity (%)	9.51	12.93	16.68	15.26	21.56	-
	PBT to Pay-in Capital (%)	23.32	33.54	48.23	46.70	73.61	-
	Net Profit Margin (%)	2.52	3.53	3.60	3.54	4.44	-
	Earnings per share (NT\$)	1.93	2.79	3.84	3.79	5.91	-
Cash Flow	Cash Flow Ratio (%)	5.54	7.90	(Note 3)	24.98	31.75	-
	Cash Flow Adequacy Ratio (%)	80.65	101.74	107.93	161.03	437.88	-
	Cash Reinvestment Ratio (%)	2.74	6.66	(Note 3)	35.22	49.44	-
Leverage	Operating Leverage	2.02	1.76	1.44	1.51	1.36	-
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	-

Reasons for changes over 20% in financial ratios in the most recent 2 fiscal years:

1. Long-term funds accounted for the ratio of property, plant and equipment, and turnover rate of property, plant and equipment: Mainly due to the addition of the Southern Office during the current period, resulting in an increase of approximately NT\$21.34 million in housing equipment and approximately NT\$58.56 million in other equipment.
2. Accounts receivable turnover rate and average cash collection days: Mainly due to the growth of business scale and the peak period of investment in some projects, so the operating revenue is significantly larger than the accounts receivable.
3. Return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share: Mainly due to the substantial increase in net profit after tax with the scale of business.
4. Cash flow ratio, cash reinvestment ratio: Mainly caused by the increase of new construction volume in 2020, leading to the increase of advances from customers. Also, they are caused by the increase of net cash flow from operating activities due to recovery of the payments of the projects ended in the previous year.
5. Cash flow adequacy ratio: mainly caused by the increase in net cash flow from operating activities in the most recent 5 fiscal years.

Note 1: The financial data from 2016 to 2020 has been audited and attested by the CPAs.

Note 2: The financial data as of March 31, 2021 has been reviewed by the CPAs, but no parent company only financial statements have been issued.

Note 3: Operating activities are net cash outflows, thus the relevant ratios are not calculated.

Note 4: The formula is as follows:

1. Financial Structure

(1) Debt-to-asset ratio = total liabilities / total assets.

(2) Long-term funds to property, plant and equipment = (Stockholders' equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Interest coverage ratio = net profit before tax and interest expense / interest expense of the current period.

3. Operating Ability

(1) Receivables (including accounts receivable and notes payable arising from business) turnover ratio = net sales / balance of average receivables of each period (including accounts receivable and notes payable arising from business).

(2) Average collection days = 365 / receivables turnover.

(3) Inventory turnover rate = cost of sales / average inventories.

(4) Payables (including accounts payable and notes payable arising from business) turnover ratio = net sales revenue / balance of average payables for each period (including accounts payable and notes payable arising from business).

(5) Average days for sale = 365 / inventory turnover rate.

(6) Property, plant and equipment turnover rate = net sales / average balance of net property, plant and equipment.

(7) Total asset turnover rate = net sales / average total assets.

4. Profitability

(1) Return on assets = [post-tax profit or loss + interest expense x (1 - tax rate)] / average total assets.

(2) Return on equity = post-tax profit or loss / average total equity.

(3) Net profit margin = post-tax profit or loss / net sales.

(4) Earnings per share = (gain or loss attributable to owners of the parent company (presented as "net profit after tax" in the parent company only financial statements) - preferred stock dividend) / weighted average number of shares outstanding. (Note 6)

5. Cash Flow

(1) Cash flow ratio = net cash flow rising from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = net cash flow rising from operating activities in the most recent five years / (capital expenditure + increase in inventory + cash dividend) in the most recent five years.

(3) Cash re-investment ratio = (net cash flow rising from operating activities - cash dividend) / (gross property, plant and equipment + long-term investment + other non current assets + working capital). (Note 7)

6. Leverage

(1) Operating leverage = (net operating revenue - changes in operating costs and expenses) / operating income.

(2) Degree of Financial Leverage (DFL) = operating profit / (operating profit - interest expense).

III. Audit Committee's Audit Report on Financial Statements for 2020

Audit Report of Audit Committee of Kedge Construction Co., Ltd.

Hereby

The Company's financial statements for 2020 prepared and submitted by the Board of Directors have been reviewed and audited by the CPAs of KPMG Taiwan, I-Lien, Han and Ti-Nuan, Chien, together with the Business Report and the Statement of Earnings Distribution, have been audited by the Audit Committee and deemed as compliance. Therefore, the Audit Committee issued the Audit Report in accordance with Article 219 of the Company Act for approval.

To

2021 Annual Shareholders Meeting of Kedge Construction Co., Ltd.

Convener of the Audit Committee: Hung-Chin Huang

March 26, 2021

IV. 2020 Consolidated Financial Statements Audited and Attested by CPAs

Statement of Declaration

The entities that are required to be included in the consolidated financial statements of Kedge Construction Co., Ltd. as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Kedge Construction Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Hereby declared

Company Name: Kedge Construction Co., Ltd.,

Chairman: Ai-Wei Yuan

Date: March 26, 2021

Independent Auditors' Report

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

Audit Opinion

We have audited the Consolidated Balance Sheets of Kedge Construction Co., Ltd. and its subsidiaries as of December 31, 2020, and 2019, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated 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 Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of Kedge Construction Co., Ltd. as of December 31, 2020, and 2019, and its consolidated financial performance and consolidated cash flows for the annual periods ended December 31, 2020, and 2019 in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and effected by the Financial Supervisory Commission.

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 the Consolidated Financial Statements. Following the code of professional ethics of accountants, the persons subject to the independence standards of our affiliated accounting firm have maintained their independence from the Kedge Group 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 consolidated financial statements of Kedge Construction Co., Ltd. and its subsidiaries. These matters were addressed in our audit of the consolidated financial report 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

For accounting policies regarding construction contracts, please refer to Note 4 (13) of the Consolidated Financial Statements for revenue recognition. For accounting estimates and hypothetical uncertainties of estimated total contract costs for construction contracts, please refer to Note 5 of the Consolidated Financial Statements. For details of revenue recognition, please refer to Note 6 (15) of the Consolidated Financial Statements for revenue from customer contracts.

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, the Kedge Group 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.

Other Matters

Kedge Construction Co., Ltd. has also compiled Individual Financial Statements for 2020 and 2019, and they have also received an unqualified audit opinion from our CPA for your reference.

Responsibilities of the Management and Governing Body for the Consolidated Financial Statements

It is the management's responsibility to fairly present the consolidated financial statements in compliance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations and Interpretation Announcements endorsed and released effective by the Financial Supervisory Commission (FSC) and to sustain essential internal controls respecting the preparation of the consolidated financial statements so as to ensure that there is no material misrepresentation in the consolidated financial statements due to fraud or error.

In the preparation of the consolidated financial statements, the responsibility of management also includes the assessment of the sustainability of the Kedge Group, disclosure of relevant matters, as well as the adoption of the accounting base for continuing operations, unless the management intends to liquidate the Kedge Group 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. and its subsidiaries (including the Audit

Committee) have the responsibility to oversee the process by which the financial statements are prepared.

Auditor's Responsibility for Auditing Consolidated Financial Statements

The purpose of our audit of the consolidated financial statements is to obtain reasonable assurance as to whether the consolidated financial statements as a whole contains any material untruthful expression that may lead to fraud or error, 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 consolidated 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 consolidated 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 consolidated financial statements due to fraud or error; Design and implement applicable countermeasures for the assessed risks, as well as obtain sufficient and appropriate audit evidence as to the basis 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 the Kedge Group.
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 the Kedge Group for continuing operations. If we believe that there is a material uncertainty in such events or circumstances, we shall remind the users of the consolidated financial statements to pay attention to the relevant disclosure of the consolidated financial statements in the audit 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 the Kedge Group no longer having the ability to going concerned.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements fairly represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group to express opinions on the consolidated financial statements. We are responsible for the guidance, supervision, and implementation of the Group's audit cases, and for forming the Group's audit opinions.

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 consolidated financial statements of Kedge Group 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 consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2020, and 2019

Unit: NT\$ thousand

Assets		2020.12.31		2019.12.31		Liabilities and equity		2020.12.31		2019.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1) and (18))	\$ 4,108,192	44	2,526,409	31	2100	Short-term loans (Note 6(8), (18) and 8)	\$ 150,000	2	150,000	2
1110	Financial assets at fair value through profit or loss - current (Note 6(2) and (18))	44,039	-	74,118	1	2130	Current contract liabilities (Note 6(15))	1,525,341	16	988,111	12
1140	Current contract assets (Note 6(15) and 7)	1,441,162	16	1,594,708	19	2150	Notes payable (Note 6(18))	335,247	3	361,911	4
1170	Notes and accounts receivable, net (Note 6(4), (15) and (18))	939,444	10	1,127,588	14	2170	Accounts payable (Note 6(18))	3,749,899	40	3,599,351	43
1180	Notes and accounts receivable - related-parties, net (Note 6(15) and (18) and 7)	1,888,856	20	1,913,375	23	2200	Other payables (Note 6(12) and (18))	315,681	3	258,940	3
1410	Prepayments	93,656	1	205,683	2	2230	Current tax liabilities	118,771	1	50,362	1
1470	Other current assets	35,855	-	22,524	1	2300	Other current liabilities (Note 6(18))	7,110	-	18,850	-
1476	Other financial assets - current (Note 6(18) and 8)	201,785	2	243,636	3			6,202,049	65	5,427,525	65
		<u>8,752,989</u>	<u>93</u>	<u>7,708,041</u>	<u>94</u>						
Non-current assets:						Non-current liabilities:					
1550	Investments accounted for using equity method (Note 6(5))	20,507	-	20,506	-	2552	Warranty long-term provisions (Note 6(9))	150,363	2	102,482	1
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6(3) and (18))	363,370	4	344,872	4	2600	Other non-current liabilities (Note 6(18))	11,966	-	5,719	-
1600	Property, plant and equipment (Note 6(6) and 8)	133,739	2	63,116	1			162,329	2	108,201	1
1755	Right-of-use assets	11,768	-	4,393	-			6,364,378	67	5,535,726	66
1760	Investment property, net (Note 6(7) and 8)	102,077	1	102,544	1	Total liabilities					
1840	Deferred tax assets(Note 6(12))	34,635	-	24,060	-						
1975	Defined benefit assets, net - non-current (Note 6 (11))	3,400	-	1,361	-	Equity attributable to owners of the parent company (Note 6(13)):					
1980	Other financial assets- non-current (Note 6(18))	11,171	-	7,955	-	3100	Share capital	1,060,357	11	1,060,357	13
		<u>680,667</u>	<u>7</u>	<u>568,807</u>	<u>6</u>	3200	Capital surplus	518,294	6	518,241	6
Total assets		\$ 9,433,656	100	8,276,848	100	3300	Retained earnings	1,345,805	14	1,036,204	13
						3400	Other equity interest	144,653	2	126,159	2
								3,069,109	33	2,740,961	34
						36XX	Non-controlling interests	169	-	161	-
								3,069,278	33	2,741,122	34
								\$ 9,433,656	100	8,276,848	100

(Please see the Notes to the Consolidated Financial Statements)

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries
Consolidated 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)	\$ 14,130,629	100	11,462,442	100
5000	Operating costs (Note 6(11) and 12)	13,072,318	93	10,744,281	94
	Gross profit	1,058,311	7	718,161	6
	Operating expenses:				
6200	General and administrative expenses (Note 6(11), (16), 7 and 12)	288,539	2	247,780	2
	Net Operating Profit	769,772	5	470,381	4
	Non-operating income and expenses:				
7100	Interest income (Note 6(17))	8,280	-	6,289	1
7010	Other income (Note 6(17))	22,315	-	18,346	-
7020	Other gains and losses (Note 6(17))	(15,167)	-	7,027	-
7050	Financial costs (Note 6(17))	(3,009)	-	(2,130)	-
7060	Share of profit and loss associates and joint ventures accounted for using the equity method (Note 6(5))	1	-	1	-
		12,420	-	29,533	1
	Net income before tax from continuing operating department	782,192	5	499,914	5
7950	Less: Income tax expenses (Note 6(12))	155,748	1	97,558	1
	Net income	626,444	4	402,356	4
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	18,498	-	123,011	1
8300	Other comprehensive income (net of taxes)	19,766	-	123,918	1
	Total Comprehensive Income	\$ 646,210	4	526,274	5
	Net income attributable to:				
	Owners of the parent company	\$ 626,440	4	402,348	4
8620	Non-controlling interests	4	-	8	-
		\$ 626,444	4	402,356	4
	Total comprehensive income attributable to:				
	Owners of the parent company	\$ 646,202	4	526,237	5
	Non-controlling interests	8	-	37	-
		\$ 646,210	4	526,274	5
	Earnings per share (NT\$) (Note 6(14))				
9750	Basic earnings per share (NT\$)	\$ 5.91		3.79	
9850	Diluted earnings per share (NT\$)	\$ 5.87		3.79	

(Please see the Notes to the Consolidated Financial Statements)

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2020 and 2019

Unit: NT\$ thousand

	Equity Attributable to the Owners of the Parent Company								
	Share Capital		Retained Earnings			Other equity interest	Total equity attributable to the owners of the parent company	Non-controlling interest	Total equity
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Total	Unrealized profit or loss of financial assets measured at fair value through other comprehensive income			
Balance as of January 1, 2019	\$ 1,060,357	518,208	201,235	749,821	951,056	3,177	2,532,798	124	2,532,922
Net income	-	-	-	402,348	402,348	-	402,348	8	402,356
Other Comprehensive Income	-	-	-	907	907	122,982	123,889	29	123,918
Total Comprehensive Income	-	-	-	403,255	403,255	122,982	526,237	37	526,274
Earnings appropriation and distribution:									
Legal reserve appropriated	-	-	40,751	(40,751)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(318,107)	(318,107)	-	(318,107)	-	(318,107)
Unclaimed dividends after effective period	-	33	-	-	-	-	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	161	2,741,122
Net income	-	-	-	626,440	626,440	-	626,440	4	626,444
Other Comprehensive Income	-	-	-	1,268	1,268	18,494	19,762	4	19,766
Total Comprehensive Income	-	-	-	627,708	627,708	18,494	646,202	8	646,210
Earnings appropriation and distribution:									
Legal reserve appropriated	-	-	40,325	(40,325)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(318,107)	(318,107)	-	(318,107)	-	(318,107)
Unclaimed dividends after effective period	-	53	-	-	-	-	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	169	3,069,278

(Please see the Notes to the Consolidated Financial Statements)

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries
Consolidated 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	\$ 782,192	499,914
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	12,080	941
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	6,095	(7,027)
Interest expense	3,009	2,130
Interest income	(8,280)	(6,289)
Dividend income	(18,131)	(12,870)
Share of profit of associates and joint ventures using equity method recognition	(1)	(1)
Total adjustments to reconcile profit (loss)	(5,228)	(23,116)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial instruments mandatorily measured at fair value through profit or loss	23,984	84
Decrease (increase) in contract assets	154,221	(384,984)
Decrease (increase) in notes and accounts receivable	188,144	(370,327)
Notes and accounts receivable - decrease in related parties	24,519	723,273
Decrease (increase) in prepayments	112,027	(27,383)
Increase in other financial instruments - current	(13,331)	(1,793)
Decrease in other financial assets	41,886	98,707
Increase in non-current net defined benefit assets-	(2,040)	(1,361)
Total changes in operating assets	529,410	36,216
Changes in operating liabilities:		
Increase in contract liabilities	537,230	27,271
Decrease in notes payable	(26,664)	(33,013)
Increase in accounts payable	150,548	942,953
Increase in other payables	56,794	12,129
Increase in liability reserve	47,881	23,221
Decrease in other current liabilities	(13,777)	(4,317)
Increases in net defined benefit liabilities	1,268	852
Increase (decrease) in other non-current liabilities	830	(1,305)
Total changes in operating liabilities	754,110	967,791
Total changes in operating assets and liabilities	1,283,520	1,004,007
Total adjustments	1,278,292	980,891
Cash inflow generated from operations	2,060,484	1,480,805
Interests received	8,245	5,813
Dividends received	18,131	12,870
Interest payment	(3,009)	(2,130)
Income taxes paid	(97,914)	(137,046)
Net cash inflows generated from operating activities	1,985,937	1,360,312
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(80,717)	-
Decrease (increase) in other financial assets	(3,215)	1,287
Net cash outflows (inflows) generated from investing activities	(83,932)	1,287
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	(2,115)	(120)
Cash dividend distribution	(318,107)	(318,107)
Net cash outflows generated from financing activities	(320,222)	(168,227)
Net increase in cash and cash equivalents	1,581,783	1,193,372
Opening balance of cash and cash equivalents of the period	2,526,409	1,333,037
Ending balance of cash and cash equivalents of the period	\$ 4,108,192	2,526,409

(Please see the Notes to the Consolidated Financial Statements)

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries

Notes to the Consolidated 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 incorporated on April 13, 1982, located at 6F., No. 131, Sec. 3, Heping E. Rd., Taipei City, Taiwan. The main business items of the Company and its subsidiaries (hereinafter referred to as "the Consolidated 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 consolidated 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 consolidated company has adopted the newly recognized IFRSs specified above since January 1, 2020, and assessed that the application will not have a material impact on the consolidated 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 Consolidated 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 consolidated 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"

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

- (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 Consolidated
Company are as follows:

<u>New or amended standards</u>	<u>Main amendments to the content</u>	<u>The effective date of issuance by IASB</u>
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: <ul style="list-style-type: none"> • 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 Consolidated Company is in the process of evaluating the impact on the consolidated financial position and performance of the adoption of the standards and interpretations mentioned above, and the Consolidated Company will disclose relevant impacts when the evaluation is completed.

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

(1) Compliance Statement

The consolidated financial statements are prepared following the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the "Preparation Regulations") and the IFRS, IAS, Interpretation and Interpretation Announcements endorsed and released by the FSC (hereinafter referred to as the "IFRS endorsed by the FSC").

(2) Foundation of Preparation

1. Foundation of Measurement

Apart from the essential items in the following balance sheet, the consolidated 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 IV (XIV).

2. Functional Currency and Presentation Currency

Each entity of the Consolidated Company takes the currency of the main economic environment in which each business operates as its functional currency. The consolidated 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) Foundation of Consolidation

1. Preparation Principle of Consolidated Financial Statements

The preparation subjects of the consolidated financial statements include the Company and individuals controlled by the Company (i.e. subsidiaries). The Company controls an individual entity when it is exposed to, or has rights to, variable remuneration from its participation in that individual and can influence that remuneration through its power over that individual.

From the date of attaining control over the subsidiary, its financial statements shall be included in the consolidated financial statements until the date of losing control. The transactions, balances and, any unrealized income and expenses between the consolidated companies have been eliminated in full at the time of preparing the consolidated financial statements. The total comprehensive income of subsidiaries is attributable to the owners and non-controlling interests of the Company, even if the non-controlling interests become the deficit balance.

The financial statements of the subsidiaries have been appropriately adjusted to facilitate their accounting policies are consistent with those used by the Consolidated Company.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

Where the change of the ownership interest and interests of the Consolidated Company to a subsidiary does not result in the loss of control over the subsidiary, it shall be treated as an equity transaction with the owner. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received shall be directly recognized in equity attributable to the owners of the Company.

2. Subsidiaries Included in the Consolidated Financial Statements

Name of investment company	Subsidiaries	Nature of business	Percentage of ownership		Explanation
			2020.12.31	2019.12.31	
The Company	Guanqing Electromechanical Co., Ltd. (Guanqing Electromechanical)	Electrical equipment installation and fire safety equipment installation, etc.	99.96%	99.96%	holds directly more than 50% of the issued voting share in the subsidiary.
The Company	Jiequn Investment Co., Ltd. (Jiequn Investment)	General Investment	99.98%	99.98%	holds directly more than 50% of the issued voting share in the subsidiary.
Jointly held by Guanqing Electromechanical and Jiequn Investment	Dingtian Construction Co., (Dingtian Construction)	The comprehensive construction industry, etc.	100.00%	100.00%	holds indirectly more than 50% of the issued voting share in the subsidiary.

3. Subsidiaries not Included in the Consolidated Financial Statements: None.

(4) 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 12 months after the reporting period; or
4. The asset is cash or cash equivalent, but it will be used for the exchange of assets or settlement of liabilities at least 12 months after the reporting period, unless otherwise limited.

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

1. The liability is expected to be settled within its normal operating cycle;
2. The liabilities held are primarily for the trading purpose;
3. The liabilities are expected to settle the obligation within 12 months after the reporting period; or

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

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.

(5) 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.

(6) 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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. At the time of initial recognition, to eliminate or materially reduce accounting mismatches, the Consolidated Company may irrevocably designate financial assets that meet the criteria of measuring at amortized cost or at fair value through other comprehensive income as financial assets measured at fair value through profit or loss.

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

(4) Impairment of Financial Assets

Regarding the financial assets measured through amortized cost (including cash and equivalent cash, financial assets measured by amortized cost, notes receivable and accounts receivable, other receivables, refundable deposits, and other financial assets, etc.) and contract assets, the Consolidated 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 (for example, 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 Consolidated 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 consolidated 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 Consolidate Company can collect according to the contract and the expected cash flow that the Consolidate Company will receive. Expected credit loss is discounted at the effective interest rate of financial assets.

On each reporting date, the Consolidated 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 Consolidated 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 adjusted profit and loss and recognized in other comprehensive income (without reducing the carrying amount of assets).

When the Consolidated 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 Consolidated Company analyzes the time and amount of write off individually based on whether it reasonably expects to be recoverable. The Consolidated 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 Consolidated Company to recover the overdue amount.

(5) Derecognition of Financial Assets

The Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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.

(7) Investments in Associates

Associates refer to those for which the Consolidated Company has a material influence upon their financial and operating policies but without controlling or joint controlling.

The Consolidated Company adopts the equity method for handling the equity of associates. Under the equity method, the initial acquisition is recognized according to the cost, and the investment cost includes the transaction cost. The carrying amount of invested associates includes the goodwill recognized at the time of initial investment less any accumulative impairment loss.

The consolidated financial statements include the amount of profit and loss and other comprehensive profit and loss of each invested associate recognized by the Consolidated Company according to the proportionate interest after the adjustment of the consistency with the accounting policies of the Consolidated Company from the date of attaining a material influence to the date of losing such influence. When the equity of associates change, not including profit and loss and other comprehensive profit and loss, and do not affect the shareholding ratio of the Consolidated Company, the Consolidated Company shall recognize all the equity changes as capital surplus according to the shareholding ratio. The unrealized profits and losses arising from the transaction between the Consolidated Company and the associates shall be recognized in the financial statements of the associates only within the scope of the interest of the non-affiliated investor to the associate.

When the Consolidated Company recognizes the loss of associates in proportion and its share is equal to or more than its equity in associates, it shall stop recognize the loss. The Consolidated Company shall recognize additional losses and related liabilities only to the extent of legal obligations, constructive obligations or payments made on behalf of the investee.

(8) 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 other income on a straight-line basis during the lease term. The lease incentive is recognized as part of the lease income during the lease term.

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

(10) Leases

1. Lease Judgment

The Consolidated 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 Consolidated Company evaluates the following items:

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

- (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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company uses its incremental borrowing rate of interest as the discount rate.

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

- (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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company shall employ the provisions of IFRS 15 to share the consideration in the contract.

(11) Impairments of Non-financial Assets

The Consolidated 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.

(12) Provisions

The recognition of provisions means a current obligation for past events so that in the future the Consolidated 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.

(13) 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 Consolidated 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 Consolidated Company are described as follows:

(1) Labor Services

The Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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related to unfulfilled performance obligation or fulfilled (or partially fulfilled) performance obligation that cannot be distinguished are recognized as an expense when incurred.

(14) 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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.

(15) 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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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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 Consolidated 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 Consolidated 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.

(16) Earnings per Share

The Consolidated Company presents the basic and diluted earnings per share attributable to the Company's common equity holders. The basic earnings per share of the Consolidated 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.

(17) Segment Information

The operating segment is an integral part of the Consolidated Company, which is engaged in business activities that may generate revenue and incur expenses (including revenue and expense related to the transactions among other components in the Consolidated Company). The operating results of all operating segments are periodically reviewed by the major operating decision-makers of the Consolidated Company to make decisions on the allocation of resources to the segments and to evaluate their performance. Every operation segment has its independent financial information.

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

The management must make judgments, estimates, and assumptions when preparing the consolidated financial statements under the preparation standards and IFRS endorsed by the FSC, 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 accounting policy involves significant judgments and information that has a material impact on the amount recognized in the consolidated financial statements is as follows:

(1) Judgment on Whether It Has a Material Impact on Associates

The Consolidated Company holds 46.67% of the voting shares of ReadyCom eServices Corporation, but the Consolidated Company does not substantially participate in the decision of the company's financial and operational policies. So it has no significant influence on ReadyCom eServices Corporation.

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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evaluation method and parameter hypothesis announced by the FSC.

In measuring the assets and liabilities, the Consolidated 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 Consolidated 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 VI (VII), investment property
- (II) Note VI (XVIII), financial instrument

6. Descriptions of Significant Accounting Items

(1) Cash and cash equivalents

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash and petty cash	\$ 710	710
Demand deposits	224,793	522,875
Check deposits	503,467	202,841
Time deposits	1,548	-
Cash equivalents	<u>3,377,674</u>	<u>1,799,983</u>
Cash and cash equivalents	<u>\$ 4,108,192</u>	<u>2,526,409</u>

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 Consolidated Company, please refer to Note 6(18).

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
TWSE (or TPEX) listed company shares	\$ 44,039	44,054
Funds	-	30,064
Total	<u>\$ 44,039</u>	<u>74,118</u>

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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1. The Consolidated Company has mandatorily designated the aforementioned items as non-derivative financial assets measured at fair value through profit or loss. The dividend income recognized in 2020 and 2019 was NT\$1,929,000 and NT\$1,915,000 respectively.
 2. As of December 31, 2020, and 2019, none of the financial assets of the Consolidated Company was pledged as collateral.
- (3) Financial Assets Measured at Fair Value through Other Comprehensive Income

	<u>2020.12.31</u>	<u>2019.12.31</u>
Equity instruments measured at fair value through other comprehensive income		
Stocks listed in TWSE or TPEX	\$ 357,545	338,952
Unlisted stocks	<u>5,825</u>	<u>5,920</u>
Total	<u>\$ 363,370</u>	<u>344,872</u>

1. Equity instrument investments measured at fair value through other comprehensive income
The equity instrument investment held by the Consolidated 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 Consolidated Company in 2020 and 2019 were NT\$16,202,000 and NT\$10,955,000.
 3. The Consolidated 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. None of the financial assets of the Consolidated Company has been 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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Accounts Receivable	\$ 939,444	1,127,588
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 939,444</u>	<u>1,127,588</u>

The Consolidated Company adopts the simplified method to estimate the expected credit loss for all notes receivable and accounts receivable, that is, to measure lifetime expected credit losses. For this measuring purpose, the Consolidated Company considers the past default records of clients, the current financial circumstances, the industrial economic situation, and the industrial outlook at the same time. The expected credit loss of notes receivable and accounts receivable of the Consolidated Company is analyzed as follows:

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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	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	<u>\$ 939,444</u>	-	<u>-</u>

	2019.12.31		
	The carrying amount of notes receivable and accounts receivable	Weighted average expected credit loss rate	Allowance of lifetime expected credit losses
Not past due	<u>\$ 1,127,588</u>	-	<u>-</u>

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

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

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

(5) Investments accounted for using equity method

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

	2020.12.31	2019.12.31
ReadyCom eServices Corp.	<u>\$ 20,507</u>	<u>20,506</u>

1. Associates

The share of associates' profit and loss enjoyed by the Consolidated Company is as follows:

	2020	2019
Share attributable to the Consolidated Company:		
Net income of continuing operations	<u>\$ 1</u>	<u>1</u>

The Consolidated Company does not have any contingent liabilities arising from the joint undertaking of the contingent liabilities of the associates with other investors or the individual accountability for the liabilities of the associates.

2. Collateral

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

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(6) Property, Plant and Equipment

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

	Land	Houses and buildings	Transportation equipment	Others equipment	Total
Cost or deemed cost:					
Balance on January 1, 2020	\$ 62,430	14,969	1,930	407	79,736
Addition	-	21,344	-	59,373	80,717
Reclassification to contract assets	-	-	-	(811)	(811)
Balance on December 31, 2020	<u>\$ 62,430</u>	<u>36,313</u>	<u>1,930</u>	<u>58,969</u>	<u>159,642</u>
Balance on January 1, 2019	\$ 62,430	14,969	1,930	407	79,736
Balance on December 31, 2019	<u>\$ 62,430</u>	<u>14,969</u>	<u>1,930</u>	<u>407</u>	<u>79,736</u>
Depreciation and impairment losses:					
Balance on January 1, 2020	-	14,337	1,876	407	16,620
Depreciation for the year	-	1,853	11	7,554	9,418
Reclassification to contract assets	-	-	-	(135)	(135)
Balance on December 31, 2020	<u>\$ -</u>	<u>16,190</u>	<u>1,887</u>	<u>7,826</u>	<u>25,903</u>

	Land	Houses and buildings	Transportation equipment	Others equipment	Total
Balance on January 1, 2019	-	14,068	1,823	407	16,298
Depreciation for the year	-	269	53	-	322
Balance on December 31, 2019	<u>\$ -</u>	<u>14,337</u>	<u>1,876</u>	<u>407</u>	<u>16,620</u>
Carrying amount:					
December 31, 2020	<u>\$ 62,430</u>	<u>20,123</u>	<u>43</u>	<u>51,143</u>	<u>133,739</u>
January 1, 2019	<u>\$ 62,430</u>	<u>901</u>	<u>107</u>	<u>-</u>	<u>63,438</u>
December 31, 2019	<u>\$ 62,430</u>	<u>632</u>	<u>54</u>	<u>-</u>	<u>63,116</u>

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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(7) Investment Property

	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 Consolidated 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 Consolidated Company pledged as collateral for the financing line as of December 31, 2020, and 2019.

(8) Short-term Loans

Details on short-term loans of the Consolidated Company were 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 details of the Consolidated Company's interest rate risk and liquidity risk, please refer to Note 6(18).

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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(9) Provisions

	Warranty
Balance on January 1, 2020	\$ 102,482
Additional provisions for the current period	53,233
Provisions used in the current period	(5,352)
Balance on December 31, 2020	\$ 150,363
Balance on January 1, 2019	\$ 79,261
Additional provisions for the current period	27,816
Provisions used in the current period	(4,595)
Balance on December 31, 2019	\$ 102,482

In 2020 and 2019, the warranty provisions of the Consolidated Company are mainly related to construction contracting. The warranty provisions are estimated based on the historical warranty data of various constructions. The Consolidated Company expects that the liability will occur mostly one year after the construction acceptance.

(10) Operating lease

The investment property leased by the Consolidated 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 Consolidated 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 Consolidated 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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

(1) Components of plan assets

The pension fund contributed by the Consolidated 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.

CMP Group'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 Consolidated Company in 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
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	<u>(243)</u>	<u>(7,613)</u>
Defined benefit obligation on December 31	<u><u>\$ 22,148</u></u>	<u><u>22,317</u></u>

(3) Changes in fair value of plan assets

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

	<u>2020</u>	<u>2019</u>
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	<u>(243)</u>	<u>(7,613)</u>
Fair value of plan assets on December 31	<u><u>\$ 25,548</u></u>	<u><u>23,678</u></u>

(4) The Consolidated 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 Consolidated Company in 2020 and 2019 are as follows:

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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	<u>2020</u>	<u>2019</u>
Net interest from net defined benefit liability (asset)	\$ <u>(16)</u>	<u>(2)</u>

Operating costs	\$ <u>(16)</u>	<u>(2)</u>
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- (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 Consolidated Company as of December 31, 2020, and 2019 is as follows:

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

- (7) Actuarial assumption

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Discount rate	0.80%	1.00%
Future salary increase	2.00%	1.75%

Based on the actuarial report, the Consolidated 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 the reporting date of December 31, 2020, and 2019 on the present value of defined benefit obligations is as follows:

	Impact on defined benefit obligations	
	<u>Increase</u>	<u>Decrease</u>
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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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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 Consolidated 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 Consolidated 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 NT\$22,253,000 and NT\$21,895,000, respectively.

3. Short-term Compensated Absences

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Short-term compensated absences	<u>\$ 15,057</u>	<u>14,543</u>

(12) Income tax

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

	<u>2020</u>	<u>2019</u>
Current income tax expenses		
Accrued in current year	\$ 164,674	99,498
Surtax on unappropriated earnings	3,554	4,471
Adjustments to income tax expenses of	<u>(1,905)</u>	<u>(3,337)</u>
previous period	166,323	100,632
Deferred tax expense		
Occurrence and reversal of temporary	<u>(10,575)</u>	<u>(3,074)</u>
differences		
Income tax expenses	<u>\$ 155,748</u>	<u>97,558</u>

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

	<u>2020</u>	<u>2019</u>
Profit before tax	\$ 782,192	499,914
Income tax calculated according to the domestic	156,438	99,983
tax rate of the location of the Company		
Adjustments to income tax expenses of previous	(1,905)	(3,337)
period		
Surtax on unappropriated retained earnings	3,554	4,471
Tax exemption profit	(3,390)	(2,188)
Others	<u>1,051</u>	<u>(1,371)</u>
Total	<u>\$ 155,748</u>	<u>97,558</u>

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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3. Deferred tax assets

(1) Unrecognized deferred tax assets

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

	2020.12.31	2019.12.31
Deductible temporary difference	<u><u>\$ 803</u></u>	<u><u>803</u></u>

(2) Recognized deferred tax assets

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

	Provisions	Unrealized construction loss	Cumulative compensated absences	Others	Total
January 1, 2020	\$ 20,491	-	2,905	664	24,060
Recognized in the income statements	<u>9,577</u>	<u>-</u>	<u>102</u>	<u>896</u>	<u>10,575</u>
December 31, 2020	<u><u>\$ 30,068</u></u>	<u><u>-</u></u>	<u><u>3,007</u></u>	<u><u>1,560</u></u>	<u><u>34,635</u></u>
January 1, 2019	\$ 15,847	2,160	2,314	664	20,985
Recognized in the income statements	<u>4,644</u>	<u>(2,160)</u>	<u>591</u>	<u>-</u>	<u>3,075</u>
December 31, 2019	<u><u>\$ 20,491</u></u>	<u><u>-</u></u>	<u><u>2,905</u></u>	<u><u>664</u></u>	<u><u>24,060</u></u>

4. The Consolidated Company's business income tax declaration has been approved by the collection authority until 2018, except that Kedge Construction has been approved to 2019.

(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 associates and joint ventures recognized by the equity method	2,568	2,568
Unclaimed dividends after effective period	414	361
Others	<u>1,437</u>	<u>1,437</u>
	<u><u>\$ 518,294</u></u>	<u><u>518,241</u></u>

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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

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

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	<u>318,107</u>	3	<u>318,107</u>

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 gain (loss) from financial assets measured at fair value through other comprehensive income		<u>18,494</u>
Balance on December 31, 2020	\$	<u><u>144,653</u></u>
Balance on January 1, 2019	\$	3,177
Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income		<u>122,982</u>
Balance on December 31, 2019	\$	<u><u>126,159</u></u>

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

(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	<u>\$ 626,440</u>	<u>402,348</u>
Weighted average number of ordinary shares outstanding	<u>106,036</u>	<u>106,036</u>
	<u>\$ 5.91</u>	<u>3.79</u>
Diluted earnings per share		
Net profit attributable to ordinary equity holders of the Company	<u>\$ 626,440</u>	<u>402,348</u>
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)	<u>106,747</u>	<u>106,221</u>
	<u>\$ 5.87</u>	<u>3.79</u>

(15) Revenue from contracts with customers

1. Disaggregation of revenue

	2020	2019
Timing of revenue recognition:		
Gradually transferred constructions over time	\$ 14,123,630	11,456,360
Gradually transferred services over time	6,999	6,082
	<u>\$ 14,130,629</u>	<u>11,462,442</u>

2. Contract balances

	2020.12.31	2019.12.31	2019.1.1
Notes and accounts receivable (including related parties)	\$ 2,828,300	3,040,963	3,393,909
Less: Loss allowance	-	-	-
Total	<u>\$ 2,828,300</u>	<u>3,040,963</u>	<u>3,393,909</u>
Contract asset	\$ 1,441,162	1,594,708	1,209,724
Less: Loss allowance	-	-	-
Total	<u>\$ 1,441,162</u>	<u>1,594,708</u>	<u>1,209,724</u>
Contract liability	<u>\$ 1,525,341</u>	<u>988,111</u>	<u>960,840</u>
construction-			

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

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 Consolidated Company in 2020 and 2019 are as follows:

	2020	2019
Loans and receivables	\$ 7,953	5,513
Bank deposits	327	776
	\$ 8,280	6,289

2. Other income

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

	2020	2019
Dividend income	\$ 18,131	12,870
Rental income	11	11
Other income	4,173	5,465
	\$ 22,315	18,346

3. Other gains or losses

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

	2020	2019
Profit (loss) of financial assets at fair value through profit or loss	\$ (6,095)	7,027
Other expenses	(9,072)	-
	\$ (15,167)	7,027

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

4. Financial costs

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

	<u>2020</u>	<u>2019</u>
Interest expense		
Bank loans	\$ 2,721	2,044
Others	288	86
	<u>\$ 3,009</u>	<u>2,130</u>

(18) Financial instruments

1. Credit Risk

(1) Credit risk exposure

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

(2) The concentration of credit risk

The revenues of the Consolidated Company in 2020 and 2019 are derived from the sales to domestic clients; the clients of the Consolidated Company are concentrated in the construction industry and public works, 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 Consolidated Company. The Consolidated 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.

	<u>Carrying amount</u>	<u>Contract cash flow</u>	<u>Within 1 year</u>	<u>1 to 3 years-</u>	<u>3 to 5 years-</u>	<u>Over 5 years</u>
December 31, 2020						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 150,000	151,100	151,100	-	-	-
Notes payable	335,247	335,247	335,247	-	-	-
Accounts payable	3,749,899	3,749,899	1,855,504	1,894,395	-	-
Other payables	315,681	315,681	315,681	-	-	-
Other current liabilities (leases liabilities)	2,159	2,652	2,652	-	-	-
Other non-current liabilities (leases liabilities)	9,722	10,601	-	4,474	1,682	4,445
	<u>\$ 4,562,708</u>	<u>4,565,180</u>	<u>2,660,184</u>	<u>1,898,869</u>	<u>1,682</u>	<u>4,445</u>
December 31, 2019						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 150,000	151,400	151,400	-	-	-
Notes payable	361,911	361,911	361,911	-	-	-
Accounts payable	3,599,351	3,599,351	2,106,886	1,492,465	-	-
Other payables	74,167	74,167	74,167	-	-	-
Other current liabilities (leases liabilities)	122	197	197	-	-	-
Other non-current liabilities (leases liabilities)	4,305	5,427	-	393	393	4,641
	<u>\$ 4,189,856</u>	<u>4,192,453</u>	<u>2,694,561</u>	<u>1,492,858</u>	<u>393</u>	<u>4,641</u>

The Consolidated 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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

3. Interest Rate Analysis

The risk of interest rate exposure on the financial assets and financial liabilities of the Consolidated 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 Consolidated 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:

Securities price on the reporting date	2020		2019	
	Other comprehensive income after tax	After-tax profit or loss	After-tax other comprehensive income	After-tax profit or loss
Up by 10%	\$ 35,755	4,404	33,895	4,405
Down by 10%	\$ (35,755)	(4,404)	(33,895)	(4,405)

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 lease liabilities 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				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 44,039	44,039	-	-	44,039
Financial assets measured at fair value through other comprehensive income	\$ 363,370	357,545	-	5,825	363,370
Financial assets measured at cost after amortization					
Cash and cash equivalents	\$ 4,108,192	-	-	-	-
Notes receivable and accounts receivable (including related parties)	2,828,300	-	-	-	-
Other financial assets - current-	201,785	-	-	-	-
Other financial assets - non-current-	11,171	-	-	-	-
Subtotal	7,149,448	-	-	-	-
Total	\$ 7,556,857	401,584	-	5,825	407,409

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

	2020.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term loans	\$ 150,000	-	-	-	-
Notes payable and accounts payable	4,085,146	-	-	-	-
Other current liabilities (leases liabilities)	2,159	-	-	-	-
Other non-current liabilities (leases liabilities)	9,722	-	-	-	-
Other payables	315,681	-	-	-	-
Total	<u>\$ 4,562,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2019.12.31				
	Carrying amount	Fair value			
		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	\$ 74,118	74,118	-	-	74,118
Financial assets measured at fair value through other comprehensive income	\$ 344,872	338,952	-	5,920	344,872
Financial assets measured at cost after amortization					
Cash and cash equivalents	\$ 2,526,409	-	-	-	-
Notes receivable and accounts receivable (including related parties)	3,040,963	-	-	-	-
Other financial assets - current-	243,636	-	-	-	-
Other financial assets - non-current-	7,955	-	-	-	-
Subtotal	5,818,963	-	-	-	-
Total	<u>\$ 6,237,953</u>	<u>413,070</u>	<u>-</u>	<u>5,920</u>	<u>418,990</u>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 150,000	-	-	-	-
Notes payable and accounts payable	3,961,262	-	-	-	-
Other current liabilities (leases liabilities)	122	-	-	-	-
Other non-current liabilities (leases liabilities)	4,305	-	-	-	-
Other payables	74,167	-	-	-	-
Total	<u>\$ 4,189,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(2) Quantitative information of fair value measurement of material unobservable inputs (Level 3)

The fair value measurement of the Consolidated Company is classified as Level 3, mainly including financial assets measured at fair value through other comprehensive income and is conducted through the income approach.

(3) 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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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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 Consolidated 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 combined 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 Consolidated 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.

(4) Details of changes in Level 3

	Measured at fair value through other comprehensive income		
	Equity instruments without public		
	quotes	Bond investment	Total
January 1, 2020	\$ 5,920	-	5,920
December 31, 2020	\$ 5,825	-	5,825
January 1, 2019	\$ 4,571	-	4,571
December 31, 2019	\$ 5,920	-	5,920

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

The above total profit or loss is reported in "unrealized valuation profit (loss) of financial assets measured at fair value through other comprehensive income." Among them, the assets still held on December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Total profit or loss		
Recognized in other comprehensive income (under unrealized valuation gains and losses from "financial assets at fair value through other comprehensive income")	\$ <u>(95)</u>	<u>1,349</u>

(19) Financial Risk Management

1.Outline

The Consolidated 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 Consolidated Company and the objectives, policies, and procedures for the measurement and risk management of the Consolidated Company. For further quantitative disclosure, please refer to the notes in the consolidated 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 Consolidated 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 Consolidated 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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

The organizational structure of risk management of the merged company is as follows:

Name of Organization	Scope of Responsibilities
The Board of Directors	Establish risk management policies 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 Consolidated 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 Consolidated Company.

(1) Accounts receivable and other receivables

The credit risk exposure of the Consolidated Company is primarily affected by the individual circumstances of each client. The management also considers the statistical data of the Consolidated 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 Consolidated 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 Consolidated Company. Given that the trading counterpart and the contract performing party of the Consolidated 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.

4.Liquidity Risk

Liquidity risk refers to the risk that the Consolidated 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 Consolidated Company is to ensure that the Consolidated 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 Consolidated Company.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

Generally speaking, the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company has not actively traded such investments, and the managing personnel of the Consolidated Company manage the risks by holding different risk investment portfolios.

(20) Capital management

The goal of the capital management of the Consolidated 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 Consolidated 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 Consolidated 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, other equity, and non-controlling equity) plus net indebtedness.

The capital management strategy of the Consolidated 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:

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

	<u>2020.12.31</u>	<u>2019.12.31</u>
Total Liabilities	\$ 6,364,378	5,535,726
Less: Cash and cash equivalents	<u>(4,108,192)</u>	<u>(2,526,409)</u>
Net liabilities	2,256,186	3,009,317
Total Equity	3,069,278	2,741,122
Adjusted capital	<u>\$ 5,325,464</u>	<u>5,750,439</u>
Debt-to-capital ratio	<u>42%</u>	<u>52%</u>

7. Related-Party Transactions

- (1) The parent company and the ultimate controlling party

Kindom Development Co., Ltd. is the parent company of the Consolidated Company and the ultimate controller of the Group to which it belongs and holds 34.18% of the outstanding ordinary shares of the Consolidated Company. 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 Consolidated Company within the period of the financial report are as follows:

<u>Name of related parties</u>	<u>Relationship with the Consolidated Company</u>
Kindom Development Co., Ltd.	The parent company of the Company
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 Consolidated Company to related party were as follows:

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

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

- (1) The constructions contracted by the Consolidated 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) In 2020 and 2019, the gross profit margin of the constructions contracted by the Consolidated 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. Receivables from related parties and contract assets

The Consolidated Company's receivables from related parties and contract assets are as follows:

<u>Accounting items</u>	<u>Type of related parties</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable	Parent company - Kindom Development Co., Ltd.	\$ 1,119,596	1,287,602
Accounts Receivable	Parent company - Kindom Development Co., Ltd.	769,260	625,773
Contract assets	Parent company - Kindom Development Co., Ltd.	131,468	375,043
Contract assets (retention receivables)	Parent company - Kindom Development Co., Ltd.	<u>19,774</u>	<u>21,494</u>
		<u>\$ 2,040,098</u>	<u>2,309,912</u>

The collection period of the Consolidated 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.

3. Endorsements/guarantees

On December 31, 2020, and 2019, the Consolidated Company is the joint partner and joint debtor of parent company Kindom Development Co., Ltd. for cooperative development and construction, with the amount of NT\$28,384,000.

4. Leases

In 2020 and 2019, the Consolidated 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 Consolidated 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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

The Consolidated Company jointly rents office building with the parent company - Kindom Development Co., Ltd., which meets the leases defined in IFRS 16, and recognized interest expenses of NT\$75,000 and NT\$77,000 for 2020 and 2019, respectively. As of December 31, 2020, and 2019, the balance of lease liabilities was NT\$4,305,000 and NT\$4,427,000, respectively, and the amount is listed separately in current and non-current other liabilities based on the maturity date.

5. Others

- (1) In 2020 and 2019, the Consolidated Company donated NT\$5,500,000 and NT\$4,000,000 to Kindom Yu San Education Foundation, a syndicate legal entity, for the promotion of the foundation's business.
- (2) The Consolidated Company entered into a professional service contract with Kindom Development Co., Ltd., the parent company, for the provision of engineering research, recommendation, and education by the Company at a total contract price of NT\$963,000, which was fully settled as of December 31, 2020.

(4) Key management personnel transactions

Remuneration to major management personnel includes:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 101,269	66,826
Benefits after retirement	185	168
	<u><u>\$ 101,454</u></u>	<u><u>66,994</u></u>

8. Pledged Assets

Details of the carrying value of pledged assets by the Consolidated Company were as follows:

<u>Name of assets</u>	<u>Pledge guarantee object</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
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	<u>95,353</u>	<u>95,585</u>
		<u><u>\$ 317,037</u></u>	<u><u>373,273</u></u>

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 Consolidated Company were NT\$44,164,036,000 and NT\$34,837,049,000 respectively, and the payments received according to the contract were NT\$19,796,069,000 and NT\$12,491,856,000 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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

(2) Contingent liability

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 and the landlord were 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

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

12. Others

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

Function Nature	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salaries and wages	\$ 492,997	187,774	680,771	430,607	158,989	589,596
Labor insurance and national health insurance	35,926	9,325	45,251	38,139	9,137	47,276
Pension expenses	16,428	5,809	22,237	16,689	5,204	21,893
Other employee benefits expenses	1,027	13,545	14,572	232	12,068	12,300
Depreciation expenses	3,466	8,614	12,080	466	475	941
Depletion expenses	-	-	-	-	-	-
Amortization expenses	-	-	-	-	-	-

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

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 Consolidated 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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

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				Maximum shareholding or contribution during the 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	0.10%	
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	2,417	- %	2,417	- %	
"	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	286,645	1.69 %	286,645	1.69%	
"	Shares - Taiwan Calcom International Computer Graphic Co., Ltd.	-	"	405	-	0.78 %	-	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	0.32%	
"	Shares - Global Views-Commonwealth Publishing Co.	-	"	132	5,825	0.59 %	5,825	0.59%	
"	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	419	19,579	- %	19,579	- %	

- Accumulated to buy or sell the same marketable securities amount to NT\$300 million or more than 20% of the paid-up capital: None.
- The amount of property acquired reaches NT\$300 million or more than 20% of the paid-in capital: none.
- The amount of property disposal reaches NT\$300 million or more than 20% of the paid-in capital: none.
- 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)	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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

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.

10. Business relationship and significant transactions between parent company and subsidiaries:

No.	Trader's name	Name of the transaction counterpart	Nature of Relationship	Transactions			
				Account	Amount	Terms of transaction	Ratio to consolidated total operating revenue or total assets
0	Kedge Construction Co., Ltd.	Guanqing Electromechanical Co., Ltd.	1	Contract liabilities	\$ 11,541	Equivalent to general transactions	0.12%
0	"	"	1	Notes and accounts payables	32,994	"	0.35%
0	"	"	1	Operating costs	134,216	"	0.95%
0	"	Dingtian Construction Co., Ltd.	1	Contract liabilities	8,098	"	0.09%
0	"	"	1	Notes and accounts payables	19,719	"	0.21%
0	"	"	1	Operating costs	177,373	"	1.26%
1	Guanqing Electromechanical Co., Ltd.	Kedge Construction Co., Ltd.	2	Contract assets	11,541	"	0.12%
1	"	"	2	Notes and accounts receivable	32,994	"	0.35%
1	"	"	2	Operating revenue	134,216	"	0.95%
2	Dingtian Construction Co., Ltd.	"	2	Contract assets	8,098	"	0.09%
2	"	"	2	Notes and accounts receivable	19,719	"	0.21%
2	"	"	2	Operating revenue	177,373	"	1.26%

Note I: Instruction for numbering.

- The parent company is numbered 0.
- Subsidiaries are numbered in sequence, starting with Arabic numeral 1 according to company type.

Note II: The type of relations with transaction party is marked as follows:

- Parent company to subsidiary.
- Subsidiary to parent company.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

Note III. The above transactions have been written off at the time of preparing the consolidated financial report.

(2) Information on Reinvestment

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

Unit: thousand NTD/thousand shares

Name of investment company	Investee	Location	Principal business	Original investment amount		Holdings at the end of the period			Highest Ownership Level or Capital Invested during the Period Or Investment Details	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	99.98%	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	99.96%	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	30.00%	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	70.00%	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	46.67%	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

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

The operation department of the Consolidated Company which should be reported is only the construction segment. The construction segment is mainly responsible for the integrated operation and maintenance of construction, management, and other overall works. The information on segment profit and loss, segment assets, and segment liabilities are consistent with the financial statements. Please refer to the consolidated balance sheets and consolidated statements of comprehensive income for details.

V. 2020 Parent Company only Financial Statements Audited and Attested by CPAs

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				2020.12.31		2019.12.31	
	Assets	Amount	%	Amount	%		Liabilities and equity	Amount	%	Amount	%
	Current assets:						Current liabilities:				
1100	Cash and cash equivalents (Note 6(1) and (18))	\$ 3,809,741	41	2,288,640	28	2100	Short-term loans (Note 6(8), (18) and 8)	\$ 150,000	2	150,000	2
1110	Financial assets at fair value through profit or loss - current (Note 6(2) and (18))	-	-	22,474	-	2130	Current contract liabilities (Note 6(15))	1,495,664	16	978,454	12
1170	Notes and accounts receivable, net (Note 6(4), (15) and (18))	939,444	10	1,127,588	15	2150	Notes payable (Note 6(18) and 7)	326,123	4	356,433	4
1180	Notes and accounts receivable - related-parties, net (Note 6(15) and (18) and 7)	1,888,856	21	1,908,205	23	2170	Accounts payable (Note 6(18) and 7)	3,656,982	39	3,497,894	43
1140	Current contract assets (Note 6(15) and 7)	1,419,467	15	1,555,198	19	2200	Other payables (Note 6(11) and (18))	310,826	3	253,702	3
1410	Prepayments	91,505	1	202,562	2	2230	Current tax liabilities	117,200	1	47,929	1
1470	Other current assets	34,485	-	20,579	-	2300	Other current liabilities (Note 6(18))	6,831	-	18,572	-
1476	Other financial assets - current (Note 6(18) and 8)	201,775	2	243,552	4		Non-current liabilities:				
		<u>8,385,273</u>	<u>90</u>	<u>7,368,798</u>	<u>91</u>	2552	Warranty long-term provisions (Note 6(9))	149,369	2	101,321	1
	Non-current assets:					2600	Other non-current liabilities (Note 6(18))	7,785	-	1,415	-
1518	Equity instrument measured at fair value through other comprehensive income (Note 6 (3) and (18))	16,825	-	15,950	-		Total liabilities	<u>157,154</u>	<u>2</u>	<u>102,736</u>	<u>1</u>
1550	Investments accounted for using equity method (Note 6(5))	605,247	7	573,005	7		Equity (Note 6(13))	<u>6,220,780</u>	<u>67</u>	<u>5,405,720</u>	<u>66</u>
1600	Property, plant and equipment (Note 6(6) and 8)	123,952	2	53,254	1	3100	Share capital	1,060,357	11	1,060,357	13
1760	Investment property, net (Note 6(7) and 8)	102,077	1	102,544	1	3200	Capital surplus	518,294	6	518,241	6
1755	Right-of-use assets	7,529	-	-	-	3300	Retained earnings	1,345,805	14	1,036,204	13
1840	Deferred tax assets(Note 6(12))	34,416	-	23,814	-	3400	Other equity interest	144,653	2	126,159	2
1975	Net defined benefit assets - non-current (Note 6 (11))	3,400	-	1,361	-		Total equity	<u>3,069,109</u>	<u>33</u>	<u>2,740,961</u>	<u>34</u>
1980	Other financial assets - non-current (Note 6(18))	11,170	-	7,955	-		Total liabilities and equity	<u>\$ 9,289,889</u>	<u>100</u>	<u>8,146,681</u>	<u>100</u>
	Total assets	<u>\$ 9,289,889</u>	<u>100</u>	<u>8,146,681</u>	<u>100</u>						

(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

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
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)	<u>13,058,255</u>	<u>93</u>	<u>10,667,867</u>	<u>94</u>
	Gross profit	<u>1,045,153</u>	<u>7</u>	<u>694,751</u>	<u>6</u>
	Operating expenses:				
6200	General and administrative expenses (Note 6(11), (16), 7 and 12)	<u>274,682</u>	<u>2</u>	<u>234,713</u>	<u>2</u>
	Net Operating Profit	<u>770,471</u>	<u>5</u>	<u>460,038</u>	<u>4</u>
	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	<u>14,622</u>	<u>-</u>	<u>23,586</u>	<u>-</u>
		<u>10,043</u>	<u>-</u>	<u>35,105</u>	<u>-</u>
	Net income before tax from continuing operating department	780,514	5	495,143	4
7950	Less: Income tax expenses (Note 6(12))	<u>154,074</u>	<u>1</u>	<u>92,795</u>	<u>1</u>
	Net income	<u>626,440</u>	<u>4</u>	<u>402,348</u>	<u>3</u>
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	<u>18,494</u>	<u>-</u>	<u>122,982</u>	<u>1</u>
		<u>19,762</u>	<u>-</u>	<u>123,889</u>	<u>1</u>
8300	Other comprehensive income(net of taxes)	<u>19,762</u>	<u>-</u>	<u>123,889</u>	<u>1</u>
	Total Comprehensive Income	<u>\$ 646,202</u>	<u>4</u>	<u>526,237</u>	<u>4</u>
	Earnings per share (NTD) (Note 6(14))				
9750	Basic earnings per share (NT\$)	<u>\$ 5.91</u>		<u>3.79</u>	
9850	Diluted earnings per share (NTD)	<u>\$ 5.87</u>		<u>3.79</u>	

(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	<u>1,925,134</u>	<u>1,324,923</u>
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	<u>(83,932)</u>	<u>1,286</u>
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	<u>(320,101)</u>	<u>(168,107)</u>
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	<u>\$ 3,809,741</u>	<u>2,288,640</u>

(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 individual 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"

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

- (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:

<u>New or amended standards</u>	<u>Main amendments to the content</u>	<u>The effective date of issuance by IASB</u>
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: <ul style="list-style-type: none"> • 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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

(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

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

(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

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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:

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

- (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

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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).

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

(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	<u>\$ -</u>	<u>22,474</u>

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.	<u>\$ 16,825</u>	<u>15,950</u>

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	-	-
	<u>\$ 939,444</u>	<u>1,127,588</u>

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:

Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)

	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.

**Notes to the Parent Company Only Financial Statements of
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(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	Transporta tion 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	<u>\$ 53,200</u>	<u>34,011</u>	<u>1,930</u>	<u>58,969</u>	<u>148,110</u>
Balance on January 1, 2019	\$ 53,200	12,667	1,930	407	68,204
Balance on December 31, 2019	<u>\$ 53,200</u>	<u>12,667</u>	<u>1,930</u>	<u>407</u>	<u>68,204</u>
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	<u>\$ -</u>	<u>14,445</u>	<u>1,887</u>	<u>7,826</u>	<u>24,158</u>
Balance on January 1, 2019	\$ -	12,473	1,823	407	14,703
Depreciation for the year	-	194	53	-	247
Balance on December 31, 2019	<u>\$ -</u>	<u>12,667</u>	<u>1,876</u>	<u>407</u>	<u>14,950</u>
Book Value:					
December 31, 2020	<u>\$ 53,200</u>	<u>19,566</u>	<u>43</u>	<u>51,143</u>	<u>123,952</u>
January 1, 2019	<u>\$ 53,200</u>	<u>194</u>	<u>107</u>	<u>-</u>	<u>53,501</u>
December 31, 2019	<u>\$ 53,200</u>	<u>-</u>	<u>54</u>	<u>-</u>	<u>53,254</u>

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

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

(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	<u>\$ 127,549</u>
Balance on January 1, 2019	<u>\$ 127,549</u>
Balance on December 31, 2019	<u>\$ 127,549</u>
Depreciation and impairment losses:	
Balance on January 1, 2020	\$ 25,005
Depreciation for the year	467
Balance on December 31, 2020	<u>\$ 25,472</u>
Balance on January 1, 2019	<u>\$ 24,539</u>
Depreciation for the year	466
Balance on December 31, 2019	<u>\$ 25,005</u>
Carrying amount:	
December 31, 2020	<u>\$ 102,077</u>
January 1, 2019	<u>\$ 103,010</u>
December 31, 2019	<u>\$ 102,544</u>
Fair value:	
December 31, 2020	<u>\$ 174,536</u>
December 31, 2019	<u>\$ 176,599</u>

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	<u>\$ 150,000</u>	<u>150,000</u>
Unused limit	<u>\$ 4,288,003</u>	<u>3,571,975</u>
Interest rate interval	<u>1.1%</u>	<u>1.6%</u>

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

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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)

**Notes to the Parent Company Only Financial Statements of
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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:

	<u>2020</u>	<u>2019</u>
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	<u>\$ 22,148</u>	<u>22,317</u>

(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:

	<u>2020</u>	<u>2019</u>
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	<u>\$ 25,548</u>	<u>23,678</u>

**Notes to the Parent Company Only Financial Statements of
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(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:

	<u>2020</u>	<u>2019</u>
Net interest from net defined benefit liability (asset)	\$ (16)	(2)

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

	<u>2020</u>	<u>2019</u>
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:

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

(7) Actuarial assumption

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
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	
	<u>Increase</u>	<u>Decrease</u>
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)

**Notes to the Parent Company Only Financial Statements of
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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

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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

**Notes to the Parent Company Only Financial Statements of
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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

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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

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

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

(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).

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

(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

**Notes to the Parent Company Only Financial Statements of
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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.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 to 3 years-</u>	<u>3 to 5 years-</u>	<u>Over 5 years</u>
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	2,035	2,455	2,455	-	-	-
(leases liabilities)						
Other non-current liabilities (leases liabilities)	<u>5,541</u>	<u>5,370</u>	<u>-</u>	<u>4,081</u>	<u>1,289</u>	<u>-</u>
	<u>\$4,451,507</u>	<u>4,452,856</u>	<u>2,575,863</u>	<u>1,875,704</u>	<u>1,289</u>	<u>-</u>
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	<u>73,652</u>	<u>73,652</u>	<u>73,652</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$4,077,979</u>	<u>4,079,379</u>	<u>2,646,880</u>	<u>1,432,499</u>	<u>-</u>	<u>-</u>

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:

**Notes to the Parent Company Only Financial Statements of
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	2020		2019	
	After-tax other comprehensive income	After-tax profit or loss	After-tax other comprehensive income	After-tax profit or loss
<u>Securities price on the reporting date</u>				
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				
	Carrying amount	Fair value			
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	<u>6,850,986</u>	-	-	-	-
Total	<u>\$6,867,811</u>	<u>16,825</u>	<u>-</u>	<u>-</u>	<u>16,825</u>
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	<u>\$4,451,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)

	2019.12.31				
	Carrying amount	Fair value			
		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	<u>\$5,614,364</u>	<u>38,424</u>	<u>-</u>	<u>-</u>	<u>38,424</u>

	2019.12.31				
	Carrying amount	Fair value			
		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	<u>\$4,077,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(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

**Notes to the Parent Company Only Financial Statements of
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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.

**Notes to the Parent Company Only Financial Statements of
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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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

(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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

(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:

	<u>2020.12.31</u>	<u>2019.12.31</u>
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	<u>\$ 5,480,148</u>	<u>5,858,041</u>
Debt-to-capital ratio	<u>44%</u>	<u>53%</u>

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:

<u>Name of related parties</u>	<u>Relationship with the Company</u>
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

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

(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	<u>\$ 17,709,729</u>	<u>11,592,336</u>	<u>5,733,902</u>	<u>5,304,012</u>

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

(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	<u>\$1,113,702</u>	<u>824,376</u>	<u>324,120</u>	<u>1,651,896</u>	<u>1,189,929</u>	<u>581,876</u>

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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

3. Contract assets and receivables from related parties

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

<u>Accounting items</u>	<u>Type of related parties</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
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.-	<u>19,774</u>	<u>21,494</u>
		<u>\$ 2,033,539</u>	<u>2,277,509</u>

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:

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

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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

(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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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

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:
- The Company's employee salary and remuneration 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%.
 - 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

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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/guarantees 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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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	

- Accumulated to buy or sell the same marketable securities amount to NT\$300 million or more than 20% of the paid-up capital: None.
- The amount of property acquired reaches NT\$300 million or more than 20% of the paid-in capital: none.
- The amount of property disposal reaches NT\$300 million or more than 20% of the paid-in capital: none.
- 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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

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.

**Notes to the Parent Company Only Financial Statements of
KEDGE CONSTRUCTION CO., LTD. (continued)**

(4) Information on major shareholders:

Expressed in shares

Shareholding	Shareholding	Shareholding
Name of Major Shareholders	(shares)	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.

VI. If the Company or its Affiliates have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report, the Difficulties and the Effects thereof: None.

Chapter 7. Review and Analysis of the Company's Financial Position and Financial Performance and Listing of Risk

I. Financial Position:

Comparative Analysis Statement of Financial Position

Expressed in thousands of New Taiwan Dollars; %

Item	Year	2020	2019	Differences	
				Amount	%
Current Assets		8,752,989	7,708,041	1,044,948	13.56
Property, Plant and Equipment		133,739	63,116	70,623	111.89
Other Assets		546,928	505,691	41,237	65.53
Total Assets		9,433,656	8,276,848	156,808	18.95
Current Liabilities		6,202,049	5,427,525	774,524	14.27
Non-current Liabilities		162,329	108,201	54,128	50.03
Total Liabilities		6,364,378	5,535,726	828,652	14.97
Equity Attributable to the Owners of the Parent Company		3,069,109	2,740,961	328,148	11.97
Share Capital		1,060,357	1,060,357	-	-
Capital surplus		518,294	518,241	53	0.01
Retained Earnings		1,345,805	1,036,204	309,601	29.88
Other equity interest		144,653	126,159	18,494	14.66
Non-controlling interests		169	161	8	4.97
Total Equity		3,069,278	2,741,122	328,156	11.97

Reasons for changes over 20% in ratios:

1. Increase in property, plant and equipment: Mainly due to the increase in the Southern Office for the current period, resulting in an increase in housing equipment and other equipment.
2. Increase in other assets: Mainly caused by the fact that the market value of financial assets measured at fair value through other comprehensive income, has increased during the current period, resulting in the increase of unrealized valuation gain and loss recognized.
3. Increase in non-current liabilities: mainly caused by the large quantity of constructions completed and settled in the current period which are large-scale engineering, resulting in a relatively large increase in the warranty liability reserves recognized.
4. Increase in retained earnings: Mainly due to the growth of operation scale and the increase of net income.

II. Financial Performance:

(I) Main Reasons for Any Material Change in Operating revenue, Operating Profit, or Income before Tax during the Most Recent Two Fiscal Years:

Expressed in thousands of New Taiwan Dollars; %

Item \ Year	2020	2019	Increase (Decrease) Amount	Change (%)
Operating revenue	14,130,629	11,462,442	2,668,187	23.28
Operating costs	13,072,318	10,744,281	2,328,037	21.67
Gross profit from operations	1,058,311	718,161	340,150	47.36
Operating Expenses	288,539	247,780	40,759	16.45
Net Operating Income	769,772	470,381	299,391	63.65
Non-Operating Income and Expenses	12,420	29,533	(17,113)	(57.95)
Net income before tax from continuing operating department	782,192	499,914	282,278	56.47
Less: Income tax expenses	155,748	97,558	58,190	59.65
Net Income	626,444	402,356	224,088	55.69
Other Comprehensive Income (Net of Tax)	19,766	123,918	(104,152)	(84.05)
Total Comprehensive Income for the Current Period	646,210	526,274	119,936	22.79

Reasons for changes over 20% in ratios:

1. Increase in operating revenue and operating costs: Mainly due to the growth of the contracted operating scale and the peak period of investment in some projects, resulting in a substantial increase in operating income and costs.
2. Increase in gross profit from operations and net operating income: Mainly due to the growth of the contracted business scale and part of the investment peak period.
3. Increase in non-operating income and expenses: Mainly due to the fact that the market value of financial assets measured at fair value through profit or loss, has increased during the current period, resulting in the increase of unrealized valuation gain and loss recognized.
4. Increase in pre-tax net profit, income tax expense, net income and total comprehensive income of the continuing operations: Mainly due to the increase in the gross profit from operations for the current period.
5. Decrease in other comprehensive income (net of tax): Mainly due to the fact that the market value of financial assets measured at fair value through other comprehensive income, has increased during the current period, resulting in the increase of unrealized gain and loss recognized.

(II) Sales Volume Forecast and the Basis thereof, and the Effect upon the Company's Financial Operations As Well As Measures to be Taken in Response: Not applicable.

III. Cash Flow:

(I) Liquidity Analysis for the Most Recent Two Fiscal Years:

Item \ Year	2020	2019	Increase (decrease) Ratio (%)
Cash Flow Ratio (%)	32.02	25.06	27.76
Cash Flow Adequacy Ratio (%)	294.85	161.03	83.11
Cash Reinvestment Ratio (%)	51.20	36.37	40.79

Reasons for material changes in ratios:

Mainly caused by the increase in net cash flow from operating activities in the most recent 5 fiscal years.

(II) Analysis of Changes in Cash Flow for the Most Recent Fiscal Year (2020):

Expressed in thousands of New Taiwan Dollars

Cash balance amount at the beginning of the year (1)	Net Cash Flow From Operating Activities Throughout the Year (2)	Net Cash Flow From Investment and Financing Activities Throughout the Year (3)	Cash Surplus (Deficit) at the End of Period (1)+(2)+(3)	Remedial Measures for Cash Deficit	
				Investment Plan	Financial Plan
2,526,409	1,985,937	(404,154)	4,108,192	-	-

1. Analysis of changes in cash flow in the most recent fiscal year:

(1) Operating activities: The cash inflow of NT\$1,985,937 thousand in the current period is mainly caused by the increase of construction volume in 2020 and the peak of project investment, the increase of payments for contracting trade payable at the end of the year, and the recovery of some of the engineering receivables for 2019 with large volume in 2020.

(2) Investment activities and financing activities: The cash outflow of NT\$404,154 thousand in the current period is mainly caused by cash dividends paid in the current period.

2. Improvement Plans for Insufficient Liquidity: None.

(III) Cash Liquidity Analysis for the Coming Year:

Expressed in thousands of New Taiwan Dollars

Beginning Cash Balance (1)	Expected Net Cash Inflow from Business Activities for the Year (2)	Expected Cash Outflow for the Year (3)	Expected Cash Surplus (Deficit) (1)+(2)+(3)	Remedial Measures for Expected Cash Deficit	
				Investment Plan	Financial Plan
4,108,192	683,719	(283,722)	4,508,189	-	-

1. Analysis of changes in cash flow in the coming year:

(1) Operating activities: Taken into consideration the impact of project volume at hand and recovery of the accounts of the ended projects.

(2) Cash outflows for the year: Taken into consideration the impact of investment activities and financing activities, including the payment of cash dividends.

2. Corrective measures to be taken in response to expected illiquidity: None.

IV. Impact of any Major Capital Expenditures during the Most Recent Fiscal Year:

(I) The Use and Sources of Major Capital Expenditures: None.

(II) Expected Potential Benefits: None.

V. Reinvestment Policy for the Most Recent Fiscal Year, the Main Reasons for the Profits/Losses Generated thereby, the Plan for Improving Reinvestment Profitability, and Investment Plans for the Coming Year:

At present, the Company's reinvestment strategy is mainly to meet the needs of business expansion, in which, Guanqing Electromechanical Co., Ltd. actively invested according to the overall operation in 2020, resulting in a decrease in overall profit, and the investment income of NT\$4,080 thousand is recognized according to the shareholding ratio. In addition, the increase in the market price of financial assets held by Jiequn Investment Co., Ltd. in 2020 is recognized as unrealized profits, resulting in an increase in profits, so the Company recognized the investment gains of NT\$10,542 thousand according to the shareholding ratio. the Company has no material investment plans for the coming year.

VI. The Risks and Analysis and Assessment during the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report:

(I) The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

The main source of working capital raised by the merged company is from the operation. The interest expense for 2020 of NT\$3,009 thousand is mainly from the bank guarantee loans. At present, the interest rate fluctuation of the central bank is small and the change of the benchmark interest rate of financial institutions is limited, thus the merged company is able to maintain an appropriate portfolio of fixed and floating interest rates, and adopts a cost-effective strategy to avoid the occurrence of material interest rate movements that would have a material impact on profits and losses.

The merged company is a comprehensive construction enterprise, of which the contracted projects are domestic public works and civil construction projects, the raw materials are mainly obtained in the domestic market, hence the impact of exchange rate fluctuations on it is minimal. In addition, the rise and fall of raw materials purchased in Taiwan in recent years can be offset by each other and the Taiwan inflation is still mild. Therefore, the short-term profit and loss of the merged company is not significantly affected.

(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

The merged company is committed to the development of its own industry and does not engage in high-risk and highly leveraged investments, capital lending to others or derivative trading. Endorsement/guarantee are mainly provided for the project contracting business needs and is in accordance with the Operational Procedures for Endorsements and Guarantees and the relevant provisions of the competent authority, the object of which is mainly affiliated enterprises and companies with business transactions, whose operation and financial conditions are normal, performance and solvency are not in danger, and no loss is incurred by endorsement and guarantee.

(III) Research and Development Work to be Carried out in the Future, and Further Expenditures Expected for Research and Development Work:

The merged company is a comprehensive construction enterprise, and the research and development is mainly focused on shortening the construction period, improving the construction method, reducing pollution and improving efficiency. The improvement of the construction method and production technology is independently developed by the Technical Research and Development Division or introduced from the cooperative manufacturers. In recent years, in addition to strengthening the comprehensive computerization, the Company introduces the public works management system for management, which have been fully introduced to all sites at present; the Company will also actively implement the following plans in the future with an estimated input of manpower and resources of NT\$15 million approximately.

Item No.	Research Project in Most Recent Year
1	Application development and equipment for project information system integration
2	BIM projects comply with the certification of international standard BSI-BIM and promotion
3	Research and development of the quantitative output of BIM auxiliary engineering
4	Implementation of security and safety measures with BIM application
5	Research and introduction of FIM maintenance platform
6	Research on the introduction of UAV aerial photography image converted into numerical terrain data into BIM drawing information
7	Introduction of civil engineering CIM (Civil 3D / Infraworks)
8	Development of the IoT control system for construction personnel positioning
9	Research on the application platform of IoT technology with BIM drawing input

(IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The merged company has always paid close attention to the development of domestic and foreign political and economic situations and legal changes and has the ability to cope with them properly. It has always complied with relevant laws and regulations and adhered to the principle of prudent operation to maintain sustainable development. Changes in domestic and foreign important policies and laws in the most recent fiscal year do not have a material impact on the financial operation.

(V) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

In response to the technological and industrial changes, the merged company keeps abreast of market changes and actively obtains industrial information through various means to expand its business. At present, there is no material impact on the Company's financial operation caused by changes in technology or industry in the merged company.

- (VI) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response:
Adhering to the business philosophy of "integrity, quality, service, innovation and sustainability," the merged company insists on providing high-quality construction projects to make owners at ease, make customers at ease, make employees feel warm, and does its best to fulfill its corporate social responsibility to enhance corporate value and build a high-quality corporate image without any change in corporate image.
- (VII) Expected Benefits and Possible Risks Associated with Any Merger and Acquisitions, and Mitigation Measures being or to be Taken: None.
- (VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Mitigation Measures being or to be Taken: None.
- (IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Mitigation Measures being or to be Taken:
The main raw materials of the merged company are steel bar, concrete, cement, sand, red brick and other bulk building materials, which can be purchased through negotiation in the Taiwan market except for some materials supplied by the owner. Therefore, there is no consolidation of purchase. The merged company has established interaction with major manufacturers for many years; it also carefully evaluates the quality, technical and operating financial status of each supplier to each subcontractor and material supplier before transactions and distributes the specific works to several subcontractors as required by the construction of the works to ensure the smooth implementation of the construction project and avoid the consolidation of contractors.
The merged company mainly contracts domestic public works and civil construction projects, and its main business includes public construction, high-level residential buildings, technology plants, and other building projects. There is no consolidation of sales. With the exception of public works carried out by government agencies, all projects undertaken by ordinary private owners are subject to owner's credit investigation before bidding, thereby the credit risk has been minimized.
- (X) Effect upon and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director, Supervisor, or Shareholder Holding Greater than a 10 Percent Stake in the Company has been Transferred or has otherwise Changed Hands, and Mitigation Measures being or to be Taken:
As of the date of publication of the annual report, there is no substantial transfer or change hands of equity by Directors, Supervisors or major shareholders holding more than 10 percent of the shares of the merged company.
- (XI) Effect upon and Risk to Company Associated with Any Change in Governance Personnel or top Management, and Mitigation Measures being or to be Taken: None.
- (XII) Litigious and Non-Litigious Matters. List Major Litigious, Non-Litigious or Administrative Disputes That: Involve the Company and/or Any Company Director, Any Company Supervisor, the General Manager, Any Person with Actual Responsibility for the Firm, Any Major Shareholder Holding a Stake of Greater than 10 Percent, and/or Any Company or Companies Controlled by the Company; and have been concluded by Means of a Final and Unappealable Judgment, or are still under

Litigation. Where Such a Dispute Could Materially Affect Shareholders' Equity or the Prices of the Company's Securities, the Annual Report Shall Disclose the Facts of the Dispute, Amount of Money at Stake in the Dispute, the Date of Litigation Commencement, the Main Parties to the Dispute, and the Status of the Dispute as of the Date of Publication of the Annual Report:

1. Material litigation, non-litigation or administrative litigation in which the Company is currently involved in:

Case No.	Cause of Occurrence and Status	Impact on the Company's Financial Operation
041A	Due to the fact that the neighboring house manufacturer claimed that the structure and floor of the plant were damaged due to the improper construction by the Company. The two parties failed to coordinate, so the neighboring house manufacturer sued the court for the Company's joint compensation of NT\$15,665 thousand. the Company has filed a lawsuit against the relevant monitoring data and will continue to deal with it according to the judgment result.	No material impact

2. Major Litigious, Non-Litigious or Administrative Disputes That: Involve the Company and/or Any Company Director, Any Company Supervisor, the General Manager, Any Person with Actual Responsibility for the Firm, Any Major Shareholder Holding a Stake of Greater than 10 Percent, and/or Any Company or Companies Controlled by the Company; and have been concluded by Means of a Final and Unappealable Judgment, or are still under Litigation. Where Such a Dispute Could Materially Affect Shareholders' Equity or the Prices of the Company's Securities, the Annual Report Shall Disclose the Facts of the Dispute, Amount of Money at Stake in the Dispute, the Date of Litigation Commencement, the Main Parties to the Dispute, and the Status of the Dispute as of the Date of Publication of the Annual Report: None.

(XIII) Other Important Risks, and Mitigation Measures being or to be Taken:

1. Risk management policy:

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 merged company shall, in accordance with the operation strategy, operation environment and department plan, formulate the overall risk management policy, including the environment, internal and external operation process and strategic decision, and conduct a drill to deal with and control potential unknown risks and risks of financial loss, so as to ensure that most potential known risks can be effectively controlled.

In addition, if there is a material potential operating risk that may affect the performance of the financial or business contracts or the Company fails to comply with laws and regulations, the Company shall promptly take appropriate countermeasures and report to the Board of Directors. The Auditing Office will monitor and track the implementation of the improvement plan on the issues and management decisions delivered by the Board of Directors and will submit the project report in due time. The Board of Directors shall submit risk management reports on

the resolutions, deliverables, supervision and subsequent implementation of risk management. In the future, when the business management is faced with similar or similar problems, it can refer to the past experience and put forward a better solution.

2. Organizational structure of risk management:

Each level or division of the merged company is liable for risk. Once a risk situation is identified, it should be notified promptly to the Auditing Office or senior management and solutions should be sought early. Decision-makers should also take action in the shortest possible time. The organizational structure of risk management of the merged company is as follows:

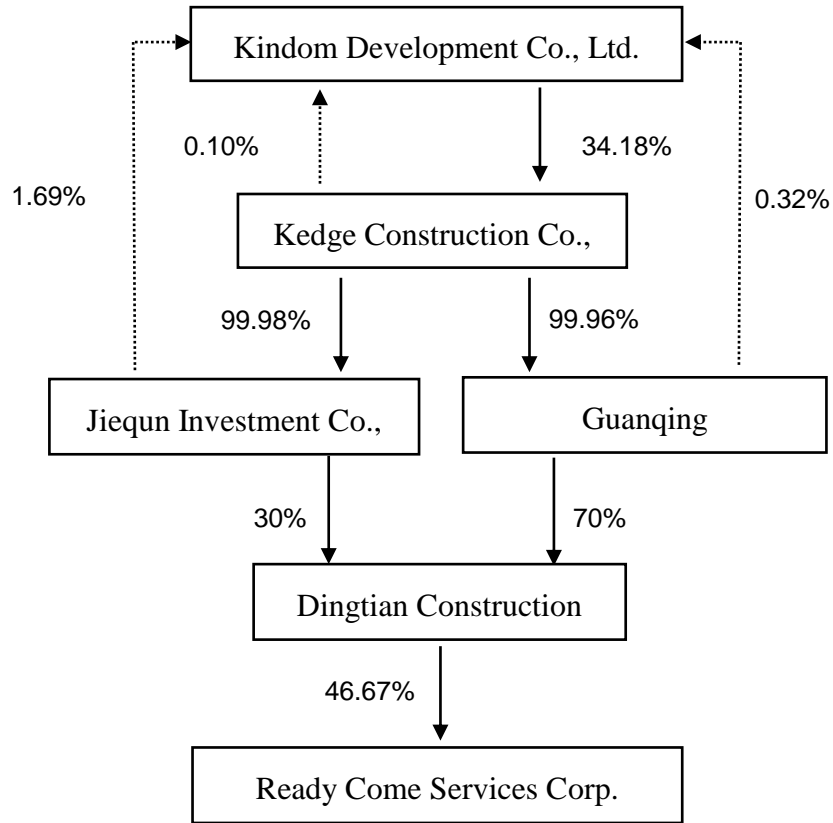
Name of Organization	Scope of Responsibilities
The Board of Directors	Establish risk management policies and ensure the effective operation and resource allocation of risk management mechanism
Senior Management	Implement the risk management decisions of the Board of Directors and coordinate the risk management affairs between different departments
Auditing Office	Carry out daily risk management audit, supervise risk management activities, and report the implementation status to the Board of Directors and Supervisors
Other Departments	Summarize the implementation results of risk management activities, carry out daily risk management operations, adjust the risk categories according to the environment and draw up the commitment plan

VII. Other Important Matters: None.

Chapter 8. Special Disclosure

I. Affiliates Information:

(I) Organizational Structure of Affiliates:



Note: It is a controlling company that directly holds 34.18% of the common stock of Kedge Construction Co., Ltd., and holds more than half of the seats on the Board of Directors.

(II) Basic Information on Affiliates:

December 31, 2020; Expressed in thousands of New Taiwan Dollars

Company Name	Date of Establishment	Address	Paid-in Capital	Principal Business or Production Items
Kindom Development Co., Ltd.	1979.11	2F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	5,037,910	1. Development, rental and sales of residential and building. 2. Investment in public works. 3. Acting expropriation of districts and redistricting of municipal land. 4. Real estate business. 5. Real estate leasing.
Guanqing Electromechanical Co., Ltd.	1997.12	3F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	77,500	Installation engineering of electrical equipment and fire safety equipment.
Jiequn Investment Co., Ltd.	1998.01	3F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	164,000	General investment.
Dingtian Construction Co., Ltd.	1983.07	8F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	23,000	Comprehensive construction industry, etc.
ReadyCom eServices Corp.	2008.05	Rm. 1, 6F., No. 207, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	30,000	Information software services and management consultants.

(III) The Shareholders in Common of Companies Presumed to have a Relationship of Control and Subordination: None.

(IV) Overall Business Scope of Affiliates:

1. Overall business of the affiliates mainly focuses on the construction of residential buildings, buildings and related civil engineering, mechanical and electrical construction, etc.
2. the Company and Dingtian Co., Ltd. contract the projects of Kindom Development Co., Ltd.; And part of the Company's projects are contracted by Dingtian Co., Ltd. and Guanqing Electromechanical Co., Ltd.

(V) Information on Directors, Supervisors, and General Managers of Affiliates:

December 31, 2020; Unit: thousands shares; NT\$ thousand; %

Company Name	Title	Name or Representative	Number of Shares Held/Capital Contribution	
			Number of Shares/Capital Contribution	Shareholding/Contribution Ratio
Kindom Development Co., Ltd.	Chairman	Yute Investment Co., Ltd. Legal representative: Mike, Ma	96,305 9,000	19.12% 1.79%
	Director Representative/Deputy General Manager	Yute Investment Co., Ltd. Legal representative: Ching-Chin, Hung	96,305 -	19.12% -
	Director	Yute Investment Co., Ltd. Legal representative: Mei-Chu, Liu	96,305 61,105	19.12% 12.13%
	Director	Yute Investment Co., Ltd. Legal representative: Ming, Chen	96,305 2,494	19.12% 0.50%
	Director	Yute Investment Co., Ltd. Legal representative: Sheng-An, Chang	96,305 8	19.12% -
	Director	Yute Investment Co., Ltd. Legal representative: Ching-Fen, Chang	96,305 31	19.12% 0.01%
	Independent Director	Shen-Yu, Kung	-	-
	Independent Director	Hung-Chin, Huang	-	-
	Independent Director	Kuo-Feng, Lin	-	-
Guanqing Electromechanical Co., Ltd.	Chairman	Kedge Construction Co., Ltd. Legal representative: Chin-Hua, Fan	7,747 -	99.96% -
	Director	Kedge Construction Co., Ltd. Legal representative: Jung-Tai, Chen	7,747 -	99.96% -
	Director	Kedge Construction Co., Ltd. Legal representative: Mike, Ma	7,747 -	99.96% -
	Director	Kedge Construction Co., Ltd. Legal representative: Chien-Fang, Huang	7,747 -	99.96% -
	Director	Kedge Construction Co., Ltd. Legal representative: Shu-Lien, Chang	7,747 -	99.96% -
	Supervisor	Ming-Nai, Ma	-	-
Jiequn Investment Co., Ltd.	Chairman	Kedge Construction Co., Ltd. Legal representative: Shu-Yuan, Lin	16,396 -	99.98% 0.01%
	Director	Kedge Construction	16,396	99.98%

Company Name	Title	Name or Representative	Number of Shares Held/Capital Contribution	
			Number of Shares/Capital Contribution	Shareholding/Contribution Ratio
		Co., Ltd. Legal representative: Miriam, Ma	-	-
	Director	Kedge Construction Co., Ltd. Legal representative: Mike, Ma	16,396 -	99.98% -
	Director	Kedge Construction Co., Ltd. Legal representative: Chun-Ming, Chen	16,396 -	99.98% -
	Director	Kedge Construction Co., Ltd. Legal representative: Wen-Yen, Lin	16,396 -	99.98% -
	Supervisor	Ko-Hou, Kuo	-	-
	Supervisor	Wen-Hsiung, Chou	-	-
	Dingtian Construction Co., Ltd.	Chairman	Guanqing Electromechanical Co., Ltd. Legal representative: Shih-Hsuan, Chou	1,610 -
ReadyCom eServices Corp.	Chairman	Yu-Chang, Li	-	-
	Director	Ming-Nai, Ma	-	-
	Director	Ta-Lung, Ho	-	-
	Supervisor	Dingtian Construction Co., Ltd. Legal representative: Shao-Ling, Ma	1,400 -	46.67% -

(VI) Operation Overview of Each Affiliate:

December 31, 2020; Expressed in thousands of New Taiwan Dollars (except for earnings per share)

Company Name	Capitalization	Total Assets	Total Liabilities	Net Worth	Operating revenue	Net Operating Income (Loss)	Net Income (Loss) for the Current Period (after Tax)	Earnings per share (NT\$)(after Tax)
Kindom Development Co., Ltd.	5,037,910	43,545,424	28,307,523	15,237,901	17,185,011	3,771,698	3,353,971	6.80
Guanqing Electromechanical Co., Ltd.	77,500	330,947	120,866	210,081	160,519	168	4,082	0.53
Jiequn Investment Co., Ltd.	164,000	396,228	894	395,335	12,957	11,067	10,544	0.64
Dingtian Construction Co., Ltd.	23,000	141,818	87,631	54,187	178,290	1,022	757	(Note)
ReadyCom eServices Corp.	30,000	65,344	21,401	43,943	61,087	(2,385)	-	-

Note: It is a limited company, no earnings per share.

(VII) Consolidated Financial Statements of Affiliated Enterprises:

In 2020, the "companies" required to be included in the consolidated financial statements of affiliates under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Accounting Standards No.27 (IAS 27) approved by the Financial Supervisory Commission (FSC), and relevant information that should be disclosed in the consolidated financial statements of affiliates have all been disclosed in the proceeding consolidated financial statements of parent and subsidiary companies, thus the Company is not required to prepare separate consolidated financial statements of affiliates.

(VIII) Affiliation Report:

Statement of Declaration

The Company's affiliation report for the fiscal year of 2020 (from January 1, 2020 to December 31, 2020) was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and the disclosed information is not materially inconsistent with the information disclosed in the notes to the financial statements of the aforementioned period.

Hereby declared

Company Name: Kedge Construction Co., Ltd.,

Chairman: Ai-Wei, Yuan

Date: March 26, 2021

CPA's Review Opinion on the Affiliation Report

To: Kedge Construction Co., Ltd.

The Affiliation Report for 2020 of Kedge Construction Co., Ltd. has been reviewed by the accountant in accordance with the provisions of Ministry of Finance Securities & Futures Commission Letter No. Taiwan-Finance-Securities-(6)-04448 issued on November 30, 1999. This review work is based on whether the Affiliation Report for 2020 of Kedge Construction Co., Ltd. is prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and whether the disclosed information is not materially inconsistent with the information disclosed in the notes to the financial statements of the period audited by the accountant on March 26, 2021, with the review opinions issued.

According to the review result of the accountant, no violation has been found in the preparation of the above affiliation report to the provisions of the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and no material discrepancy has been found between the information disclosed in the foregoing affiliation report and the information disclosed in the notes to the financial statements of the same period.

KPMG

CPA :

The original Ministry of Finance Securities & Futures Commission Letter No. Certified No. : No. (88) Taiwan-Finance-Securities-(6)-18311 : Financial Supervisory Commission Order No. Financial-Supervisory-Securities-Corporate-1090332798

March 26, 2021

1. Overview of the Relationship Between the Subordinate Company and the Controlling Company:

Unit: Share; %

Name of the Controlling Company	Reasons for the Control	Details of Shareholding and Pledges			Directors, Supervisors or managerial officers appointed to the subordinate company by the controlling company	
		Shareholding (shares)	Shareholding Ratio	The Number of Shares Under Pledge	Title	Name
Kindom Development Co., Ltd.	Those who have obtained more than half of the seats on the Board of Directors of Kedge Construction Co., Ltd.	36,247,768	34.18%	-	Chairman Director Director Director Director and Executive Assistant General Manager Director and Executive Assistant General Manager	Ai-Wei, Yuan Mike, Ma Mei-Chu, Liu Ching-Sung, Tseng Yi-Fang, Huang Shih-Hsuan, Chou

2. Purchase (Sale) of Goods:

Expressed in thousands of New Taiwan

Dollars; %

Transactions with Controlling Companies				Transaction Terms with Controlling Companies		General Terms of Transaction		Accounts Receivable (Payable), Notes Receivable (Payable)		Overdue Accounts Receivable			Remarks
Purchases/sales	Amount	As a percentage of total purchase (sales)	Accumulated Gross Profit (Loss) on Goods Sold	Unit Price	Loan period	Unit Price	Loan period	Balance	As A Proportion of Total Accounts Receivable (Payable) or Notes Receivable (Payable)	Amount	Treatment Method	Amount of Allowance for Bad Debts	
Sale of Goods - 041B, etc.	5,733,902	(37.99)%	527,743	-	Note	Equivalent to other transactions	Slightly longer than normal	1,908,630	48.95%	-	-	-	

Note: Payment by installment according to the contract is equal to general transaction.

3. Property Transactions: None.

4. Financing: None.

5. Asset Leasing:

In 2020, the Company's leases from related parties are as follows:

Expressed in thousands of New Taiwan

Dollars

Type of Transaction (Rent out or Accepting Leases)	Name of the Object Leased		Lease Period	Nature of Leasing (Note 1)	Basis for determining the lease payment (rent)	Collection (payment) method	Comparison with Ordinary Leasing Price Levels	Total Leasing Price for the Current Period	Collection and Payment for the Current Period	Other Special Stipulations (Note 2)
	Name	Location								
Rent out	Kindom Building	Part of the space of 6F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	2020.01.01-2020.12.31	Operating lease	Negotiating	Quarterly collection	Equal to ordinary leasing price	1,131	Full collection	- -
Rent out	Kindom Building	3F., No. 131, Sec. 7, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	2020.01.01-2020.12.31	Operating lease	Negotiating	Quarterly collection	Equal to ordinary leasing price	2,229	Full collection	- -
Lessee	Kindom Building	3F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	2020.01.01-2020.12.31	Operating lease	Negotiating	Quarterly payment	Equal to ordinary leasing price	2,229	Paid in full	- -
Lessee	Kindom Building	2F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	2020.11.01-2020.12.31	Operating lease	Negotiating	Quarterly payment	Equal to ordinary leasing price	352	Paid in full	- -
Lessee	Kindom Building	4F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	2020.11.01-2020.12.31	Operating lease	Negotiating	Quarterly payment	Equal to ordinary leasing price	371	Paid in full	- -

Note 1: Whether the nature is capital lease or operating lease shall be stated.

Note 2: If any other rights are established, such as surface rights, mortgage, easement, etc., they shall be indicated.

6. Other important transactions: None.

7. Endorsements and Guarantees:

Expressed in thousands of New Taiwan Dollars;

%

The Maximum Balance of the Company's Endorsements and Guarantees Provided for the Controlling Company	Ending Balance		Reasons for Endorsements and Guarantees	Where a Collateral is Provided as Guarantee			Terms and Conditions or Dates for Rescinding the Endorsement or Guarantee Obligation or Withdrawing the Collateral	Amount of the Contingent Loss Recognized in the Financial Statements	Violation of the Relevant Operation Standards
	Amount	Ratio to the Net Worth of the Financial Statements		Name	Quantity	Value			
14,192	14,192	0.46%	Note 1	-	-	-	Depending on the conditions of the contracted works	-	-

Note 1: It is an investment company evaluating the Company by the equity method. the Company entered into an Administrative Contract of the Central South Supermarket with the Taipei City Government, which required the joint and several guarantors, and the Board of Directors of the Company agreed to be the joint and several guarantors on November 11, 2015.

II. Private Placement of Securities during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

III. Holding or Disposal of Shares in the Company by the Company's Subsidiaries during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

IV. Other Matters that Require Additional Description: None.

Chapter 9. Matters that Materially Affect Shareholders' Equity or the Price of the Company's Securities Specified in Article 36, Paragraph 3, Subparagraph 2 of The Securities and Exchange Act, has Occurred during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.