

*Kung Sing Engineering
Corporation*

**2019 General Shareholders'
Meeting**

Handbook

Notice to readers

This English version handbook is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

MEETING TIME: June 27, 2019

**PLACE: Linkou area, New Taipei City Xiafu Village 20
Neighborhood , Xiafu No.2(Kung Sing Engineering Corporation
of the Linkou Coal bunker construction site)**

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Agenda of 2019 General Meeting of Shareholders, Kung Sing Engineering Corporation

Time: June, 27th, 2019 (Thursday), 9:00 A.M.

Location : Linkou area, New Taipei City Xiafu Village 20

Neighborhood ,Xiafu No.2(Kung Sing Engineering Corporation of the Linkou Coal bunker construction site)

1.Call the meeting to Order

2.Chairperson Remarks

3.Report matters

(1)2018 Business Report.

(2) Audit Committee's Review Report on the 2018 Financial Statements.

(3) 2018 employees and directors remuneration assigned case report.

4. Recognition matters

(1)Adoption of the 2018 Business Report and Financial Statements.

(2) Approve the 2018 profit and loss appropriation.

5. Discussion matters

(1) Amendment to the Company" Operational procedures for Acquisition and Disposal of Assets"

(2) Amendment to the Company "Derivative commodity transaction processing Procedures".

(3) Amendment to the Company "Operational procedures for Loaning of Company Funds"and " Operational procedures for Endorsements and Guarantees".

(4) Amendment to the Company's Corporate Charter.

6. Extemporary Motions

7. Adjournment

Report matters

(1) 2018 Annual Business Report

(a) Implementation results of the business plan :

The operating revenue of the year 2018 was \$3,812,581 thousand, the net operating profit was \$(102,635) thousand, and the net operating profit after tax was \$(68,950) thousand.

(b) 2018 Annual Budget Implementation :

Unit: NT\$ thousand

Item	Actual Amount	Budget Amount	Achievement Rate
Operating Revenue	3,812,581	Unannounced	Not applicable
Gross Profit	34,226		
Operating Expense	(136,861)		
Net Operating Profit (Loss)	(102,635)		
Non-operating income	63,130		
Non-operating expenditure	(65,709)		
Net Operating Profit Before Tax (Loss)	(105,214)		
Net Operating Profit After Tax (Loss)	(68,950)		

(c) Financial revenue and expenditure and profitability :

Unit: NT\$ thousand

Item analysis		The year of 2018
Financial ability	Interest income	(2,958)
	Interest expense	33,179
Profitability	Return on equity %	(1.87)%
	Pre-tax profit as a percentage of paid-in capital ratio	(3.03)%
	Profit ratio %	(1.81)%
	EPS (dollar)	(0.20)

Today in Taiwan, the construction industry is fulfilled with sharp changes, making competitions more intense and severe. In the face of the new environment and the implementation of new Construction Industry Act, this is the moment of transformation in Taiwan's construction industry, based on the excellent tradition, performance, and magnificent team spirit, the Company will continue to seek technology innovations, strict quality and progress controls, and provide the best world-class construction service.

(2) Audit Committee's Review Report on the 2018 Financial Statements.

Review Report of Audit Committee

The Board of Directors has submitted the 2018 annual business report, financial statements and consolidated financial statements. In it of which the financial statements and consolidated financial statements have been checked by accounts Wang, Fang-yu and Hsiao,Chin-mu from PwC Taiwan, and an audit report was issued.

The above-mentioned business report, financial statements and consolidated financial statements, verified by the Audit Committee, was found complied with related provisions of Company Act, in accordance with requirement in Article 219, reported as above.

For your honor's approval

Sincerely,

The 2019 General Meeting of Shareholders, Kung Sing Engineering Corporation

Audit Committee Convenor : Tu,yi- yang

Audit Committee : Chen, chin- yueh

Audit Committee : Wang, chih- lung

March 27th, 2019

Review Report of Audit Committee

The Board of Directors has submitted the 2018 profit and loss appropriation, verified by the Audit Committee, was found complied with related provisions of Company Act, in accordance with requirement in Article 219, reported as above.

For your honor's approval

Sincerely,

The 2019 General Meeting of Shareholders, Kung Sing Engineering Corporation

Audit Committee Convenor : Tu,yi- yang

Audit Committee : Chen, chin- yueh

Audit Committee : Wang, chih- lung

March 27th, 2019

(3) 2018 employees and directors remuneration assigned case report.

Description:

- A. According to the Articles of Association, When the Company in accordance with the annual profit after deducting accumulated deficit situation, as there are balance, employee compensation should distribution 3-5%, and the remuneration of directors not more than 3%.
- B. The company 2018 annual pre-tax net loss of NT \$ 105,214 thousand, does not allocate staff remuneration and directors remuneration

Recognition Matters

Case 1 :

Proposal : The 2018 Annual Business Report and Financial Statements, Submit approval

. (By the board)

Description:

- 1.The Company's financial statements of the year 2018 (and the consolidated financial statements) have been checked by accountants Wang, Fang-yu and Hsiao,Chin-mu from PWC Taiwan, together with the business report, have been submitted to the Audit Committee for verification, a written examination report was issued on file.
- 2.For the business report, report of independent auditors, and the above-mentioned financial statements, please refer to Page 3 and Page 41-67 in this manual.
- 3.Please recognize.

Resolution :

Case 2 :

Proposal : Approve the 2018 profit and loss appropriation. (by the board)

Description :

1. The Company's 2018 profit and loss appropriation has been resolved and passed by the Board of Directors on March 27th, 2019.
2. The Company's current after-tax loss was NT\$68,950,738. After the first use of IFRS9, IFRS15 impact and other comprehensive profit and loss changes in the current period, the undistributed surplus was NT\$53,381,075. It is not intended to distribute surplus this year.
3. For the "2018 Profit and Loss Allowance Schedule", please refer to page 12 of this manual.

Resolution :

Kung Sing Engineering Corporation
Profit and Loss Allowance Schedule

The Year of 2018

Unit: NT\$

Undistributed surplus at the beginning of the period	0
Plus: Impact of IFRS9 and IFRS15 for the first time number	119,417,986
Less: 2018 annual after-tax loss	(68,950,738)
Plus: Other comprehensive profit and loss in 2018	2,913,827
Accumulated undistributed surplus in the current period	53,381,075
Notes :	

Discussion Matters

Case 1 :

Proposal : Amendment to the Company “Operational procedures for Acquisition and Disposal of Assets” (by the board)

Description :

1. According to the letter issued by the Financial Supervisory Committee on November 26, 2018, the number is 10704441072.
2. Please refer to pages 15-26 of this manual for the comparison table of the company's “Operational procedures for Acquisition and Disposal of Assets” before and after the revision.
3. Please recognize.

Resolution :

Kung Sing Engineering Corporation
Synopsis of “Operational procedures for Acquisition and Disposal of Assets” before and after amendments

Article	Content		Basis and reasons
	Before	After	
Article 2	<p>Article 2 The scope of the assets</p> <p>1. Stocks, government bonds, corporate bonds, financial bonds, in recognition of the fund's securities, depositary receipts, call (put) warrants, to benefit from investment securities and asset-based securities.</p> <p>2 Real Estate (including inventory construction industry) and equipment.</p> <p>3. Membership card.</p> <p>4 patents, copyrights, trademarks, licenses and other intangible assets.</p> <p>5 claims (including receivables purchased discounts and loans, delinquent loans) financial institutions.</p> <p>6 derivatives.</p> <p>7 in accordance with the laws merger, demerger, acquisition or transfer of shares to acquire or dispose of assets.</p> <p>8 other important assets.</p>	<p>Article 2 The scope of the assets</p> <p>1. Stocks, government bonds, corporate bonds, financial bonds, in recognition of the fund's securities, depositary receipts, call (put) warrants, to benefit from investment securities and asset-based securities.</p> <p>2. Real Estate (including inventory construction industry) and equipment.</p> <p>3. Membership card.</p> <p>4. patents, copyrights, trademarks, licenses and other intangible assets.</p> <p><u>5. Use rights assets.</u></p> <p><u>6.</u> claims (including receivables purchased discounts and loans, delinquent loans) financial institutions.</p> <p><u>7.</u> derivatives.</p> <p><u>8.</u> in accordance with the laws merger, demerger, acquisition or transfer of shares to acquire or dispose of assets.</p> <p><u>9.</u> other important assets.</p>	<p>1. According to the letter issued by the Financial Supervisory Committee on November 26, 2018, the number is 10704441072.</p> <p>2. In conjunction with the application of the International Financial Reporting Standard No. 16 Lease Bulletin, the amendments shall be amended.</p>
Article 6	<p>Article 6 The standards of announcement and reporting</p> <p>Companies acquire or dispose of assets under the conditions listed as below shall announce and report such event using the regulated form within two days from its occurrence on the website designated by Securities and Futures Commission:</p> <p>1. Obtain or dispose of the real property from the related party, or acquire or dispose of other assets other than the real property and the transaction amount shall be 20% of the company's paid-in capital, 10% of the total assets or NT\$300 million. But buying and selling bonds, repurchase, redemption bond conditions, purchase or redemption of domestic money market funds, this restriction.</p>	<p>Article 6 The standards of announcement and reporting</p> <p>Companies acquire or dispose of assets under the conditions listed as below shall announce and report such event using the regulated form within two days from its occurrence on the website designated by Securities and Futures Commission:</p> <p>1. Obtain or dispose of the real property <u>or right-of-use assets</u> from the related party, or acquire or dispose of other assets other than the real property <u>or the right-of-use assets</u>, and the transaction amount shall be 20% of the company's paid-in capital, 10% of the total assets or NT\$300 million. But buying and selling <u>domestic</u> bonds, repurchase, redemption bond conditions, purchase or redemption of domestic money market funds, this restriction.</p>	<p>1. According to the letter issued by the Financial Supervisory Committee on November 26, 2018, the number is 10704441072.</p> <p>2. In conjunction with the application of the International Financial Reporting Standard No. 16 Lease Bulletin, the amendments shall be amended.</p>

<p>Article 6</p>	<p>2. Carry out merge, split, purchase or transfer of shares;</p> <p>3. Engage in the transaction of derivatives and the loss reach the upper loss limit of all contracts or single contract regulated by the procedure established by the company.</p> <p>4. When the amount of the transaction of assets not stipulated by the previous three subparagraphs or of financial institutions' financial claims investment, or engage in mainland China reaches 20% of the company's paid-in capital or NT\$ 300,000,000, they shall be announced and reported. But the conditions listed as follows are excluded:</p> <p>(1) Buy and sell government bonds;</p> <p>(2) Businesses specialized in investment buy and sell at domestic or overseas securities exchanges or securities dealers' business premises; or dealer in accordance with the provisions of the subscription and the subscription of securities in the primary market. and ordinary financial bonds not involving equity, or the securities firm's need for underwriting business, and serve as a securities for the securities company recommended by the securities company of the Republic of China.</p> <p>(3) Buy and sell securities attached with conditions of buying back or selling back; Purchase or redemption of the domestic money market fund.</p> <p>(4) The asset acquired or disposed of is machinery equipment for business operation and the buyer or seller is not a party and the transaction amount is smaller than NT\$ 500,000,000.</p>	<p>2. Carry out merge, split, purchase or transfer of shares;</p> <p>3. Engage in the transaction of derivatives and the loss reach the upper loss limit of all contracts or single contract regulated by the procedure established by the company.</p> <p>4. When the amount of the transaction of assets not stipulated by the previous three subparagraphs or of financial institutions' financial claims investment, or engage in mainland China reaches 20% of the company's paid-in capital or NT\$ 300,000,000, they shall be announced and reported. But the conditions listed as follows are excluded:</p> <p>(1) Buy and sell <u>domestic</u> government bonds;</p> <p>(2) Businesses specialized in investment buy and sell at domestic or overseas securities exchanges or securities dealers' business premises; or dealer in accordance with the provisions of the subscription and the subscription of securities in the primary market. and ordinary financial bonds not involving equity (<u>excluding subordinated bonds, or Purchase or buy back a securities investment trust fund or futures trust fund</u>), or the securities firm's need for underwriting business, and serve as a securities for the securities company recommended by the securities company of the Republic of China.</p> <p>(3) Buy and sell securities attached with conditions of buying back or selling back; Purchase or redemption of the domestic money market fund.</p> <p>(4) The asset acquired or disposed of is <u>machinery equipment or the right-of-use assets</u> for business operation and the buyer or seller is not a party and the transaction amount is smaller than NT\$ 500,000,000.</p>
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Article	Content		Basis and reasons
	Before	After	
Article 6	<p>(5) The company that operates the construction business obtains or disposes of the real estate for construction and construction and its trading objects are not related parties. The transaction amount does not reach NT\$500 million</p> <p>(6) Real estate is obtained through local construction, joint housing construction, joint construction and joint construction. There is no correlation in the trading object. The company expects the transaction amount will not reach NT\$500 million.</p> <p>The calculation of the amount of transactions mentioned in the previous paragraph:</p> <ol style="list-style-type: none"> 1. The amount of each transaction; 2. The accumulated amount of the transaction with the same person, acquiring or disposing the same kind of targets in a year. 3. The amount of the same development plan real estate accumulated or acquired (accumulated and disbursed separately) within one year. 4. The accumulated amount of the same negotiable securities acquired or disposed of (accumulating the amount separately) in a year. <p>The “in a year” mentioned in the preceding paragraph of this article means in a year before the date on which the transaction actually occurs, excluding the period of announcement according to the regulation of this standard.</p>	<p>(5) The company that operates the construction business obtains or disposes of the real estate <u>or its right-to-use assets</u> for construction and construction and its trading objects are not related parties. The transaction amount does not reach NT\$500 million</p> <p>(6) Real estate is obtained through local construction, joint housing construction, joint construction and joint construction. <u>There is no correlation in the trading object.</u> The company expects the transaction amount will not reach NT\$500 million.</p> <p>The calculation of the amount of transactions mentioned in the previous paragraph:</p> <ol style="list-style-type: none"> 1. The amount of each transaction; 2. The accumulated amount of the transaction with the same person, acquiring or disposing the same kind of targets in a year. 3. The amount of the same development plan real estate <u>or its right-of-use assets</u> accumulated or acquired (accumulated and disbursed separately) within one year. 4. The accumulated amount of the same negotiable securities acquired or disposed of (accumulating the amount separately) in a year. <p>The “in a year” mentioned in the preceding paragraph of this article means in a year before the date on which the transaction actually occurs, excluding the period of announcement according to the regulation of this standard.</p>	
Article 9	<p>Article 9 Acquire a party’s real estate</p> <p>1. The company has made to related parties or disposition of real estate, or obtain related disposal of real estate or other assets outside the company and the transaction amounted to twenty percent of paid-in capital, total assets of 10% or more than NT \$ 300 million the latter, In addition to trading in bonds, repurchase, redemption of the bond conditions, purchase or redemption of the domestic money</p>	<p>Article 9 Acquire a party’s real estate</p> <p>1. The company has made to related parties <u>or its right-of-use assets</u> or disposition of real estate, or obtain related disposal of real estate or other assets outside the company and the transaction amounted to twenty percent of paid-in capital, total assets of 10% or more than NT \$ 300 million the latter, In addition to trading in bonds, repurchase, redemption of the bond conditions, purchase or redemption of the domestic money market funds</p>	<p>1. According to the letter issued by the Financial Supervisory Committee on November 26, 2018, the number is 10704441072.</p> <p>2. In conjunction with the application of the International Financial Reporting Standard No. 16 Lease Bulletin, the amendments shall be amended.</p>

<p>Article 9</p>	<p>market funds the following information should be submitted to the Board of Directors and the Audit Committee acknowledged that the transaction may only enter into contracts and payments:</p> <ol style="list-style-type: none"> (1) The purpose of the acquisition or disposition of assets, the necessity and expected benefits. (2) Reason for choosing the related party as trading counterpart. (3) To related parties Acquisition of real estate ,the relevant data used to evaluate the reasonableness of the predetermined conditions according to the second and third paragraph; (4) The data concerning the date, the price and the seller of the real estate when the party acquired it as well as the relationship between the company and the party; (5) The expected monthly cash flow table for a year from the month in which the contract is signed and the evaluation of the transaction's necessity and the reasonableness of funds operation; (6) The limit conditions and other important agreed matters of the transaction. (7) Restrictions and other important stipulations of this transaction. <p>The transaction amount is calculated in the preceding paragraph shall be in accordance with the second paragraph of Article handled within a year and is based on the alleged date of occurrence of the facts on the basis of the transaction, forward projections retrospective year has been submitted to the Board for approval under this standard requires and the Audit Committee admitted that not calculations are required</p>	<p>the following information should be submitted to the Board of Directors and the Audit Committee acknowledged that the transaction may only enter into contracts and payments:</p> <ol style="list-style-type: none"> (1) The purpose of the acquisition or disposition of assets, the necessity and expected benefits. (2) Reason for choosing the related party as trading counterpart. (3) To related parties Acquisition of real estate ,the relevant data used to evaluate the reasonableness of the predetermined conditions according to the second and third paragraph; (4) The data concerning the date, the price and the seller of the real estate when the party acquired it as well as the relationship between the company and the party; (5) The expected monthly cash flow table for a year from the month in which the contract is signed and the evaluation of the transaction's necessity and the reasonableness of funds operation; (6) The limit conditions and other important agreed matters of the transaction. (7) Restrictions and other important stipulations of this transaction. <p>The transaction amount is calculated in the preceding paragraph shall be in accordance with the second paragraph of Article handled within a year and is based on the alleged date of occurrence of the facts on the basis of the transaction, forward projections retrospective year has been submitted to the Board for approval under this standard requires and the Audit Committee admitted that not calculations are required</p>
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Article	Content		Basis and reasons
	Before	After	
Article 9	<p>The Company and its parent or subsidiary Rooms, acquisition or disposition of machinery and equipment for business use, the Board may, in accordance authorize the chairman to decide within a certain amount of first time, and approved by the Board on recent reports.</p> <p>The Company's independent directors, in accordance with the provisions of the preceding paragraph of the asset reported to the Board discussion, should fully consider the views of independent directors, independent directors, if any objections or reservations should be stated in the Board proceedings.</p> <p>The Company established an audit committee, accordance with the provisions, shall be approved by all members of the Audit Committee of more than half agreed, and mentioned resolution of the Board.</p> <p>If all the members of the preceding paragraph above unaudited half Commission may approve an agreed line of more than two thirds of all directors and the audit committee of the resolution should be set out in the Board proceedings.</p> <p>All members of the Audit Committee referred to in the preceding paragraph and the preceding paragraph shall director, the actual number of those calculations.</p> <p>2. If a company intends to acquire a party's real estate, it shall evaluate the reasonableness of the transaction cost using the methods listed as follows: (1) The transaction price plus the interest of necessary funds and the cost that the buyer should pay. The interest of necessary funds is equal to multiplying the amount the company borrows in the year when it acquire the asset by the weighted average interest rate, but it must not higher the highest borrowing rate of non-financial institutions announced by Ministry of Finance. (2) If the party has mortgaged the target to a financial institution,</p>	<p>The Company and its parent or subsidiary Rooms, acquisition or disposition of machinery and equipment for business use, the Board may, in accordance authorize the chairman to decide within a certain amount of first time, and approved by the Board on recent reports.</p> <p>The Company's independent directors, in accordance with the provisions of the preceding paragraph of the asset reported to the Board discussion, should fully consider the views of independent directors, independent directors, if any objections or reservations should be stated in the Board proceedings.</p> <p>The Company established an audit committee, accordance with the provisions, shall be approved by all members of the Audit Committee of more than half agreed, and mentioned resolution of the Board.</p> <p>If all the members of the preceding paragraph above unaudited half Commission may approve an agreed line of more than two thirds of all directors and the audit committee of the resolution should be set out in the Board proceedings.</p> <p>All members of the Audit Committee referred to in the preceding paragraph and the preceding paragraph shall director, the actual number of those calculations.</p> <p>2. If a company intends to acquire a party's real estate, it shall evaluate the reasonableness of the transaction cost using the methods listed as follows: (1) The transaction price plus the interest of necessary funds and the cost that the buyer should pay. The interest of necessary funds is equal to multiplying the amount the company borrows in the year when it acquire the asset by the weighted average interest rate, but it must not higher the highest borrowing rate of non-financial institutions announced by Ministry of Finance. (2) If the party has mortgaged the target to a financial institution, the target's total value evaluated by the financial institution can be used as a criterion to assess the</p>	

<p>Article 9</p>	<p>the target’s total value evaluated by the financial institution can be used as a criterion to assess the transaction cost, but the accumulated amount of loan granted by the financial institution must exceed 70% of the evaluated total value and the loan period must be longer than one year. Nonetheless, if the institution is a party of the seller or the buyer, this method can’t be adopted.</p> <p>If the land and houses of the same target are purchased together, the transaction costs shall be assessed for each of the land and houses in accordance with any of the methods listed in the preceding paragraph.</p> <p>The company obtains real estate from related parties and evaluates the cost of real estate in accordance with the provisions of the first and second paragraphs. It should also ask the accountant to review and express specific opinions.</p> <p>If the company obtains real estate from a related person, one of the following circumstances shall be handled in accordance with the first paragraph. The first three provisions shall not apply:</p> <ol style="list-style-type: none"> (1) The relationship person acquires the real property due to inheritance or gift. (2) The time for the related party to contract to acquire the real property has been more than five years from the date of the transaction. (3) Signed a contract with the joint construction or to entrust the construction of its own, lease land entrusted construction and acquisition of real estate related. 	<p>transaction cost, but the accumulated amount of loan granted by the financial institution must exceed 70% of the evaluated total value and the loan period must be longer than one year. Nonetheless, if the institution is a party of the seller or the buyer, this method can’t be adopted.</p> <p>If the land and houses of the same target are purchased <u>or leased</u> together, the transaction costs shall be assessed for each of the land and houses in accordance with any of the methods listed in the preceding paragraph.</p> <p>The company obtains the real estate <u>or its right-of-use assets</u> from the related parties, and evaluates the real estate <u>or its right-of-use assets</u> or their right-of-use assets or their right-of-use asset costs in accordance with the <u>preceding two provisions</u>, and should contact the accountant for review and express specific opinions.</p> <p>The company obtains real estate <u>or its right to use assets</u>, from related parties. In any of the following circumstances, it shall be handled in accordance with the provisions of the <u>preceding article</u>. The first three provisions shall not apply:</p> <ol style="list-style-type: none"> (1) The relationship person acquires the real property <u>or its right to use assets</u> due to inheritance or gift. (2) The time for the related party to contract to acquire the real property <u>or its right to use assets</u> has been more than five years from the date of the transaction. (3) Signed a contract with the joint construction or to entrust the construction of its own, lease land entrusted construction and acquisition of real estate related. (4) <u>The company and its parent company, its subsidiaries, or its subsidiaries that directly or indirectly hold 100% of the issued shares or total capital, acquire the real estate use right assets for business use.</u> 	
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Article	Content		Basis and reasons
	Before	After	
Article 9	<p>3. If the company evaluates the price of the real estate according to paragraph 1 and 2 of the previous article and the assessed prices are lower than the transaction price, it shall handle that according to this paragraph. But that does not apply, if</p> <p>(1) The party acquired vacant land or rent land to construct buildings, its evidence fulfills one of following conditions:</p> <p>A. The value of the vacant land is assessed using the methods described in the previous article and the value of the building is the construction cost plus reasonable construction profits, if the total amount of their value is larger than that of the actual transaction price. The construction profit mentioned here is equal to the lower one of the average of the last three years of gross profit margin of the party's construction department compared with the latest average gross profit margin of the construction industry announced by Ministry of Finance.</p> <p>B. There was transaction case in the recent year the party was not involved in, which is related to the other floor of the target real estate or real estate in nearby area, the size of it is similar to that of the target, and after estimated according to the real estate transaction convention that there are reasonable variations between the prices of different floors and between the prices of different districts, the transaction conditions are also similar to those of the target.</p> <p>C. There was lease case in the recent year the party was not involved in, which is related to the other floor of the target real estate, after estimated according to the real estate lease convention that there are variations between the rents of different floors, the transaction conditions are similar to those of the target.</p> <p>(2) The company proves that the real estate acquired by the related party . Trading conditions are similar to other non-relevant transactions in neighboring regions during the year.</p>	<p>3. If the company evaluates the price of the real estate according to paragraph 1 and 2 of the previous article and the assessed prices are lower than the transaction price, it shall handle that according to this paragraph. But that does not apply, if</p> <p>(1) The party acquired vacant land or rent land to construct buildings, its evidence fulfills one of following conditions:</p> <p>A. The value of the vacant land is assessed using the methods described in the previous article and the value of the building is the construction cost plus reasonable construction profits, if the total amount of their value is larger than that of the actual transaction price. The construction profit mentioned here is equal to the lower one of the average of the last three years of gross profit margin of the party's construction department compared with the latest average gross profit margin of the construction industry announced by Ministry of Finance.</p> <p>B. There was transaction case in the recent year the party was not involved in, which is related to the other floor of the target real estate or real estate in nearby area, the size of it is similar to that of the target, and after estimated according to the real estate transaction convention that there are reasonable variations between the prices of different floors and between the prices of different districts, the transaction conditions are also similar to those of the target.</p> <p>(2) The company proves that the real estate acquired by the related party <u>or the right to lease real estate assets</u>. Trading conditions are similar to other non-relevant transactions in neighboring regions during the year.</p>	

<p>Article 9</p>	<p>The case of the adjacent area in the preceding paragraph is a transaction case, which is based on the same or adjacent street profile and the object size of the transaction target is less than 500 meters or its present value is similar. If the area is similar, the other parties are similar. The area of the transaction case is not less than 50% of the area of the subject matter of the transaction; the term of the year is based on the date of the acquisition of the real property and the calculation is retroactively calculated for one year.</p> <p>4. If the company obtains the real property from the related parties, if the evaluation results are lower than the transaction price according to the second and third provisions, the following matters shall be handled:</p> <p>(1) The difference between the transaction price of the real property and the estimated cost shall be specified in the special surplus reserve, and no distribution or transfer of the capital shall be made. If the investor who evaluates the company's investment using the equity method is a publicly-issued company, it should also provide a special surplus reserve for the proposed amount according to the shareholding ratio.</p> <p>(2) The Audit Committee shall handle the matter in accordance with the provisions of Article 14 quater of the Securities Exchange Law.</p> <p>(3) The handling of the first and second paragraphs shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus.</p>	<p>The case of the adjacent area in the preceding paragraph is a transaction case, which is based on the same or adjacent street profile and the object size of the transaction target is less than 500 meters or its present value is similar. If the area is similar, the other parties are similar. The area of the transaction case is not less than 50% of the area of the subject matter of the transaction; the term of the year is based on the date of the acquisition of the real property <u>or the right to use the asset</u>, and the calculation is retroactively calculated for one year.</p> <p>4. If the company obtains the real property <u>or its right to use assets</u> from the related parties, if the evaluation results are lower than the transaction price according to the second and third provisions, the following matters shall be handled:</p> <p>(1)The difference between the transaction price of the real property <u>or its right-of-use asset</u> and the estimated cost shall be specified in the special surplus reserve, and no distribution or transfer of the capital shall be made. If the investor who evaluates the company's investment using the equity method is a publicly-issued company, it should also provide a special surplus reserve for the proposed amount according to the shareholding ratio.</p> <p>(2)The Audit Committee shall handle the matter in accordance with the provisions of Article 14 quater of the Securities Exchange Law.</p> <p>(3)The handling of the first and second paragraphs shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus.</p>	
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Article	Content		Basis and reasons
	Before	After	
Article 9	<p>The company shall provide a special surplus reserve in accordance with the provisions of the preceding paragraph, and the assets purchased at a high price shall recognize the price loss or dispose of or be properly compensated or reinstated, or have other evidence to determine that there is no unreasonable, and The special surplus reserve is used after the approval of the Financial Supervision and Administration Commission of the Executive Yuan.</p> <p>The company obtains real estate from related parties. If there is other evidence that the transaction has irregular business practices, it shall also be handled in accordance with the provisions of the preceding two paragraphs.</p>	<p>The company shall provide a special surplus reserve in accordance with the provisions of the preceding paragraph, and the assets purchased <u>or leased</u> at a high price shall recognize the price loss or dispose of <u>or terminate the lease</u> or be properly compensated or reinstated, or have other evidence to determine that there is no unreasonable, and The special surplus reserve is used after the approval of the Financial Supervision and Administration Commission of the Executive Yuan.</p> <p>The company obtains real estate <u>or its right to use assets</u> from related parties. If there is other evidence that the transaction has irregular business practices, it shall also be handled in accordance with the provisions of the preceding two paragraphs.</p>	
Article 13	<p>Article 13 Other Matters</p> <p>1. reinvested subsidiary of the Company, as a domestic non-public company, its acquisition or disposition of assets of the program by reporting standards should notice, from the date of occurrence of the fact to be two days, notify the Company in accordance with the procedure laid announcement , reporting and copied to the relevant units. Article 9 of the subsidiary prior to the applicable reporting standards should notice about the paid-up capital of 20 percent or ten percent of the total assets of requirements to paid-in capital or total assets prevail. The most recent individual or the individual financial statements of the paid-in capital or total assets in securities of the issuer to calculate the amount of Preparation of Financial Statements prescribed. Shares no par value or par value not NT 10 Yuan. The guidelines on the amount of paid-up capital requirement of 20% of the transaction amount to vested interests of the owners of the parent calculated at 10%.</p> <p>2. Second, in accordance with the provisions of the announcement when there are missing items, such as at the time the announcement and should be corrected, the entire project should be re-announcement declared.</p>	<p>Article 13 Other Matters</p> <p>1. reinvested subsidiary of the Company, as a domestic non-public company, its acquisition or disposition of assets of the program by reporting standards should notice, from the date of occurrence of the fact to be two days, notify the Company in accordance with the procedure laid announcement , reporting and copied to the relevant units. Article 7 of the subsidiary prior to the applicable reporting standards should notice about the paid-up capital of the total assets of requirements to paid-in capital or total assets prevail. The most recent individual or the individual financial statements of the paid-in capital or total assets in securities of the issuer to calculate the amount of Preparation of Financial Statements prescribed. Shares no par value or par value not NT 10 Yuan. The guidelines on the amount of paid-up capital requirement of 20% of the transaction amount to vested interests of the owners of the parent calculated at 10%.</p> <p>2. Second, in accordance with the provisions of the announcement when there are missing items, such as at the time the announcement and should be corrected, the entire project should be re-announcement declared.</p>	<p>1. According to the letter issued by the Financial Supervisory Committee on November 26, 2018, the number is 10704441072.</p> <p>2. In conjunction with the application of the International Financial Reporting Standard No. 16 Lease Bulletin, the amendments shall be amended.</p>

Article 13-2	<p>Article 13-2</p> <p>The criteria are defined as follows:</p> <ol style="list-style-type: none"> 1. Derivative goods: refers to a combination of forward contracts, option contracts, futures contracts, leveraged guarantee contracts, exchange contracts, and combinations of the above commodities derived from commodities such as assets, exchange rates, prices or other interests. Contract, etc. The so-called forward contract does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term import (sale) contracts. 2. By legal merger, demerger, acquisition or transfer of shares to acquire or dispose of assets: refers to mergers and acquisitions in accordance with law, the Financial Holding Company Law, Financial Institutions Merger Act or any other law to merge, split or acquisition to acquire or dispose of assets, or issuance of new shares transferee of shares of his company (hereinafter referred to as transfer of shares) were in accordance with Article 156 of the Companies Act eighth regulations. 3. Related subsidiaries: Standards should be prepared in accordance with the provisions of the securities of the issuer identified financial reporting. 4. Professional appraiser: Real Estate Appraisers, or other means in accordance with the law was engaged in real estate, equipment appraisal business person. 5. Date of occurrence: refers to the signing date of the transaction, the payment date, commissioned by the Closing Date, the transfer date, the Board of Directors' resolutions or other object and sufficient to determine the date of the transaction, such as the date of the transaction amount, whichever is the former. 	<p>Article 13-2</p> <p>The criteria are defined as follows:</p> <ol style="list-style-type: none"> 1. Derivative goods: refers to forward contracts, option contracts, futures whose value is derived from <u>specific interest rates, financial instrument prices, commodity prices, exchange rates, prices or rate indices, credit ratings, or credit indices, or other variables</u>. Contracts, leveraged guarantee contracts, exchange contracts, <u>combinations of the above-mentioned contracts, or combined contracts or structured goods</u> embedded in derivative goods. The so-called forward contract does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term import (sale) contracts. 2. By legal merger, demerger, acquisition or transfer of shares to acquire or dispose of assets: refers to mergers and acquisitions in accordance with law, the Financial Holding Company Law, Financial Institutions Merger Act or any other law to merge, split or acquisition to acquire or dispose of assets, or issuance of new shares transferee of shares of his company (hereinafter referred to as transfer of shares) were in accordance with Article 156 <u>-3</u> regulations. 3. Related subsidiaries: Standards should be prepared in accordance with the provisions of the securities of the issuer identified financial reporting. 4. Professional appraiser: Real Estate Appraisers, or other means in accordance with the law was engaged in real estate, equipment appraisal business person. 5. Date of occurrence: refers to the signing date of the transaction, the payment date, commissioned by the Closing Date, the transfer date, the Board of Directors' resolutions or other object and sufficient to determine the date of the transaction, such as the date of the transaction amount, whichever is the former. 	<ol style="list-style-type: none"> 1. According to the letter issued by the Financial Supervisory Committee on November 26, 2018, the number is 10704441072. 2. In conjunction with the application of the International Financial Reporting Standard No. 16 Lease Bulletin, the amendments shall be amended.
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Article	Content		Basis and reasons
	Before	After	
Article13-2	<p>But investors are subject to the approval of the competent authority, more open date or receipt date of approval by the competent authority what the former shall prevail.</p> <p>6. Investment in Mainland China: refers to the Investment Commission of Ministry of Economic Affairs Investment or Technical Cooperation licensing requirements to engage in the Mainland Area mainland investment.</p>	<p>But investors are subject to the approval of the competent authority, more open date or receipt date of approval by the competent authority what the former shall prevail.</p> <p>6. Investment in Mainland China: refers to the Investment Commission of Ministry of Economic Affairs Investment or Technical Cooperation licensing requirements to engage in the Mainland Area mainland investment.</p>	
Article13-3	(NEW)	<p><u>The company's valuation report or the opinions of accountants, lawyers or securities underwriters, professional valuers and their appraisers, accountants, lawyers or securities underwriters should meet the following requirements:</u></p> <p>1. <u>Can not violate this law, company law, banking law, insurance law, financial holding company law, commercial accounting law or fraud, breach of trust, infringement, falsification of documents or violation of this law and failed to be sentenced to more than one year in prison for commercial crimes . However, if the execution is completed, the trial period expires or the pardon has been completed for three years, there is no limit.</u></p> <p>2. <u>The situation in which the party to the transaction cannot be a related person or has a substantive relationship. .</u></p> <p>3. <u>If the company should obtain evaluation reports from two or more professional appraisers, different professional appraisers or appraisers may or may not be related to each other.</u></p> <p><u>When issuing an evaluation report or opinion, the preceding paragraph should handle the following:</u></p> <p>1. <u>Before conducting a case, you should carefully evaluate your professional competence, practical experience and independence.</u></p> <p>2. <u>When reviewing a case, appropriate operational procedures should be properly planned and implemented to form a conclusion and a report or opinion should be issued accordingly;</u></p>	<p>1. According to the letter issued by the Financial Supervisory Committee on November 26, 2018, the number is 10704441072.</p> <p>2. In conjunction with the application of the International Financial Reporting Standard No. 16 Lease Bulletin, the amendments shall be amended.</p>

Article 13-3		<p><u>the procedures, data collected and conclusions to be implemented are detailed in the working paper of the case.</u></p> <p>3. <u>The source, parameters and information of the materials used shall be evaluated item by item to ensure completeness, correctness and reasonableness as the basis for the publication of the evaluation report or submission of materials.</u></p> <p>4. <u>The application items shall include the professionalism and independence of the relevant personnel, and the evaluation information shall be reasonable and accurate, and shall comply with relevant laws and regulations.</u></p>	
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Case 2 :

Proposal : Amendment to the Company “Derivative commodity transaction processing Procedures”. (by the board)

Description :

1. According to the letter issued by the Financial Supervisory Committee on November 26, 2018, the number is 10704441072.
2. Please refer to pages 28-29 of this manual for the comparison table of the company's “Derivative commodity transaction processing Procedures” before and after the revision.
3. Please recognize.

Resolution :

Kung Sing Engineering Corporation
Synopsis of “Derivative commodity transaction processing Procedures”
before and after amendments

Article	Before	After	Basis and reasons
Article 2	<p>Article 2 The law and decree this procedure is based on The company institutes this procedure according to Article 36-1 of Securities and Exchange Act and “Regulations Governing Acquisition and Disposal of Assets By public Companies” publicly announced by Securities and Futures Commission (SFC) through the public document (Taicaizhengyi No. 0910006105) on December 10,2002.</p>	<p>Article 2 The law and decree this procedure is based on The company institutes this procedure according to Article 36-1 of Securities and Exchange Act and “Regulations Governing Acquisition and Disposal of Assets By public Companies” publicly announced by Securities and Futures Commission (SFC) through the public document (Taicaizhengyi No. 1070341072) on November 26,2018.</p>	Amend the provisions to comply with the law
Article 3	<p>Article 3 The scope of application 1. The derivatives mentioned in this procedure means forward contracts, option contracts, futures contracts, leverage contracts, exchange contracts, and compound contracts combined together by above instruments derived from assets, interest rates, exchange rates, indices or other interests.</p>	<p>Article 3 The scope of application 1. The derivatives mentioned in this procedure means forward contracts, option contracts, futures contracts, leverage contracts, exchange contracts, and compound contracts combined together by above instruments derived from <u>specific interest rates, financial instrument prices, commodity prices, exchange rates, prices or rate indices, credit ratings, or credit indices, or other variables. a combination of the above-mentioned contracts, or a combined contract or structured commodity in which derivative goods are embedded.</u></p>	

Article	Before	After	Basis and reasons
Article 3	<p>2. The forward contracts mentioned in this procedure excludes insurance contracts, performance contracts, service contracts, long-term lease contracts, and long-term procurement (sale) contracts.</p> <p>3. The company engages in securities margin trading according to this procedure.</p>	<p>2. The forward contracts mentioned in this procedure excludes insurance contracts, performance contracts, service contracts, long-term lease contracts, and long-term procurement (sale) contracts.</p> <p>3. The company engages in securities margin trading according to this procedure.</p>	Correct the scope of application
Article 10	<p>Article 10 Announcement of Enforcement and Amendment</p> <p>The procedure will be put in effect after being approved by the board of directors and reported to the next shareholders' meeting. Any amendment is subject to the same process.</p>	<p>Article 10 Announcement of Enforcement and Amendment</p> <p>The procedure after being approved by the board of directors and <u>discussion through by</u> the next shareholders' meeting. Any amendment is subject to the same process.</p>	Text correction

Case 3 :

Proposal : Amendment to the Company “Operational procedures for Loaning of Company Funds”and “Operational procedures for Endorsements and Guarantees”. (by the board)

Description :

1. According to the letter issued by the Financial Supervisory Committee on March 7, 2019, the number is 1080304826.
2. Please refer to pages 31-36 of this manual for the comparison table of the company's “Operational procedures for Loaning of Company Funds”and “Operational procedures for Endorsements and Guarantees” before and after the revision.
3. Please recognize.

Resolution :

Kung Sing Engineering Corporation
Synopsis of “Operational procedures for Loaning of Company Funds”
before and after amendments

Article	Before	After	Basis and reasons
Article 2	<p>Article 2. Scopes The company shall not loan its funds to its shareholders or others except for the following circumstances: 1. Companies or businesses doing businesses with the company; 2. The demand for short-term financing between companies or businesses and the company is essential. And the financing amount shall not exceed 40% of the company’s net worth. The Company's subsidiary is not a domestic public company, the subsidiary should notice the preceding Subparagraph 4 reporting matters, the public company by whom. Public companies directly and indirectly holds one hundred percent of the voting shares of foreign companies engaged in the lending of funds, without the third paragraph of the second limit. But should the total lending of funds and several objects of the limits, respectively, on business, short-term financing and several objects set the limit amount, term and interest-bearing manner.</p>	<p>Article 2. Scopes The company shall not loan its funds to its shareholders or others except for the following circumstances: 1. Companies or businesses doing businesses with the company; 2. The demand for short-term financing between companies or businesses and the company is essential. And the financing amount shall not exceed 40% of the company’s net worth. The Company's subsidiary is not a domestic public company, the subsidiary should notice the preceding Subparagraph 4 reporting matters, the public company by whom. <u>The Company's</u> directly and indirectly holds one hundred percent of the voting shares of foreign companies engaged in the lending of funds, <u>or a company that directly and indirectly holds 100% of the voting shares and engages in capital lending to the company.</u> without the third paragraph of the second limit. But should the total lending of funds and several objects of the limits, respectively, on business, short-term financing and several objects set the limit amount, term and interest-bearing manner.</p>	<p>In order to increase the flexibility of the internal fund allocation of the group enterprises, and to consider the application of Article 15 of the company law, the foreign company has revised the fourth item and relaxed 100% of the shares directly and indirectly held by the public issuing company. A foreign company that engages 100% of the voting shares of the foreign company in the public offering is not subject to the third paragraph of Article 3. However, the capital loan and the total amount of the individual and the target of the individual should still be set, and the fund loan and the time limit should be specified.</p>

Article 21	<p>Article 21 The company whose balance of loans to others reaches one of the following levels shall announce and report such event within two days from its occurrence:</p> <ol style="list-style-type: none"> 1. The aggregate balance of loans to others granted by the company and its subsidiaries reaches 20% or more of the company's net worth as stated in its latest financial statement. 2. The balance of the loan to a single enterprise granted by the company and its subsidiaries reaches 10% or more of the company's net worth as stated in its latest financial statement. 3. The amount of new loans to others granted by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2% or more of the company's net worth as stated in its latest financial statement. <p>If there is any reporting and announcement required according to subparagraph 3 of the previous paragraph for the company's subsidiary which is not a domestic public company, the company will follow the requirement on behalf of its subsidiary.</p>	<p>Article 21 The company whose balance of loans to others reaches one of the following levels shall announce and report such event within two days from its occurrence:</p> <ol style="list-style-type: none"> 1. The aggregate balance of loans to others granted by the company and its subsidiaries reaches 20% or more of the company's net worth as stated in its latest financial statement. 2. The balance of the loan to a single enterprise granted by the company and its subsidiaries reaches 10% or more of the company's net worth as stated in its latest financial statement. 3. The amount of new loans to others granted by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2% or more of the company's net worth as stated in its latest financial statement. <p>If there is any reporting and announcement required according to subparagraph 3 of the previous paragraph for the company's subsidiary which is not a domestic public company, the company will follow the requirement on behalf of its subsidiary.</p> <p><u>The so-called factual date refers to the date of the transaction, the date of payment, the date of the resolution of the board of directors or other date determined by the transaction object, and the date of the transaction amount, etc., the date of the first occurrence.</u></p>	Considering that the capital loan is not the nature of the transaction, it is necessary to modify the text.
Article 22	<p>Article 22 Punishment If the company's managers and persons-in-charge violate the operation procedure, subsequent punishment will be subject to the related Personnel Articles and employee handbook of the company.</p>	<p>Article 22 Punishment</p> <ol style="list-style-type: none"> 1. If the company's managers and persons-in-charge violate the operation procedure, subsequent punishment will be subject to the related Personnel Articles and employee handbook of the company. 2. <u>If the person in charge of the company violates the provisions of this operation, it shall be responsible for the return of the contract with the borrower; if the company suffers damage, it shall also be liable for damages.</u> 	Increase clause

Article	Before	After	Basis and reasons
Article 24	<p>Article 24 The regulations will be put in force after being passed by the Board of Directors, sent to the Audit Committee, and approved at the shareholders' meeting. The revision of them will be done likewise.</p>	<p>Article 24 <u>The company's revision of the “Operation Procedures for Corporate Funds Lending” shall be approved by all members of the Audit Committee (calculated by actual incumbents), and more than half of them agree and submit resolutions of the Board of Directors. If the previous paragraph has not been approved by more than half of all members of the Audit Committee, more than two-thirds of the Board members may agree that the resolution of the Audit Committee shall be stated in the minutes of the Board of Directors.</u></p> <p>The regulations will be put in force after being passed by the Board of Directors, and approved at the shareholders' meeting. The revision of them will be done likewise.</p>	<p>Pursuant to Article 14 quinquies of the Securities Exchange Act, the audit committee's powers include procedures for determining or amending the financial operations of the financial loan and others.</p>

Kung Sing Engineering Corporation
Synopsis of “Operational procedures for Endorsements and Guarantee”
before and after amendments

Article	Before	After	Basis and reasons
Article 11	<p>Article 11 The company shall evaluate or recognize the contingent loss of endorsement/guarantee and properly disclose the information about the company’s endorsement/guarantee under Statements of Financial Accounting Standards No. 9. The related data should be provided to the company’s CPA for necessary audit.</p>	<p>Article 11 The company shall evaluate or recognize the contingent loss of endorsement/guarantee and properly disclose the information about the company’s endorsement/guarantee under Statements of <u>International Accounting Standards No. 37</u>. The related data should be provided to the company’s CPA for necessary audit.</p>	Corrected in accordance with applicable guidelines
Article 15	<p>Article 15 The company whose balance of endorsements / guarantees reaches one of the following levels shall announce and report such event within two days from its occurrence: 1. The aggregate balance of endorsements / guarantees by the company and its subsidiaries reaches 50% or more of the company's net worth as stated in its latest financial statement. 2. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20% or more of the company's net worth as stated in its latest financial statement. 3. The balance of endorsements / guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements / guarantees for, long-term investment in, and balance of loans to, such enterprise reaches 30% or more of the company's net worth as stated in its latest financial statement.</p>	<p>Article 15 The company whose balance of endorsements / guarantees reaches one of the following levels shall announce and report such event within two days from its occurrence: 1. The aggregate balance of endorsements / guarantees by the company and its subsidiaries reaches 50% or more of the company's net worth as stated in its latest financial statement. 2. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20% or more of the company's net worth as stated in its latest financial statement. 3. The balance of endorsements / guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements / guarantees for, <u>Equity law investment in carrying amount</u>, and balance of loans to, such enterprise reaches 30% or more of the company's net worth as stated in its latest financial statement.</p>	The definition of long-term investment is not clear. The amendments to the ninth paragraph of Article 9 of the Financial Reporting Standards of the Securities Issuer’s Financial Reporting Standards and the endorsement of the considerations are not of a transactional nature.

Article	Before	After	Basis and reasons
Article 15	<p>4.The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the company's net worth as stated in its latest financial statement.</p> <p>If the company's subsidiary which is not a domestic public company needs to report and announcement according to subparagraph 4 of the previous paragraph, the company will follow the requirement on behalf of its subsidiary.</p>	<p>4.The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the company's net worth as stated in its latest financial statement.</p> <p>If the company's subsidiary which is not a domestic public company needs to report and announcement according to subparagraph 4 of the previous paragraph, the company will follow the requirement on behalf of its subsidiary.</p> <p><u>The so-called factual date refers to the date of the transaction, the date of payment, the date of the resolution of the board of directors or other date determined by the transaction object, and the date of the transaction amount, etc., the date of the first occurrence.</u></p>	
Article 18	<p>Article 18 Punishment</p> <p>The company's managers and persons-in-charge shall follow the procedure in order to prevent the company from incurring any losses. Should there be any violation of related regulations or the procedure, they will be subject to the related Personnel Articles and employee handbook of the company.</p>	<p>Article 18 Punishment</p> <p>1. The company's managers and persons-in-charge shall follow the procedure in order to prevent the company from incurring any losses. Should there be any violation of related regulations or the procedure, they will be subject to the related Personnel Articles and employee handbook of the company.</p> <p>2. <u>If the person in charge of the company violates the provisions of this operation, it shall be responsible for the return of the contract with the borrower; if the company suffers damage, it shall also be liable for damages.</u></p>	Increase clause

Article 19	<p>Article 19 The regulations will be put in force after being passed by the board of directors, sent to supervisors, and approved at the shareholders' meeting.</p>	<p>Article 19 <u>When this method is submitted to the board of directors for discussion, the opinions of the independent directors should be fully considered. If the independent directors have any objections or reservations, they should be stated in the proceedings of the board of directors.</u> <u>The company has set up an audit committee, and the Operational procedures for Endorsements and Guarantee shall be approved by all members of the audit committee (calculated by the actual incumbent), and more than one-half of them shall agree and submit a resolution of the board of directors. If the preceding paragraph is not approved by more than one-half of all members of the Audit Committee, it may be agreed by more than two-thirds of all directors, and the resolutions of the Audit Committee shall be stated in the proceedings of the Board of Directors.</u> <u>These Measures were adopted by the Audit Committee and the Board of Directors and submitted to the shareholders' meeting for approval. The same applies to the amendments.</u></p>	<p>Pursuant to Article 14 quinquies of the Securities Exchange Act, the audit committee's powers include procedures for determining or amending the financial operations of the financial loan and others.</p>
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Case 4 :

Proposal : Amendment to the Company's Corporate Charter. (by the board)

Description :

1. In order to meet the needs of the company's operations, the company's current rated capital is NT\$4.5 billion, and the paid-up capital is NT\$3,475,274,130. The company's articles of association are proposed to be revised. This is proposed to amend Article 4 of the Articles of Association to increase the total capital to NT\$6 billion.
2. Please refer to pages 38 of this manual for the comparison table of the company's "Company's Corporate Charter" before and after the revision.
3. Please recognize.

Resolution :

Kung Sing Engineering Corporation
Synopsis of “Company’s Corporate Charter”
before and after amendments

Article	Before	After	Basis and reasons
Article 4	<p>Article 4 The total capital of the company is NT\$ 3,500,000,000, divided by 350,000,000 shares of stock. The face value of each share is NT\$ 10 and the stock are issued stage by stage.</p>	<p>Article 4 The total capital of the company is NT\$ 6,000,000,000, divided by 600,000,000 shares of stock. The face value of each share is NT\$ 10 and the stock are issued stage by stage.</p>	<p>Increase the amount of capital required for the operation of the company.</p>
Article 20	<p>Article 20 The constitution was concluded on January 5, 1947. It was revised on January 1, 1950 for the first time. It was revised on November 10, 1971 for the second time. (Omit) It was revised on June 26, 2014 for the twenty- sixth time. The twenty- seven amendment was made on June 28th, 2016.</p>	<p>Article 20 The constitution was concluded on January 5, 1947. It was revised on January 1, 1950 for the first time. It was revised on November 10, 1971 for the second time. (Omit) It was revised on June 26, 2014 for the twenty- sixth time. The twenty- seven amendment was made on June 28th, 2016. <u>The twenty- eihht amendment was made on June 27th, 2019.</u></p>	<p>Increase the revision date</p>

Extemporaneous Motions

Adjournment

Attachments

Appendix 1

Accountant audit report

(2019) Financial Review No. 18040446

TO Kung Sing Engineering Corporation :

Opinion

Kung Sing Engineering Corporation parent company balance sheet for 2018 and December 31, 2017, and Parent company income statement, Parent company equity statement and Parent company cash flow statement for 2018 and January 1 to December 31, 2017, and Parent company financial statements The notes (including the summary of major accounting policies) are checked by the accountant.

Based on the opinion of the accountant, based on the audit results of the accountant and the audit report of other accountants (please refer to other issues), the parent company financial statements are prepared in accordance with the “Guidelines for the Financial Reporting of Securities Issuers” in all material respects. Represents the individual financial status of Kung Sing Engineering Co., Ltd. for 2018 and December 31, 2017, and individual financial performance and individual cash flow for 2018 and January 1 to December 31, 2017.

Basis for opinion

The accountant performs the audit in accordance with the “Accounting Rules for Checking Visas Financial Statements” and the generally accepted auditing standards of the Republic of China. The responsibilities of the accountants under these standards are further explained in the paragraph headed “Accountants’ responsibility for checking Parent company financial statements” . The personnel subject to the independence of the firm of the accountant have been in accordance with the professional ethics of the accountant of the Republic of China, and they remain detached from the Kung Sing Engineering Corporation and perform other duties of the code. Based on the audit results of the accountants and the audit reports of other accountants, the accountant believes that sufficient and appropriate evidence of the audit has been obtained as a basis for expressing the opinion.

Key audit matters

The key auditing matters refer to the most important matters in the audit of the Parent company financial statements of Kung Sing Engineering Corporation in 2018 according to the professional judgment of the accountant.

These matters have been dealt with in the process of checking the overall financial statements of the individual and forming a review opinion. The accountant does not express a separate opinion on these matters.

The key check items of the 2018 annual Parent company financial statements of Kung Sing Engineering Corporation are as follows:

To assess the estimated total cost of the construction contract

Description of the matter

For the accounting policy of the construction contract, please refer to Note 4 (24) of the parent company financial statements; the uncertainty of the important judgments, accounting estimates and assumptions adopted in the construction contract evaluation accounting policy, please refer to Note V of the parent company financial statements; The contractual assets - engineering construction contracts and contract liabilities - engineering construction contracts of the Company on December 31, 2018 were NT\$2, 953, 881 (thousand) and NT\$1, 058, 707 (thousand), respectively, please refer to Note VI (III) of the Parent company financial statements.

The engineering revenue and cost of the construction contract of the Kung Sing Engineering Corporation is mainly generated by the construction of the construction project. When the result of the construction contract can be reliably estimated, the completion ratio of the completed production method accounts for the total contract price and the estimated total cost. The proportion of project revenue and project cost are recognized separately, and the completion schedule is calculated according to the proportion of each contract accepted by the owner. When the contract cost is likely to exceed the contract revenue, the expected loss is immediately recognized as a cost.

As the estimated total cost is assessed and judged by the management for different engineering properties, estimated contracted amount, duration, engineering works and construction methods, it involves subjective judgments and thus highly estimated uncertainty, which may affect the project cost and The calculation of the profit and loss of the project, therefore, the accountant listed the estimated total cost of the construction contract as one of the important matters for checking.

Check procedure

The accountant's response to the estimated total cost of the construction contract has been summarized as follows:

1. Evaluate the rationality of the estimated total cost of policies and procedures based on an understanding of the nature of the business and the nature of the industry, including the basis for estimating the estimated total cost of construction contracts of the same nature in the

past.

2. To obtain a project with significant changes in the estimated total cost for the period, review the change statement and relevant supporting information, and confirm the appropriate approval of the competent authority to assess the reasonableness of the estimated changes.
3. For the Accounting whom random inspection the contracted part of all contracts; and as for the contracts which hasn't been contracted yet that need to assess the basis and rationality of its estimated cost.
4. Verify that the actual cost of the investment is the proportion of the estimated total cost, and compare it with the completion schedule of the owner's acceptance to assess the reasonableness of the estimated total cost. If there is any difference, obtain the management's description and verify its rationality.

The achievability of deferred income tax assets

Description of the matter

For the accounting policies of deferred income tax assets, please refer to Note 4 (21) of the Parent company financial statements; the uncertainty of the accounting estimates and assumptions of the deferred income tax assets, please refer to Note V of the Parent company financial statements; The deferred income tax assets of the Company Limited on December 31, 2018 are NT\$129,814(thousand). Please refer to Note VI (19) of the Parent company financial statements.

Deferred income tax assets are recognised in the estimated future income statement, and the taxable income is recognised in the future realisation of deferred income tax assets. Subjective judgment of management. The accountant believes that the above judgment project involves predictions for future years. The assumptions used are highly uncertain and the estimates have a significant impact on tax revenue. Therefore, the accountant's assessment of the achievability of deferred income tax assets is listed as one of the important checks.

Check procedure

The accountant's response to the achievability of deferred income tax assets has been summarized as follows:

1. Obtain a future operating plan approved by management and an estimated future profit and loss statement.
2. The estimated future earnings statement is compared with past historical results.
3. It is reasonable to review the items and amounts that are expected to be adjusted to future taxable income in the future profit and loss statement.
4. The measurability of deferred income tax assets is assessed by comparing the taxable income of the future year with the tax losses of the past year.

Other matters - mentioning the audit of other accountants

In the 2018 and 2017 years of the work, the financial statements of the Kung Sing Engineering Corporation were not checked by the accountant but were checked by other accountants. Therefore, the opinions expressed by the accountants in respect of the above-mentioned Parent company financial statements are based on the amounts disclosed in the financial statements of these companies and the relevant information disclosed in Note 13 are based on the audit reports of other accountants. The investment balances of the equity method before 2018 and December 31, 2017 were NT\$355,131(thousand) and NT\$350,238(thousand), respectively, representing 3.89% and 4.32% of the total assets; total consolidated profit and loss recognized in 2018 and 2017 The net loss was NT\$2,855,000(thousand) and NT\$19,925(thousand), respectively, which accounted for 6.55% and 5.71% of the total consolidated profit and loss respectively.

Responsibility of management and corporate governance units for Parent company financial statements

It is the responsibility of the management to prepare Parent company financial statements that are expressed in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and maintain the necessary internal controls related to the preparation of Parent company financial statements to ensure that Parent company financial statements are not affected by fraud or error. Significant misrepresentation.

In the preparation of the Parent company financial statements, the management’s responsibilities also include an assessment of the ability of the Kung Sing Engineering Corporation to continue its operations, the disclosure of related matters, and the adoption of the continuing accounting basis, unless the management intends to liquidate Kung Sing Engineering Corporation or Stopping business, or other options other than liquidation or liquidation.

The governance unit of Kung Sing Engineering Corporation (including the Audit Committee) is responsible for supervising the financial reporting process.

Accountants are responsible for checking Parent company financial statements

The purpose of the accountant to check the Parent company financial statements is to obtain reasonable assurance about the overall misrepresentation of fraud or error in the Parent company financial statements, and to issue a check report. Reasonable conviction is highly convincing, but the verification work performed in accordance with the generally accepted auditing standards of the Republic of China cannot guarantee that the financial statements of Kung Sing Engineering Corporation will be detected. False expression may be caused by fraud or error. If the individual amount or summary amount of the misrepresentation can reasonably be expected to affect the economic decision made by the users of the financial statements of Kung Sing Engineering Corporation it is considered to be significant.

When the accountant checks in accordance with the generally accepted auditing standards of the Republic of China, he uses professional judgment and maintains professional suspicion. The accountant also performs the following tasks:

1. Identify and assess the risk of material misrepresentation of an individual's financial statements due to fraud or error; design and implement appropriate countermeasures for the assessed risk; and obtain sufficient and appropriate evidence to be used as a basis for review. Because fraud may involve conspiracy, forgery, intentional omission, false statement or over-internal control, the risk of not reporting significant misrepresentation due to fraud is higher than the cause of the error.
2. Obtain the necessary understanding of the internal control of the inspection to design an appropriate check procedure at the time, but the purpose is not to express an opinion on the effectiveness of the internal control of Kung Sing Engineering Corporation.
3. Assess the appropriateness of the accounting policies used by management, and the reasonableness of their accounting estimates and related disclosures.
4. Based on the audit evidence obtained, whether the management adopts the appropriateness of the basis of continuing operations accounting and whether there are significant uncertainties in the events or circumstances that may cause significant doubts about the ability of Kung Sing Engineering Corporation to continue to operate, and draw conclusions. If the accountant believes that there is a material uncertainty in the event or situation, it is necessary to remind the individual financial statement user to pay attention to the relevant disclosure of the Parent company financial statements in the check report, or to amend the check opinion when the disclosure is inappropriate. The conclusions of this

accountant are based on the verification evidence obtained as of the date of the audit report. However, future events or circumstances may cause Kung Sing Engineering Corporation to no longer have the ability to continue to operate.

5. Evaluate the overall expression, structure and content of Parent company financial statements (including related notes) and whether Parent company financial statements are permitted to convey relevant transactions and events.
6. Obtain sufficient and appropriate evidence of the financial information of the individual individuals in the Kung Sing Engineering Corporation to express opinions on the Parent company financial statements. The accountant is responsible for the guidance, supervision and execution of individual audit cases, and is responsible for forming audit opinions on Parent company financial statements.

The accountants communicated with the governance unit, including the planned scope and time of the review, as well as major check findings (including significant lack of internal control identified during the audit process).

The accountant also provided the corporate governance unit with the independence statement of the independent company of the accountant's company to comply with the professional ethics of the CPA accountant, and communicated all the relationships that could be considered with the governance unit. Affect the independence of accountants. And other matters (including related protective measures).

From the matters communicated with the governance unit, the accountant decided on the key check items of the 2018 annual financial statement check of Kung Sing Engineering Corporation. The accountant stated the matters in the audit report, unless the law does not allow public disclosure of specific matters, or in the rare case, the accountant decides not to communicate specific matters in the audit report, as it is reasonably expected to be negative in this communication. The impact is greater than the public interest of the promotion.

Pricewaterhouse Coopers

Wang, Fang-yu

accountants

Hsiao, Chin-mu

Financial supervision and management committee
(Chinese) Approved Visa Number: No. 1030027246
Former Treasury Securities Management Committee
(Chinese) Approved Visa Number: (81) Taiwan
Financial Certificate (6) No. 33095

March 27, 2019

Kung Sing Engineering Corporation
Parent company balance sheets
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar
December 31, 2017

Assets	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
Current assets					
1100	cash and cash equivalents	\$ 638,354	7	\$ 546,125	7
1140	Contract assets-current assets	3,095,869	34	-	-
1170	Accounts receivable, net	939,181	10	1,150,832	14
1190	Receivables from customers on construction contracts	-	-	2,192,968	27
1200	Other receivables	5,024	-	738	-
1220	Current income tax assets	1,450	-	-	-
130X	Inventories	203,396	2	202,698	3
1410	Prepayments	153,574	2	38,285	-
1470	Other current assets	1,889,303	21	1,794,043	22
11XX	Current Assets	<u>6,926,151</u>	<u>76</u>	<u>5,925,689</u>	<u>73</u>
Non-current assets					
1517	Financial assets at fair value through other comprehensive gains and losses—Non-current	201,394	2	-	-
1523	Available-for-sale Financial Assets—Non-current	-	-	175,319	2
1550	Investments accounted for using equity method	1,060,751	12	1,000,399	13
1600	Property, plant and equipment, net	338,780	4	413,316	5
1760	Investment property, net	408,450	4	418,081	5
1840	Deferred income tax assets	129,814	1	97,573	1
1900	Other non-current assets	55,747	1	68,490	1
15XX	Non-current assets	<u>2,194,936</u>	<u>24</u>	<u>2,173,178</u>	<u>27</u>
1XXX	Total assets	<u>\$ 9,121,087</u>	<u>100</u>	<u>\$ 8,098,867</u>	<u>100</u>

(Continued)

Kung Sing Engineering Corporation
Parent company balance sheets
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar
December 31, 2017

Liabilities and Equity	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(11)(27) and 8	\$ 1,875,000	21	\$ 1,210,000	15
2130	Contract liability—current	6(3)(21) and 12(5)	1,058,707	12	-	-
2150	Notes payable		798,342	9	475,721	6
2170	Accounts payable		669,983	7	724,675	9
2190	Payable to customers on construction contracts	6(3) and 12(5)	-	-	789,786	10
2200	Other payables		15,793	-	52,967	-
2220	Other payables - related parties	7	200,398	2	-	-
2230	Current income tax liabilities		-	-	322	-
2250	provisions for liabilities—current	6(13)	11,443	-	13,820	-
2300	Other current liabilities	6(12)	128,013	1	147,944	2
21XX	Current Liabilities		<u>4,757,679</u>	<u>52</u>	<u>3,415,235</u>	<u>42</u>
Non-current liabilities						
2540	Long-term borrowings	6(12)(27) and 8	154,938	2	161,186	2
2550	provisions for liabilities—Non-current	6(13) and 9	100,530	1	132,183	2
2570	Deferred income tax liabilities	6(19)	18,066	-	18,888	-
2600	Other non-current liabilities	6(14) and 7	527,415	6	561,277	7
25XX	Non-current liabilities		<u>800,949</u>	<u>9</u>	<u>873,534</u>	<u>11</u>
2XXX	Total Liabilities		<u>5,558,628</u>	<u>61</u>	<u>4,288,769</u>	<u>53</u>
Equity						
Share capital						
3110	Common stock	6(15)	3,475,274	38	3,475,274	43
Capital surplus						
3200	Capital surplus	6(16)	18,545	-	310,362	4
Retained earnings						
3310	Legal reserve	6(17)	-	-	230,096	3
3320	Special reserve		1,872	-	1,872	-
3350	Unappropriated retained earnings(Waiting to make up for the accumulated deficit)		53,381	1	(313,396)	(4)
Other equity interest						
3400	Other equity interest	6(7)(18)	13,387	-	105,890	1
3XXX	Total equity		<u>3,562,459</u>	<u>39</u>	<u>3,810,098</u>	<u>47</u>
Significant contingent liabilities and unrecognised contract commitments						
3X2X	Total liabilities and equity		<u>\$ 9,121,087</u>	<u>100</u>	<u>\$ 8,098,867</u>	<u>100</u>

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Corporation
Parent company Statements of comprehensive income
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar
(Except for loss per share of NT\$)

Items	Notes	2018		2017	
		AMOUNT	%	金額	%
4000 Operating revenue	6(21) 、 7 and 12(5)	\$ 3,812,581	100	\$ 3,836,972	100
5000 Operating costs	6(3)(25)(26) and 7	(3,786,102)	(99)	(4,069,666)	(106)
5900 Gross Profit (Gross loss)		<u>26,479</u>	<u>1</u>	<u>232,694</u>	<u>(6)</u>
5910 Unrealized sales loss (interest)	6(7)	5,280	-	4,885	-
5920 Realized gain from sale	6(7)	2,467	-	-	-
5950 Operating gross profit (loss) net		<u>34,226</u>	<u>1</u>	<u>(237,579)</u>	<u>(6)</u>
Operating expenses					
6200 General & administrative expenses	6(25)(26)	(136,861)	(4)	(127,785)	(4)
6900 Operating income		<u>(102,635)</u>	<u>(3)</u>	<u>(365,364)</u>	<u>(10)</u>
Non-operating income and expenses					
7010 Other income	6(22) 、 7 and 9	63,130	2	35,329	1
7020 Other gains and losses	6(23)	(6,542)	-	(20,621)	-
7050 Finance costs	6(24)	(35,381)	(1)	(29,486)	(1)
7070 Shares of subsidiaries, affiliates and joint ventures and losses recognized by the equity method	6(7)	(23,786)	(1)	(32,569)	(1)
7000 Total non-operating income and expenses		<u>(2,579)</u>	<u>-</u>	<u>(47,347)</u>	<u>(1)</u>
7900 Profit before income tax		<u>(105,214)</u>	<u>(3)</u>	<u>(412,711)</u>	<u>(11)</u>
7950 Income tax expense	6(19)	36,264	1	62,338	2
8200 Net Loss		<u>(\$ 68,950)</u>	<u>(2)</u>	<u>(\$ 350,373)</u>	<u>(9)</u>
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Remeasurement of determined benefit plans	6(14)	\$ 3,494	-	(\$ 292)	-
8316 Equity instrument investments measured at fair value through other comprehensive gains and losses are not assessed at profit or loss	6(6)(18)	26,075	1	-	-
8330 Shares of other consolidated gains and losses of subsidiaries, affiliates and joint ventures recognized using the equity method - items not reclassified to profit or loss	6(7)(18)	(751)	-	-	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(19)	(580)	-	50	-
8310 Total amount of items not reclassified to profit or loss		<u>28,238</u>	<u>1</u>	<u>(242)</u>	<u>-</u>
Subsequent projects that may be reclassified to profit or loss					
8361 Cumulative translation differences of foreign operations	6(18)	(2,858)	-	(23,126)	(1)
8362 Unrealized loss (gain) on valuation of available-for-sale financial assets	6(18)	-	-	25,034	1
8360 Subsequent total items that may be reclassified to profit or loss		<u>(2,858)</u>	<u>-</u>	<u>1,908</u>	<u>-</u>
8300 Total other comprehensive loss for the period		<u>\$ 25,380</u>	<u>1</u>	<u>\$ 1,666</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>(\$ 43,570)</u>	<u>(1)</u>	<u>(\$ 348,707)</u>	<u>(9)</u>
Loss per share					
9750 Basic earnings per share	6(20)	<u>(\$ 0.20)</u>	<u>(\$ 1.01)</u>		
9850 Diluted earnings per share		<u>(\$ 0.20)</u>	<u>(\$ 1.01)</u>		

Kung Sing Engineering Corporation
Parent company statements of changes in equity
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

	Notes	Retained Earnings					Other equity interest			Total equity
		Common stock	Capital surplus	Legal reserve	Special surplus reserve	Unappropriated earnings (Waiting to make up for the accumulated deficit)	Cumulative translation differences of foreign operations	Unrealized gains and losses on financial assets measured at fair value through other comprehensive gains and losses	Unrealized loss (gain) on valuation of available-for-sale financial assets	
<u>For the year ended December 31, 2017</u>										
Balance at January 1, 2017		\$3,475,274	\$ 310,362	\$ 221,024	\$ 1,872	\$ 115,796	\$ 10,426	\$ -	\$ 93,556	\$4,228,310
Net Loss		-	-	-	-	(350,373)	-	-	-	(350,373)
Components of other	6(18)	-	-	-	-	(242)	(23,126)	-	25,034	1,666
Total comprehensive income for the period		-	-	-	-	(350,615)	(23,126)	-	25,034	(348,707)
appropriations of retained earnings	6(17)									
Statutory surplus reserve		-	-	9,072	-	(9,072)	-	-	-	-
Cash dividend		-	-	-	-	(69,505)	-	-	-	(69,505)
Balance at December 31, 2017		<u>\$3,475,274</u>	<u>\$ 310,362</u>	<u>\$ 230,096</u>	<u>\$ 1,872</u>	<u>(\$ 313,396)</u>	<u>(\$ 12,700)</u>	<u>\$ -</u>	<u>\$ 118,590</u>	<u>\$3,810,098</u>
<u>For the year ended December 31, 2018</u>										
Balance at January 1, 2018		\$3,475,274	\$ 310,362	\$ 230,096	\$ 1,872	(\$ 313,396)	(\$ 12,700)	\$ -	\$ 118,590	\$3,810,098
Tracing the number of impacts	6(18)	-	-	-	-	119,417	-	3,621	(118,590)	4,448
Re-edited balance on January 1		<u>3,475,274</u>	<u>310,362</u>	<u>230,096</u>	<u>1,872</u>	<u>(193,979)</u>	<u>(12,700)</u>	<u>3,621</u>	<u>-</u>	<u>3,814,546</u>
Net Loss		-	-	-	-	(68,950)	-	-	-	(68,950)
Components of other	6(18)	-	-	-	-	2,914	(2,858)	25,324	-	25,380
Total comprehensive income		-	-	-	-	(66,036)	(2,858)	25,324	-	(43,570)
Statutory surplus reserve to make up for losses	6(17)	-	-	(230,096)	-	230,096	-	-	-	-
Capital reserve to make up for losses	6(17)	-	(83,300)	-	-	83,300	-	-	-	-
Capital reserve cash return	6(17)	-	(208,517)	-	-	-	-	-	-	(208,517)
Balance at December 31, 2017		<u>\$3,475,274</u>	<u>\$ 18,545</u>	<u>\$ -</u>	<u>\$ 1,872</u>	<u>\$ 53,381</u>	<u>(\$ 15,558)</u>	<u>\$ 28,945</u>	<u>\$ -</u>	<u>\$3,562,459</u>

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Corporation
Parent company statements of cash flows
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 105,214)	(\$ 412,711)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including investment real estate)	6(8)(9)	68,807	77,802
Amortization expense	6(24)(25)	2,584	3,964
Long-term borrowing costs amortization	6(24)	198	-
Interest expense	6(24)	33,179	26,144
Interest income	6(22)	(2,958)	(14,460)
Dividends revenue	6(22)	(6,933)	(9,150)
Shares of investment losses (benefits) of subsidiaries and related companies recognized by equity method	6(7)	23,786	32,569
Loss(Gain) on disposal of property, plant and equipment	6(23)	(4,377)	1,831
Disposal of investment using equity method - investment loss of subsidiaries	6(23)	-	1,640
Loss of financial assets for sale	6(23) and 12(4)	-	1,500
Investment property impairment loss affiliate affiliated company (already)	6(9)(23)	-	544
unrealized gross profit	6(7)	(7,747)	4,885
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets		(192,510)	-
Accounts receivable		(493,180)	226,869
Receivables from customers on construction contracts		-	(36,580)
Other receivables		(4,563)	21,485
Inventories		(698)	(621)
Prepayments		(115,289)	58,291
Changes in operating liabilities			
Contract liability		268,921	-
Notes payable		322,621	(46,623)
Accounts payable		(54,692)	(173,236)
Payable to customers on construction contracts		-	619,781
Other payables		(37,453)	(11,450)
Debt preparation		(34,030)	50,798
Other current liabilities		607	(5,107)
Defined benefit liability		(15,724)	(10,032)
Cash inflow(outflow) generated from operations		(354,665)	408,133
Interest received		2,972	9,057
Dividends received		6,933	9,150
Interest paid		(32,502)	(26,398)
Income tax paid		-	(4,286)
Net cash flows(outflow) from operating activities		(377,262)	395,656

(Continued)

Kung Sing Engineering Corporation
Parent company statements of cash flows
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

	Notes	2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other current assets		(\$ 95,260)	(\$ 686,647)
Acquired investment using equity method - subsidiary price	6(7)	(80,000)	(240,000)
Disposal of the equity method of investment - the price of the subsidiary	6(7)	-	311,738
Return of shares using the equity method of liquidation	6(7)	-	3,217
Acquisition of property, plant and equipment	6(8)	(1,276)	(12,160)
Proceeds from disposal of property, plant and equipment		21,013	11,044
Acquired investment real estate price	6(9)	-	(243)
Cut back in other non-current assets		10,159	76,889
Net cash flows used in investing activities		(145,364)	(536,162)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Borrow short-term loans	6(27)	1,315,000	786,440
Repayment of short-term borrowings	6(27)	(650,000)	(666,440)
Borrow long-term loans	6(27)	621,590	400,000
Repayment of long-term borrowings	6(27)	(648,574)	(602,910)
Other non-current liabilities decreased		(14,644)	(1,650)
Increase relationship person accommodation of funds	7	200,000	-
Cash dividends paid	6(17)	-	(69,505)
Capital reserve cash return	6(17)	(208,517)	-
Net cash flows from (used in) financing activities		614,855	(154,065)
Net increase (loss) in cash and cash equivalents		92,229	(294,571)
Cash and cash equivalents at beginning of year		546,125	840,696
Cash and cash equivalents at end of year		\$ 638,354	\$ 546,125

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Corporation

Relationship business consolidated financial statement

The Company's 2018 year (from January 1, 2018 to December 31, 2018) shall be included in the consolidated financial statements of the company's consolidated financial statements and relationship reports in accordance with the Relationship Business Report. The company shall be the same as the company that should be included in the consolidated financial statements of the parent company in accordance with the International Financial Reporting Standard No. 10, and the relevant information disclosed in the consolidated financial statements of the company shall be disclosed in the consolidated financial statements of the former parent company. A separate financial statement for the business combination will be prepared.

Hereby declare

company name: Kung Sing Engineering
Corporation

principal: Chen ,huang-ming

March 27, 2019

TO Kung Sing Group :

Opinion

Kung Sing Group (The following is called Kung Sing Group) balance sheet for 2018 and December 31, 2017, and Consolidated income statement, Consolidated equity statement and Consolidated cash flow statement for 2018 and January 1 to December 31, 2017, and Consolidated financial statements The notes (including the summary of major accounting policies) are checked by the accountant.

Based on the opinion of the accountant, based on the audit results of the accountant and the audit report of other accountants (please refer to other issues), the above consolidated financial statements are in all material respects in accordance with the “Guidelines for the Financial Reporting of Securities Issuers” and financial supervision. The preparation of the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations approved by the Management Committee is sufficient to express the consolidated financial position of the Kung Sing Group for 2018 and 31 December 2017, and to 2018 and January 1, 2017. Consolidated financial performance and consolidated cash flows as of December 31.

Basis for opinion

The accountant performs the audit in accordance with the “Accounting Rules for Checking Visas Financial Statements” and the generally accepted auditing standards of the Republic of China. The responsibilities of the accountants under these standards are further explained in the paragraph headed “Accountants’ responsibility for checking consolidated financial statements” . The personnel subject to the independence of the firm of the accountant have been in accordance with the professional ethics of the accountant of the Republic of China, and they remain detached from the Kung Sing Group and perform other duties of the code. Based on the audit results of the accountants and the audit reports of other accountants, the accountant believes that sufficient and appropriate evidence of the audit has been obtained as a basis for expressing the opinion.

Key audit matters

The key auditing matters refer to the most important matters in the audit

of the consolidated financial statements of Kung Sing Group in 2018 according to the professional judgment of the accountant. These matters have been dealt with in the process of checking the overall financial statements of the consolidated and forming a review opinion. The accountant does not express a separate opinion on these matters.

The key check items of the 2018 annual consolidated financial statements of Kung Sing Group are as follows:

To assess the estimated total cost of the construction contract

Description of the matter

For the accounting policy of the construction contract, please refer to Note 4 (25) of the consolidated financial statements; the uncertainty of the important judgments, accounting estimates and assumptions adopted in the construction contract evaluation accounting policy, please refer to Note V of the consolidated financial statements; The contractual assets - engineering construction contracts and contract liabilities - engineering construction contracts of the Company on December 31, 2018 were NT\$2, 953, 881 (thousand) and NT\$1, 058, 707 (thousand), respectively, please refer to Note VI (III) of the consolidated financial statements.

The engineering revenue and cost of the construction contract of the Kung Sing Group is mainly generated by the construction of the construction project. When the result of the construction contract can be reliably estimated, the completion ratio of the completed production method accounts for the total contract price and the estimated total cost. The proportion of project revenue and project cost are recognized separately, and the completion schedule is calculated according to the proportion of each contract accepted by the owner. When the contract cost is likely to exceed the contract revenue, the expected loss is immediately recognized as a cost.

As the estimated total cost is assessed and judged by the management for different engineering properties, estimated contracted amount, duration, engineering works and construction methods, it involves subjective judgments and thus highly estimated uncertainty, which may affect the project cost and The calculation of the profit and loss of the project, therefore, the accountant listed the estimated total cost of the construction contract as one of the important matters for checking.

Check procedure

The accountant's response to the estimated total cost of the construction contract has been summarized as follows:

1. Evaluate the rationality of the estimated total cost of policies and procedures based on an understanding of the nature of the business and the nature of the industry, including the basis for estimating the

estimated total cost of construction contracts of the same nature in the past.

2. To obtain a project with significant changes in the estimated total cost for the period, review the change statement and relevant supporting information, and confirm the appropriate approval of the competent authority to assess the reasonableness of the estimated changes.
3. For the Accounting whom random inspection the contracted part of all contracts; and as for the contracts which hasn't been contracted yet that need to assess the basis and rationality of its estimated cost.
4. Verify that the actual cost of the investment is the proportion of the estimated total cost, and compare it with the completion schedule of the owner's acceptance to assess the reasonableness of the estimated total cost. If there is any difference, obtain the management's description and verify its rationality.

The achievability of deferred income tax assets

Description of the matter

For the accounting policies of deferred income tax assets, please refer to Note 4 (22) of the consolidated financial statements; the uncertainty of the accounting estimates and assumptions of the deferred income tax assets, please refer to Note V of the consolidated financial statements; The deferred income tax assets of the Company Limited on December 31, 2018 are NT\$129,814(thousand). Please refer to Note VI (19) of the consolidated financial statements.

Deferred income tax assets are recognised in the estimated future income statement, and the taxable income is recognised in the future realisation of deferred income tax assets. Subjective judgment of management. The accountant believes that the above judgment project involves predictions for future years. The assumptions used are highly uncertain and the estimates have a significant impact on tax revenue. Therefore, the accountant's assessment of the achievability of deferred income tax assets is listed as one of the important checks.

Check procedure

The accountant's response to the achievability of deferred income tax assets has been summarized as follows:

1. Obtain a future operating plan approved by management and an estimated future profit and loss statement.
2. The estimated future earnings statement is compared with past historical results.
3. It is reasonable to review the items and amounts that are expected to be adjusted to future taxable income in the future profit and loss statement.
4. The measurability of deferred income tax assets is assessed by comparing

the taxable income of the future year with the tax losses of the past year.

Other matters - mentioning the audit of other accountants

The financial statements of some subsidiaries of the Kung Sing Group in 2018 and 2017 have not been checked by the accountant and have been checked by other accountants. Therefore, the opinions expressed by the accountants in respect of the above-mentioned consolidated financial statements are based on the amounts disclosed in the financial statements of these subsidiaries and the relevant information disclosed in Note XIII, based on the audit reports of other accountants. The total assets of the subsidiaries of 2018 and 31 December 2017 were NT\$912,484(thousand) and NT\$696,218(thousand), respectively, representing 9.26% and 8.14% of the total combined assets; operating income for 2018 and 2017 The net amount was NT\$59,866(thousand) and NT\$0(thousand), respectively, which accounted for 1.56% and 0% of the combined net operating income.

Other matters - Parent company financial report

Kung Sing Engineering Co., Ltd. has prepared the Parent company financial statements for 2018 and 2017, and the audit report issued by the accountant with unqualified opinions plus other items is available for reference.

Responsibility of management and corporate governance units for consolidated financial statements

The management's responsibility is to prepare consolidated financial statements in accordance with the "Guidelines for the Preparation of Financial Issues of Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations approved by the Financial Supervisory Committee, and maintain and consolidate financial statements. Prepare the necessary internal controls to ensure that the consolidated financial statements do not contain significant misrepresentations resulting from fraud or error.

In the preparation of the consolidated financial statements, the management's responsibilities also include an assessment of the ability of the Kung Sing Group to continue its operations, the disclosure of related matters, and the adoption of the continuing accounting basis, unless the management intends to liquidate Kung Sing Group or Stopping business, or other options other than liquidation or liquidation.

The governance unit of Kung Sing Group (including the Audit Committee) is responsible for supervising the financial reporting process.

Accountants are responsible for checking consolidated financial statements

The purpose of the accountant to check the consolidated financial statements is to obtain reasonable assurance about the overall misrepresentation of fraud or error in the consolidated financial statements, and to issue a check report. Reasonable conviction is highly convincing, but the verification work performed in accordance with the generally accepted auditing standards of the Republic of China cannot guarantee that the financial statements of Kung Sing Group will be detected. False expression may be caused by fraud or error. If the consolidated amount or summary amount of the misrepresentation can reasonably be expected to affect the economic decision made by the users of the financial statements of Kung Sing Group it is considered to be significant.

When the accountant checks in accordance with the generally accepted auditing standards of the Republic of China, he uses professional judgment and maintains professional suspicion. The accountant also performs the following tasks:

1. Identify and assess the risk of material misrepresentation of an consolidated's financial statements due to fraud or error; design and implement appropriate countermeasures for the assessed risk; and obtain sufficient and appropriate evidence to be used as a basis for review. Because fraud may involve conspiracy, forgery, intentional omission, false statement or over-internal control, the risk of not reporting significant misrepresentation due to fraud is higher than the cause of the error.
2. Obtain the necessary understanding of the internal control of the inspection to design an appropriate check procedure at the time, but the purpose is not to express an opinion on the effectiveness of the internal control of Kung Sing Group.
3. Assess the appropriateness of the accounting policies used by management, and the reasonableness of their accounting estimates and related disclosures.
4. Based on the audit evidence obtained, whether the management adopts the appropriateness of the basis of continuing operations accounting and whether there are significant uncertainties in the events or circumstances that may cause significant doubts about the ability of Kung Sing Group to continue to operate, and draw conclusions . If the accountant believes that there is a material uncertainty in the event or situation, it is necessary to remind the consolidated financial statement user to pay attention to the relevant disclosure of the consolidated financial statements in the check report, or to amend the check opinion when the

disclosure is inappropriate. The conclusions of this accountant are based on the verification evidence obtained as of the date of the audit report. However, future events or circumstances may cause Kung Sing Group to no longer have the ability to continue to operate.

5. Evaluate the overall expression, structure and content of consolidated financial statements (including related notes) and whether consolidated financial statements are permitted to convey relevant transactions and events.
6. Obtain sufficient and appropriate evidence of the financial information of the consolidated consolidated in the Kung Sing Group to express opinions on the consolidated financial statements. The accountant is responsible for the guidance, supervision and execution of Group audit cases, and is responsible for forming audit opinions on consolidated financial statements.

The accountants communicated with the governance unit, including the planned scope and time of the review, as well as major check findings (including significant lack of internal control identified during the audit process).

The accountant also provided the corporate governance unit with the independence statement of the independent company of the accountant's company to comply with the professional ethics of the CPA accountant, and communicated all the relationships that could be considered with the governance unit. Affect the independence of accountants. And other matters (including related protective measures).

From the matters communicated with the governance unit, the accountant decided on the key check items of the 2018 annual financial statement check of Kung Sing Group. The accountant stated the matters in the audit report, unless the law does not allow public disclosure of specific matters, or in the rare case, the accountant decides not to communicate specific matters in the audit report, as it is reasonably expected to be negative in this communication. The impact is greater than the public interest of the promotion.

Pricewaterhouse Coopers

Wang, Fang-yu

accountants

Hsiao, Chin-mu

Financial supervision and management committee
(Chinese) Approved Visa Number: No. 1030027246
Former Treasury Securities Management Committee
(Chinese) Approved Visa Number: (81) Taiwan
Financial Certificate (6) No. 33095

March 27, 2019

Kung Sing Engineering Corporation
Consolidated balance sheets
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

Assets	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	cash and cash equivalents	6(1)	\$ 739,312	8	\$ 663,282	8
1140	Contract assets-current assets	6(3)(21) and 12(5)	3,095,869	31	-	-
1170	Accounts receivable, net	6(2) and 12(5)	912,160	9	1,126,841	13
1190	Receivables from customers	6(3) and 12(5)				
	on construction contracts		-	-	2,152,885	25
1200	Other receivables	7	105,147	1	21,984	-
1220	Current income tax assets		1,450	-	-	-
130X	Inventories	6(4) and 8	1,669,435	17	1,356,044	16
1410	Prepayments	6(5)	180,002	2	68,678	1
1470	Other current assets	8	1,889,303	19	1,794,042	21
11XX	Current Assets		<u>8,592,678</u>	<u>87</u>	<u>7,183,756</u>	<u>84</u>
Non-current assets						
1517	Financial assets at fair value	6(6)(18) and 8				
	through other comprehensive					
	gains and losses—Non-current		201,394	2	-	-
1523	Available-for-sale Financial	6(18) 、8 and 12(4)				
	Assets—Non-current		-	-	176,070	2
1550	Investments accounted for using	6(7)				
	equity method		37,335	-	38,109	-
1600	Property, plant and equipment,	6(8) and 8				
	net		647,203	7	735,543	9
1760	Investment property, net	6(9) and 8	180,302	2	182,675	2
1840	Deferred income tax assets	6(19)	129,814	1	97,573	1
1900	Other non-current assets	6(10) and 8	63,748	1	136,321	2
15XX	Non-current assets		<u>1,259,796</u>	<u>13</u>	<u>1,366,291</u>	<u>16</u>
1XXX	Total assets		<u>\$ 9,852,474</u>	<u>100</u>	<u>\$ 8,550,047</u>	<u>100</u>

(Continued)

Kung Sing Engineering Corporation
Consolidated balance sheets
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar
December 31, 2017

Liabilities and Equity		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)(30) and 8	\$ 2,507,002	25	\$ 1,848,092	22
2130	Contract liability—current	6(3)(21) and 12(5)	1,058,707	11	-	-
2150	Notes payable		800,364	8	478,291	6
2170	Accounts payable		683,887	7	725,650	8
2190	Payable to customers on construction contracts	6(3) and 12(5)	-	-	789,786	9
2200	Other payables		22,544	-	56,707	1
2230	Current income tax liabilities		-	-	322	-
2250	provisions for liabilities—current	6(13)	11,443	-	13,820	-
2300	Other current liabilities	6(12)	148,088	2	175,170	2
21XX	Current Liabilities		<u>5,232,035</u>	<u>53</u>	<u>4,087,838</u>	<u>48</u>
Non-current liabilities						
2540	Long-term borrowings	6(12)(30) and 8	634,513	6	161,186	2
2550	provisions for liabilities—Non-current	6(13) and 9	100,530	1	132,183	1
2570	Deferred income tax liabilities	6(19)	18,066	-	18,888	-
2600	Other non-current liabilities	6(14)	52,028	1	85,890	1
25XX	Non-current liabilities		<u>805,137</u>	<u>8</u>	<u>398,147</u>	<u>4</u>
2XXX	Total Liabilities		<u>6,037,172</u>	<u>61</u>	<u>4,485,985</u>	<u>52</u>
Equity						
Share capital						
3110	Common stock	6(15)	3,475,274	35	3,475,274	41
Capital surplus						
3200	Capital surplus	6(16)	18,545	-	310,362	4
Retained earnings						
3310	Legal reserve	6(17)	-	-	230,096	3
3320	Special reserve		1,872	-	1,872	-
3350	Unappropriated retained earnings (Waiting to make up for the accumulated deficit)		53,381	1	(313,396)	(4)
Other equity interest						
3400	Other equity interest	6(7)(18)	13,387	-	105,890	1
31XX	Total equity attributable to owners of the parent company		<u>3,562,459</u>	<u>36</u>	<u>3,810,098</u>	<u>45</u>
36XX	Non-control interest	6(28)	252,843	3	253,964	3
3XXX	Total equity		<u>3,815,302</u>	<u>39</u>	<u>4,064,062</u>	<u>48</u>
Significant contingent liabilities and unrecognised contract commitments						
3X2X	Total liabilities and equity		<u>\$ 9,852,474</u>	<u>100</u>	<u>\$ 8,550,047</u>	<u>100</u>

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Corporation
Consolidated Statements of comprehensive income
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar
(Except for loss per share of NT\$)

Items	Notes	2018		2017	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(21) and 12(5)	\$ 3,844,011	100	\$ 3,758,935	100
5000 Operating costs	6(3)(22)(26)(27)	(3,812,023)	(99)	(4,003,387)	(107)
5900 Gross Profit (Gross loss)		31,988	1	(244,452)	(7)
Operating expenses	6(26)(27)				
6100 Marketing expenses		(9,875)	(1)	-	-
6200 General & administrative expenses		(155,932)	(4)	(154,750)	(4)
6900 Operating income		(133,819)	(4)	(399,202)	(11)
Non-operating income and expenses					
7010 Other income	6(23) and 9	62,570	2	30,114	1
7020 Other gains and losses	6(24)	727	-	(19,059)	-
7050 Finance costs	6(25)	(35,815)	(1)	(29,486)	(1)
7060 Use of equity method to recognize the share of affiliated companies and joint ventures	6(7)	2	-	(39)	-
7000 Total Non-operating income and expenses		27,484	1	(18,470)	-
7900 Profit before income tax		(106,335)	(3)	(417,672)	(11)
7950 Income tax expense	6(19)	36,264	1	62,338	2
8200 Net Loss		(\$ 70,071)	(2)	(\$ 355,334)	(9)
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Remeasurement of determined benefit plans	6(14)	\$ 3,494	-	(\$ 292)	-
8316 Equity instrument investments measured at fair value through other comprehensive gains and losses are not assessed at profit or loss	6(6)(18)	25,324	1	-	-
8349 Income tax related to components of other	6(19)	(580)	-	50	-
8310 Total amount of items not reclassified to profit or loss		28,238	1	(242)	-
Subsequent projects that may be reclassified to profit or loss					
8361 Cumulative translation differences of foreign operations	6(18)	(2,082)	-	(22,493)	(1)
8362 Unrealized loss (gain) on valuation of available-for-sale financial assets	6(18)	-	-	25,034	1
8370 Use of the equity method to recognise the share of other comprehensive gains and losses of the related companies and joint ventures - items that may be reclassified to profit or loss	6(7)(18)	(776)	-	(633)	-
8360 Subsequent total items that may be reclassified to profit or loss		(2,858)	-	1,908	-
8300 Total other comprehensive loss for the period		\$ 25,380	1	\$ 1,666	-
8500 Total consolidated profit and loss for the period		(\$ 44,691)	(1)	(\$ 353,668)	(9)
Net profit (loss) belongs to :					
8610 Parent company owner		(\$ 68,950)	(2)	(\$ 350,373)	(9)
8620 Non-control interest		(\$ 1,121)	-	(\$ 4,961)	-
Total comprehensive profit and loss for the period belongs to :					
8710 Parent company owner		(\$ 43,570)	(1)	(\$ 348,707)	(9)
8720 Non-control interest		(\$ 1,121)	-	(\$ 4,961)	-
Loss per share	6(20)				
9750 Basic earnings per share		(\$ 0.20)		(\$ 1.01)	
9850 Diluted earnings per share		(\$ 0.20)		(\$ 1.01)	

Kung Sing Engineering Corporation
Consolidated statements of changes in equity
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

	Notes	Retained Earnings						Other equity interest				
		Common stock	Capital surplus	Legal reserve	Special surplus reserve	Unappropriated earnings (Waiting to make up for the accumulated deficit)	Cumulative translation differences of foreign operations	Unrealized gains and losses on financial assets measured at fair value through other comprehensive gains and losses	Unrealized loss (gain) on valuation of available-for-sale financial assets	Totally	Non-control interest	Total equity
<u>2017</u>												
Balance at January 1, 2017		\$3,475,274	\$ 310,362	\$ 221,024	\$ 1,872	\$ 115,796	\$ 10,426	\$ -	\$ 93,556	\$4,228,310	\$ 100,104	\$4,328,414
Net Loss		-	-	-	-	(350,373)	-	-	-	(350,373)	(4,961)	(355,334)
Components of other	6(18)	-	-	-	-	(242)	(23,126)	-	25,034	1,666	-	1,666
Total comprehensive income for the period		-	-	-	-	(350,615)	(23,126)	-	25,034	(348,707)	(4,961)	(353,668)
appropriations of retained earnings	6(17)											
Statutory surplus reserve		-	-	9,072	-	(9,072)	-	-	-	-	-	-
Cash dividend		-	-	-	-	(69,505)	-	-	-	(69,505)	-	(69,505)
Non-controlling equity changes	6(28)	-	-	-	-	-	-	-	-	-	158,821	158,821
Balance at December 31, 2017		<u>\$3,475,274</u>	<u>\$ 310,362</u>	<u>\$ 230,096</u>	<u>\$ 1,872</u>	<u>(\$ 313,396)</u>	<u>(\$ 12,700)</u>	<u>\$ -</u>	<u>\$ 118,590</u>	<u>\$3,810,098</u>	<u>\$ 253,964</u>	<u>\$4,064,062</u>
<u>2018</u>												
Balance at January 1, 2018		\$3,475,274	\$ 310,362	\$ 230,096	\$ 1,872	(\$ 313,396)	(\$ 12,700)	\$ -	\$ 118,590	\$3,810,098	\$ 253,964	\$4,064,062
Tracing the number of impacts	6(18)	-	-	-	-	119,417	-	3,621	(118,590)	4,448	-	4,448
Re-edited balance on January 1		<u>3,475,274</u>	<u>310,362</u>	<u>230,096</u>	<u>1,872</u>	<u>(193,979)</u>	<u>(12,700)</u>	<u>3,621</u>	<u>-</u>	<u>3,814,546</u>	<u>253,964</u>	<u>4,068,510</u>
Net Loss		-	-	-	-	(68,950)	-	-	-	(68,950)	(1,121)	(70,071)
Components of other	6(18)	-	-	-	-	2,914	(2,858)	25,324	-	25,380	-	25,380
Total comprehensive income		-	-	-	-	(66,036)	(2,858)	25,324	-	(43,570)	(1,121)	(44,691)
Statutory surplus reserve to make up for losses	6(17)	-	-	(230,096)	-	230,096	-	-	-	-	-	-
Capital reserve to make up for losses	6(17)	-	(83,300)	-	-	83,300	-	-	-	-	-	-
Capital reserve cash return	6(17)	-	(208,517)	-	-	-	-	-	-	(208,517)	-	(208,517)
Balance at December 31, 2018		<u>\$3,475,274</u>	<u>\$ 18,545</u>	<u>\$ -</u>	<u>\$ 1,872</u>	<u>\$ 53,381</u>	<u>(\$ 15,558)</u>	<u>\$ 28,945</u>	<u>\$ -</u>	<u>\$3,562,459</u>	<u>\$ 252,843</u>	<u>\$3,815,302</u>

The accompanying notes are an integral part of these Individual financial statements.

Kung Sing Engineering Corporation
Consolidated statements of cash flows
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 106,335)	(\$ 417,672)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including investment real estate)	6(8)(9)	73,680	82,658
Amortization expense	6(25)(26)	2,584	3,964
Long-term borrowing costs amortization	6(25)	198	-
Interest expense	6(25)	33,613	26,144
Interest income	6(23)	(3,200)	(10,011)
Dividends revenue	6(23)	(6,933)	(9,150)
Shares of investment losses (benefits) of subsidiaries and related companies recognized by equity method	6(7)	(2)	39
Loss(Gain) on disposal of property, plant and equipment	6(24)	(4,377)	1,831
Disposal of investment using equity method - investment loss of subsidiaries	6(24)	-	1,640
Loss of financial assets for sale	6(24)	-	6,299
Investment property impairment loss	6(9)(24)	-	544
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets		(256,585)	-
Accounts receivable		(466,158)	(97,237)
Receivables from customers on construction contracts		-	3,380
Other receivables		(83,439)	8,987
Inventories		(267,910)	(132,255)
Prepayments		(111,324)	42,233
Changes in operating liabilities			
Contract liability		268,921	-
Notes payable		322,073	(48,803)
Accounts payable		(41,763)	(176,843)
Payable to customers on construction contracts		-	620,406
Other payables		(34,515)	(11,862)
Debt preparation		(34,030)	50,798
Other current liabilities		(16,544)	12,109
Defined benefit liability		(15,724)	(10,863)
Cash inflow(outflow) generated from operations		(747,770)	(53,664)
Interest received		3,213	7,716
Dividends received		6,933	9,150
Interest paid		(33,261)	(26,398)
Income tax paid		-	(4,286)
Net cash flows(outflow) from operating activities		(770,885)	(67,482)

(Continued)

Kung Sing Engineering Corporation
Consolidated statements of cash flows
DECEMBER 31, 2018 AND 2017

Unit: NT\$ thousand Dollar

	Notes	2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Loss of control of subsidiary cash impact		\$ -	(\$ 1,640)
) Increase in other current assets		(95,260)	(686,646)
Obtaining financial assets for sale		-	(5,550)
Acquisition of property, plant and equipment	6(8)	(1,276)	(12,404)
Proceeds from disposal of property, plant and equipment		21,013	11,044
Cut back in other non-current assets		<u>24,507</u>	<u>76,127</u>
Net cash flows used in investing activities		(<u>51,016</u>)	(<u>619,069</u>)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Borrow short-term loans	6(30)	1,315,000	786,440
Repayment of short-term borrowings	6(30)	(656,090)	(671,191)
Borrow long-term loans	6(30)	1,111,165	400,000
Repayment of long-term borrowings	6(30)	(648,574)	(602,910)
Other non-current liabilities decreased		(14,644)	(1,650)
Cash dividends paid	6(17)	-	(69,505)
Capital reserve cash return	6(17)	(208,517)	-
Non-controlling equity changes	6(28)	<u>-</u>	<u>158,821</u>
Net cash flows from (used in) financing activities		<u>898,340</u>	<u>5</u>
Exchange rate impact		(<u>409</u>)	(<u>21,386</u>)
Net increase (loss) in cash and cash equivalents		76,030	(707,932)
Cash and cash equivalents at beginning of year		<u>663,282</u>	<u>1,371,214</u>
Cash and cash equivalents at end of year		<u>\$ 739,312</u>	<u>\$ 663,282</u>

The accompanying notes are an integral part of these Individual financial statements.

The Constitution of Kung Sing Engineering Co., Ltd.

Chapter 1 General Provisions

Article 1

The company was organized according to the company Act and its name is Kung Sing Engineering Company Limited.

Article 2

The businesses operated by the company are as follows:

1. E101011 General Construction
2. E401010 Dredging
3. E599010 Plumbing
4. E801010 Interior Renovation
5. E801020 Doors and Windows Installation
6. E801030 Interior Light Steel Frame Engineering
7. E801040 Glass Installation
8. E801070 Kitchen and Bathroom Equipment Installation
9. E901010 Painting Works
10. E903010 Corrosion and Rust-Proof Works
11. EZ02010 Crane Engineering
12. EZ207010 Drilling Engineering
13. EZ99990 Other Engineering
14. C901040 Ready-Mix Concrete Manufacturing
15. C901050 Cement and Concrete Manufacturing
16. CD01020 Rail Vehicles and Parts Manufacturing
17. CD01990 Other Vehicles and Parts Manufacturing
18. F111090 Building Materials Wholesale
19. F113010 Machinery Wholesale
20. F401010 International Trade
21. F113030 Precision Instruments Wholesale
22. H701010 Residences and Buildings Development, Sale and Lease
23. H701020 Industrial Factory Buildings Development, Sale and Lease
24. H701040 Specialized Fields Construction and Development
25. H701050 Public Works Construction and Investment
26. H701060 New County and Community Development
27. H701070 Zone Expropriation and Urban Land

Consolidation Agencies

28. H703090 Real Estate Trading
29. H703100 Real Estate Lease
30. H701080 Urban Renewal
31. J101040 Wastes Treatment
32. J101990 Other Sanitation and Pollution Protection Services
33. E501011 Water Supply Piping
34. E601010 Electrical Equipment Installation
35. E602011 Frozen and Air-conditioning Engineering
36. E603040 Fire Safety Equipment Installation Engineering
37. ZZ99999 In addition to licensed businesses, the company may operate those businesses that are not prohibited or restricted by law.

Article 2.1

The company's investment in other businesses may not be restricted by article 13 of Company Act, which stipulates that the amount of a company's investment in other businesses must not exceed 40% of its paid-up capital.

Article 2.2

After the board of directors pass the resolution, the company may give endorsements and guarantees to others due to business needs or the need of the businesses invested by the company, and the chairperson sign the relevant documents on behalf of the company. But the balance of the amount of endorsement and guarantee must not exceed the amount stipulated by the company's regulations governing endorsements and guarantees.

Article 3

The head office of the company is based in Taipei City. If necessary, the company may set up domestic and foreign branch offices according to the resolution of the board of directors.

Chapter 2 Shares of Stock

Article 4

The total capital of the company is NT\$ 3,500,000,000, divided by 350,000,000 shares of stock. The face value of each share is NT\$ 10 and the stock are issued stage by stage.

Article 5

The transfer, inheritance, gifting, renewing, mortgage, loss or damage of the company's stock shares shall be handled according to Company Act and "Criteria Governing Handling of Stock Affairs by Public Stock Companies" issued by the authorities.

Article 6

The company's shares all are inscribed and signed or sealed by more than three directors, and then issued after certified by law. After the issuance of shares, the company does not need to print the shares, but it must contact Taiwan Depository and Clearing Corporation (TDCC) to register all the shares and their holders.

Article 7

The change of the records in shareholders list shall be stopped within the sixty days before the opening of the regular shareholders' meeting, within the thirty days before the beginning of the extraordinary shareholders' meeting or within the five days before the base date on which the company decides to allot dividends, bonus or other interests.

Chapter 3 Shareholders' Meeting

Article 8

There are two kinds of shareholders' meetings called by the company, regular shareholders' meeting and extraordinary shareholders' meeting. The former one is held within the six months after the end of every fiscal year and the latter one is held according to the regulations of Company Act and as occasion requires.

Article 9

When shareholders can not attend the shareholders' meeting for some reason, they may sign or seal powers of attorney stating clearly scope of authority and hand to their proxies to attend the meeting.

Article 10

Each share has a voting power, but those shares under the conditions stipulated by article 179 of Company Act have no voting power.

Article 11

Unless otherwise regulated by the company Act, the resolution of shareholders' meeting only can be passed under the condition that more

than half the voting powers of the shareholders present agree with the resolution and shareholders owning more than half the shares issued attend the meeting.

Chapter 4 Directors and Audit Committee

Article 12

The Company shall have five to seven directors, adopting the nomination system, serving a term of three years, the Board of Directors shall elect the list of candidates Directors, shall be reappointed. As for the previous Article that the total amount of registered shares held by the Board must not be less than a certain number of the total amount of issued shares regulated by the authorities. In the list of the above-mentioned directors, two independent directors are included. Since 2015, the shareholders elected new directors from set number of independent directors shall not be less than three, and the number of directors shall not be less than one-fifth.

The actual term of independent director in office not more than nine years.

Regarding the professional qualifications, shareholding, part-time restrictions, nomination, and election methods and other matters to be followed, shall base on related regulations set by the securities authorities.

Article 12.1

The meeting of the board of directors should be held at least once a season. The reasons of calling the meeting should be stated clearly on the notice, which should be sent to each director. However, the meeting may be summoned if necessary. The meeting may be summoned by notice in written form, fax, or email etc.

Article 13

The board of directors consists of directors, the chairperson of which is elected from among all directors present by winning more than 50% of the vote. The chairperson is the representative of the company.

Article 14

Unless otherwise regulated by the company Act, the resolution of the board of directors only can be passed under the condition that more than half the directors present agree with the resolution and more than half directors attend the meeting. When directors can not attend the meeting for some reason, they may sign or seal powers of attorney stating clearly scope of authority and hand to other directors to attend the meeting according to article 205 of Company Act, but one director can only act as a proxy in another one's absence. Directors living overseas may entrust a director

living in Taiwan in written form to act as his proxy regularly.

Article 15

Directors' and supervisors' pay is offered according to each one's level of participation in the company's operation and value of dedication and the criteria of pay to directors at domestic and foreign companies in same industry.

Article 15.1

The company set up according to the law of the Audit Committee comprises all independent directors.

Companies Act, the Securities and Exchange Act and other legal requirements shall exercise the powers of supervisors matters exercised by the Audit Committee.

The number of the Audit Committee, tenure, terms, rules of procedure and the exercise of powers issues companies should provide resources to the Audit Committee Charter separately prescribed by law.

The first three requirements applicable appoint a new director from 2015 onwards.

Chapter 5 Manager

Article 16.

The company may employ a general manager, whose appointment, dismissal and remuneration comply with article 29 of Company Act.

Chapter 6 Accounting

Article 17

The company shall settle final accounts at the end of every year. The company's final accounts are written in different book of forms under the supervision of the board of directors, which shall be handed to the Audit Committee for audit within the thirty days before the beginning of regular shareholders' meeting. The three documents as below shall be submitted to the shareholders' meeting for recognition.

1. Business Report
2. Financial Statements
3. A motion for earnings distribution or an offset to the loss

Article 18

When the Company in accordance with the annual profit after deducting

accumulated deficit situation, as there are balance, employee compensation should be set aside 3-5%, not more than 3% of the remuneration of directors.

Employee compensation in the preceding paragraph to whom shares or cash, the payment must include the object in line with the conditions set by the Board of Directors of subordinate employees, to authorize the Board to develop the relevant measures, the directors only to cash remuneration.

The first two issues by the board resolution and to report shareholders' meeting.

Article 18-1

If there are earnings after the company's annual closing, the tax shall be paid and the loss of previous years shall be made up first. Then, 10% of the earnings shall be kept as legal reserve. After this if there is still earnings left, the amount of which shall be added by that of the distributable earnings at opening of the period. The board of directors shall make proposals concerning the total amount of earnings to the regular shareholders' meeting for resolution. The allotment of dividends among shareholders will be granted by stock dividends and cash dividends, but the latter shall account for at least 10% of the shareholders' dividends.

Chapter 7 Supplementary Provisions

Article 19.

Any matters not stipulated by this constitution shall be handled according to the company Act and relevant regulations.

Article 20

The constitution was concluded on January 5, 1947.

It was revised on January 1, 1950 for the first time.

It was revised on November 10, 1971 for the second time.

It was revised on November 5, 1981 for the third time.

It was revised on May 28, 1983 for the fourth time.

It was revised on August 1, 1983 for the fifth time.

It was revised on August 16, 1983 for the sixth time.

It was revised on August 18, 1987, for the seventh time.

It was revised on July 1, 1991 for the eighth time.

It was revised on October 22, 1992 for the ninth time.

It was revised on June 25, 1993 for the tenth time.

It was revised on October 20, 1994 for the eleventh time.

It was revised on June 29, 1995 for the twelfth time.

It was revised on June 10, 1997 for the thirteenth time.

It was revised on June 29, 1998 for the fourteenth time.
It was revised on June 27, 2000 for the fifteenth time.
It was revised on June 26, 2002 for the sixteenth time.
It was revised on May 27, 2004 for the seventeenth time.
It was revised on May 25, 2005 for the eighteenth time.
It was revised on June 20, 2006 for the nineteenth time.
It was revised on May 15, 2007 for the twentieth time.
It was revised on May 20, 2008 for the twenty-first time.
It was revised on June 16, 2009 for the twenty- second time.
It was revised on June 18, 2010 for the twenty- third time.
It was revised on June 9, 2011 for the twenty- fourth time.
It was revised on June 18, 2012 for the twenty-fifth time.
It was revised on June 26, 2014 for the twenty- sixth time.
The twenty- seven amendment was made on June 28th, 2016.

Appendix 3

The Regulations of the Meeting of the Shareholders of Kung Sing Engineering Co., Ltd.

- 1 、 The meeting of shareholders shall be carried out in accordance with this approach.
- 2 、 The so-called shareholder here is referred to the shareholder him/herself or the attendance representative of shareholder.
- 3 、 Please wear the attendance certification or sign in or turn in the signing card. The number of shares at present shall be counted in accordance with the signing list or the submitted signing cards. For those who turn in the signing card to the Company are regarded as attending in person or by representatives, the Company is responsible for identification.
- 4 、 Attendance and resolution of the Board of Directors shall be counted based on the number of shares.
- 5 、 The venue shall be located somewhere around the Company for the convenience of shareholders. The time shall not be earlier than 9:00 in the morning or later than 3:00 in the afternoon.
- 6 、 The shareholders' meeting notice states reporting time, reported everywhere location, and other considerations. Shareholders accepting the preceding paragraph shall report at least thirty minutes prior to the start of the handle; reported everywhere should be clearly labeled, and sent to an adequate handling of the qualified person.

I commissioned the shareholders or shareholder nominee (hereinafter referred to as the Shareholders) shall, with attendance certificates, attendance attendance attendance cards or other documents to attend the

shareholders' meeting; supporting documents of Shareholders can not ask to add other documents. solicited proxies are solicited person shall also carry the identity documents to prepare for verification.

If the Meeting is called by the board of directors, the board chairman shall preside at the Meeting. In case the chairman is on leave of absence, or cannot exercise his powers and authority, the vice chairman shall act in lieu of him. If the vice chairman is also on leave of absence, or cannot exercise his powers and authority, the chairman shall designate a director to act in lieu of him. If the chairman does not designate a director, the directors shall elect one from among themselves to act in lieu of the chairman. If the Meeting is called by any other person than the board of directors, who has the right to call the Meeting, the said person shall preside at that Meeting.

- 7、Former chairman of the Department of Managing Directors or by the agent in order to serve more than six months, and to understand the company's financial and business conditions as the managing director or directors. If the President is a legal representative director who likewise. The Company may appoint attorneys, accountants or related persons to attend the shareholders' meeting. Conduct a shareholders' meeting shall wear identification badges or armbands.
- 8、The meeting process shall be audio or video recorded and kept for at least a year.
- 9、The Chairman shall announce the beginning the meeting when the time comes, only if representatives of shareholders do not exceed half of the number of shares, the Chairman may postpone the meeting, for the meeting can only be postponed no more than two times, and all together shall not exceed one hour. If the attendance is still not sufficient after two times of delay, but the number of representatives reaches 1/3 of the total shares, false resolution can be performed in accordance with Article 175 Provision 1 of Company Act. And before such meeting ends, if the number of shareholders or representatives exceeds more than half, the Chairman may ask for another resolution of the false resolution in accordance with Article 174 of Company Act.
- 10、If the meeting of shareholders is called up by the Board of Directors, the agenda will be determined by the Board of Directors, and the meeting shall be carried out in accordance accordingly, cannot be changed unless the meeting of shareholders has made a resolution of making changes. Before the arranged agenda (including other business) ends, the Chairman must not announce the closing without resolutions. After the meeting is over, shareholders must not appoint another individual as the Chairman to continue the meeting at the same location or other locations.
- 11、Before making a speech in the meeting of shareholders, must fill out the speech note to notify the topic, shareholder number (or attendance number) and account name, the Chairman will decide the order of

giving speeches. Shareholders who have turned in speech notes will get to speak up, for those who do not speak up will be regarded as not spoken. If the content of speech does not match the content in the speech note, shall base on the content of speech. As a shareholder speaks, others must not interfere unless he/she is approved by the Chairman or the shareholder who gives a speech, any violations shall be prevented.

- 12 ∙ Description concerning a new proposal is limited to five minutes, discussion concerning questioning and debating is limited to three minutes per person; may be extended once if the Chairman approves it, but is still limited to three minutes.
- 13 ∙ The same shareholder in terms of the same matter may not speak up more than twice unless the Chairman approves, and each time must not exceed five minutes. Any shareholder violates the aforementioned rules or the content is beyond the scope of content, the Chairman may stop him/her from speaking up.
- 14 ∙ If a corporate trustee is entrusted to attend the meeting of shareholders, such trustee only gets to assign one person on behalf. A corporate shareholder may assign two or more individuals to attend the meeting, but only one person gets to speak up.
- 15 ∙ The Chairman must answer the questions or assign specific personnel to answer the questions after a shareholders give his/her opinions.
- 16 ∙ As for discussions regarding a proposal, the Chairman may end the discussion at anytime he/she finds sufficient for making a resolution.
- 17 ∙ Voting and counting of scrutineers personnel designated by the President, but scrutineers shall have shareholder status. Shareholders will vote on the motion or election vote counting operations should be open at the shareholders to whom the venue and should be in the vote count is completed, voting results announced on the spot, including the statistical weights and maintain records. Shareholders will elect directors and supervisors should be laid down under this company handled the relevant electoral methods, and shall announce the election results field, including elected directors, and their election lists weights. For electoral matters before the ballot, signed by the scrutineer sealed, properly safeguarded and preserved for at least one year. But by the shareholders in accordance with the Companies Law Article 189 proceedings, shall be kept until the end to litigation.
- 18 ∙ The Chairman may decide on his/her own whether to have a break during the meeting.
- 19 ∙ For resolutions towards proposals, in addition to the Companies Act and Articles of Association as otherwise provided, can be determined by the consent from more than half of shareholders at present, when comes to vote, if no objections are made, the resolution shall be deemed adopted, the effect and votes take into account.

- 20、If an amendment or alternative case happens on the same proposal, the Chairman shall determine the sequence of voting by including the original case. If one case passes, others will be deemed as rejected, needless to conduct the vote again.
- 21、The Chairman may command the pickets (or securities) to help maintain the order. The picket (or security) shall wear an “identification card” or “arm badge” while helping maintain the order.
- 22、Conference conducted in case of natural disasters (typhoons, earthquakes, etc.) or accidents (fire, air strikes, etc.), occurs, the Chairman may declare the suspension of a meeting or change the meeting date.
- 23、Rules not provided for the matters shall be handled in accordance with Company Act of Articles of Association of the Company.
- 24、This approach was established on June 30th, 1994.
 The first amendment was made on June 29th, 1998.
 The second amendment was made on June 26th, 2002.
 The third amendment was made on June 20th, 2006.
 The Fourth amendment was made on June 25th, 2013.
 The Fifth amendment was made on June 26th, 2015.
 The sixth amendment was made on June 28th, 2016.
 This approach will take into account after the Board of Directors approves and passes it, amendments shall follow the same procedure.

Appendix 4

The procedures for Loaning of Company Funds of Kung Sing Engineering Co., Ltd.

Article 1 Purposes

1. To regulate the company’s loaning to others, the company hereby institutes this operation procedure to protect the company’s rights and interests.
2. To strengthen corporate governance and audit committee with the addition of the relevant provisions of cum. As a result, some articles of the “Operational procedures for Loaning of Company Funds” of the company are revised.

Article 2. Scopes

The company shall not loan its funds to its shareholders or others except for the following circumstances:

1. Companies or businesses doing businesses with the company;
2. The demand for short-term financing between companies or businesses and the company is essential. And the financing amount shall not exceed

40% of the company's net worth.

The Company's subsidiary is not a domestic public company, the subsidiary should notice the preceding Subparagraph 4 reporting matters, the public company by whom.

Public companies directly and indirectly holds one hundred percent of the voting shares of foreign companies engaged in the lending of funds, without the third paragraph of the second limit. But should the total lending of funds and several objects of the limits, respectively, on business, short-term financing and several objects set the limit amount, term and interest-bearing manner.

Article 3

Regulations governing the total amount loaned to others and the limit of amount loaned to a single borrower:

1. Companies or businesses doing businesses with the company:
 - (1) The total amount loaned shall not exceed 40% of the company's net worth;
 - (2) The amount loaned to a single borrower shall not exceed the lower one of 10% of the company's net worth compared with the amount of transactions between the two parties.
2. The demand for short-term financing between companies or businesses and the company is essential.
 - (1) The total amount loaned shall not exceed 40% of the company's net worth;
 - (2) The amount of funds loaned to a single borrower shall not exceed 10% of the company's net worth.

Article 3.1

When the demand for short-term financing between companies or businesses and the company is essential, the reasons and conditions of the financing shall be as follows:

1. Companies 50% or more of whose shares are held by the company need short-term financing because of business demand;
2. Companies or businesses need short-term financing because of purchase of materials or operation demand;
3. Companies to whom the company's board of directors have agreed to loan.

Article 4 Financing periods

The longest financing period shall not exceed a year. But if the company faces financial embarrassment owing to poor performance, the company

may demand the repayment at any time before the due date. The company needs to review its loans annually.

Article 5 Unit in charge

The unit in charge is the financial department under the regulations.

Article 6 Operation procedure

The borrower shall fill in the company's "Funds Loaned Related Matters Application" (or public document) attached with the borrower's basic data and financial data. The company's relevant departments shall examine the necessity of the loan, evaluate its usage, purposes, benefits, and write down suggestions about whether the loan should be granted. Then, the documents shall be sent to the financial department to determine the interest rate and the date of repayment, submitted step by step to the chairperson for approval. Finally, after the board of directors pass the relevant resolution, the loan will be granted.

Article 7 Credit investigation

1. New borrowers shall provide their basic data and financial data, allowing the financial department to carry on the relevant credit investigation.
2. The credit investigation concerning an old borrower shall be carried out annually. If the load is big enough, the credit investigation shall be conducted biannually.
3. If the borrower's finance is in good shape and its annual financial statements have been sent to its accountant, who also has certified the financing, the borrower's financial reports of longer than one year but shorter than two years may be continued being used for the application for loan, attached with the account's audit and certification report for reference of approval.

Article 8 Approval for Loan

1. If the borrower's credit rating is poor or the purpose of the loan is not appropriate according to the credit investigation or evaluation and the person in charge intends not to grant the loan, he/she shall write down the reasons why the request of loan should be rejected, submit the relevant documents for decision, and then answer the borrower as soon as possible.
2. As for the case where the borrower's credit rating is good and the purpose

of the loan is right according to the result of credit investigation, the person in charge shall write down credit investigation and suggestions, establish lending conditions, and submit the relevant documents step by step to the chairperson for approval. The chairperson can be empowered to allow the same borrower to obtain the loan by stages or revolve it within a specified amount and a period of a year under the resolution passed by the board of directors.

Article 9 Inform the Borrower

After the approval of the loan the person in charge shall inform the borrower by mail or telephone as soon as possible, describing in detail the lending conditions, including the amount, due date, interest rate, collaterals, and guarantors etc, and tell the borrower to sign the contract and complete the registration of lien or mortgage and the procedure of guarantee confirmation before the deadline. Then the funds for the loan can be appropriated.

Article 10 Sign Contract and Confirm Guarantee

1. The person in charge shall implement the procedure of signing contract according to the conditions approved by the superintendent. The relevant documents should be sent to the company's legal adviser or account for opinions before the contract is signed, if necessary.
2. Contents of the contract should be consistent with the lending conditions. After the borrower and guarantor sign the contract, the person in charge shall complete the procedure of confirming the guarantee.

Article 11 Collaterals

If a loan with collateral is granted, the borrower shall provide lien or mortgage against the collateral to ensure the company's financial claim.

Article 12 Insurances

1. Except for land and negotiable securities, the borrower shall buy fire insurance for the collateral, and buy safety insurance for ships and vehicles as collateral. The insured amount should not lower than the value of collateral in principle and the note shall be put on the insurance policy that the company is the beneficiary. The name of target, number or amount, location of storage, conditions of insurance, and insurance endorsement written on the insurance policy should be consistent with the conditions of granting the loan. If buildings provided as collateral

still lack address, which should be replaced by land section and land number.

2. The due date of insurance period should be later than that of financing period. If the borrower is allowed to continue borrowing the loan, the person in charge shall inform the borrower that the insurance period should be extended when it is necessary.

Article 13 Appropriation

The funds can be appropriated after the loan case is approved, the borrower signs relevant contract, deposits receipt (or installment) promissory notes, and provides lien/mortgage against the collateral, as well as the person in charge verifies all the procedures.

Article 14 Interest

1. The rate of interest charged on the loan granted by the company is equal to the current prime rate plus 1% or more in principle, which shall be approved by the chairperson.
2. Charge daily interest: Calculate the interest by multiplying the total amount of daily loan balance and divided by 360.
3. The company's borrowers are supposed to pay interest within 7 days after the due date monthly unless otherwise is regulated.

Article 15 Repayment

1. The company should frequently pay attention to the borrower's and guarantor's finance, businesses and credit, as well as whether the value of collateral has changed if the loan is guaranteed by collateral. The company shall inform the borrower two month before the due date that the loan and interest should be repaid when it is due or renewed.
2. The borrower should repay the loan plus interest payable as it is due. Then, the evidence of financial claim, such as promissory note and IOU, can be written off and returned to the borrower.
3. When a borrower apply for writing off mortgage, the person in charge shall at first find out whether the relevant loan is paid off.

Article 16 Extension of loan period

The company shall inform the borrower two month before the due date that the loan plus interest should be repaid when it is due or the loan period can be extended. If the borrower want to extend the loan period, an application for extension must be filed and approved by the board of directors. Each

loan period can only be extended once for 6 months at most. The company may directly dispose of the collateral provided by the violator or demand the guarantor repay the loan at law.

Article 17 The management and care of files

1. The company shall produce the reference book for matters about loan lending and record the matters in detail in the book, including borrowers' names, amount of loan, the date on which the board of directors approve the application for loan, the date on which the loan is granted, and matters that should be properly evaluated according to this operation procedure.
2. After a loan is granted, the person in charge shall put the evidence of financial claim such as the contract, receipt and promissory note, the document of collateral, the insurance policy, and the documents of correspondence, into a storage bag in order, and then write on the bag the names of the contents and the borrower and commit them to his/her superintendent for check. After the check is done and no fault is found, the seals of the person in charge and his/her superintendent shall stamp on the perforation of the bag. The person in charge shall then register that on the lodged items in custody book and put the bag under his custody.

Article 18

To reinforce the control and management of the operation of loaning to others, at least at every season the company's internal auditors shall audit the operation procedure of loaning to others and related implementation status, and then produce a written record. When the borrower is found not qualified any more, or the amount of the balance of loan exceeds the limitation because the state of the company has changed, the company shall make improvement plans, hand them to the Audit Committee, and achieve the improvement according to schedule of the plan.

Article 19 The procedure for controlling subsidiaries' loaning to others

1. The company's subsidiaries intending to loan to others shall establish the same operation procedure and handle relevant matters accordingly.
2. Subsidiaries shall produce the previous month's detailed statements of loaning to others and report it to the company by the 10th day of each month.
3. At least at every season subsidiaries' internal auditors shall audit the operation procedure of loading to others and related implementation

status, and then produce a record in written form. If any severe violations are found, the subsidiary shall report them to the audit unit of the company in written form, which shall transfer the written data to the Audit Committee.

4. When auditing subsidiaries according to annual audit plan, the company's auditors also shall understand whether subsidiaries loan to others according to the operation procedure. If any faults are found, the auditor should keep following up the relevant amendment and produce follow-up reports submitted to the general manager.

Article 20 Information Disclosure

The company shall announce and report the previous month's balance of loans to others of itself and its subsidiaries by the tenth day of each month.

Article 21

The company whose balance of loans to others reaches one of the following levels shall announce and report such event within two days from its occurrence:

1. The aggregate balance of loans to others granted by the company and its subsidiaries reaches 20% or more of the company's net worth as stated in its latest financial statement.
2. The balance of the loan to a single enterprise granted by the company and its subsidiaries reaches 10% or more of the company's net worth as stated in its latest financial statement.
3. The amount of new loans to others granted by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2% or more of the company's net worth as stated in its latest financial statement.

If there is any reporting and announcement required according to subparagraph 3 of the previous paragraph for the company's subsidiary which is not a domestic public company, the company will follow the requirement on behalf of its subsidiary.

Article 22 Punishment

If the company's managers and persons-in-charge violate the operation procedure, subsequent punishment will be subject to the related Personnel Articles and employee handbook of the company.

Article 23

Those that need to be applied for with the authorities shall be conducted

according to relevant regulations.

Article 24

The regulations will be put in force after being passed by the Board of Directors, sent to the Audit Committee, and approved at the shareholders' meeting. The revision of them will be done likewise.

Appendix 5

The procedures for Endorsements and Guarantees of Kung Sing Engineering Co., Ltd.

Article 1 Purposes

1. To operate the company steadily, safeguard the company's rights and interests, and reduce the company's operation risks, the company hereby institute this operation procedure for observance.
2. To strengthen corporate governance and audit committee with the addition of the relevant provisions of cum, some articles of the "Regulations Governing Endorsements and Guarantees" of the company are revised.

Article 2

Besides the company's constitution, the company's endorsements and guarantees related matters are handled according to the regulations.

Article 3 Objects of Application

The company may give endorsements or guarantees to the companies listed as below:

1. Companies doing businesses with the company;
2. Companies of which 50% or more of voting shares are held directly or indirectly by the company;
3. Companies hold directly or indirectly 50% or more of voting shares of the company.

The company may give endorsements or guarantees to or receive endorsements or guarantees from companies of which 90% or more of voting shares are held by the company, but the guarantee or endorsement related amount must not exceed 10% of net value of the company. Nonetheless, this does not apply to the companies of which 100% of voting shares are directly or indirectly held by the company.

Based on the need of contracting for works, the guarantee between the company and other companies of the same business or the guarantee between applicants according to the regulation of contract, or the endorsement given to the company invested in by the investing shareholders in proportion to how many shares they hold or by the same industry or consumer protection law norms in home sales contract performance bond joint guarantee is not restricted by the previous two paragraphs. The endorsement and guarantee may be given under this condition.

The investment mentioned in former section refers to the direct investment from a public company or the investment from a company whose 100% of voting shares are owned by the public company.

Article 4

The endorsements and guarantees mentioned in the regulations include:

1. Financing endorsement and/or guarantee, including:
 - (1) Endorsement/guarantee to customers' notes for cash financing with a discount;
 - (2) Endorsement/guarantee to the notes issued by the company to non-financial institutions and entities for the company's own financing needs;
 - (3) Endorsement/guarantee for another company for its financing needs.
2. Endorsement / guarantee of customs duties due from the company.
3. Endorsement/guarantee of works.
4. Other endorsements / guarantees which are not included under the previous three paragraphs.
5. The lien or mortgage provided by the company against its assets and movable properties for guaranteeing another company's loan should also follow the procedures set forth herein.

Article 5

The amount of endorsement/guarantee provided by the company is subject to the following limits:

1. The total amount of endorsement/guarantee provided by the company shall not exceed 8 times the amount of the company's paid-in capital, but that shall not exceed 4 times for any single endorsee/guaranteed company.

The Company and its subsidiaries as a whole may provide endorsement guarantees total and on individual endorsement or guarantee amounts. The Company and its subsidiaries as set overall endorsement of the Company's net worth amounted to 50% or more, and should be at the shareholders' meeting of its necessity and reasonableness.

2. The amount of endorsement/guarantee given by the company must be

submitted to the chairperson of the board for approval and then submitted to the board of directors for agreement. If the company deems it necessary, the board of directors may empower the chairperson to decide whether a endorsement/guarantee the amount of which is restricted is given or not. And that shall be ratified by the board of directors and reported to shareholders' meeting for future reference. Where the company has established positions of independent directors, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

3. If necessary, the company may demand the guaranteed company give the company a mortgage on its movables or real estate.
4. The Company directly and indirectly holds more than 90% voting shares of the subsidiary in accordance with the provisions of Article 5, before the report shall also be submitted after the resolution of the Board of the Company may only apply. Except the Company directly or indirectly, one hundred percent of the inter-company guarantees.

Article 6 Endorsement procedure and the control of endorsement amount

1. Any endorsement and/or guarantee to be given by the company shall be applied for by the company's relevant department, filling in "Endorsement/Guarantee Application" attached with documents such as notes, explaining the reasons and usage, and submitting the document for approval.
2. Financial department's key points for auditing:
 - (1) Whether the reasons of demand for endorsement are sufficient;
 - (2) Measuring the financial situation of the company to be guaranteed to make sure the endorsement amount is necessary;
 - (3) Whether the accumulated endorsement amount is still below norm;
 - (4) Whether the endorsement probably jeopardize the company's rights and interests.

Article 7 Approval and cancellation of endorsed notes:

1. When the demand for endorsement is approved, the relevant note shall be returned to the endorsee company after the following procedures are finished:
 - (1) Stamp the note with the company's seal;
 - (2) Copy the right and back sides of the endorsed note for future

reference;

- (3) Register the note in the “Endorsement/Guarantee Register” to control the endorsement amount.
2. When a endorsed note needs to be canceled because the relevant debt is paid off or renewed, the application department shall fill in a “Endorsement/Guarantee Application” attached with the original endorsed note and send them to financial unit for cancellation.
3. The financial unit shall immediately register the cancellation in the “Endorsement/Guarantee Register” to reduce the accumulated amount of endorsement.

Article 8

The reference book shall be produced for recording endorsements and guarantees, in which the names of endorsees, amount, the date on which the board of directors or the chairperson approved, the date of endorsement/guarantee, and matters that should be evaluated under the regulations need to be entered.

Article 9

The company’s seals (including the chairperson’s seal) registered with Ministry of Economic Affairs are used as the special seals for endorsement/guarantee, which are taken care of by specially-assigned personnel respectively. They stamp the seals or sign and issue notes according to regulated procedures. When the company give a guarantee to a foreign company, the guarantee letter issued by the company must be signed by the person empowered by the board of directors.

Article 10

In the “Endorsement/Guarantee Register” produced by the company’s financial unit, the promised matters about guarantees, the names of enterprises endorsed/guaranteed, the amount of endorsement/guarantee and the conditions for relieving the responsibility for guarantee, dates of endorsement/guarantee and cancellation shall be entered in detail for future reference. And the matters should be announced publicly need to be handled according to relevant regulations of laws and decrees.

Article 11

The company shall evaluate or recognize the contingent loss of endorsement/guarantee and properly disclose the information about the company’s endorsement/guarantee under Statements of Financial Accounting Standards No. 9. The related data should be provided to the company’s CPA for necessary audit.

Article 12

At least at every season the company's internal auditors shall audit the operation procedure of endorsement/guarantee and related implementation status, and then produce a written record. If any severe faults are found, the auditor shall immediately inform the Audit Committee in written form.

Article 13

The procedure for controlling subsidiaries' endorsements/guarantees

1. When endorsement / guarantee extended to other parties is contemplated by the company's Subsidiary, the company shall mandate the subsidiary to draw up its own operation procedure of endorsement/guarantee according to the regulations and handle relevant matters accordingly. But the net worth shall be calculated based on that of the company.
2. Subsidiaries shall produce the previous month's detailed statement of endorsements / guarantees and report it to the company by the 10th day of each month.
3. At least every season subsidiaries' internal auditors shall audit the operation procedure of endorsement/guarantee and related implementation status, and then produce a written record. Its subsidiaries' net worth less than the paid-in capital half. The company shall make improvement plans, hand them to the Audit Committee, and achieve the improvement according to schedule, when the endorsee/guaranteed company is found not qualified any more, the amount of endorsement/guarantee exceeds the limitation, or a subsidiary' net worth is less than half the amount of its paid-in capital.
4. When auditing subsidiaries according to annual audit plan, the company's auditors also shall understand whether subsidiaries give endorsements/guarantees to others according to the operation procedure. If any faults are found, the auditor should keep following up the relevant improvement and produce follow-up reports submitted to the general manager.

Article 14

The company shall announce and report the previous month's balance of endorsements / guarantees of itself and its subsidiaries by the tenth day of each month.

Article 15

The company whose balance of endorsements / guarantees reaches one of the following levels shall announce and report such event within two days

from its occurrence:

1. The aggregate balance of endorsements / guarantees by the company and its subsidiaries reaches 50% or more of the company's net worth as stated in its latest financial statement.
2. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20% or more of the company's net worth as stated in its latest financial statement.
3. The balance of endorsements / guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements / guarantees for, long-term investment in, and balance of loans to, such enterprise reaches 30% or more of the company's net worth as stated in its latest financial statement.
4. The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the company's net worth as stated in its latest financial statement.

If the company's subsidiary which is not a domestic public company needs to report and announcement according to subparagraph 4 of the previous paragraph, the company will follow the requirement on behalf of its subsidiary.

Article 16

In case the limits set by the operation procedure of endorsement/guarantee have to be exceeded to fulfill business needs, a resolution of the board of directors should be passed and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The board of directors should also revise the operation procedure and has it ratified at the shareholders' meeting. If the revised procedures are not passed at the shareholders' meeting, the board of directors should make a plan containing a timetable to offset the excess portion.

Article 17

Where the company has established the position of independent director, when it makes endorsements / guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting. The company shall make improvement plans and hand them to each supervisor, when the endorsee/guaranteed company is found not qualified any more or the amount of endorsement/guarantee exceeds the limitation, because something happens to the company.

Article 18 Punishment

The company's managers and persons-in-charge shall follow the procedure in order to prevent the company from incurring any losses. Should there be any violation of related regulations or the procedure, they will be subject to the related Personnel Articles and employee handbook of the company.

Article 19

The regulations will be put in force after being passed by the board of directors, sent to supervisors, and approved at the shareholders' meeting.

Appendix 6

The procedures for Acquisition and Disposal of Assets of Kung Sing Engineering Co., Ltd.

Article 1

The Company is strengthening asset management, and based on Article 36 of the Securities Exchange Act and the Financial Supervisory Commission issued "public company acquisition or Disposition of Assets" regulations provide for the final version of the program.

Article 2 The scope of the assets

1. Stocks, government bonds, corporate bonds, financial bonds, in recognition of the fund's securities, depositary receipts, call (put) warrants, to benefit from investment securities and asset-based securities.
- 2 Real Estate (including inventory construction industry) and equipment.
3. Membership card.
- 4 patents, copyrights, trademarks, licenses and other intangible assets.
- 5 claims (including receivables purchased discounts and loans, delinquent loans) financial institutions.
- 6 derivatives.
- 7 in accordance with the laws merger, demerger, acquisition or transfer of shares to acquire or dispose of assets.
- 8 other important assets.

Article 3 Evaluation and operation procedure for acquiring or disposing of assets

1. The company shall acquire or dispose of assets after evaluating and being approved according to the regulations of its internal control system.
2. The operation procedure for acquiring or disposing of negotiable securities:

(1) The investment in long-term and short-term negotiable securities shall be evaluated according to generally accepted accounting principles and make proper allowances for reduction of investment to market. The financial department shall enter all negotiable securities into the account book and put them into the safe.

(2) If the company invests equity and convertible bonds as a initial shareholder or buyer, it shall acquire the negotiable securities as an investor within the thirty days after the invested company issues the stock shares or corporate bonds under Company Law. If the company acquires the securities through a transfer, it shall transfer the right immediately.

(3) If the company intend to invest more than 20 % of its paid-in capital or NT\$ 30,000,000 in negotiable securities or dispose of its negotiable securities investment worth more than 20 % of its paid-in capital or NT\$ 30,000,000, the company shall consult securities analysts about the rationality of the trade before it occurs.

3. The operation procedure for acquiring or disposing of real estate:

(1) If the company intend to invest more than 20 % of its paid-in capital or NT\$ 30,000,000 in real estate or other fixed assets or dispose of its real estate or other fixed assets investments worth more than 20 % of its paid-in capital or NT\$ 30,000,000, the company shall at first hire an objective, impartial, and independent real estate appraisal organization to make an appraisal and produce an appraisal report.

(2) The company shall buy insurance for the real estate or fixed assets immediately after it acquires them to avoid losses.

(3) The company shall register, manage and use the assets immediately after acquirement.

(4) Company acquires or disposes membership card or intangible assets or 20% of the transaction amount of NT \$ 300 million or more paid-in capital, in addition to transactions with government agencies, should be the fact that a CPA would occur before the transaction price the reasonableness of an opinion, and should be handled in accordance with accountants accounting Research and Development Foundation issued Statement of Auditing Standards No. 20.

Article 4 The procedure for deciding the trading conditions

1. The method of prices decision and references

(1) If the negotiable securities the company intends to acquire or dispose of have already been traded in centralized securities trading market or at securities dealers' business premises, their prices are determined by the market.

(2) If the company intends to acquire or dispose of the negotiable securities that have already been traded in centralized securities trading market or at securities dealers' business premises, it shall consider their net value per share, profit-earning ability, potential, market interest rates, coupon rates, and debtors' credit, as well as consult security experts' opinions and the current transaction prices. Then, it begins to negotiate the prices with the potential sellers or buyers.

(3) If a unit proposes acquiring or disposing of real estate or other fixed asset, it shall submit its explanations, and the financial department and the executive unit shall refer to announced current value and assessed current value of the assets, and the real transaction prices of nearby real estate, as well as inquire, compare, and bargain the relevant prices. Then the price of the asset will be determined. If the asset meets the standard of this procedure, the company shall hire a professional evaluation organization to evaluate the asset.

2. Authorization levels

(1) The purchase or sale of the company's long-term equity investment shall be approved by the general manager, if the amount of the value is smaller than NT\$ 50,000,000. If the amount is larger than NT\$ 50,000,000 and smaller than NT\$ 100,000,000, the chairperson shall make the decision. If the amount is larger than NT\$ 100,000,000, the case must be approved by the board of directors.

(2) The purchase or sale of the company's short-term equity investment shall be approved by the general manager, if the amount of the value is smaller than NT\$ 50,000,000. If the amount is larger than NT\$ 50,000,000 and smaller than NT\$ 100,000,000, the chairperson shall make the decision. If the amount is larger than NT\$ 100,000,000, the case must be approved by the board of directors.

(3) The acquirement or disposal of the company's real estate or other fixed asset investment shall be approved by the chairperson and report to the next meeting of the board of directors for reference, if the amount of the value is smaller than NT\$ 20,000,000. If the amount is larger than NT\$ 20,000,000 and smaller than NT\$ 50,000,000, the case must be approved by the board of directors. If the amount is larger than NT\$ 50,000,000, the case must be approved by the board of directors, with more than two thirds of the directors attending meeting and more than half of the directors present agreeing.

Article 5 Executive unit

The company's financial department is responsible for carrying out the long-term and short-term investment of negotiable securities. The executive units of real estate and other fixed assets is the departments using them and relevant units.

Article 6 The standards of announcement and reporting

Companies acquire or dispose of assets under the conditions listed as below shall announce and report such event using the regulated form within two days from its occurrence on the website designated by Securities and Futures Commission:

1. Obtain or dispose of the real property from the related party, or acquire or dispose of other assets other than the real property and the transaction amount shall be 20% of the company's paid-in capital, 10% of the total assets or NT\$300 million. But buying and selling bonds, repurchase, redemption bond conditions, purchase or redemption of domestic money

market funds, this restriction.

2. Carry out merge, split, purchase or transfer of shares;
3. Engage in the transaction of derivatives and the loss reach the upper loss limit of all contracts or single contract regulated by the procedure established by the company.

4. When the amount of the transaction of assets not stipulated by the previous three subparagraphs or of financial institutions' financial claims investment, or engage in mainland China reaches 20% of the company's paid-in capital or NT\$ 300,000,000, they shall be announced and reported. But the conditions listed as follows are excluded:

- (1) Buy and sell government bonds;
- (2) Businesses specialized in investment buy and sell at domestic or overseas securities exchanges or securities dealers' business premises; or dealer in accordance with the provisions of the subscription and the subscription of securities in the primary market. and ordinary financial bonds not involving equity, or the securities firm's need for underwriting business, and serve as a securities for the securities company recommended by the securities company of the Republic of China.
- (3) Buy and sell securities attached with conditions of buying back or selling back; Purchase or redemption of the domestic money market fund.
- (4) The asset acquired or disposed of is machinery equipment for business operation and the buyer or seller is not a party and the transaction amount is smaller than NT\$ 500,000,000.
- (5) The company that operates the construction business obtains or disposes of the real estate for construction and construction and its trading objects are not related parties. The transaction amount does not reach NT\$500 million
- (6) Real estate is obtained through local construction, joint housing construction, joint construction and joint construction. There is no correlation in the trading object. The company expects the transaction amount will not reach NT\$500 million.

The calculation of the amount of transactions mentioned in the previous paragraph:

1. The amount of each transaction;
2. The accumulated amount of the transaction with the same person, acquiring or disposing the same kind of targets in a year.
3. The amount of the same development plan real estate accumulated or acquired (accumulated and disbursed separately) within one year.
4. The accumulated amount of the same negotiable securities acquired or disposed of (accumulating the amount separately) in a year.

The “in a year” mentioned in the preceding paragraph of this article means in a year before the date on which the transaction actually occurs, excluding the period of announcement according to the regulation of this standard.

Article 7 The deadline for announcement and reporting

Companies shall input monthly using regulated form the transactions of derivatives they and their subsidiaries who are not domestic public companies carried out during the last month on the information report website designated by Securities and Futures Commission prior to the tenth day of every month.

If there are errors or omissions in the items that companies should announce, all items should be announced and reported again when they need to be corrected.

After acquiring or disposing of assets, companies shall keep the relevant contracts, meeting records, reference books, evaluation reports, accounts', lawyers' or securities dealers' suggestion reports in the company for at least 5 years, unless otherwise regulated.

After companies announce and report the items according to the previous article, the company shall announce and report the relevant information about such event as listed as below using regulated form on the website designated by Securities and Futures Commission within two days from its occurrence:

1. The contract signed for the transaction has been changed, terminated or canceled;
2. The merge, split, acquirement or shares transfer has not completed by the scheduled date under the relevant contract.

Article 8 Consult experts

Except for a company deals with government organizations, commission others to construct buildings on its land, commission others to construct buildings on the land it rent, or acquires or disposes of machinery equipment for business operation, if the transaction amount of the real estate or other fixed assets acquired or disposed by the company is equal to or larger than 20% of its paid-in capital or NT\$ 300,000,000, the company shall before the date on which the transaction actually occurs at first obtain the evaluation report by professional valuator and follow regulations listed as below:

1. When the price of a transaction is referred to a limit price, specific price or special price because of special reasons, the transaction shall be submitted to the board of directors for approval in the first place. When conditions of the transaction change, it also shall be handled likewise.
2. When the amount of transaction exceeds NT\$ 100,000,000, the company shall hire two or more professional valutors to evaluate the price.
3. The company shall commission an accountant in accordance with the ROC Accounting Research and Development Foundation (hereinafter referred to as the Accounting Research and Development Foundation) No. 20 published by Accounting Research and Development Foundation and express specific opinions about causes of difference and proper transaction

prices, if the professional valuator finds that

(1) the difference between the amount of the evaluation result and that of transaction exceeds 20% of the amount of transaction; or

(2) the difference between the amounts of the two or more evaluation results exceeds 10% of the amount of transaction.

4. If the evaluation is made before the contract comes into force, the period between the date of the evaluation report being offered and the date for the contract coming into force shall not be longer than three months. However, if the valuator adopts the current announced present value and shorter than six months, the company may request the valuator submit a report of suggestions.

If a construction company refers to a limit price, specific price or special price to determine the transaction price but it can not receive evaluation reports in reasonable time, it shall obtain the evaluation reports and the accountant's suggestions stipulated by the third subparagraph of the previous paragraph within two weeks after the event happens.

When a company intends to acquire or dispose of negotiable securities, it shall obtain the target company's latest financial statements certified or reviewed by accountants as a reference for the evaluation of transaction prices at first.

The company has one of the following circumstances, the company and the transaction amount of 20% of paid-in capital of NT \$ 300 million or more, or should the facts occurred before a CPA to express an opinion on the reasonableness of the transaction price, accountants if requires the use of expert reports, shall be handled in accordance with accounting Research and Development Foundation issued Statement of Auditing Standards No. 20. But otherwise provided by the securities quoted prices in active markets or the Financial Supervisory Commission(Hereinafter referred to as the Council),unless:

1. Obtain copies of or at the stock exchange or securities firms in non-business premises to buy
- 2 private equity acquisition or disposition of securities.
3. Acquisition or disposition of membership card or intangible assets.

Article 9 Acquire a party's real estate

1. The company has made to related parties or disposition of real estate, or obtain related disposal of real estate or other assets outside the company and the transaction amounted to twenty percent of paid-in capital, total assets of 10% or more than NT \$ 300 million the latter, In addition to trading in bonds, repurchase, redemption of the bond conditions, purchase or redemption of the domestic money market funds the following information should be submitted to the Board of Directors and the Audit Committee acknowledged that the transaction may only enter into contracts and payments:

- (1) The purpose of the acquisition or disposition of assets, the necessity and expected benefits.
- (2) Reason for choosing the related party as trading counterpart.
- (3) To related parties Acquisition of real estate ,the relevant data used to evaluate the reasonableness of the predetermined conditions according to the second and third paragraph;
- (4) The data concerning the date, the price and the seller of the real estate when the party acquired it as well as the relationship between the company and the party;
- (5) The expected monthly cash flow table for a year from the month in which the contract is signed and the evaluation of the transaction's necessity and the reasonableness of funds operation;
- (6) The limit conditions and other important agreed matters of the transaction.
- (7) Restrictions and other important stipulations of this transaction.

The transaction amount is calculated in the preceding paragraph shall be in accordance with the second paragraph of Article handled within a year and is based on the alleged date of occurrence of the facts on the basis of the transaction, forward projections retrospective year has been submitted to the Board for approval under this standard requires and the Audit Committee admitted that some free re-credited.

The Company and its parent or subsidiary Rooms, acquisition or disposition of machinery and equipment for business use, the Board may, in accordance authorize the chairman to decide within a certain amount of first time, and approved by the Board on recent reports.

The Company's independent directors, in accordance with the provisions of the preceding paragraph of the asset reported to the Board discussion, should fully consider the views of independent directors, independent directors, if any objections or reservations should be stated in the Board proceedings.

The Company established an audit committee, accordance with the provisions, shall be approved by all members of the Audit Committee of more than half agreed, and mentioned resolution of the Board.

If all the members of the preceding paragraph above unaudited half Commission may approve an agreed line of more than two thirds of all directors and the audit committee of the resolution should be set out in the Board proceedings.

All members of the Audit Committee referred to in the preceding paragraph and the preceding paragraph shall director, the actual number of those calculations.

2. If a company intends to acquire a party's real estate, it shall evaluate the reasonableness of the transaction cost using the methods listed as follows:

- (1) The transaction price plus the interest of necessary funds and the cost

that the buyer should pay. The interest of necessary funds is equal to multiplying the amount the company borrows in the year when it acquires the asset by the weighted average interest rate, but it must not be higher than the highest borrowing rate of non-financial institutions announced by the Ministry of Finance.

(2) If the party has mortgaged the target to a financial institution, the target's total value evaluated by the financial institution can be used as a criterion to assess the transaction cost, but the accumulated amount of loan granted by the financial institution must exceed 70% of the evaluated total value and the loan period must be longer than one year. Nonetheless, if the institution is a party of the seller or the buyer, this method can't be adopted.

If the land and houses of the same target are purchased together, the transaction costs shall be assessed for each of the land and houses in accordance with any of the methods listed in the preceding paragraph.

The company obtains real estate from related parties and evaluates the cost of real estate in accordance with the provisions of the first and second paragraphs. It should also ask the accountant to review and express specific opinions.

If the company obtains real estate from a related person, one of the following circumstances shall be handled in accordance with the first paragraph. The first three provisions shall not apply:

(1) The related person acquires the real property due to inheritance or gift.

(2) The time for the related party to contract to acquire the real property has been more than five years from the date of the transaction.

(3) Signed a contract with the joint construction or to entrust the construction of its own, lease land entrusted construction and acquisition of real estate related.

3. If the company evaluates the price of the real estate according to paragraph 1 and 2 of the previous article and the assessed prices are lower than the transaction price, it shall handle that according to this paragraph. But that does not apply, if

(1) The party acquired vacant land or rent land to construct buildings, its evidence fulfills one of the following conditions:

A. The value of the vacant land is assessed using the methods described in the previous article and the value of the building is the construction cost plus reasonable construction profits, if the total amount of their value is larger than that of the actual transaction price. The construction profit mentioned here is equal to the lower one of the average of the last three years of gross profit margin of the party's construction department compared with the latest average gross profit margin of the construction industry announced by the Ministry of Finance.

B. There was a transaction case in the recent year the party was not

involved in, which is related to the other floor of the target real estate or real estate in nearby area, the size of it is similar to that of the target, and after estimated according to the real estate transaction convention that there are reasonable variations between the prices of different floors and between the prices of different districts, the transaction conditions are also similar to those of the target.

C. There was lease case in the recent year the party was not involved in, which is related to the other floor of the target real estate, after estimated according to the real estate lease convention that there are variations between the rents of different floors, the transaction conditions are similar to those of the target.

(2) The company proves that the real estate acquired by the related party . Trading conditions are similar to other non-relevant transactions in neighboring regions during the year.

The case of the adjacent area in the preceding paragraph is a transaction case, which is based on the same or adjacent street profile and the object size of the transaction target is less than 500 meters or its present value is similar. If the area is similar, the other parties are similar. The area of the transaction case is not less than 50% of the area of the subject matter of the transaction; the term of the year is based on the date of the acquisition of the real property and the calculation is retroactively calculated for one year.

4. If the company obtains the real property from the related parties, if the evaluation results are lower than the transaction price according to the second and third provisions, the following matters shall be handled:
- (1) The difference between the transaction price of the real property and the estimated cost shall be specified in the special surplus reserve, and no distribution or transfer of the capital shall be made. If the investor who evaluates the company's investment using the equity method is a publicly-issued company, it should also provide a special surplus reserve for the proposed amount according to the shareholding ratio.
 - (2) The Audit Committee shall handle the matter in accordance with the provisions of Article 14 quater of the Securities Exchange Law.
 - (3) The handling of the first and second paragraphs shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus.

The company shall provide a special surplus reserve in accordance with the provisions of the preceding paragraph, and the assets purchased at a high price shall recognize the price loss or dispose of or be properly compensated or reinstated, or have other evidence to determine that there is no unreasonable, and The special surplus reserve is used after the approval of the Financial Supervision and Administration Commission of the Executive Yuan.

The company obtains real estate from related parties. If there is other

evidence that the transaction has irregular business practices, it shall also be handled in accordance with the provisions of the preceding two paragraphs.

Article 10 The scope of investment and amount limits

1. The company may buy the assets stipulated by article 2 of this procedure, including long-term, short-term negotiable securities, real estate (for business use and non-business use) and other fixed assets.
2. The total amount of non-business use real estate and short-term securities the company purchased shall not exceed 40% of the shareholders' equity showed in the latest financial statements certified by accountants. A single short-term securities investment shall not exceed 10% of the shareholders' equity mentioned above.
3. The total amount of the long-term securities the company invests shall not exceed the company's capital, but the amount of investment (the actual funds invested in) in a single company shall not exceed 50% of the company's capital.
4. The company's subsidiaries may purchase the assets stipulated by article 2 of this procedure, including long-term, short-term negotiable securities, real estate (for business use and non-business use) and other fixed assets.
5. The total amount of non-business use real estate and short-term securities a subsidiary purchases shall not exceed 40% of the shareholders' equity showed in the latest financial statements certified by accountants. Individual short-term securities investment shall not exceed 10% of the shareholders' equity mentioned above.
6. The total amount of the long-term securities a subsidiary invests shall not exceed the company's capital, but the amount of investment (the actual funds invested in) in a single company shall not exceed 50% of the company's capital.

Article 11 Other matters

1. If the company's subsidiary is not a domestic public company and the assets it acquired or disposed of reaches the standard of announcement and report stipulated by this procedure, it shall inform the company within two days after that fact happens, and the company shall announce and report it to relevant organizations.
2. If there are errors or omissions in the items that companies should announce, all items should be announced and reported again when they must be corrected.

Article 12

The procedure will be put in force after being passed by the board of directors, sent to supervisors, and approved at the shareholders' meeting. The revision of them will be done likewise.

Article 13 Other Matters

1. reinvested subsidiary of the Company, as a domestic non-public company,

its acquisition or disposition of assets of the program by reporting standards should notice, from the date of occurrence of the fact to be two days, notify the Company in accordance with the procedure laid announcement , reporting and copied to the relevant units. Article IX of the subsidiary prior to the applicable reporting standards should notice about the paid-up capital of 20 per cent or ten percent of the total assets of requirements to paid-in capital or total assets prevail. The most recent individual or the individual financial statements of the paid-in capital or total assets in securities of the issuer to calculate the amount of Preparation of Financial Statements prescribed.

Shares no par value or par value not NT 10 Yuan. The guidelines on the amount of paid-up capital requirement of 20% of the transaction amount to vested interests of the owners of the parent calculated at 10%.

2. Second, in accordance with the provisions of the announcement when there are missing items, such as at the time the announcement and should be corrected, the entire project should be re-announcement declared.

Article 13-1 Penalties

The Company's managers and organizers who violate this process, in accordance with the company's personnel management practices and employee handbook reported assessment, according to their seriousness punishment.

Article 13-2

The criteria are defined as follows:

1. Derivatives: refers to a composite value of the assets of its forward contracts, interest rate, exchange rate, index or other benefits derived from other commodities, options contracts, futures contracts, leveraged margin contracts, swap contracts, and a combination of the above commodities type contracts and so on. Referred to as forward contracts, excluding insurance contracts, performance contracts, service contracts, and long-term into long-term lease contracts (sales) contracts.
2. By legal merger, demerger, acquisition or transfer of shares to acquire or dispose of assets: refers to mergers and acquisitions in accordance with law, the Financial Holding Company Law, Financial Institutions Merger Act or any other law to merge, split or acquisition to acquire or dispose of assets, or issuance of new shares transferee of shares of his company (hereinafter referred to as transfer of shares) were in accordance with Article 156 of the Companies Act eighth regulations.
3. Related subsidiaries: Standards should be prepared in accordance with the provisions of the securities of the issuer identified financial reporting.
4. Professional appraiser: Real Estate Appraisers, or other means in accordance with the law was engaged in real estate, equipment appraisal business person.
5. Date of occurrence: refers to the signing date of the transaction, the payment date, commissioned by the Closing Date, the transfer date, the

Board of Directors' resolutions or other object and sufficient to determine the date of the transaction, such as the date of the transaction amount, whichever is the former. But investors are subject to the approval of the competent authority, more open date or receipt date of approval by the competent authority what the former shall prevail.

6. Investment in Mainland China: refers to the Investment Commission of Ministry of Economic Affairs Investment or Technical Cooperation licensing requirements to engage in the Mainland Area mainland investment.

Article 14

After this process through the implementation of the Board of Directors, and reported shareholders' meeting. When modifying likewise.

After the Company's independent directors, in accordance with the provisions of the preceding paragraph acquisition or disposition of assets reported to the Board discussing the transaction should fully consider the views of the independent directors, independent directors, if any objections or reservations should be stated in the Board proceedings.

The Company established an audit committee, a major asset, shall be approved by all members of the Audit Committee of more than half agreed, and mentioned resolution of the Board.

If all the members of the preceding paragraph above unaudited half Commission may approve an agreed line of more than two thirds of all directors and the audit committee of the resolution should be set out in the Board proceedings.

All members of the Audit Committee referred to in the preceding paragraph and all directors mentioned in the preceding paragraph, the actual number of those calculations.

After setting the Audit Committee in accordance with the provisions of the 14-4-3 of the Securities Exchange Act, the provisions of supervisors, on the Audit Committee mutatis mutandis, in accordance with the Securities and Exchange Act 14-4-4, the audit committee independent board member mutatis mutandis.

The Derivative commodity transaction processing Procedures of Kung Sing Engineering Co., Ltd.

Article 1 Purposes

To protect shareholders' rights and interests, implement information disclosure, and establish the risk management system for the transaction of derivatives, the company establishes this procedure.

Article 2 The law and decree this procedure is based on

The company institutes this procedure according to Article 36-1 of Securities and Exchange Act and "Regulations Governing Acquisition and Disposal of Assets By public Companies" publicly announced by Securities and Futures Commission (SFC) through the public document (Taicaizhengyi No. 0910006105) on December 10, 2002.

Article 3 The scope of application

1. The derivatives mentioned in this procedure means forward contracts, option contracts, futures contracts, leverage contracts, exchange contracts, and compound contracts combined together by above instruments derived from assets, interest rates, exchange rates, indices or other interests.
2. The forward contracts mentioned in this procedure excludes insurance contracts, performance contracts, service contracts, long-term lease contracts, and long-term procurement (sale) contracts.
3. The company engages in securities margin trading according to this procedure.

Article 4 Trading principles

1. When the company conducts transactions of derivatives, it shall mainly aim at avoiding risks and the derivatives it purchases/sells should be those can help it avoid the risks its business entails mainly. The company does not engages in futures trading in principle, unless otherwise is proved by the board of directors. And before purchasing/selling derivatives, the person-in-charge shall confirm whether the transaction is for hedging purpose or for investment profits purpose.
2. The chairperson empowers a high-ranking manager and gives him/her a free hand to handle the hedging transactions because of the company's business needs, the amount limit shall not exceeds the transaction amount of hedged position. As for other transactions not for hedging purpose, the chairperson or a high-ranking manager empowered is in charge. However, if the amount of one transaction contract exceeds NT\$ 50,000,000, it should be reported to the board of directors for reference afterwards. The risk of each transaction shall not exceed 10% of the amount of transaction contract or US\$ 100,000, the lower one is the stop-loss point. But the derivatives issued based on equity investment for the purpose of long-term investment are not subject to the regulation after being separately submitted to and approved by the board of directors.

Article 5 Operation procedure

1. The traders of the company's department in charge of derivatives trading shall develop trading policies according to approved trading contents, and directly carry on transactions with their counterparts. They shall provide the trading related receipts for confirmation and settlement. Persons in charge of settlement shall carry on the relevant matters with their counterparts, including signing contract, opening

accounts, settlement, and settling accounts. The division of jobs is as follows:

- (1) The department in charge of derivatives trading shall notice the risk of derivatives trading at all times and submit reports. The high-ranking manager empowered to handle the trading shall focus on supervision and control.
- (2) The internal auditors shall regularly check the appropriateness of the internal control over derivatives trading.
- (3) Traders shall actually understand the regulations of this operation procedure, pay attention to the market information at all times, analyze the changes of different derivatives, and report the latest information and profits/losses to their superintendents.
- (4) Persons in charge of confirmation shall accurately confirm each transaction's currency, amount and date.
- (5) Persons in charge of settlement shall carry on the transaction contents related matters with the counterparts, including signing contract, opening accounts, settlement, and settling accounts.
- (6) Persons in charge of keeping accounts shall enter transaction related items into the account book and check accounts with correspondent financial institutions.

2. Persons in charge of confirmation shall comprehend the position of derivatives and the latest open position held by the company every day. They also shall regularly evaluate the performance of holding position, including the realized and unrealized, at least once a week. However, they shall evaluate the performance of transactions for hedging purpose twice a week. And the evaluation reports should be submitted to policy making superintendents as a reference for management. The financial department shall regularly or irregularly report the total amount and profits/losses of the trading position of derivatives held by the company to the board of directors. The chairperson or the high-ranking manager empowered by him/her shall measure whether the transactions mentioned above are consistent to the company's policies and within the bearable range allowed. If anything abnormal happens (e.g. the holding position has exceeded the loss limit), that should be reported to the board of directors immediately and take necessary measures to deal with it.

Article 6 Announcement and reporting procedures

1. When financial derivative transactions are contemplated by the Company's subsidiary (not a domestic company) to enter into, the subsidiary shall institute its own "Procedure for Handling Transactions of derivatives" according to this procedure. Relevant information of any financial derivative transactions executed by the subsidiary shall be provided monthly to the company's financial department by the fifth day of the next month.
2. Traders also shall send the data about last month's transactions of derivatives to financial department by the fifth day of each month.
3. The Company's financial department should, on a monthly basis, input the data concerning derivative transactions engaged by it and its subsidiary which is not a Taiwan public company up to the end of the previous month on the website of information reporting designated by SFC by the tenth day of each month..

Article 7 Accounting treatment and disclosures in financial statements

1. The accounting treatment about the company's transactions of derivatives are carried out according to "Generally Accepted Accounting Principles", "Statements of Financial Accounting Standards", "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the regulations of relevant authorities.
2. The company shall produce periodical financial statements (including annual, semi-annual, quarter financial statements) according to "Guidelines for Derivatives Trading by Public Companies" and disclose relevant information according to public documents and decrees issued by SFC and relevant financial accounting standards.

Article 8 Internal control and audit

1. The company shall control credit risk by restricting the counterparties that the company deals with to correspondent banks that can provide professional information to the company, sign documents with the banks after consulting legal counsel as far as possible to avoid market, price, fluidity, operation and legal risks, and request counterparts disclose transaction risk in written form for the company as reference for decision-making, as well as correspondent statements of account, which shall be confirmed by the company's accounting department.
2. The respective functions of trading, confirmation and settlement should be performed by different personnel.
3. Internal audit personnel is required to evaluate the suitability of the internal control system in connection with financial derivative transactions on a regular basis, to conduct auditing on how well the related departments follow the procedure, and to produce report with trading cycle analysis on a monthly basis. Should there be any violation found, a written report is needed to notify the supervisors.
4. The company shall establish a reference book and maintain to record the financial derivative transactions in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated shall be recorded in detail in the reference book for reference.
5. The high-ranking manager empowered by the board of directors should also be responsible for regularly reviewing the level of adequacy of the current risk control process and its degree of consistency with the principles and procedures set forth herein. Once having identified unusual performances and results, the manager needs to take any measures deemed necessary to correct the situation and report to the board of directors immediately. Where the company has independent directors, an independent director shall be present at the meeting and express an opinion.

Article 9 The appointment of relevant operating personnel

The operating personnel of this procedure shall possess professional knowledge and skills and shall be trained regularly. Their moral characters should be rigorously assessed. The appointment of operating personnel must be approved at first and submitted to the board of directors afterwards.

Article 10 Announcement of Enforcement and Amendment

The procedure will be put in effect after being approved by the board of directors and reported to the next shareholders' meeting. Any amendment is subject to the same process.

Appendix 8

Directors holdings

- 1.The Company's paid-up capital is \$3,475,274,130, the number of shares issued is about 347,527,413.
- 2.In accordance with Article 26 of Securities and Exchange Act, all the directors shall hold a minimum of 13,901,096 shares, The Company has an audit committee, it does not apply to the number of shares specified supervisors.
3. By "public offering of company directors, supervisors and Review Procedures stake into Rules" Article II, the number of holdings into two or more independent directors elected, all directors outside independent directors, supervisors calculated according to the ratio of 80% .
- 4.By the closure date of transfer in the general meeting shareholders this time (April 29th, 2019),the number of shares the individual and all directors as recorded on the list of shareholders is as follows:

Type of shares held: Ordinary shares

Position	Name	Date elected	Term (Year s)	Number of shares held on the elected date		The number of shares recorded on the list of shareholders on the closure date of transfer	
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Chairman of the board	Ch'uan Fu Investment Co. Ltd. Representative: Chen ,huang-ming	2018.6.29	3	9,844,068	1.95%	9,844,068	2.83%
Director	Ch'uan Fu Investment Co. Ltd. Representative:: Chiang,chi-ching	2018.6.29	3				
Director	Chia ho Investment Co. Ltd. Representative: Tseng, mei- ling	2018.6.29	3	2,000,000	0.58%	2,000,000	0.58%
Director	Ju hsiang Investment Co., Ltd Representative: Chang, liang- ming	2018.6.29	3	4,070,000	1.17%	4,070,000	1.17%
Independent Directors	Chen, chin- yueh	2018.6.29	3	0	0.00%	0	0.00%
Independent Directors	Wang, chih- lung	2018.6.29	3	0	0.00%	0	0.00%
Independent Directors	Tu,yi- yang	2018.6.29	3	0	0.00%	0	0.00%
Total directors				15, 914, 068	4. 58%	15, 914, 068	4. 58%