

Kung Sing Engineering Corporation

2019 Annual Report

Notice to readers

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

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I. Letter to Shareholders

1.1 2019 business results

1.1.1 2019 annual business plan implementation results

Unit: NT\$ thousand

Operating income	Operating profit	Net income
4,282,904	6,944	(20,759)

1.1.2 2019 annual budget implementation situation

Unit: NT\$ thousand

	The actual amount	Budget	Amount ratio
Operating income	4,282,904	Not announced	Not applicable
Gross profit	172,789		
Operating expenses	(165,845)		
Operating profit	6,944		
Non-operating income and expenses	(9,026)		
Pre-tax income	(2,082)		
Net income	(20,759)		

1.1.3 Financial income and expenditure and profitability analysis

Unit: NT\$ thousand

Analysis Project		2019
Financial ability	Interest income	(2,627)
	Interest expenses	37,645
Profitability	Return on equity (%)	(0.5)
	Pre-tax profit to paid-in capital ratio(%)	(0.05)
	Net profit rate(%)	(0.48)
	After-tax earnings per share (yuan)	(0.07)

1.1.4 Research and development status

The Company has a long and robust history in construction, has contracted various major public works including roads, bridges, tunnels, and the rapid transit system, among which for the construction of the MRT Danshui Line, the Company cooperated with V.T. Company from Austria and adopted the “Incremental Launching Method for Prestressed Beams”, cooperated with the DSI technology from Germany

on projects 16 and 17 by using the “Cast in Place Cantilever Method”, making the construction to be completed on time, used the “Advanced Shoring Method for Bridges” on project C305, used the Continuing Tunnel Boring Steel Segment Method on project CP263 of the MART Banchiao Line; as for constructions including C359, C360, C356Z(signed), C318 (signed), and C514A (signed), etc, the construction project also included various the domestic advanced methods, such as the incremental launching method, advanced shoring method, and fullstaging method, etc.

1.2 Business Plan for 2020

1.2.1 Operational principles

- a. Sustainable development strategy, the establishment of core values.
- b. The implementation of the budget system and strict control of the construction cost.
- c. Staff morale and the establishment of corporate culture.
- d. Talents nurturing and the enterprise physical constitution.
- e. Standardization and the enhancement of work efficiency.
- f. emphasis on safety and health, environmental protection, reduce workplace hazards.

1.2.2 Expected sales and the basis

The company's business strategy continues to be based on contracting public works, expanding private enterprises and overseas construction as a supplement. However, in recent years, the economic climate has fluctuated, affecting the risk of the construction industry undertaking projects. Therefore, we should continue to innovate, improve our professional capabilities with various advanced technical methods, strengthen cooperation with foreign strategic alliances, and establish lasting competitiveness, in order to show the company's overall strength and sustained momentum, and indeed condense employees' centripetal force and shareholders. A sense of identity, and the ability of the investment public to present the sustainable operation of the work letter engineering.

Based on the current total amount of the company's construction projects, capital flow and comprehensive evaluation of the above assessment, public projects such as roads, rail transportation, bridges, tunnels and ports in 2020 will be the main tracking targets. After searching the Public Works Committee of the Executive Yuan, Taiwan Electric Power Co., Ltd., Taipei City Government, China Post Co., Ltd., Taoyuan City Government, Ministry of Transportation Railway Bureau, Taipei Waterworks, Taiwan Port Corporation,

New Taipei City Government MRT Project Bureau, Ministry of Communications, General Administration of Highways and other agencies check the possible bids for projects in 2020, carefully select the contractors that are more suitable for the company according to the nature of the project, and plan to set the company's 2020 business contract amount to NT\$8 billion (not taxed).

The 2020 operational plan is as shown in the following:

- a. The business management in the future is still focused on integrated construction works except major public works, we will gradually expand our business services into architecture, environmental protection, etc.
- b. Currently, the economy is still in a slump, thus the Company shall attach more importance on steady, dependable operation to ensure the expected profitability of the construction in progress and maintenance of full cash flow as well as to manage to obtain more diversified funding channels and low cost of capital for flexible use.
- c. To strengthen the implementation of project budget system and the execution of construction plan, strictly control the cost of construction as well as to continue to promote the educational training policy, actively cultivate professional personnel, and enhance the Company's overall competence and persistent momentum.
- d. To focus on sustainable management, hold on the coherent persistence, carefully select the construction project, strive for stable revenue and profit, and endlessly seek innovative ideas, have a full grasp of the up-to-date technologies and skills, strengthen our professional competence, expand a wide range of enterprise value, present the company's overall strength and momentum, further to build the loyalty in employees and identity in shareholders.

1.2.3 Important production and marketing policies

- a. To strengthen research and development, enhance the professional and technical standards, and enhance the competitiveness.
- b. To strengthen the labor system, cultivate the basic mechanic strength, and have a full grasp of the construction progress.
- c. To carry out the construction management, foster a third-party team, and achieve the goals of operational plan.
- d. To establish the ERP, sophisticate the information management process, and improve the overall operating efficiency.
- e. To build loyalty in employees and identity in shareholders and enhance the excellent corporate image.

1.3 Development Strategy, The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

In 2020, the Company continued to focus on public works such as roads, rail transit, bridges, tunnels and port areas.

The Chief Accounting Office of the Executive Yuan predicts a GDP of 2.19% at the beginning of 2019, and announced on November 29, 2019 that the GDP will be 2.64% in 2019 and a revision of 0.45%. Although the fundamentals of the domestic economy are good, in the face of rising trade in the global economy Friction and geopolitical tensions have aggravated the uncertainty about the future of the global trading system and international cooperation, making the global economy continue to slow down, and its subsequent impact on the domestic economy must still be paid attention to.

In 2020, in order to strengthen the momentum of economic recovery, and promote industrial upgrading and transformation, and revitalize the economic climate, in addition to the implementation of the "forward-looking infrastructure plan phase III" and the "five plus two industry innovation plan", and through the "accelerated investment in Taiwan project meeting" " Optimizing the domestic investment environment, removing investment barriers, accelerating industrial innovation and structural transformation, and combining economic supply and demand to stimulate private consumption and reward private participation in public construction will help drive domestic investment growth next year and stabilize economic growth momentum .

In 2020, the government 's public construction design paintings totaled NT\$467 billion , an increase of NT\$74.3 billion from the same basic budget of NT\$392.7 billion in 2019. Among them, the three major sub-categories of "transportation and construction", "environmental resources" and "urban development", which can be contracted by the construction industry, are totaling NT\$368.5 billion, and the main transportation construction category is only NT\$142.5 billion , of which roads and rail Although the two sub-projects such as transportation have NT\$109 billion , they are NT\$7.6 billion less than in 2019.

In recent years, the government has actively promoted the adoption of the "most favorable standard" and "the most favorable standard for overall contracting" in domestic public engineering bids. One is to avoid the vicious competition of domestic industries, which in turn affects the quality of projects and the implementation efficiency, so as to enhance industrial competitiveness; Consultants and construction turnkey projects are handled in the most advantageous way. In

addition to fostering manufacturers ' ability to integrate design, construction, and financial management, they can also introduce innovative materials, technologies, and construction methods through turnkey projects to drive industrial R & D and technological advancement.

In order to comply with this trend, the company is still actively seeking to form an excellent team with relevant industry manufacturers and consultants to jointly cooperate and participate in public engineering bidding.

Sincerely yours,

Chairman of the board
Chen, Huang-ming

General manager
Chiang, Chi-ching

Accounting Supervisor
Wen, Shu-Chiao

II. Company Profile

2.1 Date of Incorporation:

Date of Incorporation: February 01, 1941

Address and telephone number of the head office, branch office and factory:

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2.2 Company History

The company came to Taiwan from the mainland and is a long-established construction factory in Taiwan. Due to its solid and solid foundation, it not only overcomes various difficulties, but also grows stronger.

Year	Milestones
1941	Founded by Erh-kung Lu in Shanghai in 1941, joined the national defense construction timely, during the time in the mainland China, contracted a number of major construction projects related to national defense throughout the regions including Yunnan, Kunming, Chongqing, Guangzhou, Guilin, Shanghai, and other major cities.
1947	Registered in February, the paid-in capital was NT\$16 million.
1954	Introduced the prestressed concrete, the result of the load testing of the finished product was highly praised.
1982	1. The former president, Mr. Erh-kung Lu passed away, and Ms. Shu-yi Lin took the position. 2. Mr. Chun-jun Pan et al joined the team and were vigorously in the development "Kung Sing".
1983	Because the president, Ms. Shu-yi Lin resided abroad for a long time, the Board decided to make changes in the managerial level by resolution to appoint Mr. Chun-jun Pan as the president to be in charge of the management of "Kung Sing", for a new era of Kung Sing since had begun.
1987	The society changed with each passing day, in order to follow up to the progress so that the Company could match up the development of a series of important national constructions, operating equipments must be increased and updated; therefore, the Board passed the resolution to implement a cash capital increase up to NT\$ 84 millions.
1989	As a result of the chairman's foresights and new operating equipments, the construction of various projects were highly acclaimed, thus received the

	“Excellent Engineering Award issued by the Taiwan provincial government.”
1991	The government began to promote the Six-year Plan, and the Company was able to contract a number of public works in terms of its capabilities; therefore, implemented another cash capital increase up to NT\$98 millions in order to promote the operational plan.
1993	<ol style="list-style-type: none"> 1.Expanded operations due to operational requirements, implemented another cash capital increase up to NT\$60.2 millions in September, purchased a new office building and increased the cash flow schedule. 2.Approved by the Securities and Futures Commission, the Company officially became a public company. 3. Again received the “Excellent Engineering Award issued by the Taiwan provincial government.”
1994	<ol style="list-style-type: none"> 1.Received the “Excellent Engineering Award issued by the Taiwan Provincial Government” in terms of Tunnels 171K+200~171K+980 on Tai-Chiu Line. 2.“Gold Dragon Award for the Priviledged Outstanding Construction Company” for the project CT206 of the Taipei MRT Danshui Line, the project CP263 of the Taipei MRT Banciao Line namely the tunnel project from Chiang-tzh-tsui to Sin-pu stations, and the construction of three-dimensional cross on the mouth of Chung Cheng Rd. in Kaohsiung.
1995	Received the “Excellent Vendor and Excellent Construction Award issued by the Taiwan Provincial Government” in terms of projects of tunnel broadening and the roadbed, road improvement projects from 182K+500~190K+800 on Tai-Chiu Line.
1996	<ol style="list-style-type: none"> 1.The 16, 17 contracted merged project of the broadening from Xizhi to Wugu section on Chung-Shan Freeway was completed and open to traffic, and received a award issued from the Taiwan Area National Freeway Bureau. 2. Passed the “ISO 9002” International Quality Standard System. 3.Received the “Excellent Construction Award issued by the Taiwan Provincial Government” in terms of the tunnel project of the administration center of the Taroko National Park to the Mystery Valley. 4.Won the “Excellent Contruction Company Award issed by the Construciton and Planning Agency, Ministry of the Interior”.
1997	<ol style="list-style-type: none"> 1.Implemented a cash capital increase up to NT\$480 milions due to operational needs. 2.Completed the new constructions of Chung-He Tunnel Northern on

	<p>National Highway No.3 and Hsin-Au Tunnel on Tai-Chiu Line.</p> <p>3.Won the “Excellent Construction Award issued by the Taiwan Provincial Government” in terms of the Ankeng Bridge on the Hsichih and Chung-He section on National Highway No. 3.</p>
1998	<p>Due to the operational need, the Company must have one more supervisor; therefore, the original directors and supervisors resigned all together in June and a re-election took place, new directors and supervisors were: Directors: Chun-jun Pan, Ying-ling Pan, Huang-ming Chen, and Chao-chi Liu of Yi Hsin Investment Co. Ltd.; supervisors: Kuei-mei Li, Chao-ming Chen, and Yi-nan Liu.</p>
1999	<p>1.Passed the “ISO 14001” International Quality Standard System.</p> <p>2.Obtained the permission of stock trading publicly open on OTC market from GreTai Securities Market.</p>
2000	<p>1.In order to fulfill the promise to Securities & Futures Institute of adding one more spot for external director and supervisor each once the stocks were permitted to be traded publicly open on OTC market, the original director, Ying-ling Pan and supervisors, Chao-ming Chen and Kuei-mei Li resigned, and a re-election took place in June, and the new directors and supervisors were: Directors: Chun-jun Pan, Huang-ming Chen, Chao-chi Liu, and Chung-he Huang of Yi Hsin Investment Co. Ltd.; supervisors: Yi-nan Liu, Hsing-hua Wen of Hung Yi Investment Co. Ltd.</p> <p>2. Based on the overall planning, through the resolution made by the Board, Mr. Huang-ming Chen was appointed as the new president and general manager, and Mr. Chun-jun Pan was invited to be the chairman of Kung Sing Group.</p> <p>3.The original spokesperson, Huang-ming Chen was promoted to the person in charge of the company, and the post of spokesperson was filled by the director of sales department, Tai-ju Liu, and the post of deputy spokesperson was filled by Shun-yi Chuang from the finance department.</p> <p>4. Selected as the “excellent construction industry manufacturer of the year 2000” by the Taipei City government.</p>
2001	<p>1. the Board had re-elected new directors and supervisors in June, and the new directors and supervisors were: Directors: Chun-jun Pan, Huang-ming Chen, Chao-chi Liu, and Ling-hua Wang, of Hsin Yi Investment Co. Ltd.; supervisors: Yi-nan Liu and Jo-ching Fan of Hung Yi Investment Co. Ltd.</p> <p>2.The director, Mr. Huang-ming Chen was appointed to the position of president and general manager in accordance with the Board’s resolution.</p>

	<p>3. The Tai-Si Kukeng line on the eastward and westward expressways was voted and rewarded as the best construction site.</p>
2002	<p>1.The new construction project of Taipei long-distance communication building, Chunghwa Telecom won the excellent engineering award issued by the ministry of transportation and communication.</p> <p>2.Reviewed and selected as the “excellent construction company of the year 2002” by the Taipei City government.</p> <p>3.The assistant manager of the administration department, Chi-ching Chiang was appointed to the position of deputy spokesperson.</p>
2003	<p>1.Broke through all difficulties to contract the civil mechanical and electrical integration project, the CB410 section on Taipei MRT Nei-Hu Line with the cost of 32.8 billion dollars making it the largest amount for a single case ever throughout the world.</p> <p>2.The assistant manager of the sales department was promoted to the supervisor of manager’s office.</p>
2004	<p>1.The 20th term of the office for directors and supervisors were expired and in accordance with the provisions of the Companies Act and the Company's Corporate charter,the Board had re-elected new directors and supervisors in May, and the new directors and supervisors were: Directors: Chun-jun Pan of Chuan Fu Investment Co. Ltd., Ling-hua Wang of Hsin Yi Investment Co. Ltd. ; supervisors: Yi-nan Liu of Hung Yi Investment Co. Ltd.</p> <p>2.The representative, Huang-ming Chen was appointed to positions of president and general manager by the Board’s resolution.</p> <p>3.Implemented a cash capital increase up to NT\$250 millions in August in order to comply with operational requirements and needs in financial improvement.</p> <p>4.Joint acquisition of land in Yu-chen section, Nankang district, Taipei City of Taiwan Provincial Agribusiness Company with Mr. Wu-hsiung Chen.</p> <p>5.Acquisition of the project, “Road Improvement Engineering on Hsin Pi Doulou Access Road” organized by the Yun-lin County government.</p> <p>6.Elected as the “Excellent environmental large-scale engineering of the year 2004” by the Department of Environmental Protection, Taipei City Government.</p> <p>7.Mr. Chi-ching Chiang was appointed to the position of spokesperson, and the manager of administrative department, Ming-fa Kuo was as the deputy spokesperson.</p> <p>8.Successfully completed the C326 National Highway No. 3 project and</p>

	<p>received a medals from the Ministry of Transportation and Communications, National Expressway Engineering Bureau.</p> <p>9.The Taipei MRT Xinzhuang Line CK570F project won the second place in the safety and health in construction site regional contest.</p>
2005	<p>1.Obtain “C605 Shuan-tung Nantou Section, National Highway No. 6” organized by the Ministry of Transportation and Communications, Taiwan Area National Expressway Engineering Bureau.</p> <p>2. The 21st supervisor, Yi-nan Liu was dismissed in January, 2006, and in accordance with the provisions of company law and the Corporate charter, a re-election for one supervisor took place during the shareholders’ meeting in May, and the new supervisor was Mr. Yun-chieh Fan.</p> <p>3. Implementation of cash capital increase to NT\$295,955,760 by the Board’s resolution.</p>
2006	<p>1.Received a ward for outstanding performance in hiring and recruiting indigenous people from the Council of Indigenous Peoples, Executive Yuan.</p> <p>2.Implementation of capital increase to NT\$106,581,540 in July in accordance with the Board’s resolution.</p> <p>3.The spokesperson, Chi-ching Chiang was promoted to the deputy general manager.</p> <p>4.Acquisition of the project, “National Highway No.1 Convergence Road, Hsinchu Science Park New Interchange Engineering” organized by Taiwan Area National Freeway Bureau.</p>
2007	<p>1. Elected as the “Excellent Employer of the year 2007” by the Department of Labor.</p> <p>2.The 21st term of the office for directors and supervisors were expired and in accordance with the provisions of the Companies Act and the Company's Corporate charter,the Board had re-elected new directors and supervisors in May, and the new directors and supervisors were: Directors: Chun-jun Pan, Chuan Fu Investment Co. Ltd., Yi Hsin Investment Co. Ltd., and Ling-hua Wang; supervisors: Hung Yi Investment Co. Ltd.and Yun-chieh Fan.</p> <p>3.Implemented a NT\$500 millions cash capital increase in August in order to comply with operational requirements and needs in financial improvements.</p>
2008	<p>1.Acquisition of two projects, “Xinsheng Overpass Modification and Chung-Shan Bridge 2 Demolition and the North End of Xinsheng</p>

	<p>Overpass Approach” organized by the New Constructive Office.</p> <p>2. Due to the overall planning and approved by the Board, the spokesperson and deputy general manager, Chi-ching Chiang was promoted to the general manager, and the original general manager, Huang-ming Chen continued his post of the president.</p> <p>3. Chi-liang Wang was made the spokesperson, and the supervisor of auditing office, Tai-ru Liu was made the deputy spokesperson.</p> <p>4. Obtain “Taiwan’s Taoyuan International Airport’s Outside Linking MRT System Construction Project”</p> <p>5. The “Integrated Construction Project of the New Interchange on National Highway No. 1 Hsinchu Science Park C564A and C564C” Won the 9th Gold Metal Award for Public Engineering and the 3rd Golden Safety Award for Public Engineering.</p>
2009	<p>1. Obtain “Tai 3 Line 418K+600 Likang Bridge Modification Engineering” organized by the Third District Maintenance Construction Office, Directorate General of Highways.</p> <p>2. Obtain “KCL211 Linlo and Chutien Section Railway Elevated of Engineering” organized by the Railway Reconstruction Bureau.</p>
2010	<p>1. Assisted and completed the “Disaster Prevention Observation of reinforcing samples of bridges and columes establishment” and received a testimonial from the Northern Region Inspection Office of the Council of Labor Affairs, Executive Yuan.</p> <p>2. Won the third place in the 2010 Taipei Labor Safety Knowledge Contest.</p> <p>3. The 22nd term of the office for directors and supervisors were expired and in accordance with the provisions of the Companies Act and the Company's Corporate charter, the Board had re-elected new directors and supervisors in June, and the new directors and supervisors were: Directors: Chun-jun Pan, Chuan Fu Investment Co. Ltd., Yi Hsin Investment Co. Ltd., and Ling-hua Wang; supervisors: Hung Yi Investment Co. Ltd. and Yun-chieh Fan.</p> <p>4. The manager of the department of public works, Tai-ru Liu was made the spokesperson, and the manager of the administrative department, Ming-fa Kuo was made the deputy spokesperson.</p> <p>5. The Taipei MRT Neihu Line CB410 Section Project won the 38th Asia-Pacific Federation Golden Award for Civil Engineering.</p> <p>6. The “KCL211 Linlo and Chutien Section Railway Elevated of Engineering” was elected as the excellent environmental protective construction engineering.</p>

2011	<ol style="list-style-type: none"> 1.The project of the reconstruction of Tai San Line Likang Bridge was awarded the medal of “Solid Foundation of Bridge” by the Ministry of the Transportation and Communications. 2.Received a testimonial from the Thailand Trad and Economic Office, Taipei of the professional management and thorough care for Thai labors. 3.Eligible for the Executive Yuan Aboriginal employment Aboriginal Committee awarded the 2011 medal of blue-chip manufacturers. 4.Awarded with the 8th National Yushan Prize for Outstanding Business Leader by the National Competiveness of Enterprises Association. 5.Awarded with the 8th National Yushan Prize for Outstanding Contribution by the National Competiveness of Enterprises Association. 6.Awarded with the 13th National Architecture Golden Award for Public Engineering – Civil Engineering – Bridge Engineering by the National Competiveness of Enterprises Association and the National Architecture Golden Award Activity Committee. 7.Obtain “Reconstruction Project B3 of the Tai-Chiu Line Suhua Highway Kufeng Tunnel” organized by the Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications. 8.Obtain “New Construction Project B2 of Tai-Chiu Line Suhua Highway Guanyin Tunnel organized by the Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications. 9.Won the 11th Golden Quality Award for “Particularly good” Prize organized by the Public Construction Commission, Executive Yuan. 10.Established a Remuneration Committee in accordance with the Board’s resolution.
2012	<ol style="list-style-type: none"> 1. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors. 2.The project CE02 of Access MRT System to Taiwan Taoyuan International Airport won the first place in the 2011 Comprehensive Appraisal organized by the Bureau of High Speed Rail. 3. The new directors of the 24th Board of Directors and supervisors are: Directors: Ch'uan Fu Investment Co. Ltd.,Chun Fa Investment Co. Ltd., Hsin Yi Investment Co. Ltd., and Independent Directors:Chen, chin-yueh, Independent Directors:Chang,liang-ming.

	<p>Supervisors :Wang,Ling-hua ; supervisors: Hung Yi Investment Co. Ltd.</p> <p>4.Obtain purchase project of the cylinder coal bunker of the “New Expansion Plan of Linkou Power Plant”.</p> <p>5.Switch to Listed Companies on December 18, 2012.</p>
2013	<ol style="list-style-type: none"> 1. The project CE02 of Access MRT System to Taiwan Taoyuan International Airport won the Environmental Impact Assessment Project Award Excellence Award in the 2012. 2. Obtain hiring the handicapped Certification Mark by the Taipei City Government award. 3. With the Ministry of Communications to handle the year 2013 "to maintain the transportation, health and safety, environmental protection," demonstration, by the Ministry of Transportation Highway Administration certificates of appreciation. 4. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors. 5. Taiwan Guanyin nine lines Suhua Highway Tunnel Engineering won new Ministry of Transportation Highway Administration issued 2013 annual results good construction Check medal.
2014	<ol style="list-style-type: none"> 1. Han Ban Wang Zhiqiang, director of the construction of the building was awarded the outstanding management personnel. 2. Concrete Engineering won the 2014 prize non-building category - excellent work.
2015	<ol style="list-style-type: none"> 1.The 24nd term of the office for directors were expired and in accordance with the provisions of the Companies Act and the Company's Corporate charter,the Board had re-elected new directors in June, The new directors of the 25th Board of Directors are : Directors: Ch'uan Fu Investment Co. Ltd., Ju hsiang Investment Co. Ltd., and Independent Directors:Chen, chin- yueh, Independent Directors:Chang,liang-ming.Independent Directors:Tu,yi- yang. 2. Establishment of an Audit Committee. 3. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors. 4. Eligible ROC National Competitiveness Enterprise Development Association awarded the first prize in the 17th National Gold Medal State Building 17th National Building Gold Medal. 5. Obtain corporate governance index, corporate social responsibility Benchmarking Enterprise.
2016	<ol style="list-style-type: none"> 1. Received a testimonial from the Thailand Trad and Economic Office,

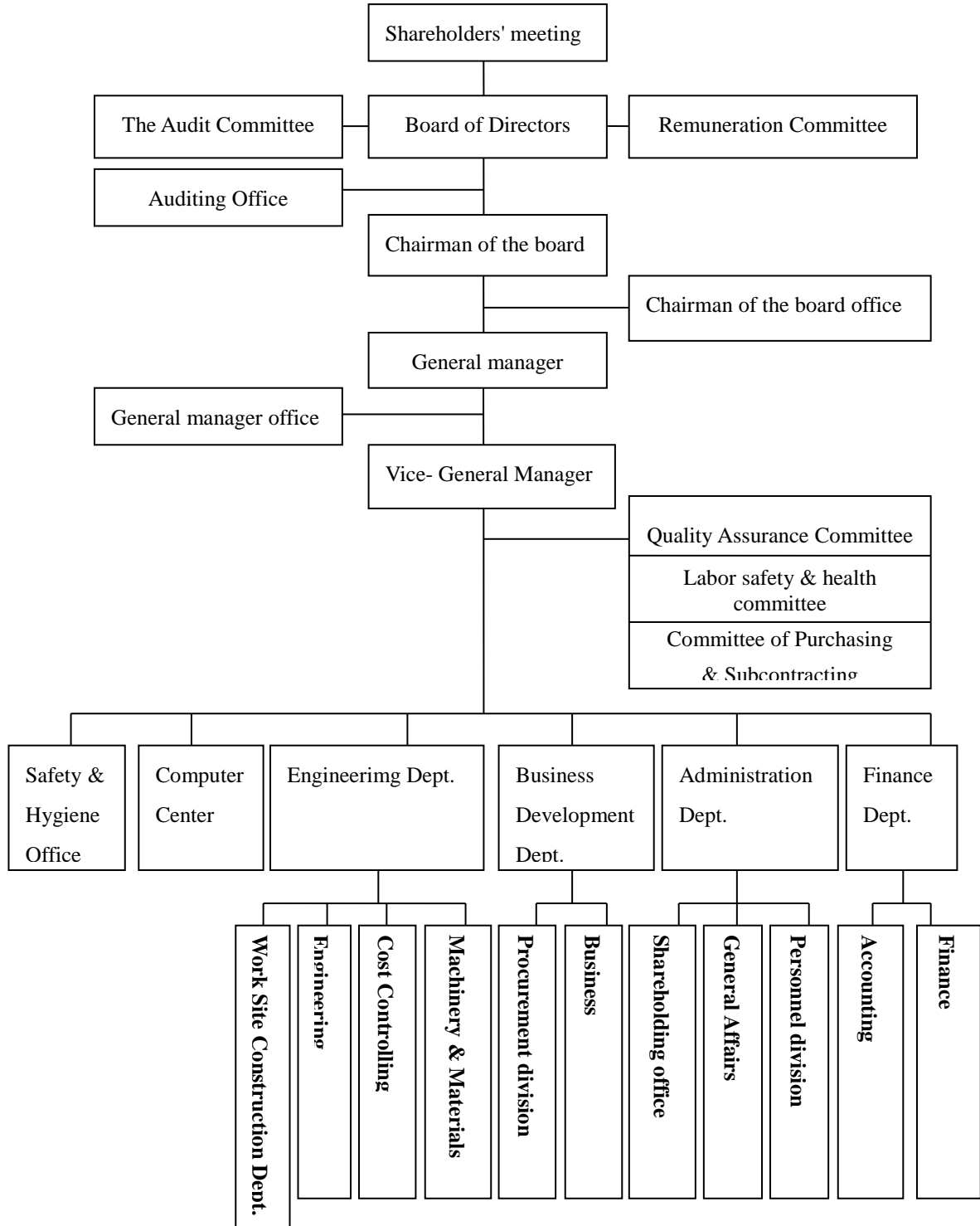
	<p>Taipei for taking care of Thai labors.</p> <ol style="list-style-type: none"> 2. Linkou power plant construction standards won the China Society of Engineers awarded the fine engineering award! 3. Obtain engineering project Railway Electrification for the chaofang section of SOUTH-LINK line, civil electrical & mechanical from CHAOZHOU to LINBIAN, LOT 811. 4. Won the "2016 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Bronze Award. 5. Concrete Engineering won the 2016 category - excellent work.
2017	<ol style="list-style-type: none"> 1. Obtain C031 agent Tainan Nanping to Wanrong two-track civil and tram line project. 2. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors. 3. National Gold Medal State Building 19th National Building Gold Medal. 4. Won the "2017 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Bronze Award. 5. Won the 17th Public Works Gold Award for a masterpiece of water conservancy engineering. 6. Obtain Taichung Port 106 pier new construction project.
2018	<ol style="list-style-type: none"> 1. In June 29, the Shareholders has re-elected new directors, The new directors of the 26th Board of Directors are : : Directors: Ch'uan Fu Investment Co. Ltd., Representative: Chen ,huang-ming and Chiang,chi-ching, Chia ho Investment Co. Ltd. Representative: Tseng, mei-ling, Ju hsiang Investment Co. Ltd., Representative :Chang, liang-ming. Independent Directors: Chen, chin- yueh, Independent Directors: Wang, chih- lung . Independent Directors: Tu,yi- yang. 2. Won the 2018 TCSA Taiwan Enterprise Sustainability Report Award - Silver Award. 3. Awarded the Excellent Project Supervision Award in 2018 by the Highway Administration of the Ministry of Communications. 4. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors. 5. Obtain Construction of Danjiang Bridge and Connecting Road Network 5K+000~7K+035 project.
2019	<ol style="list-style-type: none"> 1. Received a testimonial from the Thailand Trad and Economic Office, Taipei for taking care of Thai labors. 2. Won the 2019 Happy Enterprise Award from 1111 Human Bank.

- | | |
|--|---|
| | <ol style="list-style-type: none"><li data-bbox="338 197 1342 286">3. Won the "2019 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Bronze Award.<li data-bbox="338 293 1342 432">4. According to the resolution of the board of directors, the capital increase of NT \$ 1,000,000,000 was completed in November, and the paid-in capital was changed to NT \$ 4,475,274,130. |
|--|---|

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

Department	Functions
Auditing Office	To check and verify duties performed by various departments, including policies, regulations, and orders as well as expenses.
General Manager Office	Business data analysis, legal consultation and reconciliation, assessment and integration of construction contracts, implementations of various litigation and arbitration cases.
Labor safety & health committee	<ol style="list-style-type: none"> 1.To discuss and do a research on implementation plans related to regulations and safety & health education. 2.To discuss and do a research on how to prevent the hazards of machinery, equipment or raw materials, and materials. 3.To discuss and do a research on countermeasures of operational environmental test results. 4.To discuss and do a research on matters related to health management and labor safety & health management.
Quality assurance committee	<ol style="list-style-type: none"> 1.To verify and check the quality plan of project constructions. 2.To supervise the implementation of quality control plan.
Business Development Dept.	<ol style="list-style-type: none"> 1.Business:Developments of all construction projects, investment and opening operations, and contract signing, etc. 2. Procurement division: Market survey analysis, procurement and contract out matters, information for suppliers, and data filing, etc.
Engineering Dept.	<ol style="list-style-type: none"> 1.Machinery & Materials: The management, allocation, assignment, lease, inventory, and effective reports of usage of machinery equipments. 2.Cost Controlling: Construction quality control, analysis on differences, etc. 3.Engineering:Construction implementation, progress, and quality managements, documentation, estimations on payment requests, and construction coordination, etc.

Safety & Hygiene Office	To plan and organize labor safety & health education training programs, set up occupational hazard prevention plan, handle the processing of information related to safety & health, work on statistics and data filing, etc.
Computer Center	Information system development, maintenance training program planning, and computer equipment maintenance and management, etc.
Administration Dept.	<ol style="list-style-type: none"> 1. Personnel division: To simulate and do a research on systems, implementations, and revisions, organize welfares, plan human resources and training programs, etc. 2. General Affairs: Simulations, implementations, and revisions of all general affairs, procurement, custody, recipient, allocation, maintenance of public goods, working environment and improvement, maintenance, safety, documentation, receipt and delivery, filing of equipment, registration, inventory, custody, maintenance of properties, and allowance payments, etc. 3. Shareholding office: To handle the matters related to company stocks and shareholders, and managements of general affairs, personnel, and stock affairs.
Finance Dept.	<ol style="list-style-type: none"> 1. Finance: Payments of all amounts, the cash dispatch, the use of control, reconciliation processing with the company, contract execution, implementation, cash, receipts, securities and payments of advance payment guarantee application and extension, etc. 2. Accounting: Establishment and implementation of accounting systems, accounting accounts handling, cost planning analysis, budgeting, analysis on a variety of operation, managerial reports design, etc.

3.2 Directors and Management Team

April 19, 2020

3.2.1 Directors

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Taiwan Taipei	Ch'uan Fu Investme nt Co. Ltd.	Men	June, 2018	3	May , 1994	9844068	2.83	12110149	2.71	0	0.00	0	0.00	Ph.D in Business Management, Nankai University Master degree in Geotechnical Engineering, State University of New York	Kung Sing Engineering Corporation Executive Director of the National Industrial Federation of the Republic of China	None	None	None
	Republic of China	Represen tative: Chen ,hu ang-ming							0	0.00	0	0.00	0	0.00	Master degree in Transportation Engineering, National Taiwan University Bachelor degree in Civil Engineering, National Taiwan University Executive Director of General Affairs, Chinese National Federation of Industries Director of General Affairs, Construction Engineering Industry Association of Taiwan Executive Director, National Federation of Engineering Industries Association, R.O.C				

Director	Taiwan Taipei	Ch'uan Fu Investment Co. Ltd.	Men	June, 2018	3	May, 1994	9844068	1.95	12110149	2.71	0	0.00	0	0.00	PhD in Management, International Business School, Nankai University, China Chairman of the National Federation of Construction Engineering Industries Association of the Republic of China Executive Director of Taiwan Construction Engineering Industry Association	General Manager of KUNG SING Engineering Co., Ltd. Chairman of Chin Pone Construction Co., Ltd. Chairman of Jiangsu KUNG SING Engineering Consulting (Stock) Company Chairman of KUNG SING Development Co., Ltd. Chairman of Taiwan Construction Engineering Industry Association	None	None	None
	Republic of China	Representative:: Chiang,chi-ching							115145	0.03	9000	0.00	0	0.00					
Director	Taiwan Taipei	Chia ho Investment Co. Ltd.	woman	June, 2018	3	June, 2018	2000000	0.58	2460395	0.55	0	0.00	0	0.00	Taipei Shilin Senior Business Vocational School Business Division	Ching Kang Kuang Tien Corporation Chairman of the board	None	None	None
	Republic of China	Representative: Tseng, mei-ling							0	0.00	0	0.00	0	0.00					
Director	Taiwan Taipei	Ju hsiang Investment Co. Ltd.	Men	June, 2018	3	June, 2018	4070000	1.17	5006904	1.12	0	0.00	0	0.00	Waterland Venture Capital Co., Ltd. Consultants	None	None	None	None

	Republic of China	Representative: Chang, liang-ming (2018.06.29 Newly appointed)							61509	0.01	0	0.00	0	0.00					
Independent Directors	Republic of China	Chen, chin-yueh	Men	June, 2012	3	June, 2015	0	0.00	0	0.00	82000	0.02	0	0.00	Hsin Fu hsing Co., Ltd. independent directors	New Fuxing Microwave Communication Co., Ltd. Independent Director	None	None	None
Independent Directors	Republic of China	Wang, chih-lung	Men	June, 2018	3	June, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Taiwan University of Science and Technology Institute of Industrial Management	GREAT KNIVES MANUFACTURE CO., LTD Special assistant to the chairman EISO Enterprise Co., Ltd independent director	None	None	None
Independent Directors	Republic of China	Tu, yi-yang	Men	June, 2015	3	June, 2015	0	0.00	0	0.00	0	0.00	0	0.00	Ch'un Yi Joint CPA group Accountants	Li Yang Certified Public Accountants	None	None	None

Major shareholders of the institutional shareholders

April 19, 2020

Name of Institutional Shareholders	Major Shareholders
Ch'uan Fu Investment Co. Ltd.	Pan kuan-ju(78.10%)、Pan, Chun-jun (6.20%)、 Li, Kuei-mei (15.00%)、 Pan , Ying-hsun (0.70%)、
Ju hsiang Investment Co. Ltd	Pan, Chun-jun (42.86%)、 Li, Kuei-mei (39.29%)、 Pan ,Yi-chen (3.57%)、 Pan, Chi-ju (3.57%)、 Pan, Ying-chuan (3.57%)、 Pan , Ying-hsun (3.57%)、 Pan , Ying-ling (3.57%)
Chia ho Investment Co. Ltd.	Chen, chun- sheng(50.50%)、Chang, yu- shan (33.66%)、Chen, hui - ching (4.95%)、 Chi, hsiu- mei (0.99%)

Professional qualifications and independence analysis of directors and supervisors

April 19, 2020

Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Ch'uan Fu Representative: Chen ,huang-ming	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ch'uan Fu Representative: Chiang,chi-ching			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Chia ho Representative: Tseng, mei-ling			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ju hsiang Representative: Chang , liang - ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen, chin-yueh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wang, chih-lung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Tu,yi- yang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note1: The number of fields is adjusted according to the actual number.

Note2: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Directors and supervisors of non-company or related companies (but if the company and its parent company, subsidiary company or subsidiary of the same parent company are independent directors established by this law or local state laws and regulations, they are not limited to this)
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a manager listed in (1) or a spouse, relative within the second parent, or direct blood relative within the third parent, etc. of the manager listed in (1) or (2), (3).
5. Directors, supervisors, or legal shareholders who are not directly holding more than 5% of the company's total issued shares, holding the top five shares, or appointing representatives as company directors or supervisors in accordance with Article 27, paragraph 1 or 2 of the Company Law Employed persons, or directors, supervisors or employed persons of the top five corporate shareholders holding shares. (However, if the independent directors established by the company and its parent company, subsidiary company or subsidiary company under the same parent company in accordance with this law or local state laws and regulations serve concurrently, they are not limited to this).
6. Directors, supervisors or employees of other companies who are not controlled by the same person as the company 's directors or have more than half of the shares (but if they are the company or its parent company, subsidiary or subsidiary of the same parent company (The independent directors established by laws or local laws and regulations of the country shall not be limited to this).
7. Directors (directors), supervisors (supervisors) or servants of other companies or organizations who are not the same person or spouse with the company's chairman, general manager or equivalent, but if the company and its parent company, subsidiary (If the independent directors established by subsidiaries of the same parent company in accordance with this law or local laws and regulations serve concurrently, they are not limited to this).
8. Not a director (director), supervisor (supervisor), manager or shareholder holding more than 5% of a particular company or institution with financial or business dealings with the company. (However, if a specific company or institution holds more than 20% of the total

issued shares of the company, but not more than 50%, and it is an independent director established by the company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations Those who serve each other are not limited to this).

9. Professionals, sole proprietorships, partnerships, owners or partnerships of companies or institutions that are not companies or related companies that provide audits or business, legal, financial, accounting and other related services that have received audits or accumulated remuneration in the past two years of less than NT \$ 500,000 Persons, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Salary and Compensation Committee, Public Takeovers Review Committee, or M & A Special Committee performing their functions and powers in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M & A Act are not limited to this.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

April 19, 2020

Title	Nationality / Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General manager	Republic of China	Chiang,chi-ching	Men	08 15,2008	115,145	0.03	9,000	0.00	0	0.00	Graduated from Tunghai Senior High School President, Chun Jun Construction Co. Ltd. Executive Director, Taiwan Professional Boxing Association Executive Director, Construction Association Consultant, Executive Yuan The current Chinese KMT Central Committee The current Executive Director,National Association of Construction	Chairman, Chin Pone Construction Company Chairman, Jiangsu Kung Sing Engineering Consulting Co., Ltd Chairman, Merit Century Investments Limited Chairman, Kung Sing Development Corporation	None	None	None
Vice- General Manager	Republic of China	Tai, Yin-chou	Men	11 01,2017	208	0.00	0	0.00	0	0.00	Bachelor degree in Civil Engineering, National Chung Hsin University Project Member, China Engineering	None	None	None	None
Assistant manager	Republic of China	Liu, Yung-ching	Men	01 01,2017	90,308	0.02	0	0.00	0	0.00	Department of Civil Engineering, Southeast University of Science and Technology	None	None	None	None
Public Works Manager	Republic of China	Kuo, yao- wen	Men	01.01,2020	0	0.00	0	0.00	0	0.00	Department of Civil Engineering, Chung Yuan University Deputy Manager of Public Works Department Kung Sing Engineering Corporation	None	None	None	None

Director, Auditing Office	Republic of China	Liu, Te-chang	Men	12 16,2002	0	0.00	0	0.00	0	0.00	Bachelor degree in Economics, Chinese Culture University Section Chief, Kung Sing Engineering Corporation	None	None	None	None
Vice-manager, Business Development Dept.	Republic of China	Yeh, Tsan-yu	Men	07 01,2017	0	0.00	0	0.00	0	0.00	Department of Civil Engineering, National Taiwan University Graduate School of Civil Engineering, Jiaotong University	None	None	None	None
Manager, Finance Dept.	Republic of China	Huang, li-wang	woman	02 01,2012	20,570	0.00	0	0.00	0	0.00	section manager, Kung Sing Engineering Corporation	None	None	None	None
Accounting Supervisor	Republic of China	Wen, Shu Chiao	woman	12 06,2012	10,206	0.00	0	0.00	0	0.00	Deming College of Business Accounting Statistics Branch Vice- section manager, Kung Sing Engineering Corporation	None	None	None	None
Legal Director of General Manager's Office (Corporate Governance Supervisor)	Republic of China	Li, kuei- chung	Men	12 31,2019	40,000	0.00	0	0.00	0	0.00	Institute of Civil Engineering, Cheng Kung University graduate Institute of Soochow University Law Institute graduate School Kung Sing Engineering Corporation Director of General Manager's Office (Legal Director)	None	None	None	None

3.2.3 Remuneration of Directors, President, and Vice President

Remuneration of Directors

Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)				Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)				
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman of the board	Ch'uan Fu Representative: Chen , huang-ming	0	0	0	0	0	0	285	285	(1.19)	(1.19)	5,263	5,263	0	0	0	0	0	0	(23.10)	(23.10)	None
Directors	Ch'uan Fu Representative: Chiang ,chi-chi ng	0	0	0	0	0	0	280	280	(1.17)	(1.17)	4,486	5,201	170	170	0	0	0	0	(20.55)	(22.37)	None

Directors	Chia ho Representative: Tseng, mei-ling(2018.06.29 Newly appointed)	0	0	0	0	0	0	285	285	(1.19)	(1.19)	0	0	0	0	0	0	0	0	0	(1.19)	(1.19)	None
Directors	Ju hsiang Representative: Chang, liang-ming (2018.06.29 Newly appointed)	0	0	0	0	0	0	290	290	(1.21)	(1.21)	0	0	0	0	0	0	0	0	0	(1.21)	(1.21)	None
Independent Directors	Chen, chin-yueh	0	0	0	0	0	0	490	490	(2.04)	(2.04)	0	0	0	0	0	0	0	0	0	(2.04)	(2.04)	None
Independent Directors	Tu, yi-yang	0	0	0	0	0	0	490	490	(2.04)	(2.04)	0	0	0	0	0	0	0	0	0	(2.04)	(2.04)	None
Independent Directors	Wang, chih-lung	0	0	0	0	0	0	490	490	(2.04)	(2.04)	0	0	0	0	0	0	0	0	0	(2.04)	(2.04)	None

1. Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: There are three independent directors of the company, and the standard of remuneration is in accordance with the provisions of Article 15 of the company's articles of association: the remuneration of all directors is based on the degree of participation and contribution to the operation of the company, and takes into account domestic and foreign industry standards. The board meeting was fixed.

Because the three independent directors are elected by the board of directors as members of the remuneration committee and audit committee at the same time, in addition to regular and irregular meetings to review the remuneration of directors and managers, they also need to review financial reports, audit internal control, and company fund loans. . Endorsement guarantees and other related matters, the responsibility, risk and time invested are more, so the business execution cost of directors' remuneration is higher than that of general directors.

2. In addition to the disclosures in the above table, the directors of the company have received remuneration for providing services for all companies in the financial report (such as serving as consultants for non-employees, etc.) in th most recent year: None.

Range of Remuneration (The amount has a range : contain/Not included)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$1 ,000,000	Chen ,huang-ming Chiang,chi-ching Chen, chin- yueh Chang,liang-ming Tu,yi- yang Tseng, mei- ling Wang, chih- lung	Chen ,huang-ming Chiang,chi-ching Chen, chin- yueh Chang,liang-ming Tu,yi- yang Tseng, mei- ling Wang, chih- lung	Chen, chin- yueh Chang,liang-ming Tu,yi- yang Tseng, mei- ling Wang, chih- lung	Chen, chin- yueh Chang,liang-ming Tu,yi- yang Tseng, mei- ling Wang, chih- lung
NT\$1,000,000 ~ NT\$2,000,000	0	0	0	0
NT\$2,000,000 ~ NT\$3,500,000	0	0	0	0
NT\$3,500,000 ~ NT\$5,000,000	0	0	Chiang,chi-ching	0
NT\$5,000,000~ NT\$10,000,000	0	0	Chen ,huang-ming	Chen ,huang-ming Chiang,chi-ching
NT\$10,000,000 ~ NT\$15,000,000	0	0	0	0
NT\$15,000,000~ NT\$30,000,000	0	0	0	0
NT\$30,000,000 ~ NT\$50,000,000	0	0	0	0
NT\$50,000,000 ~ NT\$100,000,000	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	7	7	7	7

Remuneration of the President and Vice President

Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General manager	Chiang,chi-ching	2,844	3,560	170	170	1642	1642	0	0	0	0	(19.39)	(22.37)	None
Vice - General Manager	Tai, Yin-chou	1,586	1,586	22	22	154	154	0	0	0	0	(7.34)	(7.34)	None

Range of Remuneration (The amount has a range : contain/Not included)	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	0	0
NT\$1,000,000 ~ NT\$2,000,000	Tai, Yin-chou	Tai, Yin-chou
NT\$2,000,000 ~ NT\$3,500,000	0	0
NT\$3,500,000 ~ NT\$5,000,000	Chiang,chi-ching	0
NT\$5,000,000 ~ NT\$10,000,000	0	Chiang,chi-ching
NT\$10,000,001 ~ NT\$15,000,000	0	0
NT\$15,000,001 ~ NT\$30,000,000	0	0
NT\$30,000,001 ~ NT\$50,000,000	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	2	2

Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	General manage	Chiang,chi-ching	0	0	0	0
	Vice- General Manage	Tai, Yin-chou				
	Assistant manager	Liu, Yung-ching				
	Manager, Finance Dept.	Huang, li-wang				
	Accounting Supervisor	Wen, Shu Chiao				

The remuneration of the company's top five remuneration executives

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General manager	Chiang, chi-ching	2,844	3,560	170	170	1642	1642	0	0	0	0	(19.39)	(22.37)	None
Vice - General Manager	Tai, Yin-chou	1,586	1,586	22	22	154	154	0	0	0	0	(7.34)	(7.34)	None
Assistant manager	Liu, Yung-ching	1,178	1,178	28	28	170	170	0	0	0	0	(5.73)	(5.73)	None
Manager, Finance Dept.	Huang, li-wan g	796	796	71	71	132	132	0	0	0	0	(4.16)	(4.16)	None
Accounting Supervisor	Wen, Shu Chiao	603	603	56	56	99	99	0	0	0	0	(3.16)	(3.16)	None

3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Year	Total remuneration paid to directors, supervisors, presidents and vice presidents		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
2020	14,292	15,007	(59.52)	(62.49)
2019	13,822	15,190	(20.05)	(22.03)

Directors, supervisors	Traveling expenses	Paid monthly.
	Remuneration	In accordance with the Corporate charter 15: Referring to the domestic and foreign standards, the Board makes the decision along with the approval from the Remuneration Committee.
General manager, Vice- General Manager	Salary	In accordance with the Company's personnel managing rules, and the remuneration committee's considerations.
	Bonus	In accordance with the Corporate charter 16: Referring to the domestic and foreign standards, the Board makes the decision along with the approval from the Remuneration Committee.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

The link between board performance evaluation and salary compensation

In accordance with Articles 15 and 18 of the company's articles of association and Article 7 (2) of the Organizational Regulations of the Salary and Remuneration Committee

Regulations:

Article 15 of the articles of association:

The remuneration of all directors is determined by the board of directors based on the degree of participation and contribution to the company 's operations and the value of the industry at home and abroad.

Article 18:

After deducting the accumulated losses according to the current year's profit status, if the company still has a balance, the employee compensation should be 3% to 5%, and the director's compensation should not exceed 3%.

Paragraph 2 of Article 7 of the Organizational Regulations of the Salary and Remuneration Committee:

When the Committee performs its functions and powers, it shall do so in accordance with the following principles:

1. Ensure that the company's salary and remuneration arrangements comply with relevant laws and regulations and are sufficient to attract outstanding talents.

2. The performance evaluation and salary and remuneration of directors, audit committees and managers should refer to the normal level of the industry.

Shape, and consider the results of individual performance evaluation, time invested, responsibilities, achievement of personal goals, performance of other positions, salary and compensation of the company for the same position in recent years, and achievement of short-term and long-term business goals by the company , The company's financial status, etc. to assess the reasonableness of the correlation between individual performance and the company's operating performance and future risks.

3. Directors and managers should not be guided to pursue behaviors that exceed the company's risk appetite in pursuit of salary and remuneration.

4. The proportion of short-term performance payment of directors and senior managers and some changes in salary payment time should be determined by considering the characteristics of the industry and the nature of the company's business.

5. The content and amount of the remuneration of the directors, audit committee and managers should be considered for their reasonableness. The decision of the remuneration of the directors, audit committee and managers should not be significantly contrary to financial performance. For a long-term loss, the salary should not be higher than the previous year. If it is still higher than the previous year, the reasonable explanation should be disclosed in the annual report and reported to the shareholders' meeting.

6. The members of this committee shall not participate in the discussion and voting on their personal salary and remuneration decisions.

The Board has passed the resolution and the Company has established the

remuneration committee on December 28th, 2011.

Salaries for directors, supervisors, and managers are determined according to considerations made by the committee, performances of directors and managers along with the policy, regulations, standards, and the structure of salary and compensation shall take into account in determining the amount of salaries for directors and managers.

The company paid the directors, general manager and deputy general manager of standards or remuneration structure and system will be based on future

Risk adjustment factors, and should guide the directors, general manager and deputy general manager for the company to go beyond the pursuit of gratuity in the risk of behavior in order to avoid payment of remuneration to the company suffered losses but inappropriate circumstances.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 11 (A) meetings of the Board of Directors were held in the previous period.

The attendance of director were as follows

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Chairman	Ch'uan Fu Representative: Chen ,huang-ming	11	0	100%	
Director	Ch'uan Fu Representative: Chiang,chi-ching	10	0	91%	
Director	Chia ho Representative: Tseng, mei-ling	10	0	91%	
Director	Ju hsiang Representative: Chang , liang - ming	11	0	100%	
Independent director	Chen, chin- yueh	11	0	100%	
Independent director	Tu,yi- yang	11	0	100%	
Independent	Wang, chih- lung	11	0	100%	

nt director					
<p>Other mentionable items:</p> <ol style="list-style-type: none"> 1. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified: <ol style="list-style-type: none"> (1) Matters referred to in Article 14-3 of the Securities and Exchange Act : All independent directors passed without objection . Please refer to P86-90. (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors : None 2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: <ol style="list-style-type: none"> A.2019.03.27 The eighth case of the 26th first board session: Review of compensation remuneration cases of directors and managers . (By the Remuneration Committee) Resolution: At the time of voting in this case, the interested parties will withdraw and the other directors will vote. The case was approved by all the attending directors without objection. B.2019.12.31 The second case of the 26th eleven board session: Year-end performance evaluation of directors and managers.(By the Remuneration Committee) Resolution: At the time of voting in this case, the interested parties will withdraw and the other directors will vote. The case was approved by all the attending directors without objection. 3. Listed companies should disclose information on the evaluation cycle and period, evaluation scope, methods, and evaluation contents of the board's self (or peer) evaluation, and fill out the attached table 2 (2) The implementation of the board evaluation. Please refer to the attached table "Execution of Board Evaluation". 4. Measures taken to strengthen the functionality of the board:In 2019, three remuneration committee meetings were held to strengthen performance appraisal and remuneration structure. At the end of each year, the company conducts self-assessment of directors and performance evaluation of the board of directors as the basis for performance appraisal of the board of directors. After evaluation by the chairman and board of directors, For review and improvement, please refer to P48-51, regarding the operation of corporate governance - the composition and responsibilities of the board of directors. 					

Evaluation of the implementation of the board of directors

<u>Evaluation cycle</u>	<u>Assess time span</u>	<u>Assessment scope</u>	<u>Evaluation method</u>	<u>Evaluation content</u>
Once a year	January 1, 2019 Until December 31	Board of Directors, Remuneration Committee, Audit Committee Performance Evaluation and Individual Directors	Self-assessment of performance evaluation of the board of directors, remuneration committee and audit committee by way of internal company evaluation. Individual directors also conduct self-assessments.	<p>The contents of the board performance evaluation include:</p> <ol style="list-style-type: none"> 1. Participation in company operations With (12 items). 2. Board decision quality (12 items). 3. Board composition and knot Structure (7 items). 4. Selection and holding of directors Continue training (7 items). 5. Internal control (7 items). <p>The contents of individual director self-evaluation include:</p> <ol style="list-style-type: none"> 1. Company goals and tasks Mastery (3 items). 2. Director's responsibilities (3 item).

				<p>3. Participate in company operations Situation (8 items) ◦</p> <p>4. Internal relationship management and communication (3 items) ◦</p> <p>5. Director's professional and continuous education (3 items).</p> <p>6. Internal control (3 items) ◦</p> <p>Remuneration Committee and Audit the content of the performance evaluation of the Planning Committee includes :</p> <p>1. Participation in company operations (4 items).</p> <p>2. Committee Responsibility (5 items).</p> <p>3. Improve the quality of committee</p>
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				decision-making (7 items). 4 Committee composition and composition election of members (3 items). 5. Internal control (3 items).
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Diversity of Directors

The company's corporate governance code of practice regarding the diversity of the board of directors is as follows:

Chapter III Strengthens Board Functions

Section 1 Board Structure

Article 20: The board of directors of the company shall guide the company's strategy, supervision and management, and be responsible to the company and the shareholders' meeting. The operations and arrangements of its corporate governance system shall ensure that the board of directors exercises in accordance with the provisions of the laws and regulations, the articles of association or the resolutions of the shareholders' meeting. Authority.

The structure of the board of directors shall determine the appropriate board seats for more than five persons in consideration of the scale of the company's business development and the shareholdings of its major shareholders, and the need for practical operations.

The composition of the board of directors should be considered in a diversified manner. Except for the directors who are concurrently the company's managers, it is not appropriate to exceed one-third of the board of directors. The appropriate diversification policy should be formulated for its own operation, operational type and development needs, including but not limited to the following. The two major standards:

First, basic conditions and values: gender, age, nationality and culture.

Second, professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.

Board members should generally have the knowledge, skills and literacy necessary to

perform their duties. In order to achieve the ideal goal of corporate governance, the overall ability of the board of directors should be as follows:

First, the ability to judge operations.

Second, accounting and financial analysis capabilities.

Third, business management capabilities.

Fourth, the ability to handle the crisis.

Fifth, the industry knows.

Sixth, the international market view.

Seven, the ability to guide.

Eight, decision-making ability.

Diversity of Directors

Diversification project Name of director	Gender	Manag- ement	Leaders -hip decisio n	Industry knowled -ge	Financial Accounti- ng	Crisis manag ement	International outlook Market view
Chen ,huang-ming	Men	●	●	●		●	●
Tseng, mei- ling	woman	●	●			●	
Chiang,chi-ching	Men	●	●	●		●	●
Chang,liang-ming	Men	●			●	●	●
Wang, chih- lung	Men	●			●	●	
Tu,yi- yang	Men	●			●	●	
Chen, chin- yueh	Men	●			●	●	
Diversity target expected seats		4	2	2	3	5	2
Achievement situation (number of seats)		7	3	2	4	7	3
Achievement rate		100%	100%	100%	100%	100%	100%

This table only lists the directors after the re-election of 2018.06.26.

3.3.2 Audit Committee (or Attendance of Supervisors at Board Meetings)

Audit Committee

A total of 9 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Independent director	Tu,yi- yang	9	0	100%	

Independent director	Chen, chin-yueh	9	0	100%	
Independent director	Wang, chih-lung	9	0	100%	

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Please refer to P90-96 for all the resolutions and resolutions of the audit committee in 2019 and up to the date of publication of the annual report and the company's implementation. The proposal regarding the Securities Exchange Act 14-5 is indicated after each item.

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

None

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(A)communication policy between independent directors and internal audit supervisors and accountants:

1. Independent directors and accountants conduct written or face-to-face communication on each quarter of the Company's financial report completion phase to confirm the reliability of the company's disclosure of financial information, the work of the auditors, the company's significant risks and the understanding of the management reduce risk. The accountant on the company's financial report to complete the stage, a significant adjustment of entries and unadjusted entries, customs personal information, customer statement, accountant's independence and independent directors to report and communicate, in case of major abnormalities matters, and have to convene the meeting at any time.

2. Internal audit supervisors and independent, etc. are quarterly meetings, the implementation of the company's internal audit and internal control of the operation of the situation to mention report, in case of major unusual matters, may be convened with the meeting.

(B)Communication between independent directors and accountants:

1.The Company's shareholders meeting on June 29, 2018, elected three independent directors, and three independent directors were elected as members of the Audit Committee.

2.Date of communication in 2019:

(1)The 3/27 financial report has been approved by the audit committee and

submitted to the board of directors for approval. The independent director / audit committee has no opinion.

(2)The 5/7 financial report has been approved by the audit committee and submitted to the board of directors for approval. The independent director / audit committee has no opinion.

(3)The 8/13 financial report has been approved by the audit committee and submitted to the board of directors for approval. The independent director / audit committee has no opinion.

(4)The 11/12 financial report has been approved by the audit committee and submitted to the board of directors for approval. The independent director / audit committee has no opinion.

In December 2019, the annual verification plan was communicated, and the items are as follows:

(1) The roles and responsibilities of major accountants. (2) Check plan. (3) Preliminary views on key verification matters. (4) The independence of accountants.

(C)Communication between independent directors and internal audit supervisors:

Date of communication in 2019: In addition to each board meeting (a total of 11 meetings in 2019), interviews will be held on the following dates.

7/24 The audit conducted an interview with the independent director, and reported on the implementation of the audit operation and other matters related to the audit business and the company's current business and operating conditions.

The independent director asked the company to provide the current progress of the handling of various litigation cases, and provide relevant information in writing, as well as the amount of deductions retained by the manufacturer after leaving the market.

Implementation situation: In accordance with the requirements put forward by independent directors, the undertaking department is requested to provide relevant written materials, and the written information is presented on 8/13 of the board of directors.

3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	√		The company in November 13, 2014 on the basis of "publicly traded corporate governance codes of practice" provides the final version of the corporate governance code of practice, the Board of Directors by the purposes and on March 26, 2019 the Board adopted the fifth amendment to publicly expose MOPS (http://mops.twse.com.tw/mops/web/t100sb04_1)	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	√		Internal control of the Company set about parties on record operating procedures, the actual operation of the process in conformity to prescribed procedures and made a record, the company website investor contact zone and set up the window, a spokesman for the	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		<p>establishment of mechanisms to deal with shareholder proposals, doubts, disputes and litigation matters. .</p> <p>The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares.</p>	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		<p>Rules are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. In addition, the “Criteria of Internal Control Mechanism for a Public Company”, outlined by the Financial Supervisory Commission when drafting the guidelines for the “Supervision and Governance of Subsidiaries”, was followed in order to implement total risk control with respect to subsidiaries.</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	√		To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information(amended in August 2015 Preventing insider trading management system operations). The Company has also strongly advocated these rules in order to prevent any violations.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	√		Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The Board objectively chooses candidates to meet the goal of member	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		√	<p>diversification. Please refer to the company's website-corporate governance-director introduction. http://www.kseco.com.tw//tc/finance1.aspx</p> <p>The company is currently in addition to salary compensation committee, the audit committee was set up in 2015 (still the establishment of non-mandatory), other functional panel will assess whether to set.</p>	other functional panel will assess whether to set.
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually? And report the results of the performance evaluation to the board of directors and run.References for individual	√		<p>The company has formulated rules and procedures for evaluating the Board’s performance and conducts it annually. The assessment items are as follows: 1. Degree of participation in company</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
directors' remuneration and nomination renewal?			<p>operations (12 items)</p> <p>2. Improve the quality of board decision-making (12 items)</p> <p>3. Board composition and structure (7 items)</p> <p>4. Selection of directors and continuing education (7 items)</p> <p>5. Internal control (7 items)</p> <p>A total of 45 items. After handing over the directors' self-assessment form to the directors at the end of the year, the board of directors' meeting unit will conduct an assessment based on the above-mentioned assessment items. The evaluation results are divided into five levels: 1. Very poor, 2. Poor, 3. Medium, 4. Excellent, 5. Very excellent. The 2019 board performance evaluation was excellent. The result of the evaluation determines the percentage of directors' remuneration distribution for the year,</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?	✓		<p>Not more than 3%. and the reference for nomination and re-appointment when the directors are re-elected. (For other board performance evaluation, please refer to the company's website. http://www.kseco.com.tw/upload/53/2020011309581342992.pdf)</p> <p>(4) Based on the advice of the accountant, conduct an assessment before the announcement of the first quarter of the financial report. In 2019, the first board conducted an assessment on March 27, and the assessment was as follows: The company's internal corporate governance code of conduct is evaluated by the company as follows: (A) According to Article 68 of the Auditing Standards Bulletin No. 46: "The impact of</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>familiarity is particularly relevant to the case of checking the financial statements of listed cabinet companies. For similar cases, the host accountant should rotate after a certain period (usually not more than 7 years), and At least a certain period of time (usually not less than 2 years) is required to return to office. "And the company's" Corporate Governance Code of Practice "Article 29, second item:" The company should periodically (at least once a year) evaluate the independence of the employed accountant</p> <p>"Sex" requirements.</p> <p>(B) The current visa accountants of the company are Wang, Fang-yu and Hsiao,Chin-mu, the accountants of PwC Taiwan. Their visa periods in the company are as follows:</p> <p>Accountant's name from the beginning of the visa period</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>Wang, Fang-yu 2016 to date Hsiao, Chin-mu 2017 to date Today, according to the needs of internal organizational changes of PwC Taiwan, it is planned to change accountants Lin, Se-kai and Hsiao, Chin-mu from 2019 onwards. (C) During the period of cooperation with the Company, the accountants in the preceding paragraph have no conflicts of interest and conform to the principle of independence. Resolution: After all directors attended the resolution on March 27, 2019</p>	
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the	√		<p>The company uses the stock office of the administrative department as the special unit for corporate governance affairs, And appoint a Corporate Governance Supervisor (Li, kuei-chung), in addition to providing directors (including independent directors) with the</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?			necessary information for the execution of business, according to law to deal with the board of directors and shareholders' meetings related matters, handle company registration and change registration, production board and shareholders In addition to the meeting minutes and other matters, it also builds and maintains information disclosure on the company's website and related information on corporate governance, stakeholders, and corporate social responsibility. For related corporate governance operations and implementation, please refer to our website: http://www.kseco.com.tw/upload/17/2019122410401826590.pdf	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social	√		The Company provides detailed contact information, including telephone numbers and email addresses in the “Stakeholder Area” section of the corporate website. In addition,	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
responsibilities?			personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company appoints a professional stock agency "Yuanta Securities Stock Agent" to handle the affairs of the company's shareholders' meeting.	None
7. Information Disclosure				
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1)The Company has set up a Chinese/English website (http://www.kseco.com.tw) to disclose information regarding the Company’s financials, business and corporate governance status.	None
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle	✓		(2)The Company has assigned an appropriate person to handle information collection and disclosure. Contact person: Shareholding office.	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed time limit?</p>		<p>√</p>	<p>The Company has established a spokesman system. Investor conference information is disclosed on the corporate website.</p> <p>(3) The company currently publishes and declares its annual financial report by the end of March in accordance with regulations. The first, second, and third quarters are also completed within the standard timeframe. The monthly revenue is declared before the 10th of each month.</p>	<p>There is currently no plan for early declaration, and plans will be made in the future depending on the possibility.</p>
<p>8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p> <p>(1) The directors and supervisors of the Company are in the process of further training. (Please refer to P58-60) The Company has established an audit committee and has no supervisors. In addition to the 6-hour course for the required directors, the company also regularly arranges related activities such as corporate governance, corporate ethics and certification, and internal transactions.</p>				

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Please refer to page 38-39 for the status directors and supervisors participating in the meeting of the board of directors. For employees’ interests and care, please refer to pages 131-136.</p> <p>(3) For the risk management policy and risk assessment standard, please refer to pages 157-162. The relationship with suppliers and the status of customer policy, please refer to pages 119-126. For the relationship among investors and interests of related parties, please refer to “For investors” on the company’s website.</p> <p>(4) In addition to dedication to its regular management and profit maximization, the company as well is aware of its corporate responsibility for the society, and constantly pays attention to consumers’ interests and environmental protection. Please refer to pages 66-73 regarding responsibility to the society stated in the area for investors on the company’s website.(http://www.kseco.com.tw/venture/)</p> <p>(5) The company’s directors are evaded from participating in the voting of cases involved with interests and forces and may cause harm to the company’s interests listed by the Board.</p> <p>(6) The company purchased liability insurance for all directors on November 16, 2018 and And renew on November 16, 2019, and has applied to the public information observatory.</p> <p>(7) In order to enhance the company’s operation, the company successively checks and complies with the authorities and set up related measures and internal operating procedure based on needs. Such as “procedure of meetings of the Board of Directors”, “procedures of the acquisition or disposition of assets”, “procedures of engaging in derivative transactions”, “procedures and rules of shareholders’ meeting”, “election measures for directors and supervisors”, “procedures of derivative transactions”, “budget management measures”, “subsidiary management measures”, “prevention of insider trading management systems”, and “public information reporting and operational control”. Among which, “prevention of insider trading management systems” and “public information reporting and operational control” are the major information processing procedures, as all related departments and staff are dealing with important information or disclosure, must follow the related procedures and regulations.</p>				

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons		
	Yes	No	Abstract Illustration			
As a site is established, the company always offers a complete internal control system to each site, and when amendments and additions are made, all staff, managers, and directors will be noticed immediately.						
<u>Directors training records:</u>						
Title	Name	Training hours	Study period		Sponsoring Organization	Course
			From	To		
Director	Chen ,huang-min g	3H 3H	2019/09/27 2019/12/04	2019/09/27 2019/12/04	Securities and Futures Development Foundation	1.Discussion on Enterprise Preventing Employee Fraud. 2. Case analysis of the establishment of the Board of Directors and Supervisors for breach of credit and special breach of credit
Director	Chiang,c hi-ching	3H 3H	2019/11/27 2019/12/04	2019/11/27 2019/12/04	Securities and Futures Development Foundation	1.Corporate governance and board operation. 2. Case analysis of the establishment of the Board of Directors and Supervisors for breach of credit and special breach of credit
Director	Tseng, mei- ling	3H 3H	2019/07/31 2019/10/01	2019/07/31 2019/10/01	Securities and Futures Development Foundation	1. Insider trading shares of listed companies follow legal advocacy briefing. 2. Discussing the Legal Risks and Countermeasures of Directors and Supervisors from the Case of

Evaluation Item			Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
			Yes	No	Abstract Illustration	
						Major Corporate Malpractice
Director	Chang, liang-min g	3H 3H	2019/08/16 2019/11/08	2019/08/16 2019/11/08	Securities and Futures Development Foundation	1. Insider trading shares of listed companies follow legal advocacy briefing. 2. 2019 Prevention of Insider Trading advocacy briefing
Independent director	Chen, chin-yueh	3H 3H	2019/04/26 2019/07/31	2019/04/26 2019/07/31	Republic of China Securities Counter Trading Center Securities and Futures Market Development Foundation	1. 2019 Prevention of Insider Trading advocacy briefing 2. Insider trading shares of listed companies follow legal advocacy briefing.
Independent director	Wang, chih-lung	3H 3H	2019/06/28 2019/12/13	2019/06/28 2019/12/13	Corporate Corporate Governance Association	1. Audit Committee Operational Practice 2. The practical problems of unconventional transactions that the directors and supervisors should pay attention to.
Independent director	Tu, yi-yang	3H 3H 3H	2019/02/26 2019/02/26 2019/10/31	2019/02/26 2019/02/26 2019/10/31	National Association of the Chinese Institute of Certified Public	1. Remarks on the update of the income tax law for profit-making enterprises and the newly added declaration and verification.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Accountants	2. Through APG assessment, new challenges for accountants. 3. Issues related to company registration as amended by the new company law.
<p>9. Has the company implemented a self-evaluation report ² on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements.</p> <p>The Company has set corporate governance codes of practice and perform in accordance with the norms of the Code. 2019 Annual Corporate Governance Evaluation (certificate-based evaluation will be carried out), the Company completed the self-assessment before the end of January 2020, 30 April 2020 will be released by the group certificate 90.36 score, the results of the assessment of all listed companies in the affected the 6-20 percent. Score increased by 7.76 from last year.</p> <p>Missing improvement:</p> <ol style="list-style-type: none"> 1. Strengthen the English version of the English financial report for seasons 1-3. 2. The quarterly board of directors and the time for reporting financial reports cooperate with the standards for corporate governance evaluation. 				

Note: 1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

2. A self-evaluation report is defined as the company assessing its corporate governance evaluation items with appropriate explanations on current corporate operations and implementation.

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

1. Composition: The Company has set up a Remuneration Committee and has three members of the Remuneration Committee on December 28, 2011, with the same term as the appointed Board of Directors.

2. Duties: The Committee shall, with the care of good management, faithfully perform the following functions and submit the recommendations to the Board for discussion.

(1) To formulate and regularly review the policies, systems, standards and structure of directors and managers' performance evaluation and payroll remuneration.

(2) to regularly assess and determine the remuneration of directors and managers.

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Chen, chin-yueh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent director	Tu, yi- yang		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3		
Independent director	Wang, chih-lung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1		

Note1: Please fill in as a director, independent director or others.

Note2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Directors and supervisors of non-company or related companies (but if the company and its parent company, subsidiary or subsidiary of the same parent company are independent directors established by this law or local state laws and regulations, they are not limited).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others'

names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

4. Not a manager listed in (1) or a spouse, relative within the second parent, or direct blood relative within the third parent, etc. of the manager listed in (1) or (2), (3).
5. Directors, supervisors, or legal shareholders who are not directly holding more than 5% of the company's total issued shares, holding the top five shares, or appointing representatives as company directors or supervisors in accordance with Article 27, paragraph 1 or 2 of the Company Law Employee (but if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, this is not the limit).
6. More than half of the shares that are not on the board of directors of the company or have voting rights are the directors, supervisors or employees of other companies controlled by the same person (but if it is the company or its parent company, subsidiary or subsidiary of the same parent company (The independent directors established by laws or local laws and regulations of the country shall not be limited to this).
7. Directors (directors), supervisors (supervisors) or servants of other companies or institutions who are not the same person or spouse with the company's chairman, general manager or equivalent, but if the company and its parent company, subsidiary (If the independent directors established by subsidiaries of the same parent company in accordance with this law or local laws and regulations serve concurrently, they are not limited to this)
8. Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but if a specific company or organization holds 20% of the company's total issued shares The above does not exceed 50%, and the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, not limited to this).
9. Professionals, sole proprietorships, partnerships, owners or partnerships of companies or institutions that are not companies or related companies that provide audits or business, legal, financial, accounting and other related services that have received audits or accumulated remuneration in the past two years of less than NT \$ 500,000 Persons, directors (directors),

supervisors (supervisors), managers and their spouses. However, members of the Salary and Compensation Committee, Public Takeovers Review Committee, or M & A Special Committee performing their functions and powers in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M & A Act are not limited to this.

10. There is no one of the circumstances in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

1. There are 3 members in the Remuneration Committee.
2. A total of 3 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows::

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Convener	Chen, chin-yueh	3	0	100%	
Committee Member	Tu, yi-yang	3	0	100%	
Committee Member	Wang, chih-lung	3	0	100%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified):
None. Please see next page.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

In 2019 and as of the date of publication of the annual report, the operation of the salary and compensation committee:

(1) March 27, 2019 Salary and Remuneration Committee. (the 26th, first time of Board, 2019)

- Employee and director compensation distribution in 2018. (Stakeholders are advised to evade when voting on this case)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's business situation: The resolution was approved by the Remuneration Committee and was reviewed and approved by the board of directors on March 27, 2019. The net profit before tax in 2018 was NT \$ -105,214 thousand, and no allocated employee compensation or director . And report to the regular shareholders meeting on June 27, 2019.

- Review of the remuneration cases of directors and managers (Stakeholders are advised to evade when voting on this case)

The result of the resolution: After discussion by all the members present, the current relevant remuneration measures still meet the needs of the company and they can continue to be used. All remunerations were approved by the all the present members without objection.

The company's business situation: After being approved by the Remuneration Committee, it was submitted to the Board of Directors for resolution and passed on March 27, 2019. Continue to use the established methods in accordance with the results of the resolution.

(2) September 19, 2019 Salary and Remuneration Committee. (the 26th, sixth time of Board, 2019)

- Review the current cash capital increase case "Employee Subscription Measures" and the number of shares that managers can subscribe for in 2019.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's business situation: After being approved by the Remuneration Committee, it was submitted to the Board of Directors for resolution and passed on September 19, 2019. Handle employee stock subscription-related matters in accordance with the 2019 cash replenishment employee stock subscription rules and regulations and standardized employee.

(3) December 31, 2019 Salary and Remuneration Committee. (the 26th, eleventh time of Board, 2019)

- Review the year-end performance evaluation of directors and managers. (Stakeholders are advised to evade when voting on this case)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's business situation: The company's handling of the situation: After the remuneration committee passed it, it submitted it to the board of directors for resolution, which was passed on December 31, 2019. The manager 's year-end bonus will be issued based on the resolution. The assessment of the director's product effectiveness is the basis for the director's remuneration distribution during the surplus distribution and the director's nomination during the re-election.

(4) March 26, 2020 Salary and Remuneration Committee. (the 26th, first time of Board , 2020)

- Employee and director compensation distribution in 2019. (Stakeholders are advised to evade when voting on this case)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's business situation: The resolution was approved by the Remuneration Committee and was reviewed and approved by the board of directors on March 26, 2020. The net profit before tax in 2019 was NT \$ -5,337 thousand, and no allocated employee compensation or director . And report to the regular shareholders meeting on June 17, 2020.

- Review the remuneration of directors and the salary adjustment of managers and the remuneration of newly appointed deputy general managers and Corporate Governance Supervisor. (Stakeholders are advised to evade when voting on this case)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's business situation: The resolution was approved by the Remuneration Committee and was reviewed and approved by the board of directors on March 26, 2020.

3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
1. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note 3)	√		The company conducts risk identification on environmental, social and corporate governance issues related to the company's operations according to the principle of materiality, then conducts risk assessment, and formulates management strategies and risk countermeasures based on the actual risks that may arise. For detailed risk management strategies, please refer to our website: http://www.kseco.com.tw//tc/about1.aspx?cid=101&cchk=812E398D-DFC2-43B1-8AC0-83184FB23358	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
2. Does the company set up a full-time (part-time) unit that promotes corporate social responsibility, and the board of directors authorizes the senior management to handle it, and reports the handling situation to the board of directors?	√		<p>This is to strengthen the company's recognition of CSR (corporate social responsibility), and believes that CSR's actions can create better competitiveness for the company. Therefore, under the supervision of the company's highest governance body (board of directors), the general manager is authorized to instruct the administrative department to form work The promotion team is responsible for assisting and organizing other departments to promote CSR related work, data collection and execution, and regularly reports to the company's highest governance body in May every year. Please refer to the company's website for the relevant work processing plan and governance structure:</p> <p>http://www.kseco.com.tw/tc/responsibility.aspx?cid=27&cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836</p>	None
<p>3.Environmental issues</p> <p>A. Does the company establish an appropriate environmental management system according to its industrial characteristics?</p> <p>B. Is the company</p>	√		<p>A. The company passed the ISO14001 environmental management system verification, and formulated environmental protection measures in accordance with the local environment of the project location, and in accordance with the relevant environmental protection laws and regulations of the owners and government units, and cooperated with the implementation of environmental management systems.</p> <p>B. (1)Recycled asphalt concrete recycling, recycled asphalt concrete manufacturing</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load?	✓		and the use of recycled asphalt concrete. Using a secondary burner: the sizzling sand mix AC and fumes generated by the secondary treatment, in order to reduce air pollution.	None
	✓		(2)Pre-cast Original use: The company Airport MRT CE02 standard construction projects, railway stations, elevated steel structure, Pre-cast box girder, Pre-cast parapet, Pre-cast cable trenches and covers for Pre-cast elements. In the system construction methods, not only can improve the rate of construction, save money, but also reduce carbon dioxide emissions during construction.	None
	✓		(3)Steel bars are made of fixed lengths: The loss of steel can be reduced from 8.0% to 1.76%. Using about 75,349 tons, it can save about 4,702 tons of steel, which is equivalent to saving about 10,484,922kg of carbon dioxide.	None
	✓		(4)Concrete mixed with blast furnace powder BF powder instead of cement, blast furnace powder recycling, reduce the amount of cement to use.(1 tonne of cement produced 409.57 kg of carbon dioxide emissions, furnace slag cement and other alternative materials to produce 1 tonne emissions only 68.3 kg (furnace slag abrasives energy) of carbon dioxide)	None
C. Does the company assess the potential risks and opportunities of climate	✓		C. The company has carried out climate change impacts based on the currently contracted projects. Risk assessment and evaluation of future contracting opportunities Analyze	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
<p>change for the company now and in the future, and take measures to address climate-related issues?</p> <p>D. Does the company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?</p>	√		<p>and formulate management strategies and risk countermeasures to respond. (See The company's website: http://www.kseco.com.tw//tc/about1.aspx?cid=101&cchk=812E398D-DFC2-43B1-8AC0-83184FB23358)</p> <p>D.The company's energy management policy and greenhouse gas reduction and reduction for information on water and waste management, please refer to our website-Corporate Social Responsibility-Environmental Protection Zone : http://www.kseco.com.tw/tc/responsibility.aspx?cid=29&cchk=0ADDA6B5-8F20-4780-BE4C-67A38E65EBC6</p>	None
<p>4. Social issues</p> <p>A. Has the company formulated relevant management policies</p>	√		<p>A. The company formulates personnel management measures in accordance with the Labor Standards Law as the basis for the company's personnel management policies.</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
<p>and procedures in accordance with relevant regulations and international human rights conventions?</p> <p>B. Does the company formulate and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results in employee compensation?</p> <p>C. Does the company provide a safe and healthy work environment for employees, and regularly implement</p>	<p>√</p> <p>√</p>		<p>B. The company established the Employee Welfare Committee in June 1993, and each year sets an annual plan and budget to handle various activities. The company also plans internal and external education and training and adjusts employee salaries according to the annual performance appraisal and company operating conditions and allocates 3% -5% of the surplus for employee dividends. For other related welfare measures, please refer to the "Human Resources Zone-Good Health in Industry Credit" of our website. http://www.kseco.com.tw//tc/humanResources.aspx?cid=13&cchk=EDA7FCF-1BBE-4AAC-978B-5737C87B3701</p> <p>C. The company provides a safe, healthy and comfortable working environment Arrange employee health checks (July-September each year), and regularly hold safety and health education and training to make colleagues aware of relevant safety and health regulations.</p>	<p>None</p> <p>None</p>

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
safety and health education for employees? D. Does the company establish an effective career development training program for employees?	√		D. The company has set up an education and training quality management manual to evaluate employee functions and conduct training so that employees' career planning can be integrated with the company's overall benefits grow together.	None
E. With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed relevant regulations and international standards, and formulated relevant consumer protection policies and appeal procedures?	√		E. For the construction industry, the company is mainly engaged in contracting government public projects. Therefore, it follows the relevant regulations of the government regulations, such as the government procurement law, project warranty operations, and the construction management system and relevant government regulations in production to protect consumers and stakeholders. Rights and interests, and has set up a special area for stakeholders on the company's website as a channel for appeals and liaison.	None
F. Does the company			The company has the management of suppliers in the internal control system,	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?	√		strictly regulates the suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and sets the environmental and social responsibility statement in the contract.	None
5. Does the company refer to the internationally-prepared reporting standards or guidelines for preparing corporate social responsibility reports and other reports that disclose the company's non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?	√		The company compiles the corporate social responsibility report with reference to the internationally-recognized report preparation standard indicators (GRI Standards). Since it is still voluntary, it adopts self-confidence. In the future, it will obtain the confidence of the third-party verification unit.	None

Evaluation Item	Implementation Status ¹		Abstract Explanation ²	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
<p>6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation:</p> <p>The company in August 12, 2015 the Board of Directors through the implementation of the Code of corporate social responsibility practices. The second revision on March 26, 2020. Please refer to the operating situation of the Company "Corporate Social Responsibility Report," and the operation of the Code provides no difference.</p>				
<p>7. Other important information to facilitate better understanding of the company’s corporate social responsibility practices :</p> <p>The Company's other corporate social responsibility related operations and the specific promotion plans and implementation results have been disclosed on the corporate social responsibility section of the company's website. (http://www.kseco.com.tw/tc/responsibility.aspx?cid=27&cchk=A3450C32-ACF0-4D13-81C1-976EF7C59836)</p>				

- Note: 1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.
2. Companies who have compiled CSR reports may cite the source from specific pages of their CSR reports instead.
3. The principle of materiality refers to those who have a significant influence on the company's investors and other stakeholders on environmental, social and corporate governance issues.

3.3.6 Ethical Corporate Management

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Formulate integrity management policies and plans				
(1) Has the company formulated the integrity management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management, as well as the commitment of the board of directors and senior management to actively implement the management policy?	√		(1)The company has a "integrity management policy", which was approved by the board of directors on November 12, 2019, and is clearly stated in the employee manual, supplier contract documents and the company's website. Please refer to the company's website for the company's integrity management and operation situation: http://www.kseco.com.tw/upload/17/2019122411295677805.pdf	None
(2) Whether the company has established an assessment mechanism for the risk of dishonesty, regularly analyzes and evaluates	√		(2)The company has formulated the "Integrity Management Operation Procedures and	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least covers the "honest management of listed companies "Code" Article 7, paragraph 2 of the prevention measures?</p> <p>(3) Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?</p>	√		<p>Conduct Guidelines", which sets out clear norms and preventive measures for the prevention of dishonesty, and its scope includes (but not limited to) the conduct of the second paragraph of Article 7, It also establishes a risk assessment mechanism and regularly analyzes and evaluates the internal control.</p> <p>(3) On November 12, 2019, the board of directors of the company adopted the "Guidelines for Integrity Management Operating Procedures and Behaviors", and the "Measures for Reporting Cases of Illegal and Unethical or Dishonest Conduct" has a complete disciplinary punishment and appeal system Implement and review regularly (at least once</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			a year).	
<p>2. Implement integrity management</p> <p>(1) Does the company evaluate the honest and credit records of the counterparty and specify the terms of honesty and credit in its long contract with the counterparty?</p>	√		(1) The company's internal control system has strict specifications, establishes a supplier data management model, conducts market surveys and manufacturers' credit investigation in accordance with regulations, and incorporates the company's integrity management policy with the signing of the integrity management clause in the contract.	None
<p>(2) Does the company set up a special unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once a year) report to the board of</p>	√		(2) The company uses the Administration Department as a unit to promote integrity management and reports to the Board of Directors for the first time every year. In 2019,	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>directors on its integrity management policies and plans to prevent dishonest behaviors and supervision and implementation?</p> <p>(3) Does the company formulate a policy to prevent conflicts of interest, provide appropriate presentation channels, and implement them? ✓</p>			<p>the board of directors conducted a report on the integrity management and related prevention programs and supervision and implementation on January 22, 2020. (For the operation and implementation, please refer to our website: http://www.kseco.com.tw/upload/17/2019122411295677805.pdf)</p> <p>(3) The company has provisions for avoiding interests in the code of good faith operation and the rules of procedure for board meetings, and provides appropriate channels for directors, independent directors, managers and other stakeholders who attend or attend the</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>board of directors to actively indicate whether they have potential conflicts of interest with the company . The directors, supervisors, managers and other stakeholders of the company present or attending the board of directors, who are interested in the bills listed by the board of directors and their own or their legal persons, should explain the important content of their interests at the current board of directors If it is harmful to the interests of the company, it shall not join the discussion and voting, and shall be avoided during the discussion and voting, and shall not act for other directors to exercise their voting rights.</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Whether the company has established an effective accounting system and internal control system for the implementation of integrity management, and the internal audit unit has formulated relevant audit plans based on the results of the assessment of the risk of dishonesty, and checked the compliance with the plan to prevent dishonesty Or entrust an accountant to perform the audit?	√		(4)The company has established an effective accounting system and internal control system. The audit unit has also formulated a risk assessment of dishonesty in the audit plan to check compliance with the plan to prevent dishonesty.	None
(5) Does the company regularly conduct internal and external education and training on integrity management?	√		(5) The company regularly organizes (at least once a year) internal and external education and training on integrity management. In 2019, in addition to inviting directors to participate in the courses organized by the Securities Development Foundation, an internal training	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			course on "Corporate Integrity Management Insider Trading and Internal Major Information Processing Operations" will be conducted on November 12, 2019, inviting directors and managers to participate. And after the meeting, the course materials will be published on the company's intranet EIP, please download it for viewing by all colleagues, in order to achieve the purpose of education promotion for all staff.	
3. The operation of the company's whistleblowing system (1) Does the company formulate a specific reporting and reward system, and establish a convenient reporting channel, and assign	√		(1) The company has "Employee Complaint Handling System" and "Handling Methods for Reporting Cases of Illegal and Unethical or	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>appropriate personnel to handle the object of reporting?</p> <p>(2) Has the company set the standard operating procedures for the investigation of the complaint, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism?</p>	√		<p>Dishonest Conduct", which clearly lists the reporting channels and assigns a special person to be responsible.</p> <p>(2) Standard operating procedures for the investigation and prosecution matters related security mechanisms:</p> <ol style="list-style-type: none"> 1. On receipt of report telephone or mail, receiving personnel record made, Chen reported immediately processed. 2. If an interested party rights are infringed or when there are other opinions, to report the matter in writing, the contractor should immediately identify each process, or layer packet processing, and handling the case by return results or prosecutors. 	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company provide proper whistleblower protection?	√		<p>3. Prosecutors funded under the provisions of a Personal Data Protection Act, the investigation also absolutely confidential, and may not disclose</p> <p>(3)The company strictly prohibits retaliation for good faith communications or persons who assist in the investigation of any kind.</p>	None
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</p>	√		<p>The Company MOPS and the company's official website Jie public integrity management Code of Practice for New staff integrity of business-related workshops, business units evaluate suppliers assessments on good faith behavior, and Administration and audit chamber to promote part of the integrity management unit, reporting to the Board of Directors.</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			company’s website : http://www.kseco.com.tw/tc/regulations.aspx Operation situation and effectiveness: http://www.kseco.com.tw/upload/17/2019122411295677805.pdf	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). In the contract between the company and the manufacturer, the main clause is to clearly define the relevant provisions of the principle of integrity, and the manufacturer is welcome to submit comments on the company's integrity management code for review and amendment. The Company formulated the Integrity Management Code on July 4, 2012. The first amendment was adopted on March 27, 2015, and the Board of Directors approved the amendment to the Integrity Management Code (second amendment) on August 13, 2019 The report of the regular shareholders meeting was submitted on 2020.06.17.				

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

3.3.7 Corporate Governance Guidelines and Regulations

The company's corporate governance codes of practice have been disclosed in MOPS, and the other related regulations is also disclosed on the company website investor area, at the following address:

<http://www.kseco.com.tw/tc/index.aspx>

3.3.8 Other Important Information Regarding Corporate Governance

The Company is to enhance the implementation of the corporate governance operations, and another view and with the authorities and, as the need to draw the relevant procedures and measures internal operating procedures specification. For guidelines, see the company's website :

<http://www.kseco.com.tw/tc/index.aspx>

3.3.9 Internal Control Systems

A. Internal Control Statement:

Kung Sing Engineering Corporation
Internal Control Statement

Date: March 26, 2020

The company's internal control system for 2018, based on the results of its own assessment, would like to state the following:

- I. The Company is aware that the establishment, implementation and maintenance of the internal control system is the responsibility of the board of directors and managers of the Company. The Company has established this system. The purpose is to provide reasonable results in terms of operational effectiveness and efficiency (including profitability, performance and asset security, etc.), reporting reliability, timeliness, transparency, compliance with relevant regulations and compliance with relevant laws and regulations. Ensure.
- II. The internal control system has its inherent limitations. Regardless of how well the design is perfected, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives. Moreover, due to changes in the environment and conditions, the effectiveness of the internal control system may Change. However, the company's internal control system has a self-monitoring mechanism. Once the identification is missing, the company takes corrective action.
- III. The company judges whether the design and implementation of the internal control system is effective based on the judgment of the effectiveness of the internal control system as stipulated in the “Guidelines for the Establishment of

Internal Control Systems for Public Offering Companies” (hereinafter referred to as “Processing Guidelines”). The internal control system judgment project used in the “processing criteria” is based on the process of management control, and the internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervised operations. Each component also includes several items. Please refer to the “Handling Guidelines” for the above items.

- IV. The Company has adopted the above internal control system to judge the project and evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the results of the previous assessment, the Company believes that the internal control system (including the supervision and management of subsidiaries) of the Company on December 31, 2019, including the understanding of the effectiveness and efficiency objectives of the operation, and the reporting are reliable. The design and implementation of the internal control system, such as timely, transparent and in compliance with relevant regulations and relevant laws and regulations, is effective and can reasonably ensure the achievement of the above objectives.
- VI. This statement will become the main content of the company's annual report and public statement, and will be made public. If the content of the above disclosure is illegal or concealed, it will involve legal liabilities such as Articles 20, 32, 171 and 174 of the Securities Exchange Law.
- VII. This statement was approved by the board of directors of the Company on March 26, 2020. Among the 7 directors, 0 were dissent, and the rest agreed to the contents of this statement.

Kung Sing Engineering Corporation
Chairman: Chen ,huang-ming
General Manager: Chiang,chi-ching

- B. Entrusted accountant project to review the internal control system, should disclose the accountant review report: None.

3.3.10 In the most recent year and the end of the annual report, the company and its internal personnel were punished according to law, and the company violated the internal control system for penalties, major defects and improvement of its internal personnel: None.

3.3.11 Major Resolutions of Shareholders’ Meeting and Board Meetings

A. Important resolutions and implementation of the shareholders' meeting:

The 2019 Annual Shareholders' Meeting of the Company was held on June 27, 2019. The matters and implementation of the shareholders' resolutions were as follows:

a. 2018 annual business report and financial report.

Implementation: It is submitted to the shareholders' meeting for recognition and resolution.

b. In the 2018 profit and loss allocation case, it is proposed to use the statutory surplus reserve and capital reserve to make up the loss.

Implementation: It is submitted to the shareholders' meeting for recognition and resolution.

c. Amend some provisions of the company's "procedures for handling or acquiring assets".

Implementation: It is submitted to the shareholders' meeting for discussion and resolution. The amendment of this processing procedure will be implemented after the approval of the shareholders' meeting.

d. Amend some provisions of the company's "Derivative commodity transaction processing procedures".

Implementation: It is submitted to the shareholders' meeting for discussion and resolution. The amendment of this processing procedure will be implemented after the approval of the shareholders' meeting.

e. Amend some provisions of the company's "Operational procedures for Loaning of Company Funds" and "Operational procedures for Endorsements and Guarantees".

Implementation: Submit to the shareholders meeting for discussion and resolution. The amendments to these measures will be implemented after the shareholders' meeting passes.

f. Amend some provisions of the company's "Corporate Charter".

Implementation: Submit to the shareholders meeting for discussion and resolution. The amendments to this Article of Association will be implemented after the approval of the shareholders' meeting.

B. Important resolutions of the board of directors:

The company's important resolutions of the board of directors for the year 2019 and the date of publication of the annual report are as follows: (All proposals for the year and the date of printing of the annual report have been passed by the chairman in consultation with all present directors (including independent directors) without objection. (The proposal of 14-3 is indicated after each resolution)

a. Board of Directors, March 27, 2019 (the 26th, first time of Board, 2019)

- The resolution passed the 2018 employee and director compensation distribution case.
 - The resolution passed the 2018 annual business report and financial report.
 - The resolution passed the 2018 annual profit and loss transfer case.
 - The resolution issued a "Statement of Internal Control System Statement" through the company.
 - The resolution passed amendments to some of the provisions of the Company's "Derivatives Transaction Processing Procedures". (Securities and Exchange Act 14-3)
 - The resolution passed the convening of the company's 108-year shareholders' meeting.
 - The resolution passed the company's bank guarantee quota and the comprehensive turnover of the working capital.
 - The resolution passed the review of the remuneration of directors and managers. (Securities and Exchange Act 14-3)
 - The resolution regularly evaluates the independence of visa accountants through the company.
 - The resolution is required by the company to undertake the performance bond guarantee, prepayment repayment guarantee and engineering working capital required for the "New Project of Tamkang Bridge and its connected roads 5K+000~7K+035" case.
- b. Board of Directors, May 7, 2019 (the 26th, second time of Board , 2019)
- The resolution passed the revision of some of the provisions of the Company's "Funding and Others' Operation Methods" and "Endorsement Guarantee Implementation Measures". (Securities and Exchange Act 14-3)
 - The resolution passed the "Measures for Performance Evaluation of the Board of Directors and Functional Committees" of the Company.
 - The resolution passed amendments to some of the provisions of the Company's Articles of Association.
 - The resolution passed the amendment to the agenda of the 2019 shareholders' meeting of the Company (new discussion items).
 - The resolution passed the company's bank guarantee quota and the comprehensive turnover of the working capital.
- c. Board of Directors, June 14, 2019 (the 26th, third time of Board , 2019)
- Amendments The company's board of directors adopted amendments to the board of directors' resolution on June 4, 2018, and changed to handle the 2019 current cash capital increase issuance of new shares and the first domestic guaranteed convertible corporate debt case. (Securities and Exchange Act 14-3)

- The resolution passed the case concerning the sale of securities of Taiwan High Speed Rail Corporation. (Securities and Exchange Act 14-3)
 - The resolution passed the case concerning the sale of real estate on the Huacheng Rd., Sindian Dist. (Securities and Exchange Act 14-3)
 - The resolution passed the subsidiary KUNG SING International Holdings Limited (SAMOA) to handle the liquidation case. (Securities and Exchange Act 14-3)
 - The resolution passed the renewal of the company's bank guarantee amount and working capital comprehensive amount.
- d. Board of Directors, July 31, 2019 (the 26th, fourth time of Board , 2019)
- Approved the company's sound operation plan.
 - The resolution was passed. On June 14, 2019, the board of directors of the company approved the issuance of the first domestic guaranteed convertible corporate debt case, which will be handled in a timely manner depending on the company's operations and market conditions after the completion of the capital increase. (Securities and Exchange Act 14-3)
- e. Board of Directors, August 13, 2019 (the 26th, fifth time of Board , 2019)
- The resolution passed to revise some of the provisions of the Company's "Integrity Management Code".
- f. Board of Directors, September 19, 2019 (the 26th, sixth time of Board , 2019)
- The resolution passed to stipulate the issuance conditions and the subscription base date of the company's 2019 capital increase issuance of new shares and other related matters.
 - The resolution passed the review of the current cash capital increase case "Employee Subscription Measures" and the number of shares that managers can subscribe.
- g. Board of Directors, October 22, 2019 (the 26th, seventh time of Board , 2019)
- The resolution passed the case concerning the disposal of Xindian land real estate. (Securities and Exchange Act 14-3)
 - The resolution passed the subsidiary KUNG SING Biomedical Engineering Co., Ltd. to handle the liquidation case. (Securities and Exchange Act 14-3)
- h. Board of Directors, November 12, 2019 (the 26th, eighth time of Board , 2019)
- The resolution passed the formulation of the company's "integrity management policy" and "integrity operation procedures and behavior guidelines".
 - The resolution passed the renewal and application of the company's bank guarantee limit and working capital comprehensive limit.
 - Resolution passed regarding the company's application for short-term financing.
 - The resolution passed the case concerning the sale of real estate in Anhe Rd. (Securities and Exchange Act 14-3)

- i. Board of Directors, November 29, 2019 (the 26th, Ninth time of Board , 2019)
- The resolution passed that the company should handle 100% of the equity of Chan Pang Construction Co., Ltd., a molecular company, through public bidding. (Securities and Exchange Act 14-3)
- j. Board of Directors, December 16, 2019 (the 26th, Tenth time of Board , 2019)
- The resolution passed the selection of the public bidding consultancy company and related matters.
 - The resolution passed the company's "Audit Plan for 2020".
- k. Board of Directors, December 31, 2019 (the 26th, eleventh time of Board , 2019)
- The resolution passed the company's "Operation Plan for 2020".
 - The resolution passed the year-end performance evaluation of directors and managers. (When voting on this case, interested parties are requested to avoid it and other directors vote. This case was approved by all directors present without objection.)
- l. Board of Directors, January 22, 2020 (the 26th, first time of Board , 2020)
Temporary meeting
- The resolution passed to set a base price for the 100% shareholding price of the public sales office molecular company, Chan Pang Construction Co., Ltd.
- m. Board of Directors, January 31, 2020 (the 26th, second time of Board , 2020)
- The resolution passed to approve the results of the 100% equity bid opening of the public bidding office molecular company Chan Pang Construction Co., Ltd. and to discuss matters related to the follow-up operations of the second public tender.
- n. Board of Directors, February 20, 2020 (the 26th, third time of Board , 2020)
- The resolution was passed, the second time and the reserve price of 100% equity of Zhanbang Construction Co., Ltd.
- o. Board of Directors, February 26, 2020 (the 26th, fourth time of Board , 2020)
Temporary meeting
- The resolution passed, approved the second bid opening result of 100% equity of Chan Pang Construction Co., Ltd., and discussed matters related to the follow-up operation of the third public bidding.
- p. Board of Directors, March 26, 2020 (the 26th, fifth time of Board , 2020)
- The resolution passed the 2019 employee and director compensation distribution case. (Securities and Exchange Act 14-3)
 - The resolution passed the 2019 annual business report and financial report.
 - The resolution passed the 2019 annual profit and loss transfer case.
 - The resolution issued a "Statement of Internal Control System Statement" through the company.
 - Resolution passed to revise some of the company's "Rules of Procedure for

Shareholders' Meetings"

- The resolution passed to revise some provisions of the Company's "Corporate Governance Code of Practice" and "Corporate Social Responsibility Code of Practice".
 - The resolution passed to revise part of the company's "integrity business operation procedures and behavior guidelines".
 - The resolution passed relevant matters concerning the holding of the 2020 regular shareholders meeting of the company.
 - The resolution passed the renewal of the company's bank guarantee quota and working capital comprehensive quota.
 - By reviewing the remuneration of directors and reviewing the salary adjustment of managers and the remuneration of new deputy general managers and Corporate Governance Supervisor. (Securities and Exchange Act 14-3)
 - Resolution passed by the company to regularly assess the independence of visa accountants.
 - The resolution was passed, the third time and the reserve price of 100% equity of Chan Pang Construction Co., Ltd.
- q. Board of Directors, April 9, 2020 (the 26th, sixth time of Board , 2020)
- Recognize the third bid opening result of the 100% equity of Zhanbang Construction Co., Ltd. and the company ceased to publicly sell 100% of its subsidiary, Zhanbang Construction Co., Ltd.
- r. Board of Directors, May 6, 2020 (the 26th, seventh time of Board , 2020)
- Resolution passed to amend some provisions of the company's "Articles of Association".
 - The resolution was passed to amend the company's 2019 general meeting agenda.
- C. The results of the major resolutions of the Audit Committee and the handling of the situation:
- a. Audit Committee, March 27, 2019(the 26th, first time of Board , 2019)
- 2018 annual business report and financial report. (Securities and Exchange Act 14-5)
- The result of the resolution: All the members present at the meeting was passed without any dispute.
- The company's handling situation: the proposal of the board of directors, the board of directors of all attendance was passed without any dispute, and the proposal shareholders often passed.
- 2018 annual profit and loss account.
- The result of the resolution: The accumulated loss of NT\$ 208,357,073 in this period, it is recommended that no surplus be distributed this year. All the members

present at the meeting was passed without any dispute.

The company's handling situation: the proposal of the board of directors, the board of directors of all attendance was passed without any dispute, and the proposal shareholders often passed.

- The company issued the "Internal Control System Statement".

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors, without any dispute, uploading a public information observatory report.

- Amendments to some of the provisions of the Company's "Derivatives Transaction Processing Procedures". (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors. It will be implemented after the resolution is submitted to the shareholders' meeting.

- The company regularly assesses the independence of visa accountants.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors. In line with independence, continue to appoint.

b. Audit Committee, May 7, 2019(the 26th, second time of Board , 2019)

- Consolidated financial report for the first quarter of 2019.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: report to the board of directors, attending the directors without any disagreement, and report the first quarter earnings report to the public information observatory after the meeting.

- The revision of some of the provisions of the Company's "Funding and Others' Operation Methods" and "Endorsement Guarantee Implementation Measures". (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors. It will be implemented after the

resolution is submitted to the shareholders' meeting.

- Amendments The company's board of directors adopted amendments to the board of directors' resolution on June 4, 2018, and changed to handle the 2019 current cash capital increase issuance of new shares and the first domestic guaranteed convertible corporate debt case. (Securities and Exchange Act 14-5)

The result of the resolution: After the chairman's inquiry, all members decided to discuss the case until the next audit committee.

The company's handling situation: Eliminate the case of the 26th, second time of Board, 2019, and wait for the board of directors to discuss it until the resolution of the audit committee is passed.

c. Audit Committee, June 14, 2019(the 26th, third time of Board , 2019)

Discussions reserved at the last meeting:

- Amendments The company's board of directors adopted amendments to the board of directors' resolution on June 4, 2018, and changed to handle the 2019 current cash capital increase issuance of new shares and the first domestic guaranteed convertible corporate debt case. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors. After the meeting, major information will be released to the public information observatory and follow-up matters will be handled.

- The case concerning the sale of securities of Taiwan High Speed Rail Corporation. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors. Handle subsequent sales.

- The case concerning the sale of real estate on the Huacheng Rd., Sindian Dist. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors. Handle subsequent sales.

- The subsidiary KUNG SING International Holdings Limited (SAMOA) to handle the liquidation case. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors. After the meeting, major information will be released to the public information observatory and follow-up matters will be handled.

d. Audit Committee, July 31, 2019(the 26th, fourth time of Board , 2019)

- The company's sound operation plan.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors.

- The resolution was passed. On June 14, 2019, the board of directors of the company approved the issuance of the first domestic guaranteed convertible corporate debt case, which will be handled in a timely manner depending on the company's operations and market conditions after the completion of the capital increase. (Securities and Exchange Act 14-3)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors.

e. Audit Committee, August 13, 2019(the 26th, fifth time of Board , 2019)

- Consolidated financial report for the second quarter of 2019. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: report to the board of directors, attending the directors without any disagreement, and report the second quarter earnings report to the public information observatory after the meeting.

f. Audit Committee, September 19, 2019(the 26th, Sixth time of Board , 2019)

- The resolution passed to stipulate the issuance conditions and the subscription base date of the company's 2019 capital increase issuance of new shares and other related matters.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: Reported to the board of directors, there was no objection to the directors present, and the base date for cash capital increase was set at October 12, 2019. After the meeting, major information was released and follow-up matters were handled.

- The case concerning the disposal of Xindian land real estate. (Securities and

Exchange Act 14-5)

The result of the resolution:After the chairman consulted all the members to attend the resolutions of the members, the proposal will be discussed after the evaluation report is obtained.

The company's handling situation:Eliminate the case of the 26th, sixth time of Board, 2019, and wait for the board of directors to discuss it until the resolution of the audit committee is passed.

g. Audit Committee, October 22, 2019(the 26th, seventh time of Board , 2019)

- The case concerning the disposal of Xindian land real estate. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors passed by all the directors present without objection, and the follow-up matters shall be handled after the board of directors passes.

- The subsidiary KUNG SING Biomedical Engineering Co., Ltd. to handle the liquidation case. (Securities and Exchange Act 14-5)

The result of the resolution:All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors passed by all the directors present without objection, and the follow-up matters shall be handled after the board of directors passes.

h. Audit Committee, November 12, 2019(the 26th, eighth time of Board , 2019)

- Consolidated financial report for the third quarter of 2019.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: report to the board of directors, attending the directors without any disagreement, and report the second quarter earnings report to the public information observatory after the meeting.

- The case concerning the sale of real estate in Anhe Rd. (Securities and Exchange Act 14-5)

The result of the resolution:All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors passed by all the directors present without objection, and the follow-up matters shall be handled after the board of directors passes.

i. Audit Committee, November 29, 2019(the 26th, ninth time of Board , 2019)

- The company should handle 100% of the equity of Chan Pang Construction Co.,

Ltd., a molecular company, through public bidding. (Securities and Exchange Act 14-5)

The result of the resolution: After consultation with the chairman, all the attending members agreed to open the 100% equity of the public bidding office company Chan Pang Construction Co., Ltd., and decided to authorize the chairman to find and entrust a third-party notary to conduct the public bidding process. After the conditions, the board of directors will discuss it again next time.

The company's handling situation: The proposal of the board of directors, after the chairman consulted all the directors to attend the resolution, passed the case in accordance with the resolution of the audit committee. That is, by disposing the molecular company Chan Pang Construction Co., Ltd. through public bidding, and authorizing the chairman to find a third-party notary. The case has released major information after the meeting, and sought three notary institutions to determine the tender conditions, and held a board of directors on December 16.

j. Audit Committee, March 26, 2020(the 26th, fifth time of Board , 2020)

- 2019 annual business report and financial report. (Securities and Exchange Act 14-5)

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: the proposal of the board of directors, the board of directors of all attendance was passed without any dispute, and the proposal shareholders often passed.

- 2019 annual profit and loss account.

The result of the resolution: The accumulated loss of NT\$ 208,357,073 in this period, it is recommended that no surplus be distributed this year. All the members present at the meeting was passed without any dispute.

The company's handling situation: the proposal of the board of directors, the board of directors of all attendance was passed without any dispute, and the proposal shareholders often passed.

- The company issued the "Internal Control System Statement".

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors, without any dispute, uploading a public information observatory report.

- The company regularly assesses the independence of visa accountants.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: The proposal of the board of directors, through the participation of all the directors. In line with independence, continue to appoint.

k. Audit Committee, May 6, 2020(the 26th, seventh time of Board , 2020)

● Consolidated financial report for the first quarter of 2020.

The result of the resolution: All the members present at the meeting was passed without any dispute.

The company's handling situation: report to the board of directors, attending the directors without any disagreement, and report the first quarter earnings report to the public information observatory after the meeting.

3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

None

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
PWC Taiwan	Lin, Se-kai	2019.01.01~2019.12.31	None
	Hsiao,Chin-mu		

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.
Unit: NT\$ thousands

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000		145	145
2	NT\$2,000 ~ NT\$4,000			
3	NT\$4,000 ~ NT\$6,000	4,960		4,960

4	NT\$6,000 ~ NT\$8,000			
5	NT\$8,000 ~ NT\$10,000			
6	Over NT\$100,000			

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
PWC Taiwan	Lin, Se-kai Hsiao, Chin-mu	4960	0	0	0	145	145	2019/01/01~2019/12/31	

3.4.2 Replacement of CPA

A. Regarding the former CPA

None

B. Regarding the successor CPA

None

3.5 Change accountant information

A. Regarding the former CPA

Replacement Date	January 01, 2019		
Replacement reasons and explanations	The need for internal organizational changes in accounting firms.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status	NA	
	Termination of appointment		
No longer accepted (continued) appointment			

Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	✓	
Remarks/specify details:			
Other Revealed Matters	None		

B. Regarding the successor CPA

Name of accounting firm	PwC Taiwan
Name of CPA	Lin, Se-kai
Date of appointment	January 01, 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.6 The company's chairman, general manager, manager of financial or accounting affairs, who has worked in a visa accountant's office or its related business in the past year, should disclose his or her name, title and employment in the office of the visa accountant. Or the period of its relationship with the company.

None

3.7 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2019		As of April 19, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman of the board	Ch'uan Fu Investment Co. Ltd.	2,266,081	0	0	0
Director Representative	Chen ,huang-ming	0	0	0	0
Director Representative	Chiang,chi-ching	85,000	0	0	0
Director	Ju hsiang Investment Co., Ltd	936,904	0	0	0
Director Representative	Chang, liang- ming	11,509	0	0	0
Director	Chia ho Investment Co. Ltd.	460,395	0	0	0
Director Representative	Tseng, mei- ling	(100,000)	0	0	0
Independent Directors	Tu,yi- yang	0	0	0	0
Independent Directors	Chen, chin- yueh	0	0	0	0
Independent Directors	Wang, chih- lung	0	0	0	0
General manager	Chiang,chi-ching	85,000	0	0	0
Vice-General manager	Tai, Yin-chou	0	0	0	0
Assistant manager	Liu, Yung-ching	77,051	0	0	0
Financial Officer	Huang, li-wang	8,000	0	0	0
Accounting Supervisor	Wen, Shu Chiao	0	0	0	0
Corporate Governance Supervisor	Li, kuei- chung	40,000	0	0	0

3.7.1 Shares Trading with Related Parties

None

3.7.2 Shares Pledge with Related Parties

None

3.8 Relationship among the Top Ten Shareholders

As of 04/19/2020

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Pan, chun- jung	34,018,693	7.60	9,429,979	2.11	0	0	Li, kuei- mei	spouse	
							Ch'uan Fu Investment Co. Ltd	Major shareholder of the company	
							Pan, ying- hsun	Father and daughter	
							Pan, kuan-ju	Father and son	
Pan, kuan-ju	20,182,330	4.51	0	0	0	0	Pan, chun- jung	Father and son	
							Li, kuei- mei	Mother and son	
							Ch'uan Fu Investment Co. Ltd	The company's major shareholders	
Standard Chartered International Commercial Bank's Sales Department is entrusted with custody of the British St. Regis Fund Investment Account	19,292,951	4.31	0	0	0	0	None	None	
Ch'uan Fu Investment Co. Ltd.	12,110,149	2.71	0	0	0	0	Pan, chun- jung 、 Li, kuei- mei	Major shareholder of the company	
Ch'uan Fu Representative : Pan, ying- hsun	0	0	0	0	0	0	Pan, chun- jung	Father and daughter	
							Li, kuei- mei	Mother and daughter	
Li, kuei- mei	9,429,979	2.11	34,018,693	7.60	0	0	Pan, chun- jung	spouse	
							Ch'uan Fu Investment Co. Ltd.	Major shareholder of the company	
							Pan, ying- hsun	Mother and daughter	

							Pan, kuan-ju	Mother and son	
Hsin yi Investment Co. Ltd.	8,388,089	1.87	0	0	0	0	None	None	
Hsin yi Representative : Lin, chun- ch'en	20,182,330	4.51	0	0	0	0	None	None	
Tung, chia- jung	7,721,489	1.73	0						
Weng, ling- yi	6,577,000	1.47	0						
Hung yi Investment Co. Ltd.	6,189,861	1.38	0	0	0	0	None	None	
Hung yi Representative : Li, shu- hsu	1,050,000	0.23	988	0	0	0	None	None	
Su, po-ch'eng	6,120,470	1.37	0	0	0	0	None	None	

3.9 Ownership of Shares in Affiliated Enterprises

Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Chan-pan Construction Co. Ltd.	59,000	100%	0	0	59,000	100%
Kung Sing International Holding Company Limited(Note1)	0	0	0	0	0	0
Jiangsu Chingchan Engineering Consultants Co., Ltd	42,000	60%	0	0	42,000	60%
Merit Century Investments Limited(Note2)	0	0	0	0	0	0
Kung Sing International (Hong Kong) Ltd.(Note3)	0	0	0	0	0	0

Note 1: The liquidation was completed in September 2019.

Note 2: The liquidation was completed in December 2019.

Note 3: The entire equity was sold in June 2019.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1947.02	10	1,600,000	16,000,000	1,600,000	16,000,000	Original set-up	None	
1987.09	10	10,000,000	100,000,000	10,000,000	100,000,000	Cash capital increase	None	
1991.07	10	19,800,000	198,000,000	19,800,000	198,000,000	Cash capital increase	None	
1993.09	10	120,000,000	1,200,000,000	80,000,000	800,000,000	Cash capital increase	None	Note 1
1995.11	10	120,000,000	1,200,000,000	84,000,000	840,000,000	Capital increase via earnings	None	Note 2
1996.12	10	120,000,000	1,200,000,000	89,040,000	890,400,000	Capital increase via earnings	None	Note 3
1997.07	18	180,000,000	1,800,000,000	140,000,000	1,400,000,000	Cash capital increase and capital increase via earnings	None	Note 4
1998.07	10	180,000,000	1,800,000,000	147,000,000	1,470,000,000	Capital increase via earnings	None	Note 5
1999.07	10	180,000,000	1,800,000,000	154,350,000	1,543,500,000	Capital increase via earnings	None	Note 6
2000.09	10	180,000,000	1,800,000,000	162,067,500	1,620,675,000	Capital increase via earnings	None	Note 7
2004.09	13.2	205,000,000	2,050,000,000	187,067,500	1,870,675,000	Cash capital increase	None	Note 8
2005.09	10	250,000,000	2,500,000,000	216,663,076	2,166,630,760	Capital increase via earnings, employee bonuses, capital surplus	None	Note 9
2006.09	10	250,000,000	2,500,000,000	227,321,230	2,273,212,300	Capital surplus transferred to common stock	None	Note 10
2007.09	10	350,000,000	3,500,000,000	274,018,814	2,740,188,140	Capital increase via earnings, employee bonuses, capital surplus	None	Note 11
2007.09	15	350,000,000	3,500,000,000	324,018,814	3,240,188,140	Cash capital increase	None	Note 12
2008.09	10	350,000,000	3,500,000,000	347,527,413	3,475,274,130	Capital increase via earnings, employee bonuses, capital surplus	None	Note 13
2019.09	10	600,000,000	6,000,000,000	447,527,413	4,475,274,130	Cash capital increase	None	Note 14

Note 1: Approved by (82) TaiTsaiCheng(1)30906, Securites and Futures Bureau, Financial Supervisory Commission, August 7th 1993.

Note 2: Approved by (84) TaiTsaiCheng(1)39282, Securites and Futures Bureau, Financial Supervisory Commission, July 3rd, 1995.

Note 3: Approved by (85) TaiTsaiCheng(1)41856, Securites and Futures Bureau, Financial Supervisory Commission, July 13th, 1996.

Note 4: Approved by (86) TaiTsaiCheng(1)49306, Securites and Futures Bureau, Financial Supervisory Commission, June 26th, 1997; (86) TaiTsaiCheng(1)58455, Securites and Futures Bureau, Financial Supervisory Commission, July 22nd, 1997.

Note 5: Approved by (87) TaiTsaiCheng(1)59553, Securites and Futures Bureau, Financial Supervisory Commission, July 13th, 1998.

Note 6: Approved by (88) TaiTsaiCheng(1)63392, Securites and Futures Bureau, Financial Supervisory Commission, July 9th, 1999.

Note 7: Approved by (89) TaiTsaiCheng(1)61307, Securites and Futures Bureau, Financial Supervisory Commission, July 15th, 2000.

Note 8: Approved by TaiTsaiCheng1Tze0930125632, Securites and Futures Bureau, Financial Supervisory Commission, June 16th, 2004.

Note 9: Approved by TaiTsaiCheng1Tze0940124898, Securites and Futures Bureau, Financial

Supervisory Commission, June 22nd, 2005.
 Note 10: Approved by TaiTsaiCheng1Tze0950132742, Securites and Futures Bureau, Financial Supervisory Commission, July 26th, 2006.
 Note 11: Approved by TaiTsaiCheng1Tze0960031153, Securites and Futures Bureau, Financial Supervisory Commission, June 21st, 2007.
 Note 12: Approved by TaiTsaiCheng1Tze0960030934, Securites and Futures Bureau, Financial Supervisory Commission, June 26th, 2007.
 Note 13: Approved by TaiTsaiCheng1Tze0970033529, Securites and Futures Bureau, Financial Supervisory Commission, July 4th, 2008.
 Note 14: Approved by TaiTsaiCheng1Tze1080326773, Securites and Futures Bureau, Financial Supervisory Commission, September 9th, 2019.

B. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	447,527,413	-	152,472,587	600,000,000

C. Information for Shelf Registration

None

4.1.2 Status of Shareholders

As of 04/19/2020

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	1	237	62	33,883	34,183
Shareholding (shares)	0	250,000	44,859,544	32,998,229	369,419,640	447,527,413
Percentage	0.00%	0.06%	10.02%	7.37%	82.55%	100%

4.1.3 Shareholding Distribution Status

A. Common Shares

As of 4/19/2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	21,479	1,243,167	0.28
1,000 ~ 5,000	7,397	16,617,864	3.71
5,001 ~ 10,000	2,039	16,023,841	3.58
10,001 ~ 15,000	894	11,265,171	2.52
15,001 ~ 20,000	545	10,081,075	2.25
20,001 ~ 30,000	583	14,976,742	3.35
30,001 ~ 40,000	254	9,112,922	2.04
40,001 ~ 50,000	182	8,422,113	1.88
50,001 ~ 100,000	412	29,395,797	6.57
100,001 ~ 200,000	173	24,502,776	5.48
200,001 ~ 400,000	105	28,981,171	6.48
400,001 ~ 600,000	31	15,957,025	3.57
600,001 ~ 800,000	19	13,286,584	2.97
800,001 ~ 1,000,000	13	11,815,021	2.64
1,000,001 or over	57	235,846,144	52.68
Total	34,183	447,527,413	100.00%

B. Preferred Shares

The company did not issue Preferred Shares.

4.1.4 List of Major Shareholders

As of 04/19/2020

Shareholder's Name	Shareholding	
	Shares	Percentage
Pan, chun- jung	34,018,693	7.60
Pan, kuan-ju	20,182,330	4.51
Standard Chartered International Commercial Bank's Sales Department is entrusted with custody of the British St. Regis Fund Investment Account	19,292,951	4.31
Ch'uan Fu Investment Co. Ltd.	12,110,149	2.71
Li, kuei- mei	9,429,979	2.11
Hsin yi Investment Co. Ltd.	8,388,089	1.87
Tung, chia- jung	7,721,489	1.73
Weng, ling- yi	6,577,000	1.47
Hung yi Investment Co. Ltd.	6,189,861	1.38
Su, po-ch'eng	6,120,470	1.37

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2018	2019	01/01/2020-03/31 /2020(Note 8)
Market Price per Share(Note 1)			
Highest Market Price	17.95	10.45	10.15
Lowest Market Price	6.62	6.80	5.31
Average Market Price	11.42	7.74	8.34
Net Worth per Share(Note 2)			
Before Distribution	10.25	9.54	9.53
After Distribution		(註 9)	-
Earnings per Share			
Weighted Average Shares (thousand shares)	347,527,413	357,390,427	447,527,413
Adjusted Weighted Average Shares	347,527,413	(Note 9)	-
Diluted Earnings Per Share(Note 3)	(0.20)	(0.07)	0.00
Adjusted Diluted Earnings Per Share	(0.20)	(Note 9)	-
Dividends per Share			
Cash Dividends		(Note 9)	-
Stock Dividends			
• Dividends from Retained Earnings	-	(Note 9)	NA
• Dividends from Capital Surplus	-	(Note 9)	NA
Accumulated Undistributed Dividends(Note 4)	-	-	NA
Return on Investment			
Price / Earnings Ratio (Note 5)	(57.1)	(110.57)	NA
Price / Dividend Ratio (Note 6)	-	-	NA
Cash Dividend Yield Rate (Note 7)	-	-	NA

*If there is a surplus or capital reserve to increase the capital allotment, the market price and cash dividend information adjusted retrospectively based on the number of shares to be issued should be disclosed.

Note 1: The highest and lowest market prices of common stocks for each year are listed, and the average market price for each year is calculated based on the annual transaction value and volume.

Note 2: Please refer to the number of shares that have been issued at the end of the year and the allocation according to the resolution of the shareholders meeting of the next year.

Note 3: If there is a retrospective adjustment due to circumstances such as free placement of shares, the pre-adjustment and adjusted earnings per share should be presented.

Note 4: If there are provisions for the issuance of equity securities that are not issued in the current year and are distributed to the year of surplus, the accumulated unpaid dividends for the year ended.

Note 5: P/E ratio = average closing price per share / earnings per share for the year.

Note 6: The present ratio = average closing price per share / cash dividend per share.

Note 7: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 8: The net value per share and earnings per share should be filled in with the information of the account audited (audited) by the accountant in the most recent quarter of the annual report. The remaining fields should be filled in the year of the year as of the date of publication of the annual report.

Note 9: The surplus distribution has not been approved by the shareholders' meeting

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

Dividend policy: According to the Corporate charter and related laws and regulations, earnings in the final accounts, should it exist, should be used to pay tax and duties, with the remainder being used to cover loss of previous year first, If there is still surplus, 10% of the amount should be appropriated for legal reserves and special legal reserves according to the law, and in accordance with Article 41 in Securities and Exchange Act, the remainder after transferred into the capital surplus could be allocated in accordance with the Corporate charter and the Board's resolution. The dividend policy is based on the industry environment the company is located at and its financial planning, and considerations for the company's sustainable management and stable development, as well as the maximum protection of the interests of shareholders, thus the policy is as follows:

1. Condition and timing of the dividend payout:

The company is currently in the growth stage, in a number of major public works projects are being carried out, the demand for capital for ardent. To support the required business growth, the company paid dividends to meet the future operation and development of the principle of sound financial structure and comprehensive consideration, after maintaining a stable dividend and protection of shareholders' reasonable remuneration and other conditions, and then the board of directors will begin to stimulate the distribution of earnings, and through approvals from the general shareholders' meeting and authorities, the dividend payout will take place accordingly.

2. Payout ratios of cash dividend and stock dividend

Earnings in the final accounts, should it exist, should be used to pay tax and duties, with the remainder being used to cover loss of previous year first, and then 10% of the amount should be appropriated for legal surplus reserve, and if there is still surplus, after the board's discussion, resolution will take place during the general shareholders' meeting, and there are two ways of dividend payout, which are stock dividend and cash dividend, the ratio of cash dividend cannot be lower than 10% of the total dividend for shareholders.

B. Proposed Distribution of Dividend

- (1) The company's 2019 annual dividend distribution was approved by the board of directors on March 26, 2020 through profit and loss, and the resolution was not distributed.
- (2) The case will be reported at the general meeting of shareholders on June 17, 2020.

C. Expected significant changes in the dividend policy. Explanation: None.

4.1.7 The impact of the proposed free share allotment on the company's business performance and earnings per share

The Company has no free rights issue and has no impact on the company's operating performance and earnings per share.

4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration

A. Employee bonus and directors and supervisors Reward specified in the company's corporate charter:

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, only to cash remuneration of directors whom.

After the above provisions of the Board of Directors resolution, and then report to the general meeting of shareholders.

B. The Estimated Basis for Calculating the Employee Bonus and Directors' and Supervisors' Remuneration:

The staff remuneration and the reward to directors and supervisors, based on the current net profit before tax to make up for losses in previous post, taking into consideration the relevant laws and regulations, the Articles of Association, and past experience of the appropriate estimate. Actual allotment amount if there are differences and estimated the number of columns, depending on changes in accounting estimates process, as the annual shareholders' meeting resolution adjustment recorded.

C. Profit Distribution for Employee Bonus and Directors' and Supervisors' Remuneration for 2019 Approved in Board of Directors Meeting

(1) Recommended Distribution of Employee Bonus and Directors' and Supervisors' Remuneration: (NT\$ thousands)

Employee Bonus – in Cash	\$ 0
Employee Bonus – in Stock	0
Directors' and Supervisors' Remuneration	<u>0</u>
Total	\$ 0

(2) Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings: Unallocated Employee stock Bonus dividend.

(3) Recounted EPS after Recommended Distribution of Employee Bonus and Directors' and Supervisors' Remuneration: The profit and loss reserve does not intend to pay employees and directors, nor does it affect the calculation of earnings per share.

D. Information of 2018 Earnings Set Aside for Employee Bonus and Directors' and Supervisors' Remuneration:

Distribution of 2018 Earnings (NT\$ thousands)	
Stock Dividends	\$ 0
Cash Dividends	\$ 0
Directors' Remuneration	\$0
Employee Bonus	\$0

The above-mentioned actual distribution of employee bonus and directors'

remuneration was in line with the recommended resolution of the Board of Directors.

4.1.9 Buyback of Treasury Stock

None

4.2 Bonds

None

4.3 Special stock handling situation

None

4.4 Global Depository Receipts

None

4.5 Employee Stock Options

None

4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions

None

4.7 Fund utilization plan execution situation

There was no private placement before the company's annual report was printed. As of the end of the annual report, there have been no cases where project benefits have not yet occurred. None

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main areas of business operations

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.

Revenue distribution

Unit : NT\$ thousands

Major Divisions	Total Sales in Year 2019	(%) of Total Sales
public construction	3,989,288	93.15
Building	68,616	1.60
others	225,000	5.25
total	4,282,904	100.00

B. Main products

1. Civil engineering: Airport MRT construction, railway reconstruction, the Taipei Metropolitan Area Rapid Transit project, bridge construction via special methods such as advancing shoring method and incremental launching method, and regional highway projects.
2. Marine works : Taichung Port No. 106 New Construction Project
3. Bridge engineering : New construction of Danjiang Bridge and its connecting road
4. Construction works : Sin-Dian case construction project

C. New products development

To query the projects released from the Executive Yuan's website and related press, and to select the most favored, high-tech, and value-added projects and include them into the company's annual business plan in order to prepare to be participating in the bidding, including large-scale civil constructions such as road, bridge, and MRT organized by the Ministry of Transportation and Communications, the Ministry of the Interior, and the Taipei City Government.

5.1.2 Industry Overview

A. Current status and development of the industry:

The construction industry is an important people's livelihood industry. The materials and raw materials needed for construction are supplied by other industries. In the planning, design and management, it is often necessary to cooperate with related industries. In addition, the construction industry is a labor-intensive, capital-intensive industry. There are quite a lot of employment opportunities. Therefore, the development of the construction industry is not only related to the rise and fall of industry and commerce, but also closely related to the national livelihood and the overall national economic development. Therefore, advanced countries are all eager to cultivate the sound development of the construction industry and to improve the quality of construction projects.

After years of baptism in the construction industry, some poorly constructed factories have been eliminated by the market mechanism. According to the statistics of the Construction Department of the Ministry of the Interior, as of the end of 2019, there were 18,706 domestic construction plants, including 2,845 Class A construction plants. The construction industry is highly competitive in public works. In recent years, the Government has actively promoted the domestic public works standards to adopt "the lowest standard for heterogeneous procurement", "the most favorable standard" and "the most favorable standard for the turnkey package". One is to avoid the vicious competition in the domestic industry and affect the

quality of the project and the efficiency of implementation. Industrial competitiveness; in addition, the combination of design and construction can be handled in the most favorable way, in addition to cultivating domestic manufacturers to integrate design, construction, mechanical and electrical equipment, financial management and other capabilities, and can introduce innovative materials through turnkey, Technology and engineering methods drive industrial R&D energy and technology improvement, and then achieve sufficient performance and familiarity with international standard procurement methods, and establish the competitiveness of the engineering industry to open up markets abroad.

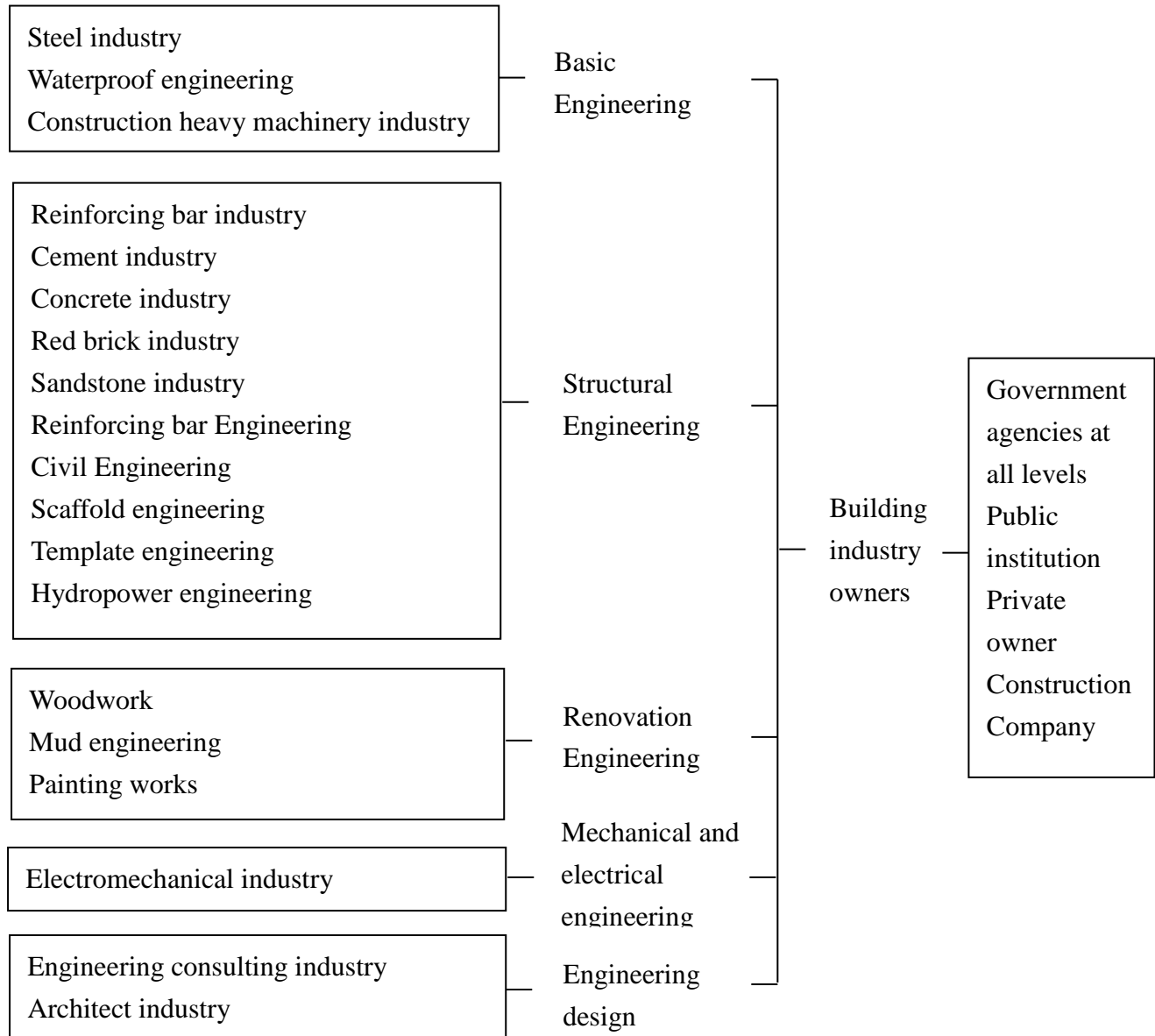
B. Industry, upper, middle and lower reaches:

In this industry, its main business sources are government public works, private construction investment companies, citizen camps and other owners to contract construction projects, so the downstream is government units, citizen camps, civil construction companies and other types of owners, and its upstream industry includes the foundation Engineering, structural engineering, renovation engineering, electrical and mechanical engineering and engineering design.

In terms of the relationship between the construction industry and the upstream industry, the fluctuation of construction materials prices, the increase in contracting costs of professional contractors, the increase in labor costs, and the increase in equipment costs due to price fluctuations are all related to the construction cost of the construction industry. The development of the upstream industry is deeply affected by the prosperity of the construction industry, and the relationship between the two is very close.

In terms of the relationship between the construction industry and the downstream industry, there is no specific source of business in the construction industry, mainly through open bidding or comparison and bargaining, in which public works commissioned by construction operators and open tenders by government agencies are The industry's main business source is the main business source, so the industry's prosperity is mainly affected by the construction industry boom and the government's promotion of public works policies.

construct industry relationship chart



C. Various development trends and competition situations of products:

1. Development trend

Looking at the development results of overseas advanced state construction industry, for example, the construction industry in Europe, the United States and Japan has many financial institutions supporting each other. The capital cost is lower than that of China, and major engineering or engineering construction will be commissioned by the engineering company to handle the package. . In response to many major national construction projects, the Chinese government has also planned to adopt BOT. The domestic construction plants have responded to this trend and prevented the foreign construction plants from entering the domestic market to divide the public engineering market. We are developing

towards large-scale and enterprise-oriented operations, and we are committed to improving the research and development of construction technology. The important development trends in the future of the construction industry are as follows:

(1). The establishment of the system of the system

In the case of short-term government finances, the public will be encouraged to participate in public construction investment in the future. The construction of public works will be carried out in the form of BT. and BOT. The construction industry will be transformed in response to this development trend, and the overall planning and design of the case will be carried out. Integration of investment, construction, operation, etc., and joint ventures with the consulting industry, the financial industry and other operating professions, so the scale will be larger in the future, and the business level will also include industry, commerce, and services. Industry, etc., become a corporate complex.

(2). Internationalization and liberalization of public works

After China's accession to the World Trade Organization (WTO), the future will inevitably sign a government procurement agreement (GPA) with other countries, and open up foreign construction industry players to enter the domestic construction market, and domestic players will also take the opportunity to come to Taiwan to respond to this trend. Foreign companies collaborating or exploring ways to cooperate with foreign local players in the international market, thus deriving international cooperation contracts, international fund scheduling and national construction regulations and other related issues and issues, will affect the future business strategy of the construction industry.

(3). Building automation

Due to the problems of engineering resource allocation, industrial physique and ecological environment change, the construction industry is bound to promote industrial automation. Through construction mechanization and automation, scientific engineering management and engineering refinement, it can reduce manpower demand, increase production capacity, ensure environmental quality and enhance The effect of competitiveness to break through the current difficulties.

(4). Technology research and development

As the construction industry will develop towards large-scale development, in the fierce market competition, technology research and development will inevitably be paid more and more attention, and the competitiveness of the market will be enhanced by research and development of new work methods and new materials.

(5). The formation of professional manufacturers

For the small and medium-sized construction industry, it will move towards a specialized market segment, introduce new construction methods and machinery for a professional project, engage in professional work, coordinate with large manufacturers, and exert the overall construction effect.

(6). Enterprise management

Since the construction industry will transform itself from a technically-oriented service industry to a composite enterprise, its business model will be different from the past. The bidding decision will be transformed from the perspective of investment, introducing new

technologies, and focusing on efficiency. Cost and talent use, with scientific management, long-term enterprise management as the ultimate goal.

In summary, after joining the WTO, the domestic construction market will be fully open to the outside world, and the Taiwanese construction industry will face greater challenges as foreign players join the competition. As foreign manufacturers are superior in scale and automation to domestic players, it is necessary for operators to further enhance their competitiveness. In the future, apart from the large-scale development of the DPRK and the cooperation with foreign technology, the project will be contracted to resolve foreign competition. Quality, cost and the use of automated construction machinery, etc., must also be given more attention to enhance their competitiveness and become the future development trend of the domestic construction industry.

2. Competition situation

The company's main business projects are the contracting and construction of public works. At present, there are more than 18,000 construction plants in China, and the difference between capital and business scale is very different. At present, the business scope of the top 20 domestic construction plants includes residential Engineering and public works, the same business projects of the company include listed China Engineering, Xinlu Engineering, Jianguo Engineering, Foundation Construction, Huangchang Construction, Daxin Engineering and Xinya Construction, and have been on the company Changhong Construction, Germany Chang Construction, Double Happiness Construction, and the recently converted privately owned company from the public to the private sector are the main competitors. In addition, Honghua, a maritime engineering major, has become a major competitor.

5.1.3 Research and Development

1. Research expenses for the most recent year and the end of the annual report:

The company is in the construction industry and it aims on the enhancement of technology, thus there is no direct research cost.

2. Develop successful technologies or products:

Entry	Engineering method research	Place of execution	Execution results
1	Study of precast concrete slabs and field casting of cantilever bridge	Zhongshan Expressway Expansion 16 and 17 cases South 2 Gaojian New C359, C360, C318, C326 case	In the case of 16, 17 cases, the work rate of each machine was reached on the 5th, and the record of 105 blocks per month was set.
2	Field cast bridge section propulsion method	South Second High New Construction Project C360, C356Z	The number of hours of work for each study is 9 days, and the number of employees is 15 people, divided into two shifts.
3	System template construction method	Station structure of the MRT site Foundation of each site, beams and columns, wall	For the study of the strength of single-sided and double-sided molds, the progress and support have been applied to various construction sites. At present, the assembly of standard moment

Entry	Engineering method research	Place of execution	Execution results
			units is being carried out to facilitate the repeated use of the dimensional changes in the future.
4	Precipitation project	MRT Xinzhuang Line CK570F Section Project	The use of groundwater level treatment is of great help to stabilize the site and improve the safety of the site and the progress of the project.
5	Pre-cast U-beam lifting method	Nei Hu Section project CB410 of Taipei Metropolitan Area Transit System	The pre-made U-beams are factory-managed and produced to improve overall production efficiency and engineering quality and reduce costs.
6	V-bridge oblique support method	Taiwan Taoyuan international airport joint transit system construction project ,CE02 tender project.	<ul style="list-style-type: none"> a. The span of the V-shaped pier column does not require the support type of the lower support. b. Ensure that the highway is safe for pedestrians. c. Structural behavior is simplistic. d. Reduce the number of highway traffic maintenance.
7	Support advanced working vehicle mid-air propulsion method	Taiwan Taoyuan international airport joint transit system construction project ,CE02 tender project.	<ul style="list-style-type: none"> a. Overcoming obstacles to the difficulty of carrying a narrow road load b. .The construction time is shortened by 45 days (the removal, handling, assembly and hoisting of the work car takes 60 days, and it takes only 15 days according to the local airfare method). c. Construction safety is high. d. Reduce environmental impact. e. Construction cost savings.
8	Innovative method of in-situ support system template	Taiwan Taoyuan international airport joint transit system construction project ,CE02 tender project.	<ul style="list-style-type: none"> a. Various support box beams such as 2.5m, 2.8m, 3.1m can be applied. b. The square tube skeleton has high stiffness, and the concrete placement is not easy to produce template displacement, and the appearance quality is good. c. The skeleton can be repeatedly disassembled and constructed, reducing the waste of template re-production.

Entry	Engineering method research	Place of execution	Execution results
9	Innovative method for prefabricated box girder transportation through Zhongshan Expressway	Taiwan Taoyuan international airport joint transit system construction project ,CE02 tender project.	Each time the pre-cast beam is transported, the maximum displacement is only 1.1cm (safety value is 2.5cm), which is safe and ensures the safety of the bridge structure.
10	Innovative construction method for pier column sample frame construction	Taiwan Taoyuan international airport joint transit system construction project ,CE02 tender project.	<ul style="list-style-type: none"> a. It can guarantee the construction quality, safety and reduce the application time. b. Won the demonstration site, the North Inspection Office to the site to hold a disaster prevention observation meeting.
11	Innovative construction method for water conservation area construction	Taiwan Taoyuan international airport joint transit system construction project ,CE02 tender project.	<ul style="list-style-type: none"> a. Make sure the slope is stable. b. The foundation of the pier is constructed by a wellbore caisson, which reduces the amount of earthwork excavated and stabilizes the footing of the slope. c. Apply as temporary stagnation flooding pond and clear it regularly to reduce the impact of storm runoff on river ecology
12	Large span steel box beam	Ligang Bridge Reconstruction Project	<ul style="list-style-type: none"> a. Improve the shock resistance and anti-collision function. b. Improve flood control. c. The driving safety is improved and beautiful.
13	Caisson sliding mode engineering method	Linkou Power Plant Renewal and Expansion Project Outlet Diversion Dike, North Breakwater, Coal Unloading Terminal, Connecting Bridge and Related Facilities New Construction	<ul style="list-style-type: none"> a. The concrete is continuously poured without construction joints. b. The wall is instantly decorated. c. The work frame is raised with the height of the construction and there is no need to set up a scaffold. d. The template does not require external support and explosion mode. e. The verticality of the caisson is accurately controlled.
14	Silo wall climbing method	Linkou power plant expansion plan, drum coal bunker system project in turn-key-basis	Climbing formwork and working frame increase in height with the conical silo, without the need for an eagle frame from the ground.
15	Roof lifting method	Linkou power plant expansion	The steel frame roof is lifted by the synchronous

Entry	Engineering method	Place of execution	Execution results
	research		
		plan, drum coal bunker system project in turn-key-basis	hydraulic jack, and the bottom tunnel can be applied at the same time, saving the construction period.

5.1.4 Long-term and Short-term Development

1. Short-term Development

With the rapid growth of the company's business and the fierce competition environment, and in order to improve the construction quality, reduce the construction cost and enhance the construction technology, the company will continue to develop and improve its own technology, and actively promote automation, standardization and safety. Shorten the development of the construction period, the short-term plan will continue to cooperate with the government policy, continue to focus on the contract of public works, the future will appropriately expand the proportion of construction projects, and collect various construction methods for the development and application of domestic construction plants,

- A. Establish engineering (internal and external) numbering system
- B. Interface (inside, outside) cutting and process establishment
- C. Selection and application of geological improvement methods
- D. Research on tunnel construction method and rock plate stability
- E. Construction study of earthwork excavation support
- F. Research on the use of PC-based super high-rise collective housing composite construction method

And by cooperating with foreign construction plants, we will introduce various advanced construction methods, research and develop the strengths of each family, and strengthen our own technical capabilities. In the quality policy, we will continue to implement the existing ISO 9001 operating systems, and implement the construction plan accordingly, so that the implementation of each project not only has a comprehensive planning beforehand, but also the quality, cost, duration, and safety of the actual application. Effectively control, and lay the foundation for the future to undertake new cases and expand the scale of operations, towards the goal of improving competitiveness and sustainable operation.

2. Long-term Development

The company will actively participate in the bidding for various new projects while planning to implement the government's plan to expand domestic demand. It plans to gradually explore the contracting of private projects and large-scale overseas projects, and leverage the opportunities of technical cooperation with foreign construction plants to extend the reach of its business overseas. With a view to the gradual increase in the international economic cycle and the increasing emphasis on public construction, countries have embarked on the international stage and developed into an international construction factory, moving the scale of operations to a world-class direction.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Sales (Service) Region

The company is mainly focused on undertaking the national public constructions, supplemented by the and public civil engineering and architectural engineering, major products comprise the road construction, bridge construction, and tunnel construction, etc. construction sites are throughout the northern, central, and southern parts. In recent years, in response to the government's "Look East" policy, the company has been participated actively in the eastern part of development plan, which will enable the company to be unrestricted in the tender area. Our services are throughout the province, all businesses are within the country.

2. Market Share (%) of Major Product Categories in the Last Two Years

Year	Turnover in the construction industry	Turnover of the company	Market share (%)
2018	2,330,113 millions	3,844 millions	0.16
2019	2,480,631 millions	4,283 millions	0.17

The future supply and demand situation and growth of the market:

(1) Supply and demand situation

In 2020, the Company continued to focus on public works such as roads, rail transit, bridges, tunnels and port areas.

The Chief Accounting Office of the Executive Yuan predicts a GDP of 2.19% at the beginning of 2019, and announced on November 29, 2019 that the GDP will be 2.64% in 2019 and a revision of 0.45%. Although the fundamentals of the domestic economy are good, in the face of rising trade in the global economy Friction and geopolitical tensions have aggravated the uncertainty about the future of the global trading system and international cooperation, making the global economy continue to slow down, and its subsequent impact on the domestic economy must still be paid attention to.

In 2020, in order to strengthen the momentum of economic recovery, and promote industrial upgrading and transformation, and revitalize the economic climate, in addition to the implementation of the "forward-looking infrastructure plan phase III" and the "five plus two industry innovation plan", and through the "accelerated investment in Taiwan project meeting" " Optimizing the domestic investment environment, removing investment barriers, accelerating industrial innovation and structural transformation, and combining economic supply and demand to stimulate private consumption and reward private participation in public construction will help drive domestic investment growth next year and stabilize economic growth momentum .

In 2020, the government's public construction design paintings totaled NT\$467 billion, an increase of NT\$74.3 billion from the same basic budget of NT\$392.7 billion in 2019. Among them, the three major sub-categories of "transportation and construction", "environmental resources" and "urban development", which can be contracted by the construction industry, are totaling NT\$368.5 billion, and the main transportation construction category is only NT\$142.5 billion, of which roads and rail. Although the two sub-projects such as transportation have NT\$109 billion, they are NT\$7.6 billion less than in 2019.

In 2019, the Company continued to focus on public works such as roads, rail transit, bridges, tunnels and port areas.

(2) Growth

A. According to the website of the Public Works Committee of the Executive Yuan, the government will expand public construction investment, boost the economy, and implement the "Love Taiwan 12 Construction Master Plan" to give priority to the promotion of 12 infrastructures, including:

(A). In terms of transportation, through the construction of convenient transportation network, Kaohsiung Port City Reconstruction and Taoyuan International Aviation City, it will greatly enhance Taiwan's global transportation energy.

(B). In terms of industrial development, through the new settlement of high-tech industries in the central region, smart Taiwan and industrial innovation corridors, it will accelerate the accumulation of intellectual capital and build Taiwan's future competitiveness.

(C). In terms of urban and rural development, it will promote the renewal of urban and industrial areas, as well as rural regeneration, revitalize the economic vitality of old and backward areas, and create a new look of urban and rural areas.

(D). In terms of environmental conservation, it will give priority to environmental protection projects such as coastal renewal, green afforestation, flood control and sewer construction, and implement environmental and ecological protection and carbon reduction effects through practical actions.

The above-mentioned infrastructure construction, the company's convenient transportation network for transportation, Kaohsiung Port Redevelopment and environmental protection

Basic projects such as flood prevention and water control and sewer construction in the field of education have certain business opportunities in the next few years.

B. The government actively plans to expand the comprehensive infrastructure investment and start to build the infrastructure needed for the country's future development. It proposes a "forward-looking infrastructure design painting", including eight major construction paintings, which will lay the foundation for Taiwan's development in the next 30 years and accelerate Taiwan's economic transformation. And upgrading, boosting the country's long-term competitiveness, drawing a blueprint for happiness for the people, and building various soft and hard bodies, most of which are related to the construction industry.

(A) Construction of a safe and convenient "track construction":

a. Construction Content: Promote 5 "High-speed Rail Railways into a Network",

- "Taiwan Railway Upgrade and Improvement of Eastern Services", "Three-dimensional Railway or Commuter Speed", "Urban Push-Mart" and "Central-South Tourism Railway" The main axis has a total of 38 track design drawings.
- b. Objective: To build Taiwan's rail system into a backbone transportation service that is friendly, seamless, industrial, safe, reliable, easy to operate, sustainable, and attractive.
- (B) "Water Environment Construction" in response to climate change:
- a. Construction content: Accelerate water treatment, water supply and hydrophilic infrastructure.
 - b. Objective: Stable water supply, continuous cycling, permeable city, land security, water and green integration, and a happy environment of quality water in Taiwan.
- (C) "Green Energy Construction" to promote environmental sustainability:
- a. Key points: Solar, wind power and Sharon Green Energy Science City and other related research and development and long-term development bases.
 - b. Objectives:
 - Energy transformation benefits: Strengthen energy security, innovate green economy, promote environmental sustainability and social equity.
 - Industrial Benefits: To build Taiwan's important base for the development of green energy industry in Asia, and to make Taiwan a place in the global green energy industry within 5-10 years.
- (D) Creating a "digital construction" of the wisdom of the country:
- a. Key construction: Accelerate the promotion of social ultra-wideband network social related construction.
 - b. Objectives: Broadband and ultra-wideband use network connection smooth and secure, network users' human rights to obtain basic security, cultural creativity and high-value products into the industry, introduce smart urban and rural construction and establish a learning environment, and promote the creation of cultural and creative industries. Zhaoyuan industry.
- (E) Strengthening the "urban and rural construction" of regional balance:
- a. Construction content: Promote people's sense of construction, including improving parking problems, improving road quality, urban heart project, developing in-ground industrial parks, building cultural living circles, campus community transformation, public service bases, and creating leisure sports Ten projects including environment, Hakka romantic platform 3, and original tribe construction.
 - b. Objective: To improve the quality of the public environment, improve the living conditions of the people, and enhance the overall image of the country.
- (F) In response to the need for child-friendly parenting, "space construction":
- a. Construction content: Promote the publicity of childcare and education in children aged 0 to 5, and create a space for friendly parenting.
 - b. Objective: Accelerate the expansion of the publicity of child care and education, to create a friendly parenting space, provide affordable and quality-supported childcare and education services, reduce the financial burden on parents, reduce women's employment barriers, and reverse minority births. crisis.
- (G) "Food Safety Construction":
- a. Construction content: build a state-level experimental building and education and training building for modern food and medicine, improve the efficiency of

the border inspection and customs management system, strengthen the food safety inspection and inspection capacity of health units, and strengthen the central food safety inspection capacity.

b. Objective: To improve the inspection capacity and improve the safety management system to improve food safety in China.

(H) "Talent Cultivation to Promote Employment Construction":

a. Construction content: Promote the international industry-academic alliance, the establishment of youth science and technology innovation and entrepreneurship bases, the training and employment of high-level talents in key industries, the development of "young researchers", and the optimization of the implementation environment of vocational schools.

b. Objective: To build Taiwan's international standard entrepreneurial settlement as the core, to promote the development of youth entrepreneurship, employment and international industry-university-research cooperation by attracting international talents to Taiwan, and to assist China's innovation and entrepreneurship ecosystem to further integrate with the international community.

C. Government's New South-South Policy: China's engineering industry strives for new south-facing national infrastructure construction opportunities, and selects petrochemical, power plant, intelligent transportation ETC, Metro Rapid Transit and environmental protection five teams as the main output. With reference to the practices of various governments and previous successful cases, the first and foremost conditions must first assist our business to obtain the project performance, and then the conditions for the independent construction of the infrastructure by the manufacturers. Therefore, the subsidy manufacturers will be selected and the foreign aid cases will be selected. The engineering projects with technical advantages are limited by the bidding of our business, assisting the engineering industry to achieve actual results, and the follow-up can continue to open branches and leaves, and compete in the local or neighboring countries to compete for the bidding.

The engineering industry has entered the new south to the market. In addition to integrating the resources of various ministries and departments to promote cooperation, it is necessary for the government to cooperate with the people to create a new blue ocean for the engineering industry.

3. Competitive niche:

The company has been awarded as an excellent construction manufacturer by government agencies at all levels over the years. It will have a competitive advantage for the company's overall corporate image and the most favorable public engineering selection process. The company will continue to develop into a comprehensive large-scale construction industry in the future. In addition to the current major public works, the company will gradually expand its business of building, environmental protection, building materials and machinery. The goal of building business contracts is still based on public works, supplemented by civil construction projects and land development, and actively participate in the island's transportation backbone construction plan. For public projects that are tendered by turnkey, actively seek for better quality and better financial cooperation. Vendors participate in the development of financial planning, overall construction, design, maintenance, operations, investment and other diversified business strength.

4. Favorable and Unfavorable Factors in the Long Term

1. Favorable factors

- (1) The government continues to promote the significant CEPD plan.
- (2) The domestic economy gradually recovers, and continues to grow.
- (3) The Government promulgated the "Government Procurement Law.
- (4) The government is actively engaging in the rewards of excellent construction companies in order to create more competitiveness for excellent construction companies through incentives.
- (5) In order to stabilize the domestic economy, the government promoted "the expansion of domestic demand programs" and introduced the BOT models to significant constructions in order to stimulate the private capital investment.
- (6) Since 1999, regarding new project tenders above \$50 million, vendors could receive prepayments of 30% after they have provided the same amount of guarantee.
- (7) Government to expand public construction investment, boost the economy, the implementation of "12 major construction overall plan" is expected from the Republic of China from 1999 to 2016 only, priority to promote 12 infrastructure.
- (8) Accession to the WTO to expand overseas market.

2. Unfavorable factors

- (1) Rigorous labor safety penalties, increase in the labor safety cost.
Countermeasure – Strengthen the labor safety educational training, enhance the labor safety concept, impose a self-inspection system, reduce labor safety fines, and enhance safety.
- (2) Instability of the bulk material prices of construction projects.
Countermeasure – As a result of bulk materials (such as: gravel, concrete, steel, earth, oil, etc.) accounted for a high proportion of the entire cost of the project, and in order to reduce the risk, work contracts the company undertakes are still mainly public works, because after winning the bid, the price adjustment amount can be used to pay to vendors for materials, or materials can be used to make up the increased cost expenditure, raw materials reduction or increases in prices.
- (3) People's wisdom grows, projects being protested, a delay in the construction progress.
Countermeasure –Actively engaged in establishing good interpersonal relationships in order to establish a common living body and reduce the opposition.
- (4)People are more environmentally conscious now, thus the cost of environmental protection expenditure increases.
Countermeasure –The company has passed the "ISO14001" International Environmental Management System Certification, through the implementation of the system, and with the additional provision of pollution control equipment, to increase environmental operating manpower, as well as measures to enhance staff environmental education training.
- (5) Construction regulations are not perfect, finalized contracts unfair terms still exist.
Countermeasure –In addition to coordinate with the owner, may as well apply for the conciliation from the Public Construction Commission, Executive Yuan, or arbitration from the Arbitration Association.
- (6) Malignant low price bidding

Countermeasure –To strengthen the cost control, do careful assessments in advance, to tender with technical, special construction methods and specific qualifications, and improve the Bid rate.

- (7) After entering into the WTO, foreign vendors get to bid independently, competitive forces thus have formed.

Countermeasure –Will work to improve the quality of construction, construction management capabilities of high-efficiency, and high standards of construction technology in order to expand the overseas market.

5.2.2 Production Procedures of Main Products

A. Major Products and Their Main Uses

(1) Civil engineering

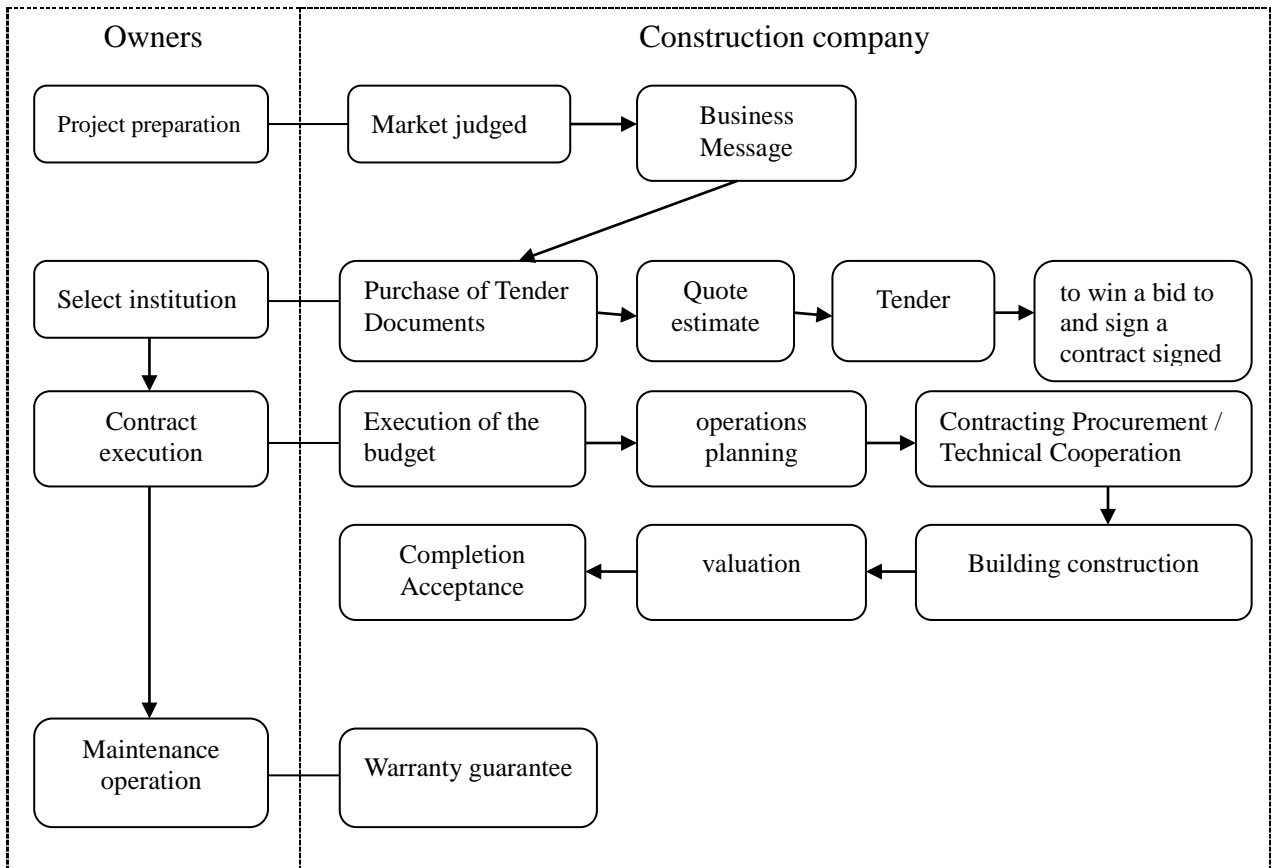
National Highway 3, the Taipei MRT construction, National Highway 1 widening, new methods for bridge constructions, tunnel construction, and regional elevated highways. Use to provide public transportation and people's basic livelihood needs of public facilities, and to enhance the quality of people's lives.

- (2) Marine works : Linkou power plant renewal and expansion project. Taichung harbor dock No.106 new construction project.

- (3) Tunnel Project : Su-Hua Highway Guanyin Valley Wind Tunnel. Providing convenient public transportation.

- (4) Orbital Engineering → Taitung Nanping-Wanrong Double-track Civil Engineering and Tram Line Project, “Electrical Engineering Construction Plan of Taitung Chaozhou Section of Taitung South Hui Railway” C811Z Chaozhou Section of Civil Engineering and General Mechanical and Electrical Engineering.

B. Major Products and Their Production Processes



5.2.3 Supply Status of Main Materials

The company's engineering construction is contract for labor and materials-based, except some are provided by the owner according to the contract, the rest is procured by the company itself, and its main bulk building materials are offered by domestic suppliers, some special materials are ordered from abroad. The company has been in the market for 70 years, only the national gravel and earth are in shortage, and the price of Petroleum oil rises, the upstream and downstream raw material supply chain is very solid, if events of huge ups and downs in the prices of bulk materials take place during the construction, the company may be able to control materials and vendors, as well as to effectively control the duration period, construction quality, and costs of materials via the floating price adjustment mechanism signed with suppliers, thus no shortages or interruptions could occur.

5.2.4 Major Suppliers and Clients

The name of the customer who has accounted for more than 10% of the total (sales) of goods in the previous two years of the previous year and the amount and proportion of the goods entered and sold, and explains the reasons for the increase or decrease.

1. Information on major suppliers in the last two years:

A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2018				2019				2020 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Asia Cement	550,617	14.95%	None	Asia Cement	367,595	9.68%	None	Chao Shen company	90,294	15.24%	None
2	Tung Ho Steel Enterprise Corp.	358,331	9.73%	None	Tung Ho Steel Enterprise Corp.	335,021	8.82%	None	Wei Chang company	75,169	12.69%	None
3	Ya t'ung energy company	250,796	6.81%	None	Chen feng Construction company	234,766	6.18%	None	Tung Ho Steel Enterprise Corp.	34,432	5.81%	None
4	Shang Ting Construction company	124,096	3.37%	None	Ya t'ung energy company	212,280	5.58%	None	Shang Ting Construction company	19,211	3.25%	None
5	Hsueh Chih Construction company	68,310	1.86%	None	Chao Shen company	175,574	4.62%	None	Asia Cement	13,581	2.29%	None
6	Wei Chang company	66,127	1.80%	None	Wei Chang company	166,518	4.38%	None	Chen feng Construction company	11,989	2.02%	None
7	Chao Shen company	56,629	1.54%	None	Shang Ting Construction company	140,550	3.70%	None	Taiwan Cement Corporation	3,220	0.54%	None
8	Chen feng Construction company	15,016	0.41%	None	Taiwan Cement Corporation	6,189	0.16%	None	Ya t'ung energy company	0	0.00%	
9	Taiwan Cement Corporation	2,324	0.06%	None	Hsueh Chih Construction company	0	0.00%	None	Hsueh Chih Construction company	0	0.00%	None
	Others	2,189,686	59.47%		Others	2,160,912	56.88%		Others	344,577	58.16%	
	Net Total Supplies	3,681,932	100.00%		Net Total Supplies	3,799,405	100.00%		Net Total Supplies	592,473	100.00%	

Note 1: The name of the supplier and the purchase amount and proportion of the purchase amount of more than 10% of the total purchase amount in the last two years are listed. However, the contract name may not disclose the name of the supplier or the transaction object is an individual and is not related, and can be coded as .

Note 2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information verified by the accountant.

B. Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2018				2019				2020(As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Directorate General of Highways	2,079,645	54.10%	None	Directorate General of Highways	2,001,842	46.74%	None	Directorate General of Highways	546,857	55.53%	None
2	Railway Bureau, MOTC	717,529	18.67%	None	Railway Bureau, MOTC	896,130	20.92%	None	Taiwan International Ports Corporation, Ltd.	182,726	18.55%	None
3	Taiwan Power Company	533,622	13.88%	None	Taiwan Power Company	611,480	14.28%	None	Taiwan Power Company	128,013	13.00%	None
4	Taiwan International Ports Corporation, Ltd.	453,349	11.79%	None	Taiwan International Ports Corporation, Ltd.	479,836	11.20%	None	Railway Bureau, MOTC	127,004	12.90%	None
	Others	59,866	1.56%		Others	293,616	6.86%		Others	200	0.02%	
	Net Sales	3,844,011	100.00%		Net Sales	4,282,904	100.00%		Net Sales	984,800	100.00%	

Note 1: The name of the customer and the sales amount and proportion of the sales volume of more than 10% of the total sales in the last two years are listed. However, the contract name may not disclose the customer name or the transaction object is personal and non-relevant. .

Note 2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information verified by the accountant.

5.2.5 Production in the Last Two Years

Unit: NT\$ thousands

Output Year	2019			2018		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products (or by department)						
Public construction		-	4,110,115	-	-	3,812,023
Total	-	-	4,110,115	-	-	3,812,023

5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Shipments & Sales Year	2019				2018			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Major Products (or by departments)								
Operating income	-	4,282,094	-	-	-	3,844,011	-	-
Total	-	4,282,094	-	-	-	3,844,011	-	-

5.3 Human Resources

Year		2018	2019	Data as of ending data in the current year 2019(As of March 31)
Number of Employees	Manager	9	8	7
	General staff	218	207	185
	Foreign labor	333	186	155
	Total	560	401	347
Average Age		46.33	48.09	47.72
Average Years of Service		9.81	10.54	48.26
Education	Ph.D.	0.88	0.93	11.21
	Masters	12.78	12.50	12.50
	Bachelor's Degree	33.48	34.26	34.38

	College	32.16	33.80	32.81
	Senior High School	18.06	16.20	17.19
	Below Senior High School	2.64	2.31	2.08

5.4 Environmental Protection Expenditure

5.4.1 Total Losses and Penalties

Unit: NT\$ thousands

	2018	2019	The current year as of March 31st, 2020
Pollution	Violations of air pollution law	Violations of environmental law	Violations of environmental law
Amount of penalty	\$0	\$30	\$18

5.4.2 Future response measures (including improvement measures):

Future response measures (including improvement measures):

The company has always attached importance to environmental protection. In addition to using low-noise equipment to work and laying out related equipment to improve road pollution, the site also employs staff to enhance cleaning to keep the environment clean, and strengthen watering and dust-proof nets to prevent air pollution. So there was no environmental pollution in 2018. In 2019 and the first quarter of 2020, the Gufeng Tunnel Project was punished by the Environmental Protection Bureau of the Yilan County Government for waste stacking. In the future, it will focus on environmental protection measures for waste disposal to avoid environmental pollution.

4.4.3 Possible future expenditures:

Based on the recent general awareness of environmental protection and the concept of sustainable management, the company has been regarded as the responsibility of business operations for the prevention and control of pollution and environmental protection. In the construction process of each project, it is in accordance with labor safety and health regulations, and strict requirements for contractors. Do a good job in environmental protection to reduce the penalty for pollution. At present, the environmental protection work of the existing construction sites has been implemented and won the praise of the surrounding residents, which has invisibly enhanced the corporate image of the company. And the company obtained the ISO

14001 international environmental management verification in March 2009, which shows that the company attaches great importance to the prevention and control of environmental pollution. Under the premise of the company's efforts to implement various pollution prevention and control work, there should be no environmental pollution in the future. Significant expenses incurred.

5.4.4 In accordance with relevant laws and regulations, the impact of the “EU Directive on Restriction of Hazardous Substances” (RoHs) on the Company is disclosed:

According to the company's industry characteristics, it is not affected by RoHs.

5.5 Labor Relations

A. The company's various employee welfare measures, training, training, retirement system and its implementation, as well as the agreement between labor and management and the maintenance measures of various employee rights:

1. Welfare measures:

The Company established the Staff Welfare Committee in June 1993. Each year, the annual plan and budget are set up to handle various activities, including: emergency relief, wedding support, annual gift money, employee travel and regular health check, except for labor insurance. In addition, the company insured group accident insurance and medical insurance, so that the colleagues enjoy multiple protection.

In order to enable all employees to work together to create profits, after the end of the fiscal year, if the company has a surplus, in addition to giving priority to the past years of losses and legally submitting the statutory reserves, then 3%-5% bonus will be paid from the surplus to all employees. Dividends, and each time the cash increase, a certain percentage of the funds are provided for employees to buy shares.

2. Training

Education and training is one of the key points of the company's human resources management. The development of new employees from general education to professional technology is carried out according to the plan. Through on-the-job and extra-training to enhance their technical capabilities, leadership and career development. And there are incentives added by the license to encourage employees to actively pursue further studies, strengthen their management skills

and cultivate their concentration and sincere work attitude. In the future, the company will continue to carry out personnel training programs, so that the career planning of employees can grow together with the overall interests of the company.

(1) The company's 2018 annual education and training statistics

project	Course Title	Number of people	Hours	Training cost(NT\$)
Engineering courses (quality control, labor safety and health, field directors and other technical courses)	External training for each major	26	653	124,196
Human Resources, Administration, Audit, Legal, Information Courses	External training for each major	19	209	89,190
Financial accounting, director education training course	Director training and staff training	9	66	31,500
Internal education training	Prevention of insider trading and integrity management education and business English and Japanese education and training, etc.	220	2	5,000
total		274	930	249,886

(2) The company and the financial information transparency related personnel

obtained the training hours of the competent authority:

Date		Title/name	organizer	Course Title	Hours
Start	End				
2019/04/24	2019/04/24	Director, Auditing Office Liu, Te-chang	Financial assets of the corporation Futures Development Foundation	Discussing the Deficiency of Internal Control System and Auditor's Responsibility from the Case of Securities Illegal	6
2019/11/26	2019/11/26			Practical operation of internal audit compliance with laws and regulations	6
2019/12/23	2019/12/24	Accounting Supervisor Wen, Shu Chiao	Republic of China Accounting Research and Development Foundation	Issuer Securities Dealer Stock Exchange Accounting Supervisor Continuing Education Course	12

(3) Manager training situation: (including training and training related to corporate governance)

Date		Title/name	organizer	Course Title	Hours
Start	End				
2019/11/27	2019/11/27	General manager Chiang, chi-ching	Securities and Futures Development Foundation	Corporate governance and board operation.	3
2019/12/04	2019/12/04			Case analysis of the establishment of the Board of Directors and Supervisors for breach of credit and special breach of credit	3
2020/02/07	2020/02/07	Corporate Governance Supervisor Li, kuei-chung	Chinese Corporate Governance Association	Corporate Governance Views of Corporate Governance and Board Operations Views	3
2020/03/10	2020/03/10			Coping strategies for company change	3
2020/03/17	2020/03/17			Viewing the battle for management rights from the perspective of corporate governance	3

3. Retirement system and its implementation

(1). The old labor pension system of the Labor Standards Law:

The Company has established a Labor Retirement Reserves Supervision Committee and has set a monthly retirement reserve to be deposited in the Central Trustee's Pension Reserve Account. The retirement methods are handled in accordance with the provisions of the Labor Law.

(2). New Labour Pension System under the Labour Pensions Ordinance:

Since July 2005, the new system of labor pension has been implemented. The company has stipulated in accordance with the law to allow employees to voluntarily elect the "new and old" system (regardless of whether employees choose new or old systems, the seniority of the people before June 2005 will be retained and applicable. Baseline), for the selection of new employees, the company pays 6% of the monthly salary of the workers as labor pensions and deposits them into individual labor pension accounts.

4. The situation of the labor agreement:

The agreement between the employer and the employee of the company is in accordance with the provisions of the Labor Law and the company's personnel management regulations, which are stipulated when employees enter the company's services, so the implementation is in good condition. Any new or amended measures related to labor relations will be finalized after the labor and management have fully agreed to communicate, so no disputes have occurred.

B. The losses suffered by labor disputes in the most recent year and the end of the annual report, and the estimated amount and corresponding measures that may occur in the current and future:

1. Losses suffered due to labor disputes in the most recent year and the end of the annual report.

Since the company has always attached importance to labor-management relations, there have been no labor disputes and no losses due to labor disputes.

2. Estimated amount and possible measures that may occur at present and in the future:

- (1) Strengthen the shaping of the ethical concept of large family-owned labor.
- (2) Establish an interactive communication and appeals pipeline.
- (3) Fully comply with labor laws and strengthen welfare measures.

The company still operates in a rational and harmonious management concept. If there are no other external variables, the labor-management relationship should be normal and harmonious, and no monetary losses will occur.

C. The company's employee behavior or ethics code:

The company has a staff manual, which is issued to each new employee when they enter the company, as a yardstick for the conduct of all employees. Its main content is:

1. Employees shall accept the command and supervision of the superior supervisor and shall not arbitrarily defy.
2. Employees should abide by laws and regulations and company regulations, and should be honest, clean, cautious, and diligent. Colleagues should respect each other to ensure the company's reputation and to make progress in the company's business.
3. In addition to the regulations in accordance with the regulations, if there is no stipulation or ambiguity in the case of an employee, the employee shall consider

the relevant provisions and their purposes, and shall not be afraid to evade or push the shackles.

4. Employees should respect the company's reputation and must not use the company's name except for the company's designated tasks. Anyone whose personal opinions involve the company may not be published without permission.
 5. Employees are not allowed to use personal convenience to engage in malpractice.
 6. Employees should be dedicated and keep all confidentiality in the business.
 7. Employees should handle the business with the concept of cost, and cherish the public property, and must not arbitrarily waste, destroy, encroach or sell.
 8. Employees in the office should abide by the order and must not talk about or hinder the work or other bad behavior of others.
 9. Employees should cooperate with each other and cooperate with each other. There must be no quarrels, fiddling between right and wrong, and other situations that disturb the order and hinder the discipline.
 10. Employees should be humble and sincere to customers and guests. There must be no arrogance, ignorance or rudeness that would damage the reputation of the company.
 11. Employees should be honest and self-contained, must not be corrupt or corrupt, and must not borrow from the company's customers in the name of the company or position.
 12. During the office hours, employees shall not leave their posts without the approval of the competent personnel.
 13. Employees are not allowed to arbitrarily read account cards, lists, documents, correspondence, etc. that are not their own duties. They may not bring the company's chapters, accounts, documents, etc. out of the office or for viewing.
 14. Employees shall be responsible for stratification, and supervisors at all levels shall perform their duties as supervisors.
 15. The employee leaves the company, except for the trial personnel, the company may issue a certificate of separation.
- D. Work environment and employee personal safety protection measures
- The company regularly and irregularly conducts security and propaganda, and has a working environment and employee personal safety protection measures on site

construction safety protection. The main contents are as follows:

1. Self-management: Establish safety and health management plans, automatic inspection plans, emergency response plans, and fall disaster prevention plans. The mechanical equipment must have a certificate of inspection, the operator (including the commander) must have a certificate of conformity, and the supervisors of each sub-project must also obtain a license.
2. Second, there is a risk of falling during construction:
 - (1) In the edge and opening part of the workplace with a height difference of more than two meters, the guardrail and protection should be set up in accordance with the regulations.
Cover, safety net or protective measures for hanging seat belts.
 - (2) In workplaces with a height difference of more than 1.5 meters, safety equipment shall be provided in accordance with the regulations.
 - (3) When working on a roof constructed of easy-to-wear materials such as stone wool board, iron sheet, tile, and wood board, it should be in the house.
The rack is provided with a pedal that prevents stepping and width of more than 30 cm, a safety net or a safety belt.
3. In the construction, there is a risk of collapse or collapse:
 - (1) The vertical direction of the construction frame is 5.5 meters and the horizontal direction is 7.5 meters. It should be properly connected with the stable structure.
 - (2) When the excavation depth of the open excavation site is more than 1.5 meters, or there is a ground collapse and the earth and stone are falling, the facilities for retaining soil support, slope protection or fence protection shall be provided.
4. there are people who have a sense of electricity during construction:
Wires should be elevated, use wire, wire covered insulation, and welding work in accordance with CNS standards. Workers should use protective gloves and goggles.
5. Other:
Workers entering the work area should wear safety helmets and reflective vests, and the exposed steel bars in the work area should be used for protection, limited space operation checkpoints, tunnel project access

control, lighting and ventilation checkpoints.

5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Engineering contract	Railway Bureau, MOTC North Engineering Office	2008.10.03~ 2016.02.01 Currently in the warranty phase	Access to Taiwan Taoyuan International Airport The MRT construction plan CE02	None
Engineering contract	Railway Bureau, MOTC South Engineering Office	2009.07.29~ 2016.01.24 Currently in the warranty phase	Project KCL211, elevated railway engineer at Lingling, Chutien section	None
Engineering contract	North Project Office of Taiwan Power (shares) Nuclear Fire Department	2010.06.4~ 2017.08.17 Currently in the warranty phase	Linkou power plant expansion plan New constructions of outlet diversion dike, northern breakwater, coal unloading terminal, the contact bridge	None
Engineering contract	Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications	2011.11.01~ 2020.04.24	Construction of Tai-Chiu Line KuFeng Tunnel (project B3)	None
Engineering contract	Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications	2011.11.01~ 2019.07.20 2020.02.21 Acceptance qualified and start warranty	Construction of Tai-Chiu Line KuanYin Tunnel (project B2)	None
Engineering contract	North Project Office of Taiwan Power (shares) Nuclear Fire Department	2012.04.26~ 2020.09.24	Linkou power plant expansion plan, drum coal bunker system project in turn-key-basis	None
Engineering contract	Railway Bureau, MOTC South Engineering Office	The first stage 2016.09.06 ~ 2021-08-08 Second stage: +180 days after notification from Party A	Engineering project Railway Electrification for the chaofang section of SOUTH-LINK line, civil electrical & mechanical from CHAOZHOU to LINBIAN , LOT 811.	None

Engineering contract	Railway Bureau, MOTC East Engineering Office	2017.09.20~2021.03.29	C031 Hualien Township, Nanping to Wanrong railway line, double track civil work and tram system project.	None
Engineering contract	Taiwan Port Corporation Taichung Port Branch	2017.12.22~2020.04.18	Taichung harbor dock No.106 new construction project.	None
Engineering contract	Temporary Engineering Office of North Coastal Highway North District, General Administration of Highways, Ministry of Communications	2019.02.23~2024.09.23	Construction of Danjiang Bridge and Connecting Road Network 5K+000~7K+035	None

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of the printing date of this annual report (Note 3)	
	2015	2016	2017	2018	2019		
Current assets	7,328,025	7,027,855	7,183,756	8,592,678	8,506,827	8,308,949	
Property, Plant and Equipment (Note2)	899,612	817,407	735,534	647,203	521,496	521,216	
Intangible assets	-	-	-	-	5,822	5,337	
Other assets	662,614	628,077	630,748	612,593	483,159	477,246	
Total assets	8,890,251	8,473,339	8,550,047	9,852,474	9,517,304	9,312,766	
Current liabilities	Before distribution	4,383,934	3,827,940	5,232,035	5,232,035	4,630,827	4,511,194
	After distribution	4,383,934	3,897,445	4,296,355	5,232,035	(Note 6)	(Note 6)
Non-current liabilities	359,583	316,985	398,147	805,137	360,755	281,275	
Total liabilities	Before distribution	4,743,517	4,144,925	4,485,985	6,037,172	4,991,582	4,792,469
	After distribution	4,743,517	4,214,430	4,694,502	6,037,172	(Note 6)	(Note 6)
Equity attributable to shareholders of the parent	4,099,845	4,228,310	3,810,098	3,562,459	4,269,624	4,264,561	
Capital stock	3,475,274	3,475,274	3,475,274	3,475,274	4,475,274	4,475,274	
Capital surplus	310,362	310,362	310,362	18,545	519	519	
Retained earnings	Before distribution	245,023	338,692	(81,428)	55,253	(208,357)	(207,436)
	After distribution	245,023	269,187	(81,428)	55,253	(Note 6)	(Note 6)
Other equity interest	69,186	103,982	105,890	13,387	2,188	(3,796)	
Treasury stock	-	-	-	-	-	-	
Non-controlling interest	46,889	100,104	253,964	252,843	256,098	255,736	
Total equity	Before distribution	4,146,734	4,328,414	4,064,062	3,815,302	4,525,722	4,520,297
	After distribution	4,146,734	4,258,909	3,855,545	3,815,302	(Note 6)	(Note 6)

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the last five years.

Note 1: Any year that has not been verified by an accountant should be indicated.

Note 2: Those who have applied for asset revaluation in the current year should be listed on the date of processing and the value of the revaluation.

Note 3: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the latest financial information reviewed by the accountant or reviewed.

Note 4: The above figures are assigned after the allocation, please fill in the situation according to the resolution of the shareholders meeting of the next year.

Note 5: Financial information should be corrected or re-edited by the competent authority upon notification. It should be compiled with corrected or re-edited numbers and indicate the circumstances and reasons.

Note 6: The shareholders' meeting will decide to allocate.

Consolidated Condensed Balance Sheet (parent company)

Unit: NT\$ thousands

Item \ Year		Financial Summary for The Last Five Years(Note 1)				
		2015	2016	2017	2018	2019
Current assets		6,216,400	5,797,654	5,925,689	6,926,151	7,384,359
Property, Plant and Equipment (Note 2)		557,075	482,650	413,316	338,780	300,604
Intangible assets		-	-			5,822
Other assets		1,873,464	1,901,775	1,759,862	1,856,156	1,055,321
Total assets		8,646,939	8,182,079	8,098,867	9,121,087	8,746,106
Current liabilities	Before distribution	3,712,955	3,162,228	3,415,235	4,757,679	4,115,482
	After distribution	3,712,955	3,231,733	3,623,752	4,757,679	(Note 6)
Non-current liabilities		834,139	791,541	873,534	800,949	361,000
Total liabilities	Before distribution	4,547,094	3,953,769	4,288,769	5,558,628	4,476,482
	After distribution	4,547,094	4,023,274	4,497,286	5,558,628	(Note 6)
Equity attributable to shareholders of the parent		-	-	-		-
Capital stock		3,475,274	3,475,274	3,475,274	3,475,274	4,475,274
Capital surplus		310,362	310,362	310,362	18,545	519
Retained earnings	Before distribution	245,023	338,692	(81,428)	55,253	(208,357)
	After distribution	245,023	269,187	(81,428)	55,253	(Note 6)
Other equity interest		69,186	103,982	105,890	13,387	2,188
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	4,099,845	4,228,310	3,810,098	3,562,459	4,269,624
	After distribution	4,099,845	4,158,805	3,601,581	3,562,459	(Note 6)

Note 1: Any year that has not been verified by an accountant should be indicated.

Note 2: Those who have applied for asset revaluation in the current year should be listed on the date of

processing and the value of the revaluation.

Note 3: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the latest financial information reviewed by the accountant or reviewed.

Note 4: The above figures are assigned after the allocation, please fill in the situation according to the resolution of the shareholders meeting of the next year.

Note 5: Financial information should be corrected or re-edited by the competent authority upon notification. It should be compiled with corrected or re-edited numbers and indicate the circumstances and reasons.

Note 6: The shareholders' meeting will decide to allocate.

Note 7: There is no individual financial report in the first quarter of 2020, so it is not applicable.

6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item	Year					As of the printing date of this annual report (Note 2)
	Financial Summary for The Last Five Years (Note 1)					
	2015	2016	2017	2018	2019	
Operating revenue	7,141,468	4,289,591	3,758,935	3,844,011	4,282,904	984,800
Gross profit	285,426	299,580	(244,452)	31,988	172,789	41,781
Income from operations	130,060	121,489	(399,202)	(133,819)	6,944	6,950
Non-operating income & expenses	(46,834)	(18,081)	(18,470)	27,484	(9,026)	(5,737)
Income before tax	83,226	103,408	(417,672)	(106,335)	(2,082)	1,213
Continuing business unit Current net profit	80,787	83,931	(355,334)	(70,071)	(20,759)	559
Stop business unit loss	-	-	-	-	-	-
Net income (Loss)	80,787	83,931	(355,334)	(70,071)	(20,759)	559
Other comprehensive income (income after tax)	3,189	37,749	1,666	25,380	80,140	(5,984)
Total comprehensive income	83,976	121,680	(353,668)	(44,691)	59,381	(5,425)
Net income attributable to shareholders of the parent	83,147	90,716	(350,373)	(68,950)	(24,014)	921
Net income attributable to non-controlling interest	(2,360)	(6,785)	(4,961)	(1,121)	3,255	(362)
Comprehensive income attributable to Shareholders of the parent	86,336	128,465	(348,707)	(43,570)	56,126	(5,063)
Comprehensive income attributable to non-controlling interest	(2,360)	(6,785)	(4,961)	(1,121)	3,255	(362)
Earnings per share	0.24	0.26	(1.01)	(0.20)	(0.07)	0.00

Note:

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the last five years.

*If the financial information of the International Financial Reporting Standard is less than 5 years, the following table should be prepared separately. (2) Adopting China's

financial accounting standards

Financial information.

- 1: Any year that has not been verified by an accountant should be indicated.
- 2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information checked by the accountant or reviewed.
- 3: The loss of the business unit is listed as the net amount after the income tax has been deducted.
- 4: Financial information shall be corrected or rewritten by the competent authority upon notification by the competent authority, and shall be listed in the corrected or renumbered number, with the circumstances and reasons.

Condensed statement of comprehensive income(parent company)

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years(Note 1)				
	2015	2016	2017	2018	2019
Operating revenue	7,257,045	4,503,755	3,836,972	3,812,581	4,204,288
Gross profit	286,142	316,648	(232,694)	26,479	155,750
Income from operations	138,647	148,201	(365,364)	(102,635)	15,139
Non-operating income & expenses	(52,588)	(38,149)	(47,347)	(2,579)	(20,476)
Income before tax	86,059	110,052	(412,711)	(105,214)	(5,337)
Continuing business unit Current net profit	83,147	90,716	(350,373)	(68,950)	(24,014)
Stop business unit loss	-	-			-
Net income (Loss)	83,147	90,716	(350,373)	(68,950)	(24,014)
Other comprehensive income (income after tax)	3,189	37,749	1,666	25,380	80,140
Total comprehensive income	86,336	128,465	(348,707)	(43,570)	56,126
Net income attributable to shareholders of the parent	-	-			-
Net income attributable to non-controlling interest	-	-			-
Comprehensive income attributable to Shareholders of the parent	-	-			-
Comprehensive income attributable to non-controlling interest	-	-			-
Earnings per share	0.24	0.26	(1.01)	(0.20)	(0.07)

1: Any year that has not been verified by an accountant should be indicated.

2: As of the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information checked by the accountant or reviewed.

3: The loss of the business unit is listed as the net amount after the income tax has been deducted.

4: Financial information shall be corrected or rewritten by the competent authority

upon notification by the competent authority, and shall be listed in the corrected or renumbered number, with the circumstances and reasons.

5. There is no individual financial report in the first quarter of 2020, so it is not applicable.

6.1.3 Auditors' Opinions from 2015 to 2018

Year	Accounting Firm	CPA	Audit Opinion
2015	PwC Taiwan	Chang ,Tso- ch'eng Lin, Se-kai	No opinions after revisions were made
2016	PwC Taiwan	Chang ,Tso- ch'eng Wang, Fang-yu	No opinions after revisions were made
2017	PwC Taiwan	Wang, Fang-yu Hsiao,Chin-mu	Unreserved conclusions / opinions (emphasis or other matters)-other matters-use other accountants to check (check) the report and want to separate responsibilities
2018	PwC Taiwan	Wang, Fang-yu Hsiao,Chin-mu	Unreserved conclusions / opinions (emphasis or other matters)-other matters-use other accountants to check (check) the report and want to separate responsibilities
2019	PwC Taiwan	Lin, Se-kai Hsiao,Chin-mu	Unreserved conclusions / opinions (emphasis or other matters)-other matters-use other accountants to check (check) the report and want to separate responsibilities

6.2 Five-Year Financial Analysis

Consolidated Financial Analysis – Based on IFRS

Item		Year		Financial Analysis for the Last Five Years					As of the printing date of this annual report
		2015	2016	2017	2018	2019			
Financial structure (%)	Debt Ratio	53.36	48.92	52.47	61.28	52.45	51.46		
	Ratio of long-term capital to property, plant and equipment	500.92	568.31	606.66	713.91	937.01	921.22		
Solvency (%)	Current ratio	167.16	183.59	175.73	164.23	183.70	184.19		
	Quick ratio	93.92	92.40	88.22	72.43	98.04	102.58		
	Interest earned ratio (times)	2.98	4.36	(14.98)	(2.20)	0.94	1.16		
Operating performance	Accounts receivable turnover (times)	4.17	2.71	3.49	3.77	6.07	7.90		
	Average collection period	87.53	134.69	104.58	96.82	60.13	46.20		
	Inventory turnover (times)	2.61	1.26	1.16	0.94	0.98	1.04		
	Accounts payable turnover (times)	3.74	2.62	3.04	2.84	3.00	3.47		
	Average days in sales	139.85	289.68	314.66	388.30	372.45	350.96		
	Property, plant and equipment turnover (times)	7.76	5.00	4.84	5.56	7.33	7.56		
	Total assets turnover (times)	0.80	0.51	0.44	0.39	0.45	0.42		
Profitability	Return on total assets (%)	1.28	1.26	(3.92)	(0.47)	0.10	0.28		
	Return on stockholders' equity (%)	1.97	1.98	(8.47)	(1.78)	(0.5)	0.05		
	Pre-tax income to paid-in capital (%)	2.39	2.98	(12.02)	(3.06)	(0.05)	0.11		
	Profit ratio (%)	1.13	1.96	(9.45)	(1.82)	(0.48)	0.91		
	Earnings per share (NT\$)	0.24	0.26	(1.01)	(0.2)	(0.07)	0.00		
Cash flow	Cash flow ratio (%)	(29.91)	12.42	(1.65)	(14.73)	(0.98)	(6.87)		
	Cash flow adequacy ratio (%)	(59.27)	(23.33)	(39.74)	(47.84)	(56.61)	(30.61)		
	Cash reinvestment ratio (%)	(28.24)	9.92	(2.89)	(20.28)	(0.94)	(6.51)		
Leverage	Operating leverage	1.00	1.00	1.00	1.00	1.00	1.00		
	Financial leverage	1.48	1.34	0.94	0.80	(0.23)	(12.41)		

Please indicate the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease is less than 20%, it can be exempted from analysis)

1. The ratio of long-term funds to fixed assets has increased: mainly because of the increase in capital this year.
2. Quick Billy increase: due to capital increase and repayment of bank loans this year.
3. Increase in interest protection multiples: The main reason for this year's profit and loss is relatively better, resulting in an increase in interest protection multiples this year.
4. Increase in account receivables turnover rate and decrease in average cash collection days: Some projects that use periodic collections will be collected in this year in response to collections. Cause Receivables turnover rate increased and average cash collection days decreased.
5. Real estate, plant and equipment turnover increased: This year, due to the sale of part of the inventory, and part of the project entered the final disposal of idle equipment, resulting in real estate, plant and equipment turnover increased.
6. Increased return on assets, increased return on equity, increased ratio of net profit before tax to paid-in capital, increased net profit ratio and increased earnings per share:

The profit and loss for this year is relatively good, resulting in an increase in the rate of return on assets, an increase in the rate of return on equity, an increase in the ratio of pre-tax net profit yield ratio decreased and earnings per share increased.

7. Increase in cash flow ratio / increasing cash reinvestment ratio: due to the recovery of part of the receivables of the staged collection project and the sale of inventory, resulting in cash the outflow of gold is relatively small, thus increasing both the cash flow ratio and the cash flow allowance ratio.
8. Decreased financial leverage: Due to the relatively good gross profit this year, financial leverage decreased.

Financial Analysis(parent company)

Item		Year	Financial Analysis for the Last Five Years				
		2015	2016	2017	2018	2019	
Financial structure (%)	Debt Ratio	52.59	48.32	52.96	60.94	51.18	
	Ratio of long-term capital to property, plant and equipment	885.69	1040.06	1133.18	1287.98	1540.44	
Solvency (%)	Current ratio	167.42	183.34	173.51	145.58	179.43	
	Quick ratio	101.76	105.70	102.24	75.99	176.16	
	Interest earned ratio (times)	3.13	4.58	-14.79	-2.23	0.86	
Operating performance	Accounts receivable turnover (times)	3.99	2.45	3.03	3.65	5.85	
	Average collection period	91.48	148.98	120.46	100.00	62.39	
	Inventory turnover (times)	3.59	1.85	1.71	1.36	2.56	
	Accounts payable turnover (times)	3.96	2.76	3.11	2.84	2.99	
	Average days in sales	101.67	197.30	213.45	268.38	142.58	
	Property, plant and equipment turnover (times)	13.03	9.33	9.28	11.25	13.99	
	Total assets turnover (times)	0.84	0.55	0.47	0.42	0.48	
Profitability	Return on total assets (%)	1.34	1.38	(4.04)	(0.50)	0.06	
	Return on stockholders' equity (%)	2.05	2.18	(8.72)	(1.87)	(0.61)	
	Pre-tax income to paid-in capital (%)	2.48	3.17	(11.88)	(3.03)	(0.12)	
	Profit ratio (%)	1.15	2.01	(9.13)	(1.81)	(0.57)	
	Earnings per share (NT\$)	0.24	0.26	(1.01)	(0.20)	(0.07)	
Cash flow	Cash flow ratio (%)	(29.50)	18.10	11.59	(7.93)	(1.37)	
	Cash flow adequacy ratio (%)	(109.71)	(33.35)	(19.12)	(15.53)	(28.64)	
	Cash reinvestment ratio (%)	(21.24)	10.79	6.60	(12.93)	(1.24)	
Leverage	Operating leverage	1.06	1.09	0.99	1.08	0.82	
	Financial leverage	1.41	1.26	0.93	0.76	(0.69)	

Please indicate the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease is less than 20%, it can be exempted from analysis)

1. Increase in the ratio of long-term funds to fixed assets: mainly due to the increase in capital this year.
2. Quick Billy increase: due to capital increase and repayment of bank loans this year. Less years to go, resulting in an increase in interest coverage.
3. Increase in interest protection multiples: The main reason for this year's profit and loss is relatively better, resulting in an increase in interest protection multiples this year.
4. Increase in account receivables turnover rate and decrease in average cash collection days: Some projects that use periodic collections will be collected in this year in response to collections. As a result, the turnover rate of accounts receivable increased and the average cash collection days decreased.
5. Increase in inventory turnover rate and decrease in average sales days: This year, due to the sale of construction land, inventory turnover rate increased and average sales days decreased.
6. Increase in real estate, plant and equipment turnover rate: This year, due to the sale of construction land and some of the equipment at the end of the disposal of idle equipment, the real estate, plant and equipment turnover rate increased.
7. Increase in return on assets, increase in return on equity, increase in the ratio of pre-tax net income to paid-in capital, increase in net profit rate and increase in earnings per share: The main reason is that the current year 's profit and loss is slightly better than the previous year, resulting in an increase in asset return and an increase in equity return Net profit before tax increase in ratio of paid-in capital, increase in net profit margin and increase in earnings per share.
8. Increased cash flow ratio / increased cash reinvestment ratio: mainly due to the recovery of part of the receivables of phased collection projects and the sale of inventories, resulting in fewer cash outflows than last year, thus making both the cash flow ratio and the cash flow allowance ratio increase.
9. Reduced cash flow allowable ratio: Due to the lengthy design changes of some large-scale projects, the collection was slower, which reduced the cash flow allowable ratio.
10. Decreased operating leverage and reduced financial leverage: Due to the relatively

good gross profit of the year, this resulted in a decrease in operating leverage and a decrease in financial leverage.

6.3 Audit Committee's Report for the Most Recent Year

Review Report of Audit Committee

The Board of Directors has submitted the 2019 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 Lin, Se-kai 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 2020 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 26th, 2020

Review Report of Audit Committee

The Board of Directors has submitted the 2019 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 2020 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 26th, 2020

6.4 Financial statements as of 2019 and 31 December 2018 and consolidated audit reports

Please refer to page 166-240.

6.5 Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report

Please refer to page 241-314

6.6 The company and its related companies have been in the most recent year and as of the annual report, if there is any financial difficulties:None

VII. Review of Financial Conditions, Financial Performance, and Risk

Management

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Current Assets	8,506,827	8,592,678	(85,851)	(1.00)
Fixed Assets	521,496	647,203	(125,707)	(19.42)
Other Assets	488,981	612,593	(123,612)	(20.18)
Total Assets	9,517,304	9,852,474	(335,170)	(3.40)
Current Liabilities	4,630,827	5,232,035	(601,208)	(11.49)
Long-term Liabilities	360,755	805,137	(444,382)	(55.19)
Total Liabilities	4,991,582	6,037,172	(1,045,590)	(17.32)
Capital stock	4,475,274	3,475,274	1,000,000	28.77
Capital surplus	519	18,545	(18,026)	(97.20)
Retained Earnings	(208,357)	55,253	(263,610)	(477.10)
Other Adjustments	2,188	13,387	(11,199)	(83.66)
Attributable to the owners of the parent company	4,269,624	3,562,459	(707,165)	(19.85)
Total Stockholders' Equity	4,525,722	3,815,302	710,420	18.62
Analysis of changes in financial ratios:				
1. Decrease in other assets: due to the disposal of marketable securities this year.				
2. Decrease of non-current liabilities: Due to the disposal of the company in this year, the long-term loans of subsidiaries are transferred to current before sales, resulting in a reduction of long-term loans.				
3. Decrease in capital reserve and decrease in retained earnings: Due to the issuance of new shares with capital increase at a discount this year, the decrease in capital reserve and decrease in retained earnings.				
4. Decrease of other equity: due to the disposal of foreign equity investment, the exchange difference will reduce other equity				

7.2 Analysis of Financial Performance

A. Business results comparison analysis table

Unit: NT\$ thousands

Item	Year		Difference	
	2019	2018	Amount	%
Gross Sales	4,282,904	3,844,011	438,893	11.42
Operating cost	(4,110,115)	(3,812,023)	(298,092)	7.82
Operating margin	172,789	31,988	140,801	440.17
Operating expenses	(162,892)	(155,932)	(6,960)	4.46
Operating profit	6,944	(133,819)	140,763	(105.19)
Operating income and expenses	(9,026)	27,484	(36,510)	(132.84)
Pre-tax net profit	(2,082)	(106,335)	104,253	(98.04)
Income tax expense	(18,677)	36,264	(54,941)	(151.50)
The current net profit	(20,759)	(70,071)	285,263	(70.37)
This issue other comprehensive income net of tax	80,140	25,380	54,760	215.76
Issue comprehensive income	59,381	(44,691)	104,072	(232.87)
Net profit attributable to owners of the parent company	(24,014)	(68,950)	44,936	(65.17)
Comprehensive profit attributable to owners of the parent company	56,126	(43,570)	99,696	(228.82)

Analysis of changes in financial ratios:

- Operating gross profit, operating net profit, net profit before tax, current profit, current profit and loss, net profit attributable to owners of the parent company and comprehensive profit and loss attributable to owners of the parent company have increased:
Because the profit and loss for this year is slightly better than the previous year, the operating gross profit, operating net profit, pre-tax net profit, current profit, current comprehensive profit and loss, net profit attributable to the owner of the parent company and comprehensive profit and loss attributable to the parent company are all increased over the previous year.
- Decrease in non-operating income and expenses: due to the fact that there was non-operating income from litigation in the previous year, there was no such income in this year, resulting in a decrease in non-operating income.
- Decrease in income tax benefits: Due to fewer losses this year, income tax benefits have also decreased.
- Net increase in other comprehensive profit and loss after tax for the current period:
The net amount of other comprehensive profit and loss after tax for this year increased due to the disposal of marketable securities this year.

B. Analysis of changes in operating gross profit:

Since the company is a construction industry, it is not applicable to price analysis.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

1. Operating activities: Cash outflow \$45,452
2. Investing activities: inflow \$76,621
3. Financing activities: outflow \$362,898

Description:

1. Net cash outflow from operating activities during the year: mainly due to the completion of some projects, the cost of changing the project has occurred, but after the completion of the change, it needs to be inspected and accepted by the owner to obtain income, thereby generating cash expenses.
2. Net cash inflow from investment activities in the current year: Mainly for the disposal of subsidiaries and marketable securities for the year
3. Net cash outflow from financing activities this year: Mainly due to the repayment of bank loans this year.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis

Item \ Year	2019	2018	Variance (%)
Cash Flow Ratio (%)	(0.98%)	(14.73%)	(93.35%)
Cash Flow Adequacy Ratio (%)	(56.61%)	(47.84%)	18.33%
Cash Reinvestment Ratio (%)	(0.94%)	(20.28%)	(95.36%)
<p>Analysis of the change in increase and decrease ratio: Increased cash flow ratio / increased cash reinvestment ratio: mainly due to the recovery of part of the receivables of phased collection projects and the sale of inventories, leading to less cash outflows than last year, thus reinvesting the cash flow ratio and cash flow The ratios have increased from last year.</p>			

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
409,368	451,142	352,720	507,790	-	0

1. Analysis of expected cash flow changes in 2020:

(1) Business activities:

The estimated net cash inflow from operating activities is mainly due to the account of the final payment of completed projects and partial changes in contract accounts, resulting in an increase in cash inflows.

(2) Investment and financing activities:

Mainly due to the increase in project guarantee deposits and repayment of bank borrowings, resulting in net cash outflows due to expected investment and financing activities.

7.4 Major Capital Expenditure Items

None.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

1. Reinvestment policy:

The company's reinvestment policy is based on the core business.

2. The profit generated from the reinvestment:

The investment loss recognized by the company in the 2019 equity method evaluation is NT\$12 thousand.

3. Investment plans in the coming one year:

Chan Pan Construction and Kung Sing Development gradually and continue to work on the development projects of Nankang and Major Shindian in the coming one year.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1) Interest rate

In 2019, the interest expenses of the Company represented 0.88% of annual revenue. Going forward, the Company will continue to carefully monitor interest rate movements, adopt proper hedging strategies, and make use of capital markets financing instruments to ensure that our financing costs are at a comparatively low level.

(2) Foreign exchange rates

The company is an engineering corporation, undertaking various domestic significant public constructions, the source of raw materials are mostly within the domestic market, thus impacts of exchange rate changes are minor.

(3) Inflation

The impact of inflation does not currently have a significant impact on the Company's profits and business operations.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company's "Procedures for Lending" and "Procedures for Endorsement Guarantee". Furthermore, derivative transactions follow the "Procedures for Acquisition and Disposal of Assets".

7.6.3 Future Research & Development Projects and Corresponding Budget

Construction-related technology chosen by the Ministry of Public Works and various construction premises of the company's own research and development or introduction by a professional third-party abroad, does not specifically set up R & D department, no research and development expenses generated.

This year, the company undertook the Tamkang Bridge project under the jurisdiction of the General Administration of Communications of the Ministry of Communications, which is designed for the asymmetrical single-span oblique-slab steel bridge. In addition to the complex and uncertain geological terrain of the riverbed, it is still necessary to face the northeast monsoon and typhoon for half a year. Intense weather and other environmental impacts. In addition to the design of the cable-stayed steel cable, steel bridge and 200M high main tower, the construction adopts PDCA (plan, do, check, action), step by step for camp cycle operation, and cooperates with BIM (build information model) information estimation and inspection. It is committed to the integration and research of construction methods, and is more advanced and special. Coupled with Taiwan's industrial structure changes, so that the entire fast-changing human resource allocation in Taiwan, resulting in the construction industry demand for manpower is clearly insufficient. In view of this, how will the construction industry-oriented automation engineering methods, systematic, modular, shorten the construction period and reduce manpower, improve the effectiveness of conduct direction; at the same time in order to improve management efficiency, how to manage the site construction industry number of bits of information and technology, We are all subject of future development.

It has been listed as future research plans stated as follows:

item	category	Technology Research Project
1	management	Research on the practical application of BIM in construction projects
2	design	Study selection tunnel geological Improvement and Application of the Method
3	construction	Study stone riprap embankment throw off work Law
4	construction	Study Method of sliding caissons
5	management	Research on power analysis of the tunnel
6	management	Analysis of the amount of speed shotcrete job of coagulant

7	design	Study arrangement armor blocks the best way
8	design	Soil and Water Conservation hillside development of highly sensitive filling area
9	design	Study selection and application of the ground improvement construction method of fly ash Coast.
10	construction	Steel bridge above the water
11	Design+ construction	Cable-stayed cable

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. During 2017 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The company obtains the industrial information and has a full grasp of the newest messages circulating in the market through seminars organized by industrial and professional organizations, plus the existing outstanding technical capabilities and advantages of the basis of competition, supplemented by innovative and groundbreaking development strategies, surely will create better performances in the future.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Since its inception, the Company has consistently maintained an ethical business philosophy and fulfilled its social responsibilities. Aside from working to strengthen internal management and conforming to all relevant corporate governance requirements, the Company has also organized numerous public welfare activities.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and

Acquisition Plans

The Company has no ongoing merger and acquisition activities. In considering future M&A activities, the Company will evaluate their efficiency, risks, vertical integration and other factors in accordance with its internal control system.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

NA

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

Project main raw material for steel, concrete, cement, sand, brick, in addition to part of the contract by the owners according to the feed, the main bulk of the domestic large building material can be supplied, some special materials are ordered from abroad, mostly various construction equipment purchase or lease to foreign to domestic manufacturers, and uphold sustainable business philosophy, over the years has established good relations and interaction with various third-party manufacturers, the supply situation is normal, so there is no danger of the main raw material purchase concentrated.

And the company's engineering contract, nor confined to a single nature covered the tunnel engineering, bridge engineering, MRT project, roads and general residential buildings, etc., are the source of its operating income, plus stage a letter project itself general civil engineering contract also gradually, therefore, it is in terms of operating income, there is no general risk concentrated in manufacturing sales.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

None

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights

The company does not have operate the situation changed

7.6.12 Litigation or Non-litigation Matters

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: In terms of the construction engineering controversies, appropriate loss of all cases has been entered into the accounting book.

(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

7.6.13 Other Major Risks

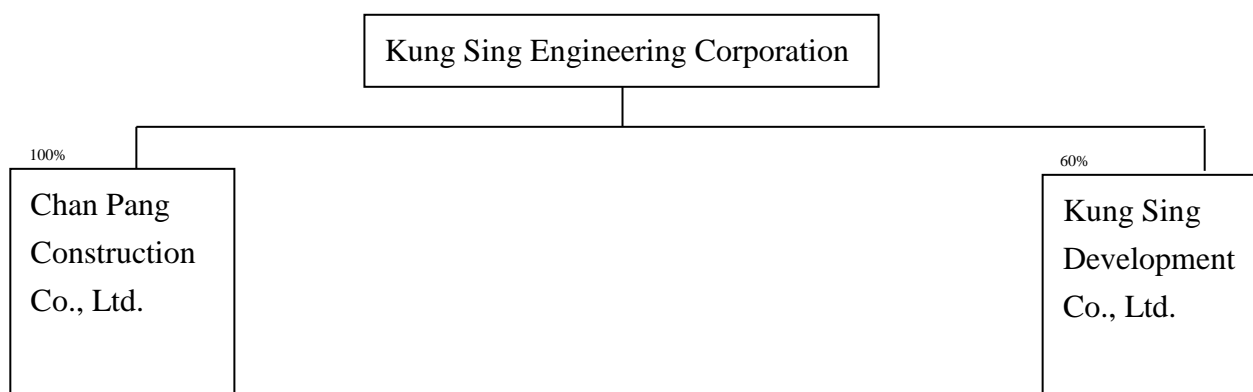
None

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Relationship business merger report

A. Relationship organization chart:



B. Basic information of each relationship company:

2018年12月31日；Unit: NT\$ thousands

Company Name (Note 1)	Date of establishment	Area	Paid-up capital	Main business or Production project
Chan Pang Construction Co., Ltd.	2006.10.14	Taipei	\$ 590,000	Construction and development of buildings and houses
Jiangsu Kung Sing Engineering Consulting Co., Ltd.	2009.06.02	Kunshan, China	(Note 2)	Investment, construction management
Kung Sing International Holding Company Limited	2003.03.07	Samoa	(Note 3)	Holding company
Kung Sing Development Co., Ltd.	2010.08.25	Taipei	\$ 700,000	Construction and development of buildings and houses

Kung Sing International (Hong Kong) Co., Ltd.	2010.08.30	Hong Kong	(Note 4)	General investment
Fujian TOFF Kung Sing Construction Engineering Co.,	2011.08.11	Fujian Fujian	(Note 4)	Undertake the construction of houses and municipal public works
Kung Sing Biomedical Engineering Co., Ltd.	2016.04.25	Taipei	(Note 5)	Pharmaceutical sales

Note 1: The above related companies do not hold shares of the company.

Note 2: All shares were sold in November 2019. No longer included in the organization chart

Note 3: In September 2019, the entire equity was sold. No longer included in the organization chart

Note 4: All shares were sold in June 2019. No longer included in the organization chart

Note 5: The liquidation was completed in December 2019. No longer included in the organization chart

C. Information on directors, supervisors and general managers of various related companies:

Company Name	job title	Name or representative	Holding shares	
			Number of shares	Shareholding ratio
Chan Pang Construction Co., Ltd.	Chairman	Kung Sing Engineering Corporation representative : Chiang,chi-ching	0	0.00
	Director	Li, kuei- chung	0	0.00
	Director	Chu, wei - kuo	0	0.00
	Supervisor	Li, yuan- chia	0	0.00
	General manager	-	0	0.00
Kung Sing Development Co., Ltd.	Chairman	Kung Sing Engineering Corporation representative : Chiang,chi-ching-	0	0.00
	Director	-	0	0.00
	Director	Kung Sing Engineering Corporation	0	0.00
	Supervisor	representative : Chu, wei- kuo	0	0.00
	General manager	Chiang,chi-ching	0	0.00

D. Overview of the operations of various related companies:

2019年12月31日；Unit: NTS thousands

Company Name	Paid-up capital	Total assets	Total liabilities	Net value	Operating income	Operating profit	Current profit and loss (after tax)	Earnings per share (yuan) (after tax) (Note 1)
Chan Pang Construction Co., Ltd.	590,000	1,466,245	914,580	551,665	0	(2,025)	(2,013)	(0.05)
Jiangsu Kung Sing Engineering Consulting Co., Ltd.	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(8,412)	(7,146)	0
Kung Sing International Holding Company Limited	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(276)	1,124	0
Kung Sing Development Co., Ltd.	700,000	916,768	276,521	640,247	78,616	7,864	8,138	0.12
Kung Sing International (Hong Kong) Co., Ltd.	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(19)	(19)	0
Fujian TOFF Kung Sing Construction Engineering Co.,	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(39)	(39)	0
Kung Sing Biomedical Engineering Co., Ltd.	(Note 5)	(Note 5)	(Note 5)	(Note 5)	(Note 5)	(402)	(386)	0

Note 1: It is calculated based on the surplus generated per share capital, not the surplus generated per share.

Note 2: All shares were sold in November 2019.

Note 3: In September 2019, The liquidation was completed

Note 4: All shares were sold in June 2019.

Note 5: The liquidation was completed in December 2019.

8.1.2 Relational financial statements of the business combination: The consolidated financial statements of the Company are consistent with the consolidated financial statements of the parent and subsidiary companies, as detailed on page 166.

8.2 Private Placement Securities in the Most Recent Years: None

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None

8.4 Other necessary supplementary notes: None

8.5 Explanation of significant differences with Taiwan's shareholders' rights protection provisions: None

IX. In the most recent year and up to the date of publication of the annual report, stipulated in the second paragraph of Article 36, paragraph 2 of the Securities Exchange Act: None

Kung Sing Engineering Co., Ltd.

Declaration of Affiliates Consolidated Financial Statements

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as of and for the years ended December 31, 2019 and 2018, as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies as of and for the years ended December 31, 2019 and 2018. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2019.

Hereby certify

Company name: Kung Sing Engineering Co., Ltd.

Principal: Chen, huang-ming

March 26, 2020

Independent Auditors' Report

PWC19004912

To the Boards of Directors and Stockholders of Kung Sing Engineering Co., Ltd.

Opinion

We had audited the Consolidated Balance Sheets of Kung Sing Engineering Co., Ltd. and its subsidiaries ("the Group"), as at December 31, 2019 and December 31, 2018, as well as the Consolidated Statements of Comprehensive Income, the Statement of Changes in Equity and of Cash Flows for the years ended December 31, 2019 and 2018, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the above-mentioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Group at December 31, 2019 and December 31, 2018, as well as its consolidated statement of cash flows and consolidated financial performance for the years ended December 31, 2019 and 2018 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", "International Financial Reporting Standards" and "International Accounting Standards" endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the generally accepted auditing standards in the Republic of China and the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants". Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the "The Norm of Professional Ethics for Certified Public Accountant of the Republic of China" ("the Norm"), and we have fulfilled our other ethical responsibilities with the Norm. We have faith in the audit evidence that we obtained is sufficient and appropriate to serve as the basis for our opinion.

Key audit matters

Key audit matters are the most important matters that, in our professional judgment, were of most significance in the audit of the Consolidated Financial Statements of the Group for the year ended December 31, 2019. These matters were addressed in the

context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's Consolidated Financial Statements for the year ended December 31, 2019 are as follows:

Assessment of Estimated Total Cost of the Construction Contract

Description

For the accounting policies of the construction contract, please refer to Note 4 (29); for the important judgments, accounting estimates and uncertainty of assumptions adopted in the accounting policy of construction contract, please refer to Note 5; the contract assets of the Group at December 31, 2019 - engineering construction contracts and contract liabilities - engineering construction contracts were respectively NT\$3,327,437(thousand) and NT\$1,192,034 (thousand), please refer to Note 6 (3).

The engineering income and cost of the Group's construction contract is mainly generated by the construction of civil projects. To make the estimates of the result of the construction contract accurate, the Group adopts proportional method and recognizes the engineering income according to the proportion of the completion of the project to the total contract price and cost. The completion progress is calculated according to the proportion of each contract that has been accepted by the owner. When the contract cost is likely to exceed the contract income, the expected loss is immediately recognized as cost.

Due to the estimates of total cost is assessed and judged from engineering properties, estimated subcontract amount, duration, construction operation and methods by the management. It's highly uncertain, which may affect the calculation of the profit and loss of the project. Therefore, we recognize the estimated total cost of the construction contract as one of the important matters for auditing.

Procedure

Implemented procedures of assessment of estimated total cost of the construction contract are as follows:

1. Evaluated the reasonableness of the estimated total cost of policies and procedures based on understanding of the properties of the industry and operating, including the basis of the estimated total cost of construction contracts of the same properties in the past.
2. Obtained the projects with significant changes in the estimated total cost for the

period, reviewed the description of changes and relevant information, and confirmed the appropriate approval of the competent authority to assess the reasonableness of the estimated changes.

3. Inspected outsourcing contracts randomly, as for the contracts which had not been contracted yet, we evaluated the basis and reasonableness of estimated cost.
4. Verified the proportion of actual cost to estimated total cost, and compared it with the completion schedule of the owner's acceptance to assess the reasonableness of the estimated total cost. If there was any difference, we obtained the management's description and verified the reasonableness.

Achievability of Deferred Tax Assets

Description

For the accounting policies of deferred tax assets, please refer to Note 4 (26); for the accounting estimates and the uncertainty of assumptions of the deferred tax assets, please refer to Note 5; the deferred tax assets of the Group at December 31, 2019 were NT\$125,389(thousand), please refer to Note 6 (29).

Deferred tax asset is recognized only if it is in the range of deductible future tax income. The estimates of deferred tax assets involving future income statements and potential tax income. And it may be influenced by certain subjective judgment of the management. The judgments mentioned above are related to the prediction of future. The assumptions used are highly uncertain and the estimates have a significant impact on tax income. Therefore, we recognized the achievability of deferred tax assets as one of the important matters for auditing.

Procedure

Implemented procedures of achievability of deferred tax assets are as follows:

1. Obtained future operating plan and estimated income statement approved by management.
2. Compared the estimated future income statement with past results.
3. Inspected the reasonableness of the items and amount of the estimated income statements adjusted to the future tax income.
4. Evaluated the achievability of deferred tax assets by comparing the estimated tax income with the tax loss of the past year.

Other matters – the Audit Conducted by Other Auditors

Some subsidiaries' financial statements of the Group for the years ended December 31, 2019 and 2018 were not audited by us but by other auditors. Therefore, the opinions of the Consolidated Financial Statements mentioned above, including the amount of financial statements and the relevant information disclosed in Note 13 were based on the audit reports of other auditors. The balance of the subsidiaries for the years ended December 31, 2019 and 2018 were respectively NT\$916,786(thousand) and NT\$912,484(thousand), accounting for 9.63% and 9.26% of the total consolidated assets; the net operating income recognized for the years ended December 31, 2019 and 2018 were respectively NT\$78,616(thousand) and NT\$59,866(thousand), accounting for 1.84% and 1.56% of the net consolidated operating income respectively.

Other matters – Parent Company Only Financial Reports

We have audited and expressed an unmodified opinion as well as other matters on the Parent Company Only Financial Statements of Kung Sing Engineering Co., Ltd. for the years ended December 31, 2019 and 2018.

Responsibilities of Management and Corporate Governance Units for Consolidated Financial Statements

It is the responsibility of the management to prepare Consolidated Financial Statements that expressed fairly in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", "International Financial Reporting Standards" and "International Accounting Standards" endorsed by the Financial Supervisory Commission and maintain the necessary internal controls related to the preparation of Consolidated Financial Statements to ensure that it was not affected by serious misrepresentation due to fraud or error.

In the preparation of the Consolidated Financial Statements, the management's responsibilities include the ability of the Group to operate continuously, the disclosure of related matters, and the adoption of the continuing operating accounting basis, unless the management intends to liquidate the Group or close down, or has no realistic alternative but to do so.

The governance unit of the Group (including the audit committee) is responsible for supervising the financial reporting process.

Auditors' Responsibilities for Consolidated Financial Statements

The purposes of the auditors to inspect the Consolidated Financial Statements are to

avoid obtaining reasonable assurance due to fraud or serious misrepresentation and issue an auditor's report. Reasonable assurance means highly-confident, but the audit work performed in accordance with the generally accepted auditing standards of the Republic of China cannot guarantee that the serious misrepresentation of Consolidated Financial Statements will be detected. Misrepresentation may be caused by fraud or error. If the amount of the misrepresentation can reasonably be expected to affect the economic decision made by the users of the financial statements of the Group, it is considered to be significant.

When we audit in accordance with the generally accepted auditing standards of the Republic of China, we exercise professional judgment and maintain professional suspicion. We also perform the following tasks:

1. Identify and assess the risk of misrepresentation of Consolidated Financial Statements due to fraud or error; design and implement appropriate countermeasures for the risk; and obtain sufficient and appropriate evidence to be used as a basis for audit. Fraud may consist of collusion, forgery, intentional omission, false declaration and malfunction of internal control, hence the risk of not detecting significant misrepresentation due to fraud is higher than for one resulting from error.
2. Obtain the necessary understanding of the internal control of relevant to the audit to design appropriate audit procedures, but the purpose is not to express opinions on the effectiveness of the internal control of the Group.
3. Evaluate the appropriateness of the accounting policies used by management, and the reasonableness of accounting estimates and related disclosures.
4. Draw conclusions based on the evidence about the appropriateness of the basis of continuous operating accounting adopted by the management and whether there are significant uncertain events or circumstances that may cause significant doubts about the ability of the Group to operate continuously. If we hold that there are material uncertainties in the events or circumstances, we'll remind the users to aware of the relevant disclosure in the Consolidated Financial Statements, or to amend the audit opinion when the disclosure is inappropriate. The conclusions are based on the audit evidence obtained as of the date of the audit report. However, events or circumstances in the future may cause the Group no longer has the ability to operate continuously.
5. Evaluate the overall expression, structure and content of Consolidated Financial Statements (including related notes) and whether it presents fairly about relevant transactions and events.

6. Obtain sufficient and appropriate evidence of the financial information in the Group to express opinions on the Consolidated Financial Statements. We are responsible for the guidance, supervision and execution of individual audit cases, and forming audit opinions on Consolidated Financial Statements.

We communicated, including the scope and time of the audit and major audit findings (including significant lack of internal control identified during the audit process), with the governance units.

We also provided the auditor independence declaration that following the professional ethics of accountants of the Republic of China to the corporate governance units. And communicated with the governance units on any matters that may be considered to affect the independence of auditors (including protective measures).

After communicated with the governance units, we decided the key audit matters of the 2019 Consolidated Financial Statements of the Group. We described the matters in the audit's report, unless the law do not allow public disclosure of specific matters, or in the rare case, the auditors decided not to describe specific matters in the audit report, as it is reasonably expected that the negative impact is greater than promoting public interest.

PricewaterhouseCoopers Taiwan

Auditor

Lin, Se-kai

Hsiao, Chin-mu

Former Securities and Futures Bureau, Financial Supervision and Management Committee
(Chinese)Approved Visa Number: No. 0960072936

Former Treasury Securities Management Committee

(Chinese)Approved Visa Number: (81) Taiwan Financial Certificate (6) No. 33095

March 26, 2020

Kung Sing Engineering Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
December 31, 2019 and December 31, 2018

Unit: NT\$1,000

ASSETS	NOTES	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalent	6(1)	\$ 394,873	4	\$ 739,312	8
1140	Contract assets-current	6(3)(22)	3,648,869	38	3,095,869	31
1170	Net accounts receivable	6(2)	498,804	5	912,160	9
1200	Other receivables	7	180,102	2	105,147	1
1220	Current income tax assets		263	-	1,450	-
130X	Inventory	6(4) and 8	479,962	5	1,669,435	17
1410	Prepayment	6(5)	159,346	2	180,002	2
1460	Net non-current assets for sale	6(12)	990,912	10	-	-
1470	Other current assets	8	2,153,696	23	1,889,303	19
11XX	Total current assets		<u>8,506,827</u>	<u>89</u>	<u>8,592,678</u>	<u>87</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(8) and 8	68,684	1	201,394	2
1550	Investment using equity method	6(7)	-	-	37,335	-
1600	Property, plant and equipment	6(8) and 8	521,496	6	647,203	7
1755	Right-of-use assets	6(9)	40,315	-	-	-
1760	Net investment property	6(10) and 8	185,646	2	180,302	2
1780	Intangible assets		5,822	-	-	-
1840	Deferred tax assets	6(29)	125,389	1	129,814	1
1900	Other non-current assets	6(11) and 8	63,125	1	63,748	1
15XX	Total non-current assets		<u>1,010,477</u>	<u>11</u>	<u>1,259,796</u>	<u>13</u>
1XXX	Total assets		<u>\$ 9,517,304</u>	<u>100</u>	<u>\$ 9,852,474</u>	<u>100</u>

(Continued)

Kung Sing Engineering Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
December 31, 2019 and December 31, 2018

Unit: NT\$1,000

	LIABILITIES AND EQUITY	NOTES	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term loan	6(13) and 8	\$ 911,720	10	\$ 2,507,002	25
2130	Contract liabilities - current	6(3)(22)	1,192,034	12	1,058,707	11
2150	Bills payable		598,218	6	800,364	8
2170	Accounts payable		660,211	7	683,887	7
2200	Other payables		16,664	-	22,544	-
2230	Income tax liabilities for the period		12,521	-	-	-
2250	Provisions for liabilities - current	6(15)	12,261	-	11,443	-
2260	Liabilities of directly related to the non-current assets for sale	6(12)	914,580	10	-	-
2280	Lease liabilities - current	6(9)	8,973	-	-	-
2300	Other current liabilities	6(10)	303,645	3	148,088	2
21XX	Total current liabilities	6(14) and 7	<u>4,630,827</u>	<u>48</u>	<u>5,232,035</u>	<u>53</u>
	Non-current liabilities					
2540	Long-term loans	6(14) and 8	177,132	2	634,513	6
2550	Provisions for liabilities - non-current	6(15) and 9	100,336	1	100,530	1
2570	Deferred tax liabilities	6(29)	-	-	18,066	-
2580	Lease liabilities - non-current	6(9)	31,592	-	-	-
2600	Other non-current liabilities		51,695	1	52,028	1
25XX	Non-current liabilities		<u>360,755</u>	<u>4</u>	<u>805,137</u>	<u>8</u>
2XXX	Total liabilities		<u>4,991,582</u>	<u>52</u>	<u>6,037,172</u>	<u>61</u>
	Equity					
	Share capital	6(18)				
3110	Common stock		4,475,274	47	3,475,274	35
	Capital surplus	6(19)				
3200	Capital surplus		519	-	18,545	-
	Retained earnings	6(20)				
3310	Legal reserve		-	-	-	-
3320	Special reserve		1,872	-	1,872	-
3350	Undistributed earnings		(210,229)	(2)	53,381	1
	Other equity	6(21)				
3400	Other equity		2,188	-	13,387	-
31XX	Total equity attributable to owners of the parent company		<u>4,269,624</u>	<u>45</u>	<u>3,562,459</u>	<u>36</u>
36XX	Non-controlling interests	6(31)	<u>256,098</u>	<u>3</u>	<u>252,843</u>	<u>3</u>
3XXX	Total equity		<u>4,525,722</u>	<u>48</u>	<u>3,815,302</u>	<u>39</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	Total liabilities and equity		<u>\$ 9,517,304</u>	<u>100</u>	<u>\$ 9,852,474</u>	<u>100</u>

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

Kung Sing Engineering Co., Ltd.
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000
(Except for loss per share in NT\$)

ITEMS	NOTES	2019		2018	
		AMOUNT	%	AMOUNT	%
4000	Operating income	\$ 4,282,904	100	\$ 3,844,011	100
5000	Operating cost				
		(4,110,115)	(96)	(3,812,023)	(99)
5900	Gross profit	172,789	4	31,988	1
	Operating expenses				
6100	Selling expenses	(2,953)	-	(9,875)	(1)
6200	Management expenses	(162,892)	(4)	(155,932)	(4)
6000	Total operating expenses	(165,845)	(4)	(165,807)	(5)
6900	Operating profit (loss)	6,944	-	(133,819)	(4)
	Non-operating income and expenses				
7010	Other income	10,630	-	62,570	2
7020	Other profits and losses	22,516	1	727	-
7050	Financial costs	(42,160)	(1)	(35,815)	(1)
7060	Shares of affiliates and joint ventures recognized by equity method	(12)	-	2	-
7000	Total non-operating income and expenses	(9,026)	-	27,484	1
7900	Net loss before tax	(2,082)	-	(106,335)	(3)
7950	Income tax profits (expenses)				
		(18,677)	(1)	36,264	1
8200	Net loss for the period	(\$ 20,759)	(1)	(\$ 70,071)	(2)
	Other comprehensive income (net)				
	Items that will not be reclassified to profit or loss				
8311	Remeasurement of determined benefit plans	\$ 299	-	\$ 3,494	-
8316	Unrealized gains on equity instrument investment measured at fair value through other comprehensive income	64,343	2	25,324	1
8349	Income tax related to items that will not be reclassified to profit or loss	(60)	-	(580)	-
8310	Total amount of items not reclassified to profit or loss	64,582	2	28,238	1
	Items that may be reclassified to profit or loss subsequently				
8361	Translation gain and loss on the financial statements of foreign operating entities	15,558	-	(2,082)	-
8370	Shares of affiliated companies and joint ventures recognized by equity method - items that may be reclassified to profit or loss	-	-	(776)	-
8360	Total items that may be reclassified to profit or loss subsequently	15,558	-	(2,858)	-
8300	Other comprehensive income (net)	\$ 80,140	2	\$ 25,380	1
8500	Total comprehensive income for the period	\$ 59,381	1	(\$ 44,691)	(1)
	Net profit (loss) attributable to:				
8610	Owners of parent company	(\$ 24,014)	(1)	(\$ 68,950)	(2)
8620	Non-controlling equity	\$ 3,255	-	(\$ 1,121)	-
	Total comprehensive profit and loss attributable to:				
8710	Owners of parent company	\$ 56,126	1	(\$ 43,570)	(1)
8720	Non-controlling equity	\$ 3,255	-	(\$ 1,121)	-
	Loss per share				
9750	Basic earnings per share	(\$ 0.07)		(\$ 0.20)	
9850	Diluted earnings per share	(\$ 0.07)		(\$ 0.20)	

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

Kung Sing Engineering Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000

	Equity Attributable to Owners of Parent Company											Total	Non-controlling Interest	Total Equity
	Capital Surplus				Retained Earnings			Other Equity						
	Notes	Common Stock	Issue Premium	Employee Stock Option	Others	Legal Reserve	Special Reserve	Undistributed earning waiting to make up for the deficit	Translation Gain and Loss on the Financial Statements of Foreign Operating Entities	Instrument Investment Measured at Fair Value through Other Comprehensive Income	Unrealized Gain on Equity Unrealized Gain or Loss on Available-for-sale Financial Assets			
<u>For the year ended December 31, 2018</u>														
Balance, 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
Retrospective application effects	6(21)	-	-	-	-	-	-	119,417	-	3,621	(118,590)	4,448	-	4,448
Balance after adjusted, January 1, 2018		<u>3,475,274</u>	<u>310,362</u>	<u>-</u>	<u>-</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 for the period		-	-	-	-	-	-	(68,950)	-	-	-	(68,950)	(1,121)	(70,071)
Other comprehensive income	6(21)	-	-	-	-	-	-	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)
Legal reserve to make up for losses	6(20)	-	-	-	-	(230,096)	-	230,096	-	-	-	-	-	-
Capital surplus to make up for losses	6(20)	-	(83,300)	-	-	-	-	83,300	-	-	-	-	-	-
Capital surplus cash return	6(20)	-	(208,517)	-	-	-	-	-	-	-	-	(208,517)	-	(208,517)
Balance, December 31, 2018		<u>\$ 3,475,274</u>	<u>\$ 18,545</u>	<u>\$ -</u>	<u>\$ -</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>
<u>For the year ended December 31, 2019</u>														
Balance, January 1, 2019		\$ 3,475,274	\$ 18,545	\$ -	\$ -	\$ -	\$ 1,872	\$ 53,381	(\$ 15,558)	\$ 28,945	\$ -	\$ 3,562,459	\$ 252,843	\$ 3,815,302
Net loss for the period		-	-	-	-	-	-	(24,014)	-	-	-	(24,014)	3,255	(20,759)
Other comprehensive income	6(21)	-	-	-	-	-	-	239	15,558	64,343	-	80,140	-	80,140
Total comprehensive income		-	-	-	-	-	-	(23,775)	15,558	64,343	-	56,126	3,255	59,381
Cash capital increase	6(18)(19)	1,000,000	(18,545)	(2,145)	-	-	-	(330,935)	-	-	-	648,375	-	648,375
Employee stock option		-	-	2,664	-	-	-	-	-	-	-	2,664	-	2,664
Invalid employee stock option		-	-	(519)	519	-	-	-	-	-	-	-	-	-
Disposal of equity instrument measured at fair value through other comprehensive income	6(6)	-	-	-	-	-	-	96,613	-	(96,613)	-	-	-	-
Subsidiaries' disposal of equity instrument measured at fair value through other comprehensive income		-	-	-	-	-	-	(5,513)	-	5,513	-	-	-	-
Balance, December 31, 2019		<u>\$ 4,475,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519</u>	<u>\$ -</u>	<u>\$ 1,872</u>	<u>(\$ 210,229)</u>	<u>\$ -</u>	<u>\$ 2,188</u>	<u>\$ -</u>	<u>\$ 4,269,624</u>	<u>\$ 256,098</u>	<u>\$ 4,525,722</u>

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

Kung Sing Engineering Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

Unit: NT\$,1,000

	NOTES	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net loss before tax		(\$ 2,082)	(\$ 106,335)
Adjustments			
Income charges			
Depreciation (including right-of-use assets and investment property)	6(25)(27)	60,180	73,680
Amortization	6(26)(27)	3,871	2,584
Amortization of long-term loan handling fees	6(26)	2,211	198
Interest expenses	6(26)	37,645	33,613
Interest income	6(24)	(2,627)	(3,200)
Dividends income	6(24)	(138)	(6,933)
Shares of investment losses (profits) of subsidiaries and affiliates recognized by equity method		12	(2)
Gains on disposal of property, plant and equipment	6(25)	(20,144)	(4,377)
Gains on disposal of investment property	6(25)	(2,995)	-
Gains on reversal of impairment loss of property, plant and equipment	6(25)	(5,221)	-
Gains on reversal of impairment loss of investment property	6(25)	(8,295)	-
Disposal of subsidiaries investment losses		9,077	-
Compensation cost of employee stock option	6(17)	2,664	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Contract assets		(553,000)	(256,585)
Accounts receivable		413,356	(466,158)
Other receivables		(86,870)	(83,439)
Inventories		224,959	(267,910)
Prepayments		19,256	(111,324)
Net changes in operating liabilities			
Contract liabilities		133,327	268,921
Bills payable		(202,146)	322,073
Accounts payable		(23,676)	(41,763)
Other payables		12,291	(34,515)
Provisions		624	(34,030)
Other current liabilities		810	(16,544)
Net defined benefit liabilities	6(33)	(4,558)	(15,724)
Cash inflow(outflow) generated from operations		8,531	(747,770)
Interest received		2,639	3,213
Interest paid		(38,090)	(33,261)
Dividends received		138	6,933
Income tax refunded		1,187	-
Income tax paid		(19,857)	-
Net cash outflows from operating activities		(45,452)	(770,885)

(Continued)

Kung Sing Engineering Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000

	NOTES	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other current assets		(\$ 264,393)	(\$ 95,260)
Disposal of financial assets at fair value through other comprehensive income	6(6)	197,053	-
Disposal of subsidiaries (deduct the cash disposition)	6(32)	118,246	-
Acquisition of property, plant and equipment price	6(8)	(2,195)	(1,276)
Disposal of property, plant and equipment price		32,341	21,013
Acquisition of intangible assets		(5,569)	-
Disposal of investment property price		3,239	-
Decrease(Increase) in other non-current assets		(2,101)	24,507
Net cash flows (outflows) from investing activities		<u>76,621</u>	<u>(51,016)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Borrow short-term loans	6(33)	300,000	1,315,000
Repayment of short-term loans	6(33)	(1,268,003)	(656,090)
Borrow long-term loans	6(33)	140,904	1,111,165
Repayment of long-term loans	6(33)	(176,174)	(648,574)
Increase (Decrease) in other non-current assets	6(33)	4,524	(14,644)
Capital surplus cash dividend return	6(20)	-	(208,517)
Lease debt principal repayment	6(33)	(12,524)	-
Cash capital increase	6(18)	<u>648,375</u>	<u>-</u>
Net cash flows (outflows) from financing activities		<u>(362,898)</u>	<u>898,340</u>
Exchange rate impact		<u>1,785</u>	<u>(409)</u>
Net decrease (increase) in cash and cash equivalents		(329,944)	76,030
Cash and cash equivalents balance at beginning of the period		<u>739,312</u>	<u>663,282</u>
Cash and cash equivalents balance at end of the period		<u>\$ 409,368</u>	<u>\$ 739,312</u>
Composition of cash and cash equivalents:			
Cash and cash equivalents on balance sheets		\$ 394,873	\$ 739,312
Cash and cash equivalents classified as (non-current) assets(disposal group) for sale		<u>14,495</u>	<u>-</u>
Cash and cash equivalents balance at end of the period		<u>\$ 409,368</u>	<u>\$ 739,312</u>

Kung Sing Engineering Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2019 and 2018

Unit : NT\$ 1,000

(Except where noted otherwise)

1. History of the Company

- (1) Kung Sing Engineering Co., Ltd. (“the Company”) was established in February 1947. The Company and its subsidiaries (“the Group”) specialize in construction repairs for roads and bridges as well as house and building development.
- (2) The Company's stock started trading at Taipei Exchange on November 18, 1999. It was officially terminated on December 18, 2012 and listed at the Taiwan Stock Exchange.

2. The Date and Procedure of Authorization for the Financial Statements

The Consolidated Financial Statements was approved and issued by the board of directors on March 26, 2020.

3. Application of New Standards, Amendments and Interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”).

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, “Prepayment features with negative compensation”	January 1, 2019
IFRS 16, “Leases”	January 1, 2019
Amendments to IAS 19, “Plan amendment, curtailment or settlement”	January 1, 2019
Amendments to IAS 28, “Long-term interests in associates and joint ventures”	January 1, 2019
IFRIC 23, “Uncertainty over income tax treatments”	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above-mentioned standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment:

IFRS 16, “Leases”

- A. IFRS 16, “Leases”, replaces IAS 17, “Leases” and related interpretations and SICs. The standard requires lessees to recognize a “right-of-use asset” and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and

account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the “modified retrospective approach”) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased “right-of-use asset” and “lease liability” by \$21,524 on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - A single discount rate will be used for lease portfolios with reasonably similar characteristics 2018, please refer to Notes 12 (4).
 - We adopted short-term lease for leases that will end before December 31, 2019. The fees recognized for the contracts in 2019 are \$ 143.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range was 1.53%.
- E. The Group recognized lease liabilities which had previously been classified as “operating leases” under the principles of IAS 17, “Leases”. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	22,575
Deduct: low-value assets or short-term leases	(145)
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	<u>\$</u>	<u>22,430</u>
Incremental loan interest rate at the date of initial application		<u>1.53%</u>
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	<u>\$</u>	<u>21,524</u>

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, “Disclosure Initiative-Definition of Material”	January 1, 2020
Amendments to IFRS 3, “Definition of a business”	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7, “Interest Rate Benchmark Reform”	January 1, 2020

The above-mentioned standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by International Accounting Standards Board
IFRS 17, "Insurance contracts"	January 1, 2021
Amendments to IAS 1, "Classification of current or non-current liabilities"	January 1, 2022

The above-mentioned standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The Consolidated Financial Statements of the Group was prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

- A. Except for the following items, the Consolidated Financial Statements had been prepared under the historical cost convention:
- a. Financial assets at fair value through other comprehensive income.
 - b. Defined benefit liabilities recognized based on the net amount of deducting present value of defined benefit obligation from pension plan assets.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of the Consolidated Financial Statements

- a. All subsidiaries are included in the Group's Consolidated Financial Statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- b. Transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- c. Components of profit and loss and other comprehensive income belong to the parent company's owners and non-controlling interests; the total comprehensive income also belongs to the parent company's owners and non-controlling interests, even if it leads to a loss balance of non-controlling interests.
- d. When the Group loses the control of the subsidiary, the remaining investment in the previous subsidiary is remeasured at fair value and recognized as the fair value of the originally recognized financial assets or the cost of the originally recognized investment affiliate or joint venture. The difference between fair value and book value is recognized as current profit and loss. For all amounts previously recognized in other comprehensive income related to the subsidiary, the accounting treatment is the same as the basis for the Group to directly dispose of the related assets or liabilities, that is, if the profits or losses previously recognized as other comprehensive income will be reclassified as profit or loss when the related assets or liabilities are disposed of. When the Group loses the control of the subsidiary, the Group will reclassify the profit or loss from equity to profits or losses.

B. Subsidiaries included in the Consolidated Financial Statements

Investor	Subsidiary name	Main business activities	Ownership (%)		Detail
			December 31, 2019	December 31, 2018	
The Company	Chan Pang Construction Co., Ltd.	Development and leasing of houses and buildings	100	100	Note1
As above	Jiangsu Kung Sing Engineering Consulting Co., Ltd.	Investment and construction management	-	100	Note2
As above	Kung Sing International Holding Company Limited	Holding company	-	100	Note3
As above	Kung Sing Development Co., Ltd.	Development and leasing of houses and buildings	60	60	Note1
As above	Kung Sing Biomedical Engineering Co., Ltd.	Patent medicine sales	-	100	Note4
Kung Sing International Holding Company Limited	Kung Sing International (Hong Kong) Co., Ltd.	Investment holding company	-	100	Note5

Note 1: According to the company's financial statements audited by accountants during the same period.

Note 2: All shares sold in November 2019.

Note 3: Liquidated in September 2019.

Note 4: Liquidated in December 2019.

Note 5: All shares sold in June 2019.

C. Subsidiaries not included in the consolidated financial statements

None.

D. Adjustments for subsidiaries with different balance sheet dates

None.

E. Significant restrictions that subsidiaries' ability to transfer funds to parent company

None.

F. Subsidiaries that have non-controlling interests that are material to the Group

None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Consolidated Financial Statements are presented in

New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

- A. Foreign currency transactions and balances
 - a. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
 - b. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
 - c. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
 - d. All foreign exchange gains and losses are presented in the comprehensive income statement within "other gains and losses".
- B. Translation of foreign operations
 - a. The operating results and financial position of all the Group's entities and affiliates have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - (c) All resulting exchange differences are recognized in other comprehensive income.
 - b. When part of the disposal or sale of a foreign operating agency is a subsidiary, proportionately accumulate the accumulated exchange differences recognized as other comprehensive income re-attributed to the foreign operating agency's non-controlling interests.

(5) Classification of current and non-current items

The operating contracts contracted by the Group are generally longer than one year. The assets and liabilities of the construction projects are classified as current or non-current according to the business cycle; the other standards of being divided into current and non-current as follows:

- A. Assets that meet one of the following criteria are classified as current assets:
 - a. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - b. Assets held mainly for trading purposes;

- c. Assets that are expected to be realized within twelve months from the balance sheet date;
- d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Those that do not meet the above-mentioned criteria are classified as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

- a. Liabilities that are expected to be settled within the normal operating cycle;
- b. Liabilities arising mainly from trading activities;
- c. Liabilities that are to be settled within twelve months from the balance sheet date;
- d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Those that do not meet the above-mentioned criteria are classified as non-current liabilities.

(6) Cash equivalents

Cash equivalents are short-term, highly liquid investment that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Accounts and bills receivables

- A. Accounts and bills receivable entitle the Group a legal right to unconditionally receive consideration in exchange for transferred goods or services.
- B. The short-term accounts and bills receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Leasing arrangements (lesser) — operating leases

The income of operating leases deducts the incentives for lessee will be recognized as profit or loss for the period by straight-line method in lease term.

(12) Inventories

- A. The land held for construction site and the construction in progress are based on the cost of acquisition. The land held for construction site is transferred to the construction in progress when it is actively developed, and the interest is capitalized during the period from the active development or construction work to the completion date.
- B. At the end of the period, we adopt the item-by-item comparison method to compare the cost to the net realizable value. The net realizable value means, under normal circumstances, the estimated selling price deducts the balance of the costs still required to be completed and the sales expenses.

(13) Non-current assets (or disposal group) for sale

Non-current assets (or disposal group) for sale is classified as assets for sale when the carrying amount is mainly recovered through sales transactions rather than continued use and highly likely to sell. And is decided by the amount of book value and fair value deduct cost of sale.

(14) Investment using equity method – affiliates

- A. Affiliates are all individuals that the Group has significant influence over and has no control over and generally directly or indirectly hold more than 20% of its voting shares. The Group adopts the equity method for investments in affiliates and recognized at cost when acquired.
- B. The Group's profit and loss share after obtaining an affiliated enterprise is recognized as current profit and loss, and other comprehensive profit and loss share is recognized as other comprehensive income. If the Group's share of loss in any affiliates equals or exceeds its equity in that affiliates (including any other unsecured receivables), the Group does not recognize further losses unless the Group has a legal obligation, a constructive obligation or clear the payment on affiliates behalf.

- C. The Group recognizes all equity changes of affiliates as "capital reserve" in shareholding proportion when the affiliates' equity changes in non-profit-and-loss and other comprehensive income and do not affect the Group's shareholding ratio.
- D. The unrealized gains and losses arising from the exchange between the Group and its affiliates have been eliminated according to the proportion of its equity in affiliates; unless evidence shows that assets transferred by the exchange have been impaired, unrealized losses are also eliminated. Accounting policies of affiliates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group loses its significant impact on the affiliate, the amounts previously recognized as other comprehensive income related to the affiliate, the accounting treatment is the same as the basis for the Group to directly dispose of the related assets or liabilities. That is, the benefits or losses previously recognized as other comprehensive income will be reclassified as profits or losses when the related assets or liabilities are disposed of. When the significant impact on the affiliate is lost, the amount previously recognized in other comprehensive income will be transferred out in proportion using the above-mentioned method.

(15) Joint operation

Investments in joint agreements are classified as joint operations based on their contractual rights and obligations.

For equity in joint operations, the Group recognizes its direct rights (and its share) in joint operating assets, liabilities, income and expenses, and has been included in the applicable items of financial statements.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. The costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Except for land, property, plant and equipment apply cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and

Errors”, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Building and structure	37~53 years
Machine equipment	4~7 years
Other equipment	3~9 years

(17) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments conclude fixed payments deducting any lease incentives receivable.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost, including the amount of the initial measurement of lease liability and any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset’s useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(18) Investment property

The investment property is stated initially at cost and measured subsequently by cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 53 years.

(19) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3-5 years.

(20) Impairment of non-financial assets

The Group assesses the recoverable amounts of those assets where there is an indication that they are impaired at each balance sheet date. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more

than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(21) Loans

Loans are long-term and short-term borrowings from bank. Loans are recognized initially at fair value deducting transaction costs. Subsequently, for any difference between the price after deduction of transaction costs and the redemption value is recognized as interest expense in profit or loss by effective interest method during amortization process in circulation period.

(22) Bills and accounts payable

- A. Accounts payable are liabilities for purchasing of raw materials, goods or services and bills payable are those resulting from operating and non-operating activities.
- B. The short-term accounts and bills payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(23) Derecognition of financial liabilities

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

(24) Provisions

Provisions (estimated warranty liabilities and contingent liabilities, etc.) are recognized when the Group has a present legal or constructive obligation due to past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date. Provisions are not recognized for future operating losses.

(25) Employee benefits

- A. Short-term employee benefits
Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.
- B. Pensions
 - a. Defined contribution plans
The contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.
 - b. Defined benefit plans
 - (a) A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will

receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the consolidated balance sheet date).

- (b) Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- (c) Prior period service costs are recognized immediately in profit or loss.

C. Employees' compensation, directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. In addition, some employee are paid by stock, and the basis for calculating the number of shares is the closing price of the day before the resolution of the board of directors.

(26) Employee share-based payment

Equity-based share-based payment agreements are employee services acquired on the grant date measured by the fair value of equity commodities given. The fair value of equity commodities should reflect the impact of market vested conditions and non-vested conditions. Recognition of remuneration costs is adjusted in accordance with the expected amount of rewards that meet the conditions of service and non-market price vesting conditions, until the final recognition amount is recognized with the vested amount on the vesting date.

(27) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent balance sheet. The deferred income tax liabilities

arising from the goodwill arising from the original recognition are not recognized, if the deferred income tax is derived from the original recognition of the asset or liability in the transaction (excluding business combination) and at the time of the transaction. If the accounting profit or taxable income (taxable loss) is not affected, it will not be recognized. If there is a temporary difference arising from the investment of the subsidiary, the Company can control the timing of the temporary difference in reversal, and the temporary difference is likely to not be recognized in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(28) Common stock capital

Common stocks are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(29) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders. Cash dividends are recorded as liabilities. The distribution of stock dividends is recognized as dividends to be distributed and is transferred to ordinary shares on the base date of the issuance of new shares.

(30) Revenue recognition

A. Project revenue from construction contracts

The engineering income and cost of the construction contract of the Group is mainly generated from the construction of civil projects. To make the estimate of the result of the construction contract accurate, the Group adopts proportional method and recognizes the proportion of the completion of the project to the total contract price and cost as income. The completion progress is calculated according to the proportion of each contract that has been accepted by the owner.

When the contract cost is likely to exceed the contract income, the contract revenue, the expenses and liabilities of the loss-making contract are immediately recognized. Changes in contract work, claims and awards shall be corrected for the estimated total cost of the contract, the estimated total cost and the proportion of

completion, and will be reflected in the current period when the management is informed of the change in circumstances and the amendments are made.

The Group accounts for the total amount of accounts that should be received from clients for contract work, that is, the cost incurred in the contract under construction plus the recognized profit exceeds the amount of the progress of the project, expressed as assets, and the contract assets are accounted for. In the case of a construction contract, the amount of the project progress exceeds the sum of the incurred costs plus the recognized profits, expressed as liabilities, and the contract liabilities are accounted for.

- B. Land development and resale
- a. The Group operates land development and recognizes profit when control of real estate is transferred to customers. As for the sale contract, until the transfer of the legal ownership of the real estate to the customer, the Group has an enforceable right to the contract payment. Therefore, profit is recognized at the time when legal ownership is transferred to the customer.
 - b. Profit is measured by the amount agreed in the contract. The customer pays the contract price when the legal ownership of the real estate is transferred. In rare cases, the Group has agreed with customers to defer the payment time, but the deferred repayment period does not exceed 12 months. Judging that the contract does not have a significant financial component, so the consideration amount will not be adjusted.

(31) Operating segments

The information of the Group's operating segments is the same as the internal management report provided to the chief operating decision maker.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of the Consolidated Financial Statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Construction contract

The engineering income and cost of the construction contract of the Group is mainly generated from the construction of civil projects. To make the estimate of the result of the construction contract accurate, the Group adopts proportional method, and recognizes the proportion of the completion of the project to the total contract price and cost as income. The completion progress is calculated according to the proportion of each contract that has been accepted by the owner. When the estimated total cost is likely to exceed the contract revenue, the expected loss is immediately recognized as an expense. In the case of contract work changes, claims, and awards, only the income that is likely to generate income and the amount can be reliably measured is included in the contract revenue.

Since the estimated total cost and contract items are evaluated and judged by the management for the characteristics of different projects, the estimated amount of the contract, the construction period and the construction method, it may affect the calculation of the project cost.

The completion ratio of the construction contracts of the Group and the recognized profits and losses are described in Note 6 (3).

(2) The achievability of deferred income tax assets

Deferred income tax assets are recognized in the future when it is probable that there will be sufficient taxable income for deducting temporary differences. When assessing the achievability of deferred income tax assets, it must involve significant accounting judgments and estimates of management, including assumptions about expected future sales revenue growth, profit margin and available income tax credits.

At December 31, 2019, the deferred income tax assets recognized by the Group were NT\$125,389.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and working fund	\$ 4,300	\$ 7,023
Check deposit and demand deposit	390,573	728,289
Time deposit	-	4,000
	<u>\$ 394,873</u>	<u>\$ 739,312</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. There has no cash and cash equivalents pledged to others.

(2) Accounts receivable

	December 31, 2019	December 31, 2018	January 1, 2018
Receivables from construction	<u>\$ 498,804</u>	<u>\$ 912,160</u>	<u>\$ 446,001</u>

A. The Group's retention receivables for construction projects arising from construction contracts at December 31, 2019 and 2018 were respectively NT\$321,432 and NT\$141,988 (recognized as "Contract assets - current"). The expected recovery is as follows:

	December 31, 2019	December 31, 2018
2019	\$ -	\$ 95,239
2020	211,563	13,471
2021	97,367	33,278
After 2022 (inclusive)	12,502	-
	<u>\$ 321,432</u>	<u>\$ 141,988</u>

- B. The Group's receivables and retention payments are in compliance with the Group's credit criteria and are not overdue and not impairment, the analysis of major clients is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Government and state-owned business	\$ 820,236	\$ 1,054,148

- C. The Group does not hold any collateral. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the margin deposits held by the Group was NT\$820,236 and NT\$1,054,148 respectively.

(3) Construction in progress

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total costs incurred and recognized as profits and losses	\$ 73,901,519	\$ 69,424,449
Deduct: the amount of project progress payment	(71,766,116)	(67,529,275)
Net assets and liabilities of ongoing contract	<u>\$ 2,135,403</u>	<u>\$ 1,895,174</u>
Recognized as:		
Contract assets - current	\$ 3,327,437	\$ 2,953,881
Contract liabilities – current (construction contracts)	<u>(1,192,034)</u>	<u>(1,058,707)</u>
	<u>\$ 2,135,403</u>	<u>\$ 1,895,174</u>

- A. As of December 31, 2019 and December 31, 2018, the retention receivables for construction contracts were NT\$321,432 and NT\$141,988, respectively.
- B. The cost of the construction of the construction contracts contracted by the Group for the years ended December 31, 2019 and 2018 were NT\$3,845,142 and NT\$3,752,387 respectively.
- C. As of December 31, 2019, the main projects that the Group contracted for but have not yet completed are as follows:

Project	<u>Total contract price</u>	<u>Estimated total cost</u>	<u>Percentage of completion</u>	<u>Scheduled completion year</u>	<u>Cumulative recognized gains and losses</u>
KSC036	\$ 38,343,312	\$37,488,440	98.83	2020	\$ 504,168
KSC053	8,166,871	7,840,593	97.87	2020	319,341
KSC055	9,171,378	8,779,628	96.20	2020	376,847
KSC056	6,838,609	6,630,558	98.89	2020	205,739
KSC057	6,735,293	6,607,376	92.54	2020	118,371
KSC062	1,783,317	1,755,911	65.31	2021	17,898
KSC065	1,114,568	1,065,259	64.61	2021	31,859
KSC066	1,138,863	1,072,792	81.94	2020	54,139
KSC067	11,946,661	11,163,389	2.01	2024	15,712

(4) Inventory

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Buildings and land held for sale	\$ 398,046	\$ 451,475
Construction in progress	81,916	629,211
Land held for construction site	-	588,749
	<u>\$ 479,962</u>	<u>\$ 1,669,435</u>

- A. The capitalized amount of inventory interest for the year ended December 31, 2018 was NT\$23,520; please refer to Note 6(12) for the information on the capitalized amount of inventory interest for the year ended December 31, 2019.
- B. Please refer to Note 8 for the information on the Group's guarantees provided by inventory.

(5) Prepayments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Materials and engineering prepayments	\$ 59,730	\$ 97,385
Prepaid insurance fee	58,866	32,262
Tax overpaid retained for offsetting the future tax payable	28,535	37,805
Prepaid escrow administration fee	6,730	6,804
Others	5,485	5,746
	<u>\$ 159,346</u>	<u>\$ 180,002</u>

(6) Financial assets at fair value through other comprehensive income - non-current

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity instruments		
Listed stocks	\$ -	\$ 100,440
Non-listed stocks	66,496	72,009
Subtotal	66,496	172,449
Valuation adjustments	2,188	28,945
Total	<u>\$ 68,684</u>	<u>\$ 201,394</u>

- A. The Group chooses to classify the equity instruments of strategic investment as financial assets at fair value through other comprehensive income. The fair value of investments at December 31, 2019 and December 31, 2018 were NT\$68,684 and NT\$201,394, respectively.
- B. The Group sold the investment of Taiwan High Speed Rail Co., Ltd. at a fair value of NT\$197,053 in June 2019 for operating expenses, and the cumulative disposition benefit was NT\$ 96,613.
- C. The details of other equity instruments at fair value through other comprehensive income are as follows:

	2019	2018
Changes at fair value through other comprehensive income	\$ 64,343	\$ 26,075
Accumulated benefits or losses due to the transfer of retained earnings	\$ 96,613	\$ -
Dividend income recognized as profit or loss	\$ 138	\$ 6,933

D. Please refer to Note 8 for the information on the Group's guarantees provided by listed stocks.

(7) Investments using equity method

	December 31, 2019	December 31, 2018
Fujian TOFF Kung Sing Construction Engineering Co., Ltd	\$ -	\$ 37,335

A. Non-significant affiliates

a. The basic information on the affiliates of the Group is as follows:

Name	Location	Ownership		Nature of the relationship	Measuring method
		December 31, 2019	December 31, 2018		
Fujian TOFF Kung Sing Construction Engineering Co., Ltd	Fujian, China	-	30%	Holding more than 20% of voting rights	Equity method

b. The operating results of the Group's affiliate are as follows:

	For the year ended December 31, 2018
Net profit of continuing operation units for the period	\$ 8
Other comprehensive income (net amount after tax)	-
Total comprehensive income for the period	\$ 8

B. The investment income of investment using equity method recognized by the Group for the year ended December 31, 2018 is based on the self-financing statements of the invested company that have not been audited by accountants during the same period.

C. In order to increase the flexibility in the use of funds, the Group sold all the equity of the holding companies of the above-mentioned affiliate on May 14, 2018 by the resolution of the board of directors, and the sale was completed on June 13, 2019.

(8) Property, plant and equipment

	2019				
	Land	Buildings and structures	Machinery equipment	Others	Total
January 1,					
Cost	\$ 342,826	\$ 345,881	\$ 276,491	\$ 20,661	\$ 985,859
Accumulated depreciation and impairment	-	(95,509)	(230,432)	(12,715)	(338,656)
	<u>\$ 342,826</u>	<u>\$ 250,372</u>	<u>\$ 46,059</u>	<u>\$ 7,946</u>	<u>\$ 647,203</u>
January 1	\$ 342,826	\$ 250,372	\$ 46,059	\$ 7,946	\$ 647,203
Additions	-	-	-	2,195	2,195
Disposals - cost	-	(100,578)	(238,938)	(1,627)	(341,143)
Depreciation expense	-	(13,783)	(27,964)	(3,286)	(45,033)
Disposals - accumulated depreciation	-	24,681	226,830	1,538	253,049
Reversal of impairment loss	-	5,221	-	-	5,221
Net exchange difference	-	4	-	-	4
December 31	<u>\$ 342,826</u>	<u>\$ 165,917</u>	<u>\$ 5,987</u>	<u>\$ 6,766</u>	<u>\$ 521,496</u>
December 31					
Cost	\$ 342,826	\$ 245,307	\$ 37,553	\$ 21,229	\$ 646,915
Accumulated depreciation and impairment	-	(79,390)	(31,566)	(14,463)	(125,419)
	<u>\$ 342,826</u>	<u>\$ 165,917</u>	<u>\$ 5,987</u>	<u>\$ 6,766</u>	<u>\$ 521,496</u>

	2018				
	Land	Buildings and structures	Machinery equipment	Others	Total
January 1					
Cost	\$ 342,826	\$ 359,711	\$ 380,853	\$ 33,308	\$ 1,116,698
Accumulated depreciation and impairment	-	(92,376)	(266,355)	(22,424)	(381,155)
	<u>\$ 342,826</u>	<u>\$ 267,335</u>	<u>\$ 114,498</u>	<u>\$ 10,884</u>	<u>\$ 735,543</u>
January 1	\$ 342,826	\$ 267,335	\$ 114,498	\$ 10,884	\$ 735,543
Additions	-	-	-	1,276	1,276
Disposals	-	-	(16,636)	-	(16,636)
Depreciation expense	-	(15,290)	(51,803)	(4,214)	(71,307)
Net exchange difference	-	(1,673)	-	-	(1,673)
December 31	<u>\$ 342,826</u>	<u>\$ 250,372</u>	<u>\$ 46,059</u>	<u>\$ 7,946</u>	<u>\$ 647,203</u>
December 31					
Cost	\$ 342,826	\$ 345,881	\$ 276,491	\$ 20,661	\$ 985,859
Accumulated depreciation and impairment	-	(95,509)	(230,432)	(12,715)	(338,656)
	<u>\$ 342,826</u>	<u>\$250,372</u>	<u>\$ 46,059</u>	<u>\$ 7,946</u>	<u>\$647,203</u>

- A. The estimated recoverable amount of buildings and structures of the Company is greater than the book amount. Gain on reversal of impairment loss recognized for the year ended December 31, 2019 and 2018 were NT\$5,221 and NT\$0 respectively, and recognized as "other gains and losses". The Company uses the fair value as the recoverable amount of the impairment test.
- B. Please refer to Note 8 for the information on the Group's guarantees provided by property, plant and equipment.

(9) Leasing arrangements — lessee
Effective 2019

- A. The Group leases various assets, including lands, buildings and transportation equipment. Rental contracts are typically made for periods of 2-10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The lease period of the machinery equipment and transportation equipment leased by the Group does not exceed 12 months. Some of the leased assets that are low-value targets, including machinery equipment, transportation equipment and multi-function office machines.
- C. The book value and the depreciation expense of right-of-use assets are as follows:

	December 31, 2019	2019
	Book value	Depreciation expense
Lands	\$ 35,494	\$ 7,529
Buildings	895	2,559
Transportation equipment	3,926	2,686
	<u>\$ 40,315</u>	<u>\$ 12,774</u>

D. The Group's right-of-use assets for the year ended December 31, 2019 increased to NT\$31,565.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 558
Expense on short-term lease and low-value assets lease	12,520

F. The Group's total lease cash outflow for the year ended December 31, 2019 was NT\$25,602 and the current balance of the lease liability at December 31, 2019 was NT\$40,565 recognized respectively as "lease liabilities – current" NT\$8,973 and "lease liabilities – non-current" NT\$31,592.

(10) Investment property

	2019		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 128,312	\$ 128,355	\$ 256,667
Accumulated depreciation and impairment	-	(76,365)	(76,365)
	<u>\$ 128,312</u>	<u>\$ 51,990</u>	<u>\$ 180,302</u>
January 1	\$ 128,312	\$ 51,990	\$ 180,302
Disposal	(578)	-	(578)
Depreciation expense	-	(2,373)	(2,373)
Reversal of impairment loss	-	8,295	8,295
December 31	<u>\$ 127,734</u>	<u>\$ 57,912</u>	<u>\$ 185,646</u>
December 31			
Cost	\$ 127,734	\$ 128,355	\$ 256,089
Accumulated depreciation and impairment	-	(70,443)	(70,443)
	<u>\$ 127,734</u>	<u>\$ 57,912</u>	<u>\$ 185,646</u>
	2018		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 128,312	\$ 128,355	\$ 256,667
Accumulated depreciation and impairment	-	(73,992)	(73,992)
	<u>\$ 128,312</u>	<u>\$ 54,363</u>	<u>\$ 182,675</u>
January 1	\$ 128,312	\$ 54,363	\$ 182,675
Depreciation charge	-	(2,373)	(2,373)
December 31	<u>\$ 128,312</u>	<u>\$ 51,990</u>	<u>\$ 180,302</u>
December 31			
Cost	\$ 128,312	\$ 128,355	\$ 256,667
Accumulated depreciation and impairment	-	(76,365)	(76,365)
	<u>\$ 128,312</u>	<u>\$ 51,990</u>	<u>\$ 180,302</u>

- A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	<u>2019</u>	<u>2018</u>
Rental income from investment property	\$ 2,970	\$ 2,925
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 2,337</u>	<u>\$ 2,195</u>
Direct operating expenses arising from the investment property that did not generate rental income in the period	<u>\$ 926</u>	<u>\$ 913</u>

- B. The fair value of the investment property held by the Group at December 31, 2019 and December 31, 2018 were NT\$303,138 and NT\$290,876, respectively, based on the evaluation results of independent evaluation experts. The evaluation was calculated by comparative method, cost method, land development analysis method and income method and classified as the level 3 fair value. The main assumptions of the income approach as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Income capitalization rate	1.61%-2.20%	1.73%-2.05%

- C. The estimated recoverable amount of buildings and structures of the Group is greater than the book value. Gain on reversal of impairment loss recognized for the years ended December 31, 2019 and 2018 were NT\$8,295 and NT\$0 respectively, and recognized as "other gains and losses". The Group uses the fair value as the recoverable amount of the impairment test.
- D. Please refer to Note 8 for the information on the Group's guarantees provided by investment property.

(11) Other non-current assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Refundable deposits	\$ 32,067	\$ 29,433
Restricted assets (time deposits and cash)	28,620	29,154
Others	<u>2,438</u>	<u>5,161</u>
	<u>\$ 63,125</u>	<u>\$ 63,748</u>

For details of the Group's guarantees for restricted assets, please refer to Note 8.

(12) Non-current assets for sale

On November 29, 2019, the Group sold 100% equity of Chan Pang Construction Co., Ltd. by resolution of the board of directors. And the assets and liabilities related to Chan Pang Construction Co., Ltd. transferred as disposal group for sale. The transaction is expected to be completed in 2020. The assets and liabilities of the disposal group for sale were NT\$990,912 and NT\$914,580 respectively.

A. Assets of disposal group for sale

	<u>December 31, 2019</u>	
Cash in banks	\$	14,495
Inventory		964,514
Other receivables		<u>11,903</u>
	\$	<u><u>990,912</u></u>

The above-mentioned amount of inventory concluded the amount of interest capitalization NT\$24,588 for the year ended December 31, 2019.

B. Liabilities directly related to disposal group for sale

	<u>December 31, 2019</u>	
Short-term loans	\$	627,279
Long-term loans		269,575
Other receivables		<u>17,726</u>
	\$	<u><u>914,580</u></u>

C. The disposal group for sale was remeasured by its book value and fair value deducting selling cost, and no impairment loss was incurred.

(13) Short-term loan

<u>Type</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Secured bank loan	\$ 772,720	\$ 2,257,002
Unsecured bank loan	<u>139,000</u>	<u>250,000</u>
	<u>\$ 911,720</u>	<u>\$ 2,507,002</u>
Interest rate range	<u>1.40%~1.76%</u>	<u>1.30%~3.319%</u>

A. The Group recognized interest expenses as profit or loss for the years ended December 31, 2019 and 2018 were respectively NT\$24,134 and NT\$24,128.

B. The details of the Group's unused loan amount are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Floating rate		
Due within one year	<u>\$ 153,280</u>	<u>\$ 100,000</u>

C. Please refer to Note 8 for details of the pledge warranty.

(14) Long-term loan

Type of loan	Repayment period	December 31, 2019	December 31, 2018
	Amortization from		
Medium-term secured loan	2015 to 2022	\$ 81,692	\$ 86,139
	Amortization from		
Medium-term secured loan	2018 to 2020	260,904	220,000
	Amortization from		
Medium-term unsecured loan	2018 to 2020	25,000	75,000
	Amortization from		
Medium-term unsecured loan	2018 to 2020	-	119,516
Medium-term secured loan	Due within 2023	100,000	-
Medium-term secured loan	Due within 2024	-	269,575
Subtotal		467,596	770,230
Deduct: due within one year (recognized as "other current liabilities")		(290,464)	(135,717)
Total		\$ 177,132	\$ 634,513
Interest rate range		1.81%-2.61%	1.80%-2.37%

A. Please refer to Note 12 (2) C. c. for details of the liquidity risks.

B. Please refer to Note 8 for details of the pledge warranty.

(15) Provisions for liabilities

	2019		
	Warranty	Litigation loss	Total
Balance, January 1	\$ 81,173	\$ 30,800	\$ 111,973
Increase in the period	970	-	970
Used in the period	(346)	-	(346)
Balance, December 31	\$ 81,797	\$ 30,800	\$ 112,597
Recognized as:			
Provisions for liabilities - current	\$ 12,261	\$ -	\$ 12,261
Provisions for liabilities - non-current	\$ 69,536	\$ 30,800	\$ 100,336
	2018		
	Warranty	Litigation loss	Total
Balance, January 1	\$ 82,203	\$ 63,800	\$ 146,003
Increase in the period	2,559	-	2,559
Used in the period	(1,446)	-	(1,446)
Current income	(2,143)	(33,000)	(35,143)
Balance, December 31	\$ 81,173	\$ 30,800	\$ 111,973
Recognized as:			
Provisions for liabilities - current	\$ 11,443	\$ -	\$ 11,443
Provisions for liabilities - non-current	\$ 69,730	\$ 30,800	\$ 100,530

A. Warranty

The Group's warranty provision of liabilities is mainly related to the construction contract, and is based on historical warranty data. The warranty provision of liabilities are expected to expire from 2020 to 2023.

B. Litigation loss

The Group's provision of litigation losses is mainly related to the lawsuits and work safety incidents under the construction contract. The lawsuits arising from the

relevant engineering matters are recognized as likely litigation losses after the management assess and refer to legal opinions by management.

(16) Net defined benefit liability

A. The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the “Labor Standards Act”, covering all regular employees’ service years prior to the enforcement of the “Labor Pension Act” on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

a. The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	(\$ 66,312)	(\$ 69,129)
Fair value of plan assets	<u>53,893</u>	<u>51,853</u>
Net defined benefit liabilities	<u>(\$ 12,419)</u>	<u>(\$ 17,276)</u>

b. Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
<u>2019</u>			
Balance, January 1	(\$ 69,129)	\$ 51,853	(\$ 17,276)
Service cost for the period	(343)	-	(343)
Interest (expense) income	(495)	369	(126)
Prior period service cost	114	-	114
	<u>(69,853)</u>	<u>52,222</u>	<u>(17,631)</u>
Remeasurements:			
Returns on plan assets	-	2,009	2,009
Changes in demographic assumptions	(161)	-	(161)
Changes in financial assumptions	(306)	-	(306)
Experience adjustments	(1,243)	-	(1,243)
	<u>(1,710)</u>	<u>2,009</u>	<u>299</u>
Pension fund contribution	-	4,227	4,227
Paid pension	5,251	(4,565)	686
Balance, December 31	<u>(\$ 66,312)</u>	<u>\$ 53,893</u>	<u>(\$ 12,419)</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
<u>2018</u>			
Balance, January 1	(\$ 88,605)	\$ 52,111	(\$ 36,494)
Service cost for the period	(866)	-	(866)
Interest expense (income)	(853)	494	(359)
Prior period service cost	1,051	-	1,051
	<u>(89,273)</u>	<u>52,605</u>	<u>(36,668)</u>
Remeasurements:			
Returns on plan assets	-	1,614	1,614
Changes in demographic assumptions	208	-	208
Changes in financial assumptions	(1,599)	-	(1,599)
Experience adjustments	3,271	-	3,271
	<u>1,880</u>	<u>1,614</u>	<u>3,494</u>
Pension fund contribution	-	5,789	5,789
Paid pension	18,264	(8,155)	10,109
Balance, December 31	<u>(\$ 69,129)</u>	<u>\$ 51,853</u>	<u>(\$ 17,276)</u>

- c. The Bank of Taiwan was commissioned to manage the Fund of the Company's and its domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and December 31, 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- d. The principal actuarial assumptions used are as follows:

	2019	2018
Discount rate	0.70%	0.75%
Future salary growth rate	2.00%	2.00%

- (a) Assumptions regarding future mortality experience are set based on actuarial advice in accordance with Taiwan Standard Ordinary Experience Mortality.
- (b) Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Discount rate		Future salary growth rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 1,512)	\$ 1,563	\$ 1,538	(\$ 1,497)
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 1,553)	\$ 1,607	\$ 1,583	(\$ 1,538)

⊗The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

⊗The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- e. The expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 is NT\$955.
- f. As of December 31, 2019, the weighted average duration of the retirement plan was 9 years. The maturity analysis of pension payments is as follows:

Less than 1 year	\$	1,580
1-2 years		1,863
2-5 years		12,342
More than 5 years		54,900
	\$	<u>70,685</u>

- B. Since July 1, 2005, the Company and the domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and the domestic subsidiaries contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were \$9,981 and \$10,169 respectively.
- C. The other consolidated entities did not hire employees locally, so there were not analogous contribution pension plan, and thus the pension cost was not recognized.

(17) Share-based payment (none in 2018)

- A. The share-based payment agreement of the Group for the year ended December 31, 2019 is as follows:

<u>Type of agreements</u>	<u>Grant date</u>	<u>Grant amount</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock option of cash capital increase	October 7, 2019	6,095 thousand shares	NA	Immediate

The above-mentioned payment is equity-settled share-based payment.

- B. The details of equity-settled share-based payment are as follows:

	<u>2019</u>	
	<u>Option amount</u>	<u>Weighted average performance price (unit: NT\$)</u>
Share options outstanding at January 1	-	\$ -
Available share options during the period	6,095	6.50
Executed shares options during the period	(4,908)	6.50
Overdue options	(1,187)	6.50
Outstanding share options at December 31	-	-
Executable share options at December 31	-	-

- C. As of December 31, 2019, the weighted average share price of the executed share options on the execution date was NT\$6.88.
- D. The Company used Black-Scholes model to estimate the fair value of stock options of share-based payment transaction. The related information is as follows:

Type of agreements	Grant date	Share price	Performance price	Expected volatility	Expected duration	Expected dividend	Risk-free rate	Fair value per unit
Employee stock option of cash capital increase	October 7, 2019	NT\$6.88	NT\$6.50	24.1%(*)	0.08	-	0.59%	NT\$0.437

(*)Expected volatility is the stock price in the sample period using the most recent period that is approximately the same as the expected duration of the option and is estimated by the standard deviation of the stock return rate during that period.

- E. The expense of share-based payment transaction is as follows:

	2019
Equity settled	\$ 2,664

(18) Capital - common stock

- A. As of December 31, 2019 and December 31, 2018, the Company's rated capital were respectively NT\$6,000,000 and NT\$4,500,000, divided into 6,000,000 thousand shares and 450,000 thousand shares. The paid-in capital were NT\$4,475,274 and NT\$3,475,274, respectively. The number of outstanding shares were 447,572 thousand shares and 347,527 thousand shares. The par value per share is NT\$10. The issued shares of the Company have been received. The number of shares of the Company's common stock at the beginning and end of the period is adjusted as follows: (unit: thousand shares)

	2019	2018
January 1	347,527	347,527
Cash capital increase	100,000	-
December 31	447,527	347,527

- B. The Company has amended the Company's articles of association which increased the rated capital to NT\$6,000,000 on June 27, 2019 by resolution of the board of shareholders. Change registration has been completed.
- C. On June 14, 2019, the board of directors of the Company determined that issued 100,000 thousand common stocks for cash capital increase. And the par value per share is NTS10. On September 19, 2019, the board of directors decided that the base date for the capital increase and issuance of new shares would be October 12, 2019, and the subscription price per share is NT\$6.5 at a discount. The payment period was October 21, 2019 to November 21, 2019. The rights and obligations of the new issuance of ordinary shares are the same as issued ordinary shares. The total cash capital increase is NT\$650,000, and after deducting the relevant costs, the actual net increasing capitalization is NT\$648,375. The base date of capital increase was November 26, 2019. Change registration has been completed.

(19) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) Retained earnings

- A. The Company's articles of association stipulates that if there is a surplus in the annual final accounts, the tax should be paid first to make up for the previous year's losses, and 10% of the remaining amount shall be set aside as legal reserve. If there is still a surplus plus, the board of directors will propose some resolution and decided by board of shareholders. The shareholder dividends are distributed in two ways: stock dividends and cash dividends. The proportion of cash dividends is not less than 10% of the total shareholder dividends. When necessary, the surplus distribution could be set aside as special reserve before the dividend distribution.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. According to the special surplus reserve mentioned in the letter of the financial management certificate issued on April 6, 2012.
When adopting IFRSs for the first time, the Company shall set aside the special reserve. The Company could use the reversal of the special reserve when the Company uses, disposes or reclassifies the relevant assets. And the proportion will be the same as the original proportion. If the above-mentioned related assets are investment real estate, the part of land will be revolved when it is disposed of or reclassified, and the others will be rotated during the period of use.
- D. On June 29, 2018, the Company resolved to make up for the accumulated loss in 2017 by the board of shareholders with legal reserve of NT\$230,096 and capital reserve of NT\$83,300 for a total of NT\$313,396. And distributed NT\$0.6 per share with the capital reserve of NT\$208,517.
- E. The Company's board of shareholders on June 27, 2019 resolved that there will be no surplus distribution in 2018.

F. The board of directors of the Company on March 26, 2019 proposed a 2019 loss replenishment. After making up for losses, there was no surplus available for distribution.

G. For details of employees' and directors' remuneration, please refer to Note 6 (28).

(21) Other equity items

	2019			
	Foreign currency translation	Unrealized gains and losses of equity instrument investments measured by fair value through other comprehensive income		Total
Balance, January 1	(\$ 15,558)	\$	28,945	\$ 13,387
Revaluation - the Company	-		64,306	64,306
Revaluation transferred to retained earnings - the Company	-	(96,613)	(96,613)
Revaluation - subsidiaries	-		37	37
Evaluation transferred to retained earnings - the subsidiaries	-		5,513	5,513
Foreign currency translation differences - the Group	15,558		-	15,558
Balance, December 31	<u>\$ -</u>	<u>\$</u>	<u>2,188</u>	<u>\$ 2,188</u>

	2018			
	Foreign currency translation	Unrealized gains and losses of equity instrument investments measured at fair value through other comprehensive income	Unrealized gains of financial assets for sale	Total
Balance, January 1	(\$ 12,700)	\$ -	\$ 118,590	\$ 105,890
Modified traceability	-	3,621	(118,590)	(114,969)
Revaluation - the Group	-	25,324	-	25,324
Foreign currency translation differences – the Group	(2,082)	-	-	(2,082)
Foreign currency translation differences – affiliates	(776)	-	-	(776)
Balance, December 31	<u>(\$ 15,558)</u>	<u>\$ 28,945</u>	<u>\$ -</u>	<u>\$ 13,387</u>

(22) Operating income

	2019	2018
Client contract income	<u>\$ 4,282,904</u>	<u>\$ 3,844,011</u>

A. Details of client contract income

The Group's income for the years ended December 31, 2019 and 2018 were derived from the income of engineering construction contract which gradually recognized over time and income of sales of land held for construction site which recognized when the control transferred. The main income categories are as follows:

	<u>2019</u>	<u>2018</u>
Engineering contract income	\$ 3,989,288	\$ 3,784,145
Income of sales of land held for construction site	215,000	-
Income of sales of build cases	68,616	59,866
Others	10,000	-
	<u>\$ 4,282,904</u>	<u>\$ 3,844,011</u>

B. Contract assets and liabilities

The Group recognized contract assets and liabilities related to client contract income are as follows:

	<u>December 31 ,2019</u>	<u>December 31 ,2018</u>	<u>January 1 ,2018</u>
Contract assets:			
Engineering construction contract	\$ 3,327,437	\$2,953,881	\$2,152,885
Project retention receivables	321,432	141,988	680,839
	<u>\$ 3,648,869</u>	<u>\$ 3,095,869</u>	<u>\$ 2,833,724</u>
Contract liabilities - Engineering construction contract	<u>(\$ 1,192,034)</u>	<u>(\$ 1,058,707)</u>	<u>(\$ 789,786)</u>

The recognized amount of contract liabilities at the beginning of the period in 2019 and 2018 were NT\$1,058,707 and NT\$789,786 respectively.

(23) Operating cost

	<u>2019</u>	<u>2018</u>
Engineering contract cost	\$ 3,845,143	\$ 3,752,387
Cost of sales	253,889	44,994
Service cost	1,841	14,642
Others	9,242	-
	<u>\$ 4,110,115</u>	<u>\$ 3,812,023</u>

(24) Other income

	<u>2019</u>	<u>2018</u>
Interest income:		
Interest income from bank deposits	\$ 2,611	\$ 3,189
Other interest income	16	11
Rental income	3,621	3,593
Dividend income	138	6,933
Provisions transferred to income	-	35,143
Accounts payables transferred to income	-	11,563
Other income	4,244	2,138
	<u>\$ 10,630</u>	<u>\$ 62,570</u>

(25) Other gains and losses

	<u>2019</u>	<u>2018</u>
Gains on disposal of property, plant and equipment	\$ 20,144	\$ 4,377
Gains on disposal of investment property	2,995	-
Disposal of investment losses	(9,077)	-
Net foreign exchange losses	(2,375)	(970)
Gain on reversal of impairment loss	13,516	-
Investment property depreciation expenses	(2,373)	(2,373)
Others	(314)	(307)
	<u>\$ 22,516</u>	<u>\$ 727</u>

(26) Financial cost

	<u>2019</u>	<u>2018</u>
Interest expense:		
Bank loan	\$ 36,148	\$ 33,238
Others	1,497	375
Syndicated loans expenses	2,304	2,004
Other financial expenses	2,211	198
	<u>\$ 42,160</u>	<u>\$ 35,815</u>

(27) Additional information on the nature of the expenses

	<u>2019</u>	<u>2018</u>
Employee benefit expenses	\$ 384,727	\$ 425,908
Depreciation of property, plant and equipment	45,033	71,307
Depreciation of right-of-use assets	12,774	-
Amortization fee	1,567	580

(28) Employee benefit expenses

	<u>For the year ended December 31, 2019</u>		
	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 268,565	\$ 50,555	\$ 319,120
Labor and health insurance fee	24,522	4,317	28,839
Pension cost	7,877	2,459	10,336
Directors' remuneration	-	2,610	2,610
Other personnel expenses	17,460	6,362	23,822
	<u>\$ 318,424</u>	<u>\$ 66,303</u>	<u>\$ 384,727</u>
	<u>For the year ended December 31, 2018</u>		
	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 301,596	\$ 57,647	\$ 359,243
Labor and health insurance fee	27,372	4,807	32,179
Pension cost	8,303	2,040	10,343
Directors' remuneration	-	1,580	1,580
Other personnel expenses	18,901	3,662	22,563
	<u>\$ 356,172</u>	<u>\$ 69,736</u>	<u>\$ 425,908</u>

- A. In accordance with the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees that account for 3%-5% and to the directors that account for less than 3%, of the total distributed amount.
- B. The Company had no profit for the years ended December 31, 2019 and 2018, so there was no remuneration of employees and directors and supervisors.
The 2018 annual employees' and directors' remuneration determined by the board of directors were NT\$0, which is in line with the amount recognized in the 2018 financial statements.
Information of the remuneration of employees and directors approved by the board of directors of the Company can be obtained from the "Market Observation Post System".
- C. As of December 31, 2019 and December 31, 2018, the employees of the Group, including foreign workers and dayworkers, the number of the workers were 494 and 648 respectively, of which the number of directors who were not concurrent employees was 6.

(29) Income tax

A. Income tax expenses

a. Components of income tax expenses:

	2019	2018
Income tax for the period:		
Tax on profits for the period	\$ 13,770	\$ -
Tax on undistributed earnings	1,359	-
Land value increment tax recognized as current tax	17,249	-
Prior year income tax over estimation	-	(1,509)
	<u>32,378</u>	<u>(1,509)</u>
Deferred tax:		
Origination and reversal of temporary differences	(14,009)	6,004
Tax losses	308	(26,992)
Impact of change in tax rate	-	(13,767)
	<u>(13,701)</u>	<u>(34,755)</u>
Income tax expenses (gains)	<u>\$ 18,677</u>	<u>(\$ 36,264)</u>

b. Income tax related to other comprehensive income:

	2019	2018
The remeasurement of determined benefit obligations	(\$ 60)	(\$ 699)
Impact of change in tax rate	-	119
	<u>(\$ 60)</u>	<u>(\$ 580)</u>

B. Relationship of income tax expenses and accounting profits:

	<u>2019</u>	<u>2018</u>
Income tax of the net loss before tax calculated at statutory tax rate	\$ 158	(\$ 27,022)
Tax-free income and fees that should be excluded	(4,868)	348
Deferred income tax achievability assessment changes	(2,030)	(293)
Tax losses unrecognized deferred income tax assets	402	5,979
Prior year income tax over estimation	-	(1,509)
Income tax impacts of the alternative minimum tax	6,407	-
Income tax impacts of tax law amendment	-	(13,767)
Tax on undistributed earnings	1,359	-
Land value increment tax recognized as current tax	<u>17,249</u>	<u>-</u>
Income tax expenses (gains)	<u>\$ 18,677</u>	<u>(\$ 36,264)</u>

C. Amount of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2019			
	January 1	Recognized as profit or loss	Recognized as other comprehensive income	December 31
Deferred income tax assets:				
- Temporary differences				
Unrealized litigation loss	\$ 6,160	\$ -	\$ -	\$ 6,160
Net defined benefit liabilities	3,455	(912)	(60)	2,483
Investment property loss	2,891	(1,659)	-	1,232
Warranty liabilities	16,235	125	-	16,360
Property, plant and equipment loss	4,233	(1,044)	-	3,189
Unrealized sales gross profit	4,488	(545)	-	3,943
Others	1,640	(22)	-	1,618
- Tax loss	90,712	(308)	-	90,404
	<u>\$ 129,814</u>	<u>(\$ 4,365)</u>	<u>(\$ 60)</u>	<u>\$ 125,389</u>
Deferred income tax liabilities:				
- Temporary differences:				
Long-term foreign investment income	<u>(\$18,066)</u>	<u>\$ 18,066</u>	<u>\$ -</u>	<u>\$ -</u>
			2018	
	January 1	Recognized as profit or loss	Recognized as other comprehensive income	December 31
Deferred income tax assets:				
- Temporary differences				
Unrealized litigation loss	\$ 10,846	(\$4,686)	\$ -	\$ 6,160
Net defined benefit liabilities	6,204	(2,169)	(580)	3,455
Investment property loss	2,457	434	-	2,891
Warranty liabilities	13,975	2,260	-	16,235
Property, plant and equipment loss	3,598	635	-	4,233
Unrealized sales gross profit	5,132	(644)	-	4,488
Others	1,199	441	-	1,640
- tax loss	54,162	36,550	-	90,712
	<u>\$ 97,573</u>	<u>\$ 32,821</u>	<u>(\$ 580)</u>	<u>\$ 129,814</u>
Deferred income tax liabilities:				
- Temporary differences:				
Long-term foreign investment income	(\$18,888)	\$ 822	\$ -	(\$ 18,066)
Others	(1,112)	1,112	-	-
	<u>(\$20,000)</u>	<u>\$ 1,934</u>	<u>\$ -</u>	<u>(\$ 18,066)</u>

The tax losses of Group for the year ended December 31, 2018 was recognized as deferred income tax assets because the estimated tax income generated in the coming year exceeding the accumulated tax loss.

- D. The relevant amount of the effective period of tax losses that the Group has not used is as follows:

December 31, 2019					
<u>Occurred year</u>	<u>Declared amount/ Approved amount</u>	<u>Amount that not yet deducted</u>	<u>Not recognized as deferred tax assets</u>	<u>Last deduction year</u>	
2010	\$ 6,132	\$ 4,505	\$ 6,132	2020	
2011	12,104	12,104	12,104	2021	
2012	11,255	11,255	11,255	2022	
2013	9,062	9,062	9,062	2023	
2014	8,348	8,348	8,348	2024	
2015	7,648	7,648	7,648	2025	
2016	6,391	6,391	6,391	2026	
2017	323,791	320,240	3,728	2027	
2018	140,964	140,964	5,456	2028	
2019	2,013	2,013	2,013	2029	
December 31, 2018					
<u>Occurred year</u>	<u>Declared amount/ Approved amount</u>	<u>Amount that not yet deducted</u>	<u>Not recognized as deferred tax assets</u>	<u>Last deduction year</u>	
2009	\$ 4,560	\$ 4,560	\$ 4,560	2019	
2010	10,265	9,582	9,582	2020	
2011	12,104	12,104	12,104	2021	
2012	14,299	14,299	14,299	2022	
2013	15,578	15,578	15,578	2023	
2014	184,196	8,777	8,777	2024	
2015	15,662	15,662	15,662	2025	
2016	11,563	11,563	11,563	2026	
2017	338,059	338,059	17,996	2027	
2018	162,260	162,260	27,299	2028	

- E. The Company's profit-seeking enterprise income tax in 2017 has been approved by the tax collection authorities.
- F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 7, 2018, the income tax rate has been raised from 17% to 20% since January 1, 2018. The Group has assessed the impacts of the changes in income tax rate.

(30) Loss per share

	For the year ended December 31, 2019		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Loss per share (unit: NT\$)
<u>Basic and diluted loss per share</u>			
Net loss attributable to common stocks shareholders of the parent company for the period	<u>(\$ 24,014)</u>	<u>357,390</u>	<u>(\$ 0.07)</u>
	For the year ended December 31, 2018		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Loss per share (unit: NT\$)
<u>Basic and diluted loss per share</u>			
Net loss attributable to common stocks shareholders of the parent company for the period	<u>(\$ 68,950)</u>	<u>347,527</u>	<u>(\$ 0.20)</u>

(31) Non-controlling equity

	2019	2018
Balance, January 1	\$ 252,843	\$ 253,964
Net profit (loss) on non-controlling equity	3,255	(1,121)
Balance, December 31	<u>\$ 256,098</u>	<u>\$ 252,843</u>

(32) Additional information on cash flow

- A. The Group sold 100% shares of Jiangsu Kung Sing Engineering Consulting Co., Ltd. on November 14, 2019 and lost control of the subsidiary (Please refer to Note 4 (3) B. Note 2 for details). The consideration received from the transaction (including cash and cash equivalents) and related assets and liabilities of the subsidiary are as follows:

	November 14, 2019
Book value of assets and liabilities	
Cash	\$ 1,315
Net property, plant and equipment	73,891
Other payables	(493)
Disposal of subsidiary book value	74,713
Disposal of subsidiary losses	(11,506)
Disposal of subsidiary cumulative translation adjustment	11,523
Disposal of subsidiary total consideration received	74,730
Disposal of subsidiary cash	(1,315)
Disposal of subsidiary net cash changes	<u>\$ 73,415</u>

- B. The Group sold 100% shares of Kung Sing International (Hong Kong) Co., Ltd. on June 13, 2019 and lost control of the subsidiary (Please refer to Note 4 (3) B. Note5 for details). The consideration received from the transaction (including cash and cash equivalents) and related assets and liabilities of the subsidiary are as follows:

	<u>June 13, 2019</u>
Book value of assets and liabilities	
Cash	\$ 671
Investment using equity method	<u>37,387</u>
Disposal of subsidiary book value	38,058
Disposal of subsidiary profits	1,362
Disposal of subsidiary cumulative translation adjustment	<u>6,082</u>
Disposal of subsidiary total consideration received	45,502
Disposal of subsidiary cash	<u>(671)</u>
Disposal of subsidiary net cash changes	<u><u>\$ 44,831</u></u>

(33) Changes of liabilities from financing activities

	<u>2019</u>				Total liabilities from financing activities
	Short-term	Long-term	Lease	Others	
	loan	loan	liabilities		
January 1	\$ 2,507,002	\$ 770,230	\$ 21,524	\$ 52,028	\$ 3,350,784
Changes of cash flow from financing activities	(968,003)	(33,059)	(12,524)	4,524	(1,009,062)
Interest payments (*)	-	-	(558)	-	(558)
Net determined benefit liabilities payments (*)	-	-	-	(4,558)	(4,558)
Other non-cash changes	<u>(627,279)</u>	<u>(269,575)</u>	<u>32,123</u>	<u>(299)</u>	<u>(865,030)</u>
December 31	<u><u>\$ 911,720</u></u>	<u><u>\$ 467,596</u></u>	<u><u>\$ 40,565</u></u>	<u><u>\$ 51,695</u></u>	<u><u>\$ 1,471,576</u></u>

	<u>2018</u>				Total liabilities from financing activities
	Short-term loan	Long-term loan	Others		
January 1	\$ 1,848,092	\$ 307,441	\$ 85,890		\$ 2,241,423
Changes of cash flow from financing activities	658,910	462,789	(14,644)		1,107,055
Net determined benefit liabilities payments (*)	-	-	(15,724)		(15,724)
Other non-cash changes	<u>-</u>	<u>-</u>	<u>(3,494)</u>		<u>(3,494)</u>
December 31	<u><u>\$ 2,507,002</u></u>	<u><u>\$ 770,230</u></u>	<u><u>\$ 52,028</u></u>		<u><u>\$ 3,329,260</u></u>

(*)Cash flow from operating activities was recognized.

(34) Joint operation

The joint control agreement signed by the Group for joint operation is as follows:

<u>Name</u>	<u>Co-builder</u>	<u>Site</u>	<u>Construction nature</u>	<u>Expected completion year</u>
Great Nangang	Chang pang Development Co., Ltd. and seven other companies	2 nd subsection, Yucheng section, Nangang Dist., Taipei City	Joint investment and construction	Undecided

The Group holds 12.5% shares of the Great Nangang. The share of current assets held by the Group at December 31, 2019 and 2018 were NT\$1,060,062 and NT\$1,047,606 respectively, and the current liabilities were NT\$866,791 and NT\$852,699. The shares of profits and losses for the years ended December 31, 2019 and 2018 were (NT\$1,634) and (\$173) respectively, and recognized in Consolidated Balance Sheets and Consolidated Comprehensive Income Statements. This joint operation project has not generated revenue. By the way, the current assets NT\$475,333 are internal transactions and have been charged off in the Consolidated Financial Statements.

7. Related Parties Transactions

(1) The names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Chen, huang-ming	Key members of management
Chiang, chi-ching	Key members of management
Pan, jun-rong	Other related party

(2) Significant transactions and balances with related parties

A. Endorsement and guarantee

- Part of the loan amount of the Group was endorsed by the Group's key members of management and other related parties.
- At December 31, 2019 and 2018, the Group borrowed part of the loan amount from the bank. The amount of mutual endorsement guarantee provided by the Group and other related parties in accordance with the loan contract is NT\$236,000 and the used actual amount were NT\$173,936 and NT\$180,000 respectively.

B. Joint construction

The Group signed a joint construction contract with other related parties. By means of joint construction and separate sale, the land of Daihudi subsection, Ankeng section, Sindian Dist. is provided by other related parties, and the houses are constructed by the Group. As of December 31, 2018, the construction project has been completed. At December 31, 2019 and December 31, 2018, the Group paid the joint construction related costs were NT\$79,685 and NT\$85,143 on other related parties behalf and recognized as "other receivables". And the income of selling houses for the years ended December 31, 2019 and 2018 were NT\$68,616 and NT\$59,866.

(3) The remuneration of key members of management

	2019		2018	
Short-term employee benefits	\$	14,100	\$	14,939
Post-employment benefits		192		251
	\$	14,292	\$	15,190

8. Pledged Assets

Pledged assets	Book value		Purpose
	December 31, 2019	December 31, 2018	
Other current assets - pledged timed deposit, reserve account and deposit cash	\$ 2,153,696	\$ 1,889,303	Provided to banks and owners as a guarantee of project performance and prepaid projects guarantee, bid bond, and short-term loan
Inventory	1,444,476	1,669,435	Long-term and short-term loan guarantee
Other non-current - restricted assets	28,620	29,154	Provided to owners as a guarantee of warranty bond, foreign workers, litigation and short-term loan
Financial assets measured at fair value through other comprehensive income - non-current	-	131,976	Short-term loan guarantee
Property, plant and equipment	339,763	347,768	Long-term and short-term loan guarantee
Investment property	109,655	111,119	Long-term and short-term loan guarantee
	\$ 4,076,210	\$ 4,178,755	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

As of December 31, 2019, in addition to the important engineering contracts of Note 6 (3), the Group's other commitments and contingent liabilities are as follows:

- (1) As of December 31, 2019, the Group has not used NT\$846 for the purchase of the goods, and the amount of the guarantee issued by the bank for the performance guarantee, prepayment guarantee and warranty guarantee of the project contract was NT\$4,103,081.
- (2) As of December 31, 2019, the amount of bills issued by the Group due to the lease contract was NT\$ 3,277.
- (3) The creditor of the Company's engineering contractor filed a lawsuit against the Company to confirm whether the claim exists or not. On April 14, 2005, the Changhua District Court of Taiwan judged that the contractor's monetary claim on the Company existed, and the amount is within the range of NT\$40,237 and NT\$48,284. According to the court decision, the Company has

deducted the amount of the retention and calculated the total loss of NT\$33,000, which is recognized as "Provisions-non-current". On April 11, 2018, the appeal was rejected by the Supreme Court of Taiwan, and the creditor of the contractor was dismissed. The amount of the loss that the Company has already reversed the amount of loss.

- (4) The CT206A project of the MRT Tamsui Line contracted by the Company was officially checked and accepted in April 1995, and officially opened to traffic in March 1997. However, the employee setting up soundproof walls of the outsourcers of Taipei MRT was injured in September 2000. They filed a lawsuit in Shilin District Court of Taiwan on March 21, 2013. The Company was asked for a compensation of NT\$174,345 and plus the interest accruing thereon. The company hold that the project has been formally checked and accepted for 15 years, which is more than the maximum ten-year requirement that the engineering contractor should be responsible for the guarantee, and we were not liable for it. However, on March 2, 2016, the Shilin District Court of Taiwan judged that the Company should compensate NT\$27,027 and plus the interest accruing thereon. The Company refused to accept the judgment and appealed it. On April 2, 2019, the Taiwan High Court judged that the Company should compensate NT\$22,058 and plus the interest until discharged day. The Company appealed to the Taiwan High Court on May 1, 2019. On May 31, 2019 the suit was transferred to the Supreme Court of Taiwan and it is being heard. The Company has accrued relevant compensation losses and interest expenses NT\$30,800, which is recognized as "Provisions - non-current".

10. Significant Losses from Natural Disaster

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Group's objectives of capital management are to keep the Group going, to maintain optimal capital structure and to provide compensation to shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the debt-to-capital ratio. This ratio is calculated by net debt and total capital. The net debt is calculated by the amount of total loan (including current and non-current loan in the Parent Company Balance Sheets) deducted from cash and cash equivalent. The total capital is calculated by adding "equity" in the Consolidated Balance Sheets to net debt.

The Group's strategy in 2019 remains the same as in 2018, and the Group is committed to maintaining the debt-to-capital ratio below 50%. The Group's debt-to-capital ratio is as follows:

	December 31, 2019	December 31, 2018
Total loans	\$ 2,276,170	\$ 3,277,232
Deduct: Cash and cash equivalents	(394,873)	(739,312)
Net debt (A)	\$ 1,881,297	\$ 2,537,920
Total equity(B)	\$ 4,525,722	\$ 3,815,302
Total capital (C=A+B)	\$ 6,407,019	\$ 6,353,222
Debt-to-capital ratio (A/C)	29.36%	39.95%

(2) Financial risk of financial instruments

A. Category of financial instruments

	December 31, 2019	December 31, 2018
<u>Financial assets</u>		
Selected equity investment in financial assets measured by fair value through other comprehensive gains and losses	\$ 68,684	\$ 201,394
Financial assets at amortized cost		
Cash and cash equivalents	\$ 394,873	\$ 739,312
Accounts receivable(including construction retainage receivable)	820,236	1,054,148
Other receivables	180,102	105,147
Pledged time deposits, reserve accounts and cash deposits (recognized as "other current assets")	2,153,696	1,889,303
Restricted assets and refundable deposits (recognized as "other non-current assets")	60,687	58,587
	\$ 3,609,594	\$ 3,846,497
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term loan	\$ 1,538,999	\$ 2,507,002
Bills payable	598,218	800,364
Accounts payable	660,211	683,887
Other payables	16,664	22,544
Loan liabilities	40,565	-
Other current liabilities	9,745	574
Long-term loan (including due within one year or one business cycle period)	737,171	770,230
Other non-current liabilities	39,276	34,752
	\$ 3,640,849	\$ 4,819,353

B. Risk management policies

The Group's daily operations are affected by various financial risks including market risk, credit risk and liquidity risk. Risk management is performed by the finance department of the Group in accordance with the policies approved by the board of directors.

C. The property and extent of significant financial risks

a. Market risk:

Foreign exchange rate risk

- (a) The business of the Group involves a number of non-functional currencies, and has been affected by foreign exchange rate fluctuations. Information of foreign currency assets and liabilities affected by significant exchange rate fluctuations is as follows:

December 31, 2019			
(Foreign currency: functional currency)	Amount (thousand dollars)	Foreign currency exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 270	29.980	\$ 8,085
RMB : NTD	11,125	4.305	47,892
December 31, 2018			
(Foreign currency: functional currency)	Amount (thousand dollars)	Foreign currency exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 631	30.715	\$ 19,420
RMB : NTD	14,144	4.472	63,250

- (b) The Group's monetary items were affected by exchange rate fluctuations for the years ended December 31, 2019 and 2018. The total amount of exchange loss (including realized and unrealized) were (NT\$2,375) and (NT\$970) respectively.
- (c) The appreciation or depreciation of major foreign currency monetary items impacted the Group's profit and loss at the end of the financial statements period. When the New Taiwan dollar appreciates or depreciates by 1%, the Group's profit and loss will increase or decrease by NT\$560 and NT\$827 respectively for the years ended December 31, 2019 and 2018.

Price risk

- (a) The Group's equity instruments exposed to price risk were recognized as financial assets at fair value through other comprehensive income.
- (b) The Group invests primarily in equity instruments issued by domestic companies and the prices will be affected by the uncertainty of the future value of the investment target. If the price rising or falling by 1%, while all other factors remain unchanged, the other comprehensive income for the years ended December 31, 2019 and 2018 increased or decreased by NT\$687 and NT\$2,014 respectively.

Cash flow and fair value interest rate risk

The long-term and short-term loan borrowed by the Group are floating-rate

debts and are not expected to generate significant interest rate risk. In addition, changes in market interest rate will cause the effective interest rate of borrowing to change, which will cause fluctuations in future cash flows. If the market interest rate increases or decreases by 0.25%, the Group's cash outflow will increase or decrease by NT\$5,690 and NT\$8,193 respectively.

b. Credit risk

- (a) The Group's credit risk is the risk of the Group's financial losses due to the failure of clients or counterparties of financial instruments to perform contractual obligations. The risk mainly comes from the inability of the counterparty to clear receivables payable, retention receivables from projects and the financial assets measured at amortized cost.
- (b) The Group adopts the assumptions under IFRS 9. If the contract payments are 30 days overdue, it will be recognized a significant increase in credit risk. The default will be recognized when the clients' contract payments were 90 days overdue.
- (c) The debtors of the Group's receivables and contract assets are mainly government units or state-owned enterprises, etc. The Group estimates overdue credit losses by provision matrix, and adjusts loss rate by considering historical and realistic information for a specific period. The Group assesses that the estimated credit loss rate is extremely low, and assessed that the impairment loss was insignificant on December 31, 2019 and December 31, 2018.

c. Liquidity risk

- (a) Cash flow forecasting is performed in the operating entities of the Group and aggregated by the financial department. The Group's financial department monitors rolling forecasts of the Group's liquidity requirements to ensure that has sufficient cash to support operating requirements. Please refer to Note 6 (13) for details.
- (b) The following table is the Group's non-derivative financial liabilities, grouped by the relevant maturity date. The non-derivative financial liabilities are analyzed by the remaining period from the balance sheet date to the contractual expiration date. The analysis is as follows:

Non-derivative financial

liabilities:

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>over 3 years</u>
Short-term loan	\$ 1,564,533	\$ -	\$ -	\$ -
Bills payable	598,218	-	-	-
Accounts payable	595,904	57,938	-	6,369
Other payables	34,390	-	-	-
Loan liabilities	8,553	7,640	6,364	18,940
Long-term loan (including due within one year or one business cycle period)	305,191	15,391	190,813	272,877

Non-derivative financial

liabilities:

<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>over 3 years</u>
Short-term loan	\$ 2,544,669	\$ -	\$ -	\$ -
Bills payable	800,364	-	-	-
Accounts payable	629,862	54,025	-	-
Other payables	22,544	-	-	-
Long-term loan (including due within one year or one business cycle period)	161,512	287,321	12,786	363,982

(3) Fair value information

- A. The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Inputs of unadjusted quoted prices in active markets for items identical to the asset or liability being measured. As with current IFRS standards, if there is a quoted price in an active market, an entity uses that price without adjustment when measuring fair value. The fair value of the financial assets measured by the fair value of the part of the investment of the company through other comprehensive profit and loss is level 1.

Level 2: Inputs of other than the quoted prices in determined in level 1 that are directly or indirectly observable for that asset or liability.

Level 3: Unobservable inputs of assets or liabilities. Part of the Company's investment through other financial assets at fair value through profit or loss and financial assets for sale and disposal fair value.

- B. Financial instruments not measured at fair value

The book value, of the Group's cash and cash equivalents, accounts receivable, other receivables, other current assets, other non-current assets (excluding prepaid premises and equipment, prepaid mortgage guarantee and management fees), long-term and short-term loans, bills payables, accounts payable, other payables (including related parties), other current liabilities (excluding long-term borrowings and advances due within one year or within one business cycle) and other non-current liabilities (excluding net defined benefit liabilities and deferred income), is the reasonable approximation of fair value.

- C. The Group classified the financial and non-financial instruments measured at fair value according to the fair value level, properties, characteristics and risks. The related information is as follows:

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Financial assets measured by fair value through other comprehensive gains and losses - equity securities				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,684</u>	<u>\$ 68,684</u>
<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Financial assets measured by fair value through other comprehensive gains and losses - equity securities				
	<u>\$ 131,976</u>	<u>\$ -</u>	<u>\$ 69,418</u>	<u>\$ 201,394</u>

- D. The methods and assumptions the Group used to measure fair value are as follows:
- The Group used market quotation (closing price) as the inputs of fair values (that is, Level 1)
 - In addition to the above-mentioned financial instruments with active markets, the fair value of the other financial instruments (that is, Level 3) is evaluated according to the evaluation model.
The output of the evaluation model is estimated value, and the evaluation technique may not reflect all the factors that the Group holds in financial instruments. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to additional parameters, such as liquidity risk. According to the Group's fair value evaluation model management policy and related control procedures, the management holds that it is appropriate and necessary to evaluate the fair value of the financial instruments in the balance sheet. The price information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted to current market conditions.
 - The Group's equity securities classified as Level 3 of fair value are regularly evaluated by the financial department of the Group or evaluated by an external appraiser. The information of evaluation models is as follows:

	<u>Fair value at December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Relationship of inputs and fair value</u>
Unlisted shares	\$ 59,528	Comparable publicly traded / OTC company method	PBR multiplier and discount for lack of marketability	The higher the multiplier, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value.
	9,156	Net asset value method	NA	NA
	<u>\$ 68,684</u>			

	Fair value at December 31, 2018	Valuation technique	Significant unobservable inputs	Relationship of inputs and fair value
Unlisted shares	\$ 60,232	Comparable publicly traded / OTC company method	PBR multiplier and discount for lack of marketability	The higher the multiplier, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value.
	9,186	Net asset value method	NA	NA
	<u>\$ 69,418</u>			

- E. The Group's investment property measured by cost is regularly evaluated by external financial experts. The fair value information is described in Note 6 (10).
- F. The Group's fair value of financial and non-financial instruments did not transfer between level 1 and level 2 for the years ended December 31, 2019 and 2018.
- G. The table below shows the changes in level 3 for the years ended December 31, 2019 and 2018:

	2019	2018
January 1	\$ 69,418	\$ 74,550
Purchased during the period	37	-
Recognized as unrealized investment gains and losses of equity instruments measured by fair value through other comprehensive income	(771)	(5,132)
December 31	<u>\$ 68,684</u>	<u>\$ 69,418</u>

- H. There was no transferring out and transferring in from the level 3 for the years ended December 31, 2019 and 2018.

13. Supplementary Disclosure

(1) Significant transactions information

- A. Loans to others: Please refer to Table 1.
- B. Endorsement and guarantee for others: Please refer to Table 2.
- C. Holding of marketable securities at the end of the period (subsidiaries and affiliates excluded): Please refer to Table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of paid-in capital: None.
- E. Acquisition of real estate exceeding NT\$300 million or 20% of paid-in capital: None.
- F. Disposal of real estate exceeding NT\$300 million or 20% of paid-in capital: None.
- G. Purchases or sales of goods from related parties exceeding NT\$100 million or 20% of paid-in capital: None.
- H. Receivables from related parties exceeding NT\$100 million or 20% of paid-in capital or: None.
- I. Derivative financial instruments undertaken during the reporting periods: None.

- J. Significant inter-company transactions during the periods: Please refer to Table 4.
- (2) Information on investees
Names, locations and other information of investee companies (investees in Mainland China excluded): Please refer to Table 5.
- (3) Information of investments in Mainland China
- A. Basic information on investing in Mainland companies: Please refer to Table 6.
- B. Significant transactions of the investment, which invested directly or indirectly in the Mainland through the third regional business. And prices, payment terms, unrealized gains and losses and other information that helps to understand the Mainland investments in the financial statements: Please refer to Table 6.

14. Segments Information

(1) General information

- A. The management of the Group has identified the reportable segments based on the reporting information used by the operating decision makers in making decisions.
- B. The Group's operating decision makers operate and manage from a company perspective.

(2) Segments information

The Group's operating decision makers assess the performance of the operating segments based on the profit and loss of the operating segments. The segment profit and loss is the benefits earned by the operating segments to be provided to the chief operating decision makers to allocate resources to the segments and assess performance.

The information of the reportable segments provided to the chief operating decision maker are as follows:

A. For the year ended December 31, 2019:

	The Company	Chan Pang	Kung Sing Development	Jiangsu Kung Sing	Kung Sing International Holding Company Limited	Kung Sing Biomedical	Adjustment and charge off	Total
External income	\$ 4,204,288	\$ -	\$ 78,616	\$ -	\$ -	\$ -	\$ -	\$ 4,282,904
Internal segment income	-	-	-	-	-	-	-	-
Segment income	<u>\$ 4,204,288</u>	<u>\$ -</u>	<u>\$ 78,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,282,904</u>
Segments after-tax profit and loss	<u>(\$ 21,190)</u>	<u>(\$ 2,013)</u>	<u>\$ 8,138</u>	<u>(\$ 7,146)</u>	<u>\$ 1,124</u>	<u>(\$ 386)</u>	<u>\$ 714</u>	<u>(\$ 20,759)</u>
Depreciation, impairment and amortization	<u>\$ 48,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,746</u>
Interest income	<u>\$ 2,426</u>	<u>\$ 12</u>	<u>\$ 5,423</u>	<u>\$ 57</u>	<u>\$ 50</u>	<u>\$ 15</u>	<u>(\$ 5,356)</u>	<u>\$ 2,627</u>
Interest expense	<u>\$ 37,235</u>	<u>\$ -</u>	<u>\$ 5,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 5,356)</u>	<u>\$ 37,645</u>
Equity method investment profit (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 12)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 12)</u>
Segments assets	<u>\$ 7,835,171</u>	<u>\$ 1,466,245</u>	<u>\$ 916,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 700,880)</u>	<u>\$ 9,517,304</u>

B. For the year ended December 31, 2018:

	The Company	Chan Pang	Kung Sing Development	Jiangsu Kung Sing	Kung Sing International Holding Company Limited	Kung Sing Biomedical	Adjustment and charge off	Total
External income	\$ 3,784,145	\$ -	\$ 59,866	\$ -	\$ -	\$ -	\$ -	\$ 3,844,011
Internal segment income	28,436	-	-	-	-	-	(\$ 28,436)	-
Segment income	\$ 3,812,581	\$ -	\$ 59,866	\$ -	\$ -	\$ -	(\$ 28,436)	\$ 3,844,011
Segments after-tax profit and loss	(\$ 45,166)	(\$ 562)	(\$ 2,802)	(\$ 20,775)	(\$ 345)	(\$ 1,069)	\$ 648	(\$ 70,071)
Depreciation, impairment and amortization	\$ 71,589	\$ -	\$ -	\$ 4,873	\$ -	\$ -	\$ -	\$ 76,462
Interest income	\$ 2,958	\$ 39	\$ 419	\$ 123	\$ 20	\$ 39	(\$ 398)	\$ 3,200
Interest expense	\$ 33,179	\$ -	\$ 832	\$ -	\$ -	\$ -	(\$ 398)	\$ 33,613
Equity method investment profit (loss)	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ 2
Segments assets	\$ 8,060,336	\$ 1,458,018	\$ 908,167	\$ 109,268	\$ 43,738	\$ 4,317	(\$ 731,370)	\$ 9,852,474

(3) Adjustment of segments profit and loss

- A. The external income reported to the chief operating decision maker is measured in consistent with the income in the income statements.
- B. The reportable segments' performance is assessed by after-tax profit and loss. The total profit and loss is consistent with the after-tax profit and loss of the company's continuing operations, so no adjustment is required.

- C. The total amount of assets provided to the chief operating decision makers, which is consistent with the measurement of the assets in the financial statements. The adjustment and charge off of the assets of the reportable segments in this period. Please refer to Note 14 (2) for details.

(4) Information on products and services

The Group's income is mainly generated from the construction of civil projects and sales of real estate. The income composition is as follows:

	2019	2018
Engineering contract income	\$ 3,989,288	\$ 3,784,145
Income of sales of land held for construction site	215,000	-
Income of sales of build cases	68,616	59,866
Others	10,000	-
	<u>\$ 4,282,904</u>	<u>\$ 3,844,011</u>

(5) Geographical information

The Group's income from external clients is differentiated from the clients' location and non-current assets location. The information is as follows:

	2019		2018	
	Income	Non-current assets	Income	Non-current assets
Taiwan	\$ 4,282,904	\$ 755,717	\$ 3,844,011	\$ 752,392
Mainland China	-	-	-	117,609
	<u>\$ 4,282,904</u>	<u>\$ 755,717</u>	<u>\$ 3,844,011</u>	<u>\$ 870,001</u>

Note: Non-current assets do not include financial assets and deferred income tax assets.

(6) Information on important client

The important client information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	2019		2018	
	Income	Segment	Income	Segment
Directorate General of Highways, MOTC	\$1,762,192	The Company	\$2,079,645	The Company
Railway Reconstruction Bureau, MOTC	896,130	The Company	717,529	The Company
Taiwan Power Company	611,480	The Company	533,622	The Company
Taiwan International Ports Corporation, Ltd.	479,836	The Company	453,349	The Company
West Coast Expressway Northern Region Temporary Engineering Office, MOTC	239,650	The Company	-	The Company

Kung Sing Engineering Co., Ltd.
Loans to Others
For the Year Ended December 31, 2019

Table 1

Unit: NT\$1,000
(Except where noted otherwise)

No.	Creditor	Borrower	Item	Related party	Maximum amount		Actual amount	Interest rate	Nature of loan	Business transaction amount	Reason for short-term loan	Loan loss provisions	Collateral		Aggregate amount of loans	
					in the current period	Ending balance							name worth	single borrower		
1	Kung Sing Development	Kung Sing Engineering Co., Ltd.	Other receivable	Yes	\$ 200,000	\$ 200,000	\$ 200,000	Benchmark interest rate +1.6%	Short-term loan	-	For operating	-	None	-	256,099	256,099

Note 1: The maximum loan amount of Kung Sing Development is 40% of the company's net value.

Kung Sing Engineering Co., Ltd.
Endorsements and Guarantees for Others
For the Year Ended December 31, 2019

Table 2

Unit: NT\$1,000
(Except where noted otherwise)

Number	Endorser/ guarantor	Company name	Endorsee / Guarantee Relationship with the endorser/ guarantor	The aggregate			Actual amount	Amount of endorsements/ guarantees secured with property	Ration of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Maximum amount of endorsements/ guarantees (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees the party in Mainland China
				amount of endorsements/ guarantees provided for any single entity (Note 4)	Maximum endorsement/ guarantees amount as of December 31, 2019	Endorsement/ guarantees balance amount at December 31, 2019							
1	Chan Pang	Note 1	Note 5	\$ 8,950,548	\$ 5,322,300	\$ 5,322,300	\$ 5,233,100	\$ 5,322,300	1.25	\$ 17,901,096	N	N	N
1	Chan Pang	Note 2	Note 5	8,950,548	1,056,750	1,056,750	808,725	1,056,750	0.25	17,901,096	N	N	N
2	Kung Sing Development	Note 3	Note 5	8,950,548	236,000	236,000	173,936	236,000	0.06	17,901,096	N	N	N

Note 1: Guo Yang Industrial Co., Ltd., He Xin Cheng Co., Ltd., Chan Pang Construction Co., Ltd., Hong Hui Development Co., Ltd., Ding Li Development Co., Ltd., Wei Li International Development Co., Ltd. and Yu Sheng Development Co., Ltd.

Note 2: Wei Li International Development Co., Ltd., Hong Hui Development Co., Ltd. and Chan Pang Construction Co., Ltd.

Note 3: Kung Sing Development Co., Ltd. and the landlord of the joint construction (other related parties – Pan, jun-rong).

Note 4: According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the Company shall not exceed octuple paid-in capital of the Company and the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed quadruple paid-in capital of the Company. According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the subsidiary shall not exceed octuple paid-in capital of the parent company and the amount of endorsements/guarantees provided by the subsidiary for any single entity shall not exceed quadruple paid-in capital of the parent company.

Note 5: Inter-insurance companies based on contractual requirements for inter-departmental or co-creation between contractors.

Kung Sing Engineering Co., Ltd.
Holding of Marketable Securities at the End of the Period
(subsidiaries, associates and joint ventures excluded)
December 31, 2019

Table 3

Unit: NT\$1,000
(Except where noted otherwise)

		As of December 31, 2019						
Securities held by	Types of securities	Relationship with the securities issuer	Account title	Number of shares	Book value	Ownership (%)	Fair value	Remark
Kung Sing Engineering Co., Ltd.	Lung Yuan Information Co., Ltd.	-	Financial asset at fair value through other comprehensive income - non-current	248,400	\$ -	1.80	\$ -	Note 1 and Note 2
Kung Sing Engineering Co., Ltd.	Kung Ting Steel Co., Ltd.	-	Financial asset at fair value through other comprehensive income - non-current	3,240,000	59,528	18.00	59,528	Note 1
Kung Sing Engineering Co., Ltd.	Chieh Pang Management Consultant Co., Ltd.	-	Financial asset at fair value through other comprehensive income - non-current	300,000	3,333	6.00	3,333	Note 1
Kung Sing Engineering Co., Ltd.	Cross-Strait Business Co., Ltd.	-	Financial asset at fair value through other comprehensive income - non-current	1,000,000	5,823	10.00	5,823	Note 1
Kung Sing Engineering Co., Ltd.	Chien Ping Technology Co., Ltd.	-	Financial asset at fair value through other comprehensive income - non-current	370,000	-	14.23	-	Note 1 and Note 2

Note 1: No pledge guarantee.

Note 2: The Company has fully recognized the losses due to operating losses.

Kung Sing Engineering Co., Ltd.
Significant Inter-company Transactions
For the Year Ended December 31, 2019

Table 4

Unit: NT\$1,000
(Except where noted otherwise)

Number	Trader	Trade counterpart	Relationship with trader	Accounts	Amount	Transaction circumstances	
						Transaction terms	The proportion of the amount to consolidated total revenue or total assets (%)
0	Kung Sing Engineering Co., Ltd.	Chan Pang Construction Co., Ltd.	Parent company to subsidiary	Other liabilities – others	\$ 475,333	Note 2	5
0		Kung Sing Development Co., Ltd.	As above	Other payables	200,368	Note 1	2
0		As above	As above	Realized gross profit of sales	2,727	-	-
0		As above	As above	Interest income	5,356	Note 1	-
0		As above	As above	Rent income	1,422	Note 1	-
1	Chan Pang Construction Co., Ltd.	Kung Sing Engineering Co., Ltd.	Subsidiary to parent company	Inventory	475,333	Note 2	5
2	Kung Sing Development Co., Ltd.	Kung Sing Engineering Co., Ltd.	Subsidiary to parent company	Other receivables	200,368	Note 1	2
2		As above	As above	Inventory	24,878	-	-
2		As above	As above	Rent expense	1,422	Note 1	-
2		As above	As above	Other interest income	5,356	Note 1	-

Note 1: Receive and pay according to contract.

Note 2: Unrealized gains and losses from the sale of land to affiliates.

Kung Sing Engineering Co., Ltd.
Information of Investees (investees in Mainland China excluded)
For the Year Ended December 31, 2019

Table 5

Unit: NT\$1,000
(Except where noted otherwise)

Investor	Investee	Location	Main business activities	Initial investment amount		End of term hold by			Current period net profit (loss) of the investee	Recognition of investment gains and losses in the current period	Remark
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Book value			
Kung Sing Engineering Co., Ltd.	Chan Pang Construction Co., Ltd.	Taiwan	Construction and development of buildings and houses	\$ 590,000	\$ 510,000	59,000,000	100	\$ 551,665	(\$ 2,013)	(\$ 2,013)	Subsidiary
Kung Sing Engineering Co., Ltd.	Kung Sing International Holding Company Limited	Samoa	Holding company	-	53,065	-	-	-	1,124	1,124	Note 1
Kung Sing Engineering Co., Ltd.	Kung Sing Development Co., Ltd.	Taiwan	Construction and development of buildings and houses	420,000	420,000	42,000,000	60	359,270	8,138	5,597	Subsidiary
Kung Sing Engineering Co., Ltd.	Kung Sing Biomedical Engineering Co., Ltd.	Taiwan	Patent medicine sales	-	12,000	-	-	-	(386)	(386)	Note 2
Kung Sing International Holding Company	Kung Sing International (Hong Kong) Co., Ltd.	Hong Kong	General investment	-	44,778	-	-	-	(19)	(19)	Note 3

Note 1: Liquidated in September 2019.

Note 2: Liquidated in December 2019.

Note 3: All shares were sold in June 2019.

Kung Sing Engineering Co., Ltd.
Mainland China Investments Information - Basic Information
For the Year Ended December 31, 2019

Table 6

Unit: NT\$1,000
(Except where noted otherwise)

1. Basic information on investing in Mainland companies:

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China on January 1, 2109	Amount remitted from Taiwan to Mainland China		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (directly or indirectly)	Investment income (loss) recognized by the Company for the year ended December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Book value of investments in Mainland China as of December 31, 2019	Remark
					Amount remitted to Taiwan for the year ended December 31, 2019	Amount remitted back to Taiwan							
Jiangsu Kung Sing Engineering Consulting Co., Ltd.	Investment, construction management	\$ 14,763	Note 1	\$ 14,763	\$ -	\$ 14,763	\$ -	(\$ 7,146)	100%	(\$ 7,146)	\$ -	\$ 24,844	
Fujian TOFF Kung Sing Construction Engineering Co., Ltd.	Undertake industrial plants, public building engineering	147,570	Note 2	43,172	-	43,172	-	(39)	30%	(12)	-	-	

Note 1: The Company held direct investment 100%, and sold all the shares in November 2019. The Company applied for cancellation of mainland investment to the MOEAIC.

Note 2: The Company sub-invested Fujian TOFF Kung Sing Construction Engineering Co., Ltd. of own capital US\$1,460 thousand through the sub-subsidiary, Kung Sing International (Hong Kong) Co., Ltd., which held 100% shares. And the Company sold all the shares in June 2019. The Company had applied for cancellation of mainland investment to the MOEAIC.

<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>
Kung Sing Engineering Co., Ltd.	\$ -	\$ 14,763	\$ 2,715,433

2. Significant transactions of the investment, which invested directly or indirectly in the mainland through the third regional business, including prices, payment terms, unrealized gains and losses and other information that helps to understand the Mainland investment in the financial statements: Please refer to Table 4 of the Company's Consolidated Financial Statements.

Independent Auditors' Report

PWC19004716

To the Boards of Directors and Stockholders of Kung Sing Engineering Co., Ltd.

Opinion

We had audited the Parent Company Only Balance Sheets of Kung Sing Engineering Co., Ltd. ("the Company") as at December 31, 2019 and December 31, 2018, as well as Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow for the years ended December 31, 2019 and 2018, and the Notes to the Parent Company Only Financial Statements, including a summary of significant accounting policies.

In our opinion, the above-mentioned Parent Company Only Financial Statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and December 31, 2018 as well as statement of cash flows and financial performance for the years ended December 31, 2019 and 2018 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for Opinion

We conducted our audits in accordance with the generally accepted auditing standards in the Republic of China and the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants". Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements" section of our report. We are independent of the Company in accordance with the "The Norm of Professional Ethics for Certified Public Accountant of the Republic of China" ("the Norm"), and we have fulfilled our other ethical responsibilities with the Norm. We have faith in the audit evidence that we obtained is sufficient and appropriate to serve as the basis for our opinion.

Key Audit Matters

Key audit matters are the most important matters that, in our professional judgment, were of most significance in the audit of the Parent Company Only Financial Statements of the Company for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as

a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Company's Parent Company Only Financial Statements for the year ended December 31, 2019 are as follows:

Assessment of Estimated Total Cost of the Construction Contract

Description

For the accounting policies of the construction contract, please refer to Note 4 (28); for the important judgments, accounting estimates and uncertainty of assumptions adopted in the accounting policy of construction contract, please refer to Note 5; the contract assets of the Company at December 31, 2019 - engineering construction contracts and contract liabilities - engineering construction contracts were respectively NT\$3,327,437(thousand) and NT\$1,192,034 (thousand), please refer to Note 6 (3).

The engineering income and cost of the Company's construction contract is mainly generated by the construction of civil projects. To make the estimates of the result of the construction contract accurate, the Company adopts proportional method and recognizes the engineering income according to the proportion of the completion of the project to the total contract price and cost. The completion progress is calculated according to the proportion of each contract that has been accepted by the owner. When the contract cost is likely to exceed the contract income, the expected loss is immediately recognized as cost.

Due to the estimates of total cost is assessed and judged from engineering properties, estimated subcontract amount, duration, construction operation and methods by the management. It's highly uncertain, which may affect the calculation of the profit and loss of the project. Therefore, we recognize the estimated total cost of the construction contract as one of the important matters for auditing.

Procedure

Implemented procedures of assessment of estimated total cost of the construction contract are as follows:

1. Evaluated the reasonableness of the estimated total cost of policies and procedures based on understanding of the properties of the industry and operating, including the basis of the estimated total cost of construction contracts of the same properties in the past.

2. Obtained the projects with significant changes in the estimated total cost for the period, reviewed the description of changes and relevant information, and confirmed the appropriate approval of the competent authority to assess the reasonableness of the estimated changes.
3. Inspected outsourcing contracts randomly, as for the contracts which had not been contracted yet, we evaluated the basis and reasonableness of estimated cost.
4. Verified the proportion of actual cost to estimated total cost, and compared it with the completion schedule of the owner's acceptance to assess the reasonableness of the estimated total cost. If there was any difference, we obtained the management's description and verified the reasonableness.

Achievability of Deferred Tax Assets

Description

For the accounting policies of deferred tax assets, please refer to Note 4 (25); for the accounting estimates and the uncertainty of assumptions of the deferred tax assets, please refer to Note 5; the deferred tax assets of the Company at December 31, 2019 were NT\$125,389(thousand), please refer to Note 6 (28).

Deferred tax asset is recognized only if it is in the range of deductible future tax income. The estimates of deferred tax assets involving future income statements and potential tax income. And it may be influenced by certain subjective judgment of the management. The judgments mentioned above are related to the prediction of future. The assumptions used are highly uncertain and the estimates have a significant impact on tax income. Therefore, we recognized the achievability of deferred tax assets as one of the important matters for auditing.

Procedure

Implemented procedures of achievability of deferred tax assets are as follows:

1. Obtained future operating plan and estimated income statement approved by management.
2. Compared the estimated future income statement with past results.
3. Inspected the reasonableness of the items and amount of the estimated income statements adjusted to the future tax income.
4. Evaluated the achievability of deferred tax assets by comparing the estimated tax income with the tax loss of the past year.

Other matters – the Audit Conducted by Other Auditors

The financial statements of some investment using equity method of the Company for the years ended December 31, 2019 and 2018 were not audited by us but by other auditors. Therefore, the opinions of the Parent Company Only Financial Statements mentioned above, including the amount of financial statements and the relevant information disclosed in Note 13 were based on the audit reports of other auditors. The balance of investments using equity method for the years ended December 31, 2019 and 2018 were respectively NT\$359,270(thousand) and NT\$355,131(thousand), accounting for 4.11% and 3.89% of the total assets; total comprehensive income recognized for the years ended December 31, 2019 and 2018 were respectively net profit NT\$5,597(thousand) and net loss NT\$2,855(thousand), accounting for (9.97%) and 6.55% of the total comprehensive income respectively.

Responsibilities of Management and Corporate Governance Units for Parent Company Only Financial Statements

It is the responsibility of the management to prepare Parent Company Only Financial Statements that expressed fairly 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 Only Financial Statements to ensure that it was not affected by serious misrepresentation due to fraud or error.

In the preparation of the Parent Company Only Financial Statements, the management's responsibilities include the ability of the Company to operate continuously, the disclosure of related matters, and the adoption of the continuing operating accounting basis, unless the management intends to liquidate the Company or close down, or has no realistic alternative but to do so.

The governance unit of the Company (including the audit committee) is responsible for supervising the financial reporting process.

Auditors’ Responsibilities for Parent Company Only Financial Statements

The purposes of the auditors to inspect the Parent Company Only Financial Statements are to avoid obtaining reasonable assurance due to fraud or serious misrepresentation and issue an auditor’s report. Reasonable assurance means highly-confident, but the

audit work performed in accordance with the generally accepted auditing standards of the Republic of China cannot guarantee that the serious misrepresentation of Parent Company Only Financial Statements will be detected. Misrepresentation may be caused by fraud or error. If the amount of the misrepresentation can reasonably be expected to affect the economic decision made by the users of the financial statements of the Company, it is considered to be significant.

When we audit in accordance with the generally accepted auditing standards of the Republic of China, we exercise professional judgment and maintain professional suspicion. We also perform the following tasks:

1. Identify and assess the risk of misrepresentation of Parent Company Only Financial Statements due to fraud or error; design and implement appropriate countermeasures for the risk; and obtain sufficient and appropriate evidence to be used as a basis for audit. Fraud may consist of collusion, forgery, intentional omission, false declaration and malfunction of internal control, hence the risk of not detecting significant misrepresentation due to fraud is higher than for one resulting from error.
2. Obtain the necessary understanding of the internal control of relevant to the audit to design appropriate audit procedures, but the purpose is not to express opinions on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of the accounting policies used by management, and the reasonableness of accounting estimates and related disclosures.
4. Draw conclusions based on the evidence about the appropriateness of the basis of continuous operating accounting adopted by the management and whether there are significant uncertain events or circumstances that may cause significant doubts about the ability of the Company to operate continuously. If we hold that there are material uncertainties in the events or circumstances, we'll remind the users to aware of the relevant disclosure in the Parent Company Only Financial Statements, or to amend the audit opinion when the disclosure is inappropriate. The conclusions are based on the audit evidence obtained as of the date of the audit report. However, events or circumstances in the future may cause the Company no longer has the ability to operate continuously.
5. Evaluate the overall expression, structure and content of Parent Company Only Financial Statements (including related notes) and whether it presents fairly about relevant transactions and events.

6. Obtain sufficient and appropriate evidence of the financial information in the Company to express opinions on the Parent Company Financial Statements. We are responsible for the guidance, supervision and execution of individual audit cases, and forming audit opinions on Parent Company Financial Statements.

We communicated, including the scope and time of the audit and major audit findings (including significant lack of internal control identified during the audit process), with the governance units.

We also provided the auditor independence declaration that following the professional ethics of accountants of the Republic of China to the corporate governance units. And communicated with the governance units on any matters that may be considered to affect the independence of auditors (including protective measures).

After communicated with the governance units, we decided the key audit matters of the 2019 Parent Company Only Financial Statements of the Company. We described the matters in the audit's report, unless the law do not allow public disclosure of specific matters, or in the rare case, the auditors decided not to describe specific matters in the audit report, as it is reasonably expected that the negative impact is greater than promoting public interest.

PricewaterhouseCoopers Taiwan

Auditor

Lin, Se-kai

Hsiao, Chin-mu

Former Securities and Futures Bureau, Financial Supervision and Management Committee
(Chinese)Approved Visa Number: No. 0960072936

Former Treasury Securities Management Committee

(Chinese)Approved Visa Number: (81) Taiwan Financial Certificate (6) No. 33095

March 26, 2020

Kung Sing Engineering Co., Ltd.
Parent Company Only Balance Sheets
December 31, 2019 and December 31, 2018

Unit: NT\$1,000

ASSETS	NOTES	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current asset						
1100	Cash and cash equivalent	6(1)	\$ 296,209	3	\$ 638,354	7
1140	Contract assets-current	6(3)(22)	3,648,869	42	3,095,869	34
1170	Net accounts receivable	6(2) and 7	498,804	6	939,181	10
1200	Other receivables		100,416	1	5,024	-
1220	Current income tax assets		263	-	1,450	-
130X	Inventory	6(4) and 8	-	-	203,396	2
1410	Prepayment	6(5)	134,436	1	153,574	2
1460	Net non-current assets for sale	6(8)	551,665	6	-	-
1470	Other current assets	8	2,153,697	25	1,889,303	21
11XX	Total current assets		<u>7,384,359</u>	<u>84</u>	<u>6,926,151</u>	<u>76</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(6) and 8	68,684	-	201,394	2
1550	Investments using equity method	6(7) and 7	359,270	4	1,060,751	12
1600	Property, plant and equipment	6(9) and 8	300,604	3	338,780	4
1755	Right-of-use assets	6(10)	40,315	1	-	-
1760	Net investment property	6(11) and 8	406,537	5	408,450	4
1780	Intangible assets		5,822	-	-	-
1840	Deferred tax assets	6(28)	125,389	1	129,814	1
1900	Other non-current assets	6(12) and 8	55,126	2	55,747	1
15XX	Total non-current assets		<u>1,361,747</u>	<u>16</u>	<u>2,194,936</u>	<u>24</u>
1XXX	Total assets		<u>\$ 8,746,106</u>	<u>100</u>	<u>\$ 9,121,087</u>	<u>100</u>

(Continued)

Kung Sing Engineering Co., Ltd.
Parent Company Only Balance Sheets
December 31, 2019 and December 31, 2018

LIABILITIES AND EQUITY	NOTES	December 31, 2019		Unit: NT\$1,000 December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term loan	6(13) and 8	\$ 911,720	10	\$ 1,875,000	21
2130	Contract liabilities - current	6(3)(22)	1,192,034	14	1,058,707	12
2150	Bills payable		592,242	7	798,342	9
2170	Accounts payable		651,688	8	669,983	7
2200	Other payables		15,674	-	15,793	-
2220	Other payables - related parties	7	200,368	2	200,398	2
2230	Income tax liabilities for the period		12,521	-	-	-
2250	Provisions for liabilities - current	6(15)	12,261	-	11,443	-
2260	Liabilities of directly related to the non-current assets for sale	6(8) and 7	475,333	5	-	-
2280	Lease liabilities - current	6(10)	8,973	-	-	-
2300	Other current liabilities	6(14)	42,668	1	128,013	1
21XX	Total current liabilities		<u>4,115,482</u>	<u>47</u>	<u>4,757,679</u>	<u>52</u>
Non-current liabilities						
2540	Long-term loans	6(14) and 8	177,132	2	154,938	2
2550	Provisions for liabilities - non-current	6(15) and 9	100,336	1	100,530	1
2570	Deferred tax liabilities	6(28)	-	-	18,066	-
2580	Lease liabilities - non-current	6(10)	31,592	-	-	-
2600	Other non-current liabilities	6(16) and 7	51,940	1	527,415	6
25XX	Total non-current liabilities		<u>361,000</u>	<u>4</u>	<u>800,949</u>	<u>9</u>
2XXX	Total liabilities		<u>4,476,482</u>	<u>51</u>	<u>5,558,628</u>	<u>61</u>
Equity						
Share capital						
3110	Common stock	6(18)	4,475,274	51	3,475,274	38
Capital surplus						
3200	Capital surplus	6(19)	519	-	18,545	-
Retained earnings						
3310	Legal reserve	6(20)	-	-	-	-
3320	Special reserve		1,872	-	1,872	-
3350	Undistributed earnings (waiting to make up for the accumulated deficit)		(210,229)	(2)	53,381	1
Other equity						
3400	Other equity	6(7)(21)	2,188	-	13,387	-
3XXX	Total equity		<u>4,269,624</u>	<u>49</u>	<u>3,562,459</u>	<u>39</u>
Significant contingent liabilities and unrecognized contract commitments						
3X2X	Total liabilities and equity		<u>\$ 8,746,106</u>	<u>100</u>	<u>\$ 9,121,087</u>	<u>100</u>

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

Kung Sing Engineering Co., Ltd.
Parent Company Only Statements of Comprehensive Income
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000
(Except for loss per share in NT\$)

ITEMS	NOTES	2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating income	6(22) and 7	\$ 4,204,288	100	\$ 3,812,581	100
5000 Operating cost	6(3)(4)(26)(27) and 7	(4,048,538)	(96)	(3,786,102)	(99)
5900 Gross profit		<u>155,750</u>	<u>4</u>	<u>26,479</u>	<u>1</u>
5910 Unrealized losses from sales	6(7)	-	-	5,280	-
5920 Realized gains from sales	6(7)	<u>2,727</u>	-	<u>2,467</u>	-
5950 Net gross profit		<u>158,477</u>	<u>4</u>	<u>34,226</u>	<u>1</u>
Operating expense					
6200 Management expenses	6(26)(27)	(143,338)	(4)	(136,861)	(4)
6900 Total operating profit (loss)		<u>15,139</u>	<u>-</u>	<u>(102,635)</u>	<u>(3)</u>
Non-operating income and expenses					
7010 Other income	6(23), 7 and 9	10,112	-	63,130	2
7020 Other profits and losses	6(24)	13,986	1	(6,542)	-
7050 Financial costs	6(25)	(41,750)	(1)	(35,381)	(1)
7070 Shares of losses recognized by equity method of subsidiaries, affiliates and joint ventures	6(7)	(2,824)	-	(23,786)	(1)
7000 Total non-operating income and expenses		<u>(20,476)</u>	<u>-</u>	<u>(2,579)</u>	<u>-</u>
7900 Net loss before tax		<u>(5,337)</u>	<u>-</u>	<u>(105,214)</u>	<u>(3)</u>
7950 Income tax profits (expenses)	6(28)	(18,677)	(1)	36,264	1
8200 Net loss for the period		<u>(\$ 24,014)</u>	<u>(1)</u>	<u>(\$ 68,950)</u>	<u>(2)</u>
Other comprehensive income (net)					
Items that will not be reclassified to profit or loss					
8311 Remeasurement of determined benefit plans	6(16)	\$ 299	-	\$ 3,494	-
8316 Unrealized gains on equity instrument investment measured at fair value through other comprehensive income	6(6)(21)	64,306	2	26,075	1
8330 Shares of losses recognized by the equity method of subsidiaries, affiliates and joint ventures - items not be reclassified to profit or loss	6(7)(21)	37	-	(751)	-
8349 Income tax related to items that will not be reclassified to profit or loss	6(28)	(60)	-	(580)	-
8310 Total amount of items not be reclassified to profit or loss		<u>64,582</u>	<u>2</u>	<u>28,238</u>	<u>1</u>
Items that may be reclassified to profit or loss subsequently					
8361 Translation gain and loss on the financial statements of foreign operating entities	6(21)	15,558	-	(2,858)	-
8360 Total items that may be reclassified to profit or loss subsequently		<u>15,558</u>	<u>-</u>	<u>(2,858)</u>	<u>-</u>
8300 Other comprehensive income (net)		<u>\$ 80,140</u>	<u>2</u>	<u>\$ 25,380</u>	<u>1</u>
8500 Total comprehensive income for the period		<u>\$ 56,126</u>	<u>1</u>	<u>(\$ 43,570)</u>	<u>(1)</u>
Loss per share	6(29)				
9750 Basic earnings per share		<u>(\$ 0.07)</u>		<u>(\$ 0.20)</u>	
9850 Diluted earnings per share		<u>(\$ 0.07)</u>		<u>(\$ 0.20)</u>	

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

Kung Sing Engineering Co., Ltd.
Parent Company Only Statements of Changes in Equity
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000

Notes	Capital Surplus				Retained Earnings			Other Equity				Total Equity
	Common Stock	Issue Premium	Employee Stock Option	Others	Legal Reserve	Special Reserve	Undistributed Earnings	Translation Gain and Loss on the Financial Statements of Foreign Operating Entities	Unrealized Gain on Equity Instrument Investment Measured at Fair Value through Other Comprehensive Income	Unrealized Gain or Loss on Available-for-sale Financial Assets		
For the year ended December 31, 2018												
	\$ 3,475,274	\$ 310,362	\$ -	\$ -	\$ 230,096	\$ 1,872	(\$ 313,396)	(\$ 12,700)	\$ -	\$ 118,590	\$3,810,098	
6(21)	-	-	-	-	-	-	119,417	-	3,621	(118,590)	4,448	
	<u>3,475,274</u>	<u>310,362</u>	<u>-</u>	<u>-</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>	
	-	-	-	-	-	-	(68,950)	-	-	-	(68,950)	
6(21)	-	-	-	-	-	-	2,914	(2,858)	25,324	-	25,380	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,036)</u>	<u>(2,858)</u>	<u>25,324</u>	<u>-</u>	<u>(43,570)</u>	
6(20)	-	-	-	-	(230,096)	-	230,096	-	-	-	-	
6(20)	-	(83,300)	-	-	-	-	83,300	-	-	-	-	
6(20)	-	(208,517)	-	-	-	-	-	-	-	-	(208,517)	
	<u>\$ 3,475,274</u>	<u>\$ 18,545</u>	<u>\$ -</u>	<u>\$ -</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>	
For the year ended December 31, 2019												
	\$ 3,475,274	\$ 18,545	\$ -	\$ -	\$ -	\$ 1,872	\$ 53,381	(\$ 15,558)	\$ 28,945	\$ -	\$3,562,459	
	-	-	-	-	-	-	(24,014)	-	-	-	(24,014)	
6(21)	-	-	-	-	-	-	239	15,558	64,343	-	80,140	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,775)</u>	<u>15,558</u>	<u>64,343</u>	<u>-</u>	<u>56,126</u>	
6(18)	1,000,000	(18,545)	(2,145)	-	-	-	(330,935)	-	-	-	648,375	
	-	-	2,664	-	-	-	-	-	-	-	2,664	
	-	-	(519)	519	-	-	-	-	-	-	-	
6(6)	-	-	-	-	-	-	96,613	-	(96,613)	-	-	
	-	-	-	-	-	-	(5,513)	-	5,513	-	-	
	<u>\$ 4,475,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519</u>	<u>\$ -</u>	<u>\$ 1,872</u>	<u>(\$ 210,229)</u>	<u>\$ -</u>	<u>\$ 2,188</u>	<u>\$ -</u>	<u>\$4,269,624</u>	

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

Kung Sing Engineering Co., Ltd.
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

Unit: NT\$ 1,000

	<u>NOTES</u>	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net loss before tax		(\$ 5,337)	(\$ 105,214)
Adjustments			
Income charges			
Depreciation (including right-of-use assets and investment property)	6(24)(26)	55,801	68,807
Amortization	6(25)(26)	3,871	2,584
Amortization of long-term loan handling fees	6(25)	2,211	198
Interest expenses	6(25)	37,235	33,179
Interest income	6(23)	(2,426)	(2,958)
Dividends income	6(23)	(138)	(6,933)
Shares of investment losses (profits) of subsidiaries and affiliates recognized by equity method	6(7)(24)	2,824	23,786
Gains on disposal of property, plant and equipment	6(24)	(20,144)	(4,377)
Gains on disposal of investment property	6(24)	(2,995)	-
Losses on disposal of investment using equity method	6(7)(24)	10,439	-
Gains on reversal of impairment loss of property, plant and equipment	6(24)	(5,221)	-
Gains on reversal of impairment loss of investment property	6(24)	(8,295)	-
(Un)Realized gross profit of affiliated companies	6(7)	(2,727)	(7,747)
Compensation cost of employee stock option	6(17)	2,664	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Contract assets		(553,000)	(192,510)
Accounts receivable		440,377	(493,180)
Other receivables		(95,404)	(4,563)
Inventories		203,396	(698)
Prepayments		18,068	(115,289)
Net changes in operating liabilities			
Contract liability		133,327	268,921
Bills payable		(206,100)	322,621
Accounts payable		(18,295)	(54,692)
Other payables		376	(37,453)
Provisions		624	(34,030)
Other current liabilities		10,812	607
Net defined benefit liabilities	6(30)	(4,558)	(15,724)
Cash outflows generated from operations		(2,615)	(354,665)
Interest received		2,438	2,972
Dividends received		138	6,933
Interest paid		(37,760)	(32,502)
Income tax paid		(19,857)	-
Income tax refunded		1,187	-
Net cash outflows from operating activities		(56,469)	(377,262)

(Continued)

Kung Sing Engineering Co., Ltd.
Parent Company Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

Unit: NT\$ 1,000

	<u>NOTES</u>	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other current assets		(\$ 264,394)	(\$ 95,260)
Acquisition of financial assets at fair value through other comprehensive income		(37)	-
Disposal of financial assets at fair value through other comprehensive income	6(6)	197,053	-
Acquired investment using equity method - subsidiary price	6(7)	-	(80,000)
Disposal investments using equity method of - the price of the subsidiary	6(7)	74,730	-
Investments using equity method – remittance of subsidiary surplus	6(7)	24,844	-
Liquidation return of shares using the equity method	6(7)	55,301	-
Acquisition of property, plant and equipment price	6(9)	(2,195)	(1,276)
Disposal of property, plant and equipment price		32,341	21,013
Acquisition of intangible assets		(5,569)	-
Disposal of investment property price		3,239	-
Decrease(Increase) in other non-current assets		(2,101)	(10,159)
Net cash flows (outflows) from investing activities		<u>113,212</u>	<u>(145,364)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Borrow short-term loans	6(30)	300,000	1,315,000
Repayment of short-term loans	6(30)	(1,263,280)	(650,000)
Borrow long-term loans	6(30)	100,000	621,590
Repayment of long-term loans	6(30)	(176,174)	(648,574)
Increase (Decrease) in other non-current assets	6(30)	4,715	(14,644)
Increase in related parties accommodation of funds	7	-	200,000
Capital surplus cash dividend return	6(20)	-	(208,517)
Lease debt principal repayment	6(30)	(12,524)	-
Cash capital increase	6(18)	<u>648,375</u>	<u>-</u>
Net cash flows (outflows) from financing activities		<u>(398,888)</u>	<u>614,855</u>
Net decrease (increase) in cash and cash equivalents		(342,145)	92,229
Cash and cash equivalents balance at beginning of the period		<u>638,354</u>	<u>546,125</u>
Cash and cash equivalents balance at end of the period		<u>\$ 296,209</u>	<u>\$ 638,354</u>

Kung Sing Engineering Co., Ltd.
Notes to the Parent Company Only Financial Statements
For the Years Ended December 31, 2019 and 2018

Unit : NT\$ 1,000
(Except where noted otherwise)

1. History of the Company

- (1) Kung Sing Engineering Co., Ltd. ("the Company") was established in February 1947 and opened in the same year. The Company specializes in construction repairs for roads and bridges.
- (2) The Company's stock started trading at Taipei Exchange on November 18, 1999. It was officially terminated on December 18, 2012 and listed at the Taiwan Stock Exchange.

2. The Date and Procedure of Authorization for the Financial Statements

The Parent Company Only Financial Statements was approved and issued by the board of directors on March 26, 2020.

3. Application of New Standards, Amendments and Interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC").
New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, "Prepayment features with negative compensation"	January 1, 2019
IFRS 16, "Leases"	January 1, 2019
Amendments to IAS 19, "Plan amendment, curtailment or settlement"	January 1, 2019
Amendments to IAS 28, "Long-term interests in associates and joint ventures"	January 1, 2019
IFRIC 23, "Uncertainty over income tax treatments"	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above-mentioned standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment:

IFRS 16, "Leases"

- A. IFRS 16, "Leases", replaces IAS 17, "Leases" and related interpretations and SICs. The standard requires lessees to recognize a "right-of-use asset" and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the "modified retrospective approach") when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Company increased "right-of-use asset" and "lease liability" by \$21,524 on January 1, 2019.

- C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - A single discount rate will be used for lease portfolios with reasonably similar characteristics 2018, please refer to Notes 12 (4).
 - We adopted short-term lease for leases that will end before December 31, 2019. The fees recognized for the contracts in 2019 are \$ 143.
- D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range was 1.53%.
- E. The Company recognized lease liabilities which had previously been classified as “operating leases” under the principles of IAS 17, “Leases”. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	22,575
Deduct: low-value assets or short-term leases	(145)
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	<u>\$</u>	<u>22,430</u>
Incremental loan interest rate at the date of initial application		<u>1.53%</u>
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	<u>\$</u>	<u>21,524</u>

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, “Disclosure Initiative-Definition of Material”	January 1, 2020
Amendments to IFRS 3, “Definition of a business”	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7, “Interest Rate Benchmark Reform”	January 1, 2020

The above-mentioned standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by International Accounting Standards Board
IFRS 17, "Insurance contracts"	January 1, 2021
Amendments to IAS 1, "Classification of current or non-current liabilities"	January 1, 2022

The above-mentioned standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the Parent Company Only Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The Parent Company Only Financial Statements of the Company was prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

- A. Except for the following items, the Parent Company Only Financial Statements had been prepared under the historical cost convention:
- Financial assets at fair value through other comprehensive income.
 - Defined benefit liabilities recognized based on the net amount of deducting present value of defined benefit obligation from pension plan assets.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Parent Company Only Financial Statements are disclosed in Note 5.

(3) Foreign currency translation

The Parent Company Only Financial Statements are presented in New Taiwan dollars, which is the Company's functional currency as the expression currency.

A. Foreign currency transactions and balances

- Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- b. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
 - c. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
 - d. All foreign exchange gains and losses are presented in the comprehensive income statement within "other gains and losses".
- B. Translation of foreign operations
- The operating results and financial position of all the Company's entities and affiliates have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- a. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - b. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - c. All resulting exchange differences are recognized in other comprehensive income.

(4) Classification of current and non-current items

The operating contracts contracted by the Company are generally longer than one year. The assets and liabilities of the construction projects are classified as current or non-current according to the business cycle; the other standards of being divided into current and non-current as follows:

- A. Assets that meet one of the following criteria are classified as current assets:
- a. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - b. Assets held mainly for trading purposes;
 - c. Assets that are expected to be realized within twelve months from the balance sheet date;
 - d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Those that do not meet the above-mentioned criteria are classified as non-current assets.

- B. Liabilities that meet one of the following criteria are classified as current liabilities:
- a. Liabilities that are expected to be settled within the normal operating cycle;
 - b. Liabilities arising mainly from trading activities;
 - c. Liabilities that are to be settled within twelve months from the balance sheet date;
 - d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Those that do not meet the above-mentioned criteria are classified as non-current liabilities.

(5) Cash equivalents

Cash equivalents are short-term, highly liquid investment that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(6) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(7) Accounts and bills receivables

- A. Accounts and bills receivable entitle the Company a legal right to unconditionally receive consideration in exchange for transferred goods or services.
- B. The short-term accounts and bills receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For debt instruments measured financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial assets expire.

(10) Leasing arrangements (lesser) — operating leases

The income of operating leases deducts the incentives for lessee will be recognized as profit or loss for the period by straight-line method in lease term.

(11) Inventories

- A. The land held for construction site and the construction in progress are based on the cost of acquisition. The land held for construction site is transferred to the construction in progress when it is actively developed, and the interest is capitalized during the period from the active development or construction work to the completion date.

- B. At the end of the period, we adopt the item-by-item comparison method to compare the cost to the net realizable value. The net realizable value means, under normal circumstances, the estimated selling price deducts the balance of the costs still required to be completed and the sales expenses.

(12) Non-current assets (or disposal group) for sale

Non-current assets (or disposal group) for sale is classified as assets for sale when the carrying amount is mainly recovered through sales transactions rather than continued use and highly likely to sell. And is decided by the amount of book value and fair value deduct cost of sale.

(13) Investment/subsidiary using equity method

- A. Subsidiaries are entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains and losses arising from the exchange between the Company and subsidiaries have been eliminated. Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Company.
- C. The Company recognizes the profit and loss share of the subsidiary after acquisition as current profit and loss, and other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize the losses in proportion to the ownership.
- D. When the Company loses control of the subsidiary, the residual investment of the aforementioned subsidiary is remeasured at fair value. The margin between the fair value and the carrying amount is recognized as current profit and loss. For all amounts previously recognized in other comprehensive income relating to the subsidiary, the accounting treatment is the same as the basis for the disposal of the related assets or liabilities of the Company. That is, the benefits or losses previously recognized as other comprehensive income will be reclassified to profit or loss when the relevant assets or liabilities are disposed. While the Company loses the control of the subsidiary, the profit or loss is reclassified from equity to profit or loss.
- E. According to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit (loss) of the current period and other comprehensive income in the Parent Company Only Financial Statements shall be the same as the allocation of the current profit and loss and other comprehensive profit and loss in the financial report prepared on the merger basis to the owner of the parent company. The owner's equity of the Parent Company Only Financial Statements should be the same as the equity of the owner of the parent company in the financial report prepared on the merger basis.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. The costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Except for land, property, plant and equipment apply cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of

property, plant or equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Building and structure	37~53 years
Machine equipment	4~7 years
Other equipment	3~9 years

(15) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments conclude fixed payments deducting any lease incentives receivable.
- The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost, including the amount of the initial measurement of lease liability and any initial direct costs incurred by the lessee.
- The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(16) Investment property

The investment property is stated initially at cost and measured subsequently by cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 53 years.

(17) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3-5 years.

(18) Impairment of non-financial assets

The Company assesses the recoverable amounts of those assets where there is an indication that they are impaired at each balance sheet date. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased

carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(19) Loans

Loans are long-term and short-term borrowings from bank. Loans are recognized initially at fair value deducting transaction costs. Subsequently, for any difference between the price after deduction of transaction costs and the redemption value is recognized as interest expense in profit or loss by effective interest method during amortization process in circulation period.

(20) Bills and accounts payable

- A. Accounts payable are liabilities for purchasing of raw materials, goods or services and bills payable are those resulting from operating and non-operating activities.
- B. The short-term accounts and bills payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

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

(22) Provisions

Provisions (estimated warranty liabilities and contingent liabilities, etc.) are recognized when the Company has a present legal or constructive obligation due to past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date. Provisions are not recognized for future operating losses.

(23) Employee benefits

- A. Short-term employee benefits
Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.
- B. Pensions
 - a. Defined contribution plans
The contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.
 - b. Defined benefit plans
 - (a) A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit

method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the consolidated balance sheet date).

- (b) Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- (c) Prior period service costs are recognized immediately in profit or loss.

C. Employees' compensation, directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. In addition, some employee are paid by stock, and the basis for calculating the number of shares is the closing price of the day before the resolution of the board of directors.

(24) Employee share-based payment

Equity-based share-based payment agreements are employee services acquired on the grant date measured by the fair value of equity commodities given. The fair value of equity commodities should reflect the impact of market vested conditions and non-vested conditions. Recognition of remuneration costs is adjusted in accordance with the expected amount of rewards that meet the conditions of service and non-market price vesting conditions, until the final recognition amount is recognized with the vested amount on the vesting date.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent balance sheet. The deferred income tax liabilities arising from the goodwill arising from the original recognition are not recognized, if the deferred income tax is derived from the original recognition of the asset or liability in the transaction (excluding business combination) and at the time of the transaction If the accounting profit or taxable income (taxable loss) is not affected, it will not be recognized. If there is a temporary difference arising from the investment of the subsidiary, the Company can control the timing of the temporary difference in reversal, and the temporary difference is likely to not be recognized in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(26) Common stock capital

Common stocks are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities. The distribution of stock dividends is recognized as dividends to be distributed and is transferred to ordinary shares on the base date of the issuance of new shares.

(28) Revenue recognition

A. Project revenue from construction contracts

The engineering income and cost of the construction contract of the Company is mainly generated from the construction of civil projects. To make the estimate of the result of the construction contract accurate, the Company adopts proportional method and recognizes the proportion of the completion of the project to the total contract price and cost as income. The completion progress is calculated according to the proportion of each contract that has been accepted by the owner.

When the contract cost is likely to exceed the contract income, the contract revenue, the expenses and liabilities of the loss-making contract are immediately recognized. Changes in contract work, claims and awards shall be corrected for the estimated total cost of the contract, the estimated total cost and the proportion of completion, and will be reflected in the current period when the management is informed of the change in circumstances and the amendments are made.

The Company accounts for the total amount of accounts that should be received from clients for contract work, that is, the cost incurred in the contract under construction plus the recognized profit exceeds the amount of the progress of the project, expressed as assets, and the contract assets are accounted for. In the case of a construction contract, the amount of the project progress exceeds the sum of the incurred costs plus the recognized profits, expressed as liabilities, and the contract liabilities are accounted for.

B. Land development and resale

a. The Company operates land development and recognizes profit when control of real estate is transferred to customers. As for the sale contract, until the transfer of the legal ownership of the real estate to the customer, the Company has an enforceable right to the contract payment. Therefore, profit is recognized at the time when legal ownership is transferred to the customer.

b. Profit is measured by the amount agreed in the contract. The customer pays the contract price when the legal ownership of the real estate is transferred. In rare cases, the Company has agreed with customers to defer the payment time, but the deferred repayment period does not exceed

12 months. Judging that the contract does not have a significant financial component, so the consideration amount will not be adjusted.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of the Parent Company Only Financial Statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Construction contract

The engineering income and cost of the construction contract of the Company is mainly generated from the construction of civil projects. To make the estimate of the result of the construction contract accurate, the Company adopts proportional method, and recognizes the proportion of the completion of the project to the total contract price and cost as income. The completion progress is calculated according to the proportion of each contract that has been accepted by the owner. When the estimated total cost is likely to exceed the contract revenue, the expected loss is immediately recognized as an expense. In the case of contract work changes, claims, and awards, only the income that is likely to generate income and the amount can be reliably measured is included in the contract revenue.

Since the estimated total cost and contract items are evaluated and judged by the management for the characteristics of different projects, the estimated amount of the contract, the construction period and the construction method, it may affect the calculation of the project cost.

The completion ratio of the construction contracts of the Company and the recognized profits and losses are described in Note 6 (3).

(2) The achievability of deferred income tax assets

Deferred income tax assets are recognized in the future when it is probable that there will be sufficient taxable income for deducting temporary differences. When assessing the achievability of deferred income tax assets, it must involve significant accounting judgments and estimates of management, including assumptions about expected future sales revenue growth, profit margin and available income tax credits.

At December 31, 2019, the deferred income tax assets recognized by the Company were NT\$125,389.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and working fund	\$ 4,200	\$ 6,990
Check Deposit and demand deposit	292,009	631,364
	<u>\$ 296,209</u>	<u>\$ 638,354</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. There has no cash and cash equivalents pledged to others.

(2) Accounts receivable

	December 31, 2019	December 31, 2018	January 1, 2018
Receivables from construction	<u>\$ 498,804</u>	<u>\$ 939,181</u>	<u>\$ 446,001</u>

- A. The Company's retention receivables for construction projects arising from construction contracts at December 31, 2019 and 2018 were respectively NT\$321,432 and NT\$141,988 ("Contract assets - current"). The expected recovery is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
2019	\$ -	\$ 95,239
2020	211,563	13,471
2021	97,367	33,278
After 2022 (inclusive)	12,502	-
	<u>\$ 321,432</u>	<u>\$ 141,988</u>

- B. The Company's receivables and retention payments are in compliance with the Company's credit criteria and are not overdue and not impairment, the analysis of major clients is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Government and state-owned business	\$ 820,236	\$ 1,054,148
All clients except government and state-owned business	-	27,021
	<u>\$ 820,236</u>	<u>\$ 1,081,169</u>

- C. The Company does not hold any collateral. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the margin deposits held by the Group was NT\$820,236 and NT\$1,081,169 respectively.

(3) Construction in progress

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total costs incurred and recognized as profits and losses	\$ 73,901,519	\$ 69,424,449
Deduct: the amount of project progress payment	(71,766,116)	(67,529,275)
Net assets and liabilities of ongoing contract	<u>\$ 2,135,403</u>	<u>\$ 1,895,174</u>
Recognized as:		
Contract assets - current	\$ 3,327,437	\$ 2,953,881
Contract liabilities - current	(1,192,034)	(1,058,707)
	<u>\$ 2,135,403</u>	<u>\$ 1,895,174</u>

- A. As of December 31, 2019 and December 31, 2017, the retention receivables for construction contracts were NT\$321,432 and NT\$141,988, respectively.
- B. The cost of the construction of the construction contracts contracted by the Company for the years ended December 31, 2019 and 2018 were NT\$3,845,142 and NT\$3,786,102, respectively.
- C. As of December 31, 2019, the main projects that the Company contracted for but have not yet completed are as follows:

Project	Total contract price	Estimated total cost	Percentage of completion	Scheduled completion year	Cumulative recognized gains and losses
KSC036	\$ 38,343,312	\$37,488,440	98.83	2020	\$ 504,168
KSC053	8,166,871	7,840,593	97.87	2020	319,341
KSC055	9,171,378	8,779,628	96.20	2020	376,847
KSC056	6,838,609	6,630,558	98.89	2020	205,739
KSC057	6,735,293	6,607,376	92.54	2020	118,371
KSC062	1,783,317	1,755,911	65.31	2021	17,898
KSC065	1,114,568	1,065,259	64.61	2021	31,859
KSC066	1,138,863	1,072,792	81.94	2020	54,139
KSC067	11,946,661	11,163,388	2.01	2024	15,712

(4) Inventory

	December 31, 2019	December 31, 2018
Land held for construction site	-	203,396

- A. The cost of selling land held for construction site by the Company for the years ended December 31, 2019 and 2018 were NT\$203,396 and NT\$0, respectively.
- B. Please refer to Note 8 for the information on the Company's guarantees provided by inventory.

(5) Prepayments

	December 31, 2019	December 31, 2018
Materials and engineering prepayments	\$ 59,730	\$ 97,385
Prepaid insurance fee	58,866	32,262
Prepaid escrow administration fee	6,730	6,804
Tax overpaid retained for offsetting the future tax payable	3,689	11,447
Others	5,421	5,676
	<u>\$ 134,436</u>	<u>\$ 153,574</u>

(6) Financial assets at fair value through other comprehensive income - non-current

Items	December 31, 2019	December 31, 2018
Equity instruments		
Listed stocks	\$ -	\$ 100,440
Non-listed stocks	66,496	66,459
Subtotal	66,496	166,899
Valuation adjustments	2,188	34,495
Total	<u>\$ 68,684</u>	<u>\$ 201,394</u>

- A. The Company chooses to classify the equity instruments of strategic investment as financial assets at fair value through other comprehensive income. The fair value of investments at December 31, 2019 and December 31, 2018 were NT\$68,684 and NT\$201,394, respectively.
- B. The Company sold the investment of Taiwan High Speed Rail Co., Ltd. at a fair value of NT\$197,053 in June 2019 for operating expenses, and the cumulative disposition benefit was NT\$ 96,613.

- C. The details of other equity instruments at fair value through other comprehensive income are as follows:

Other equity instruments at fair value through other comprehensive income	2019	2018
Changes at fair value through other comprehensive income	\$ 64,306	\$ 26,075
Accumulated benefits or losses due to the transfer of retained earnings	\$ 96,613	\$ -
Dividend income recognized as profit or loss	\$ 138	\$ 6,933

- D. Please refer to Note 8 for the information on the Company's guarantees provided by inventory.

(7) Investments using equity method

Subsidiary	December 31, 2019	December 31, 2018
Chan Pang Construction Co., Ltd.	\$ -	\$ 553,678
Kung Sing International Holding Co., Ltd.	-	43,481
Jiangsu Kung Sing Engineering Consulting Co., Ltd.	-	108,461
Kung Sing Development Co., Ltd.	359,270	350,947
Kung Sing Biomedical Engineering Co., Ltd.	-	4,184
	<u>\$ 359,270</u>	<u>\$ 1,060,751</u>

- A. The share of the subsidiaries' (losses) gains recognized by the Company's investment using equity method for the years ended December 31, 2019 and 2018 were (NT\$2,824) and (NT\$23,786), respectively. It based on the financial statements of the investee company audited by the accountant during the same period. The details of the changes in this account are as follows:

	2019	2018
Balance, January 1	\$ 1,060,751	\$ 1,000,399
Increase investment using equity method	-	80,000
Disposal of the investment using equity method price	(130,031)	-
Losses of disposing the investment using equity method	(10,439)	-
Investment (loss) share of equity using equity method	(2,824)	(23,786)
(Un)Recognized sales gross profit	2,727	7,747
Distribution of investment surplus using equity method	(24,844)	-
Reclassified as disposal of non-current assets for sale	(551,665)	-
Other changes in equity	15,595	(3,609)
Balance, December 31	<u>\$ 359,270</u>	<u>\$ 1,060,751</u>

- B. For the years ended December 31, 2019 and 2018, the company's (un)realized benefits arising from the downstream transaction of contracting a subsidiary project were NT\$2,727 and NT\$7,747 respectively. And the deduction as "investment using equity method" has been eliminated.
- C. The subsidiary of the Company, Kung Sing International Holding Co., Ltd., has been liquidated in September 2019. The Company got the refunded shares of liquidation NT\$51,488, and recognized as disposal of investment gain NT\$1,088.
- D. The company sold Jiangsu Kung Sing Engineering Consulting Co., Ltd. in November 2019. The share price was NT\$74,730 and the loss of investment disposal was NT\$11,506.
- E. The subsidiary of the Company, Kung Sing Biomedical Engineering Co., Ltd., has been liquidated in November 2019. The Company got the refunded shares of liquidation NT\$3,813, and recognized as disposal of investment loss NT\$21.
- F. For information about the subsidiaries of the Company, please refer to Note 4 (3) of the Company's 2019 Consolidated Financial Statements.

(8) Non-current assets for sale

- A. On November 29, 2019, the Company sold 100% equity of Chan Pang Construction Co., Ltd. by resolution of the board of directors. The assets and liabilities related to Chan Pang Construction Co., Ltd. were NT\$551,665 and NT\$475,333 respectively at December 31, 2019. And reclassified as non-current assets for sale and directly related liabilities of non-current assets for sale. The transaction is expected to be completed in 2020.
- B. No impairment loss is incurred after subtracting sale costs from the carrying amount and fair value.

(9) Property, plant and equipment

	Land	Buildings and structures	Machinery equipment	Others	Total
<u>January 1, 2019</u>					
Cost	\$ 261,340	\$ 78,696	\$ 276,491	\$ 20,611	\$ 637,138
Accumulated depreciation and impairment	-	(55,259)	(230,432)	(12,667)	(298,358)
	<u>\$ 261,340</u>	<u>\$ 23,437</u>	<u>\$ 46,059</u>	<u>\$ 7,944</u>	<u>\$ 338,780</u>
<u>2019</u>					
January 1	\$ 261,340	\$ 23,437	\$ 46,059	\$ 7,944	\$ 338,780
Additions	-	-	-	2,195	2,195
Disposals - cost reduction	-	-	(238,938)	(1,577)	(240,515)
Depreciation expenses	-	(2,147)	(27,964)	(3,286)	(33,397)
Disposals - accumulated depreciation reduction	-	-	226,830	1,490	228,320
Reversal of impairment loss	-	5,221	-	-	5,221
December 31	<u>\$ 261,340</u>	<u>\$ 26,511</u>	<u>\$ 5,987</u>	<u>\$ 6,766</u>	<u>\$ 300,604</u>
<u>December 31, 2019</u>					
Cost	\$ 261,340	\$ 78,696	\$ 37,553	\$ 21,229	\$ 398,818
Accumulated depreciation and impairment	-	(52,185)	(31,566)	(14,463)	(98,214)
	<u>\$ 261,340</u>	<u>\$ 26,511</u>	<u>\$ 5,987</u>	<u>\$ 6,766</u>	<u>\$ 300,604</u>

	Land	Buildings and structures	Machinery equipment	Others	Total
January 1, 2018					
Cost	\$ 261,340	\$ 90,436	\$ 380,853	\$ 33,257	\$ 765,886
Accumulated depreciation and impairment	-	(63,838)	(266,355)	(22,377)	(352,570)
	<u>\$ 261,340</u>	<u>\$ 26,598</u>	<u>\$ 114,498</u>	<u>\$ 10,880</u>	<u>\$ 413,316</u>
2018					
January 1	\$ 261,340	\$ 26,598	\$ 114,498	\$ 10,880	\$ 413,316
Additions	-	-	-	1,276	1,276
Disposals - cost reduction	-	(11,739)	(104,361)	(13,923)	(130,023)
Depreciation expense	-	(3,161)	(51,802)	(4,213)	(59,176)
Disposals - accumulated depreciation reduction	-	11,739	87,725	13,923	113,387
December 31	<u>\$ 261,340</u>	<u>\$ 23,437</u>	<u>\$ 46,060</u>	<u>\$ 7,943</u>	<u>\$ 338,780</u>
December 31, 2018					
Cost	\$ 261,340	\$ 78,696	\$ 276,491	\$ 20,611	\$ 637,138
Accumulated depreciation and impairment	-	(55,259)	(230,432)	(12,667)	(298,358)
	<u>\$ 261,340</u>	<u>\$ 23,437</u>	<u>\$ 46,059</u>	<u>\$ 7,944</u>	<u>\$338,780</u>

- A. The estimated recoverable amount of buildings and structures of the Company is greater than the book amount. Gain on reversal of impairment loss recognized for the year ended December 31, 2019 and 2018 were NT\$5,221 and NT\$0 respectively, and recognized as “other gains and losses”. The Company uses the fair value as the recoverable amount of the impairment test.
- B. Please refer to Note 8 for the information on the Company's guarantees provided by property, plant and equipment.

(10) Leasing arrangements – lessee

Effective 2019

- A. The Company leases various assets, including lands, buildings and transportation equipment. Rental contracts are typically made for periods of 2-10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The lease period of the machinery equipment and transportation equipment leased by the Company does not exceed 12 months. Some of the leased assets that are low-value targets, including machinery equipment, transportation equipment and multi-function office machines.
- C. The book value and the depreciation expense of right-of-use assets are as follows:

	December 31, 2019	2019
	Book value	Depreciation expense
Lands	\$ 35,494	\$ 7,529
Buildings	895	2,559
Transportation equipment	3,926	2,686
	<u>\$ 40,315</u>	<u>\$ 12,774</u>

D. The Company's right-of-use assets for the year ended December 31, 2019 increased to NT\$31,565.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 558
Expense on short-term lease and low-value assets lease	12,152

F. The Company's total lease cash outflow for the year ended December 31, 2019 was NT\$25,234 and the current balance of the lease liability at December 31, 2019 was NT\$40,565 recognized respectively as "lease liabilities – current" NT\$8,973 and "lease liabilities – non-current" NT\$31,592.

(11) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>January 1, 2019</u>			
Cost	\$ 209,798	\$ 294,730	\$ 504,528
Accumulated depreciation and impairment	-	(96,078)	(96,078)
	<u>\$ 209,798</u>	<u>\$ 198,652</u>	<u>\$ 408,450</u>
<u>2019</u>			
January 1	\$ 209,798	\$ 198,652	\$ 408,450
Disposal	(578)	-	(578)
Depreciation expense	-	(9,630)	(9,630)
Reversal of impairment loss	-	8,295	8,295
December 31	<u>\$ 209,220</u>	<u>\$ 197,317</u>	<u>\$ 406,537</u>
<u>December 31, 2019</u>			
Cost	\$ 209,220	\$ 294,730	\$ 503,950
Accumulated depreciation and impairment	-	(97,413)	(97,413)
	<u>\$ 209,220</u>	<u>\$ 197,317</u>	<u>\$ 406,537</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>January 1, 2018</u>			
Cost	\$ 209,798	\$ 294,730	\$ 504,528
Accumulated depreciation and impairment	-	(86,447)	(86,447)
	<u>\$ 209,798</u>	<u>\$ 208,283</u>	<u>\$ 418,081</u>
<u>2018</u>			
January 1	\$ 209,798	\$ 208,283	\$ 418,081
Depreciation charge	-	(9,631)	(9,631)
December 31	<u>\$ 209,798</u>	<u>\$ 198,652</u>	<u>\$ 408,450</u>
<u>December 31, 2018</u>			
Cost	\$ 209,798	\$ 294,730	\$ 504,528
Accumulated depreciation and impairment	-	(96,078)	(96,078)
	<u>\$ 209,798</u>	<u>\$ 198,652</u>	<u>\$ 408,450</u>

- A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	<u>2019</u>	<u>2018</u>
Rental income from investment property	<u>\$ 4,569</u>	<u>\$ 4,524</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 9,595</u>	<u>\$ 9,453</u>
Direct operating expenses arising from the investment property that did not generate rental income in the period	<u>\$ 926</u>	<u>\$ 913</u>

- B. The fair value of the investment property held by the Company at December 31, 2019 and December 31, 2018 were NT\$531,567 and NT\$530,808, respectively, based on the evaluation results of

independent evaluation experts. The evaluation was calculated by comparative method, cost method, land development analysis method and income method and classified as the level 3 fair value. The main assumptions of the income approach as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Income capitalization rate	1.61%-2.20%	1.73%-2.05%

- C. The estimated recoverable amount of buildings and structures of the Company is greater than the book value. Gain on reversal of impairment loss recognized for the years ended December 31, 2019 and 2018 were NT\$8,295 and NT\$0 respectively, and recognized as "other gains and losses". The Company uses the fair value as the recoverable amount of the impairment test.
- D. Please refer to Note 8 for the information on the Company's guarantees provided by investment property.

(12) Other non-current assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Restricted assets (time deposits and cash)	\$ 28,620	\$ 29,154
Refundable deposits	24,068	21,432
Others	2,438	5,161
	<u>\$ 55,126</u>	<u>\$ 55,747</u>

For details of the Company's guarantees for restricted assets, please refer to Note 8.

(13) Short-term loan

<u>Type</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Secured bank loan	\$ 772,720	\$ 1,625,000
Unsecured bank loan	139,000	250,000
	<u>\$ 911,720</u>	<u>\$ 1,875,000</u>
Interest rate range	<u>1.40%~1.76%</u>	<u>1.30%~2.60%</u>

- A. The Company recognized interest expenses as profit or loss for the years ended December 31, 2019 and 2018 were respectively NT\$24,134 and NT\$24,128.
- B. The details of the Company's unused loan amount are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Floating rate		
Due within one year	<u>\$ 153,280</u>	<u>\$ 100,000</u>

- C. Please refer to Note 8 for details of the pledge warranty.

(14) Long-term loan

Type of loan	Repayment period	December 31, 2019	December 31, 2018
Medium-term secured loan	Due within 2022	\$ 100,000	\$ -
	Amortization from		
Medium-term secured loan	2015 to 2022	81,692	86,139
	Amortization from		
Medium-term unsecured loan	2018 to 2020	25,000	75,000
	Amortization from		
Medium-term unsecured loan	2018 to 2020	-	119,516
Subtotal		206,692	280,655
Deduct: due within one year (recognized as "other current liabilities")		(29,560)	(125,717)
Total		\$ 177,132	\$ 154,938
Interest rate range		1.81%-2.61%	1.80%-2.27%

A. Please refer to Note 12 (2) C. c. for details of the liquidity risks.

B. Please refer to Note 8 for details of the pledge warranty.

(15) Provisions for liabilities

	2019		
	Warranty	Litigation loss	Total
Balance, January 1	\$ 81,173	\$ 30,800	\$ 111,973
Increase in the period	970	-	970
Used in the period	(346)	-	(346)
Balance, December 31	\$ 81,797	\$ 30,800	\$ 112,597
Recognized as:			
Provisions for liabilities - current	\$ 12,261	\$ -	\$ 12,261
Provisions for liabilities - non-current	\$ 69,536	\$ 30,800	\$ 100,336
	2018		
	Warranty	Litigation loss	Total
Balance, January 1	\$ 82,203	\$ 63,800	\$ 146,003
Increase in the period	2,559	-	2,559
Used in the period	(1,446)	-	(1,446)
Current income	(2,143)	(33,000)	(35,143)
Balance, December 31	\$ 81,173	\$ 30,800	\$ 111,973
Recognized as:			
Provisions for liabilities - current	\$ 11,443	\$ -	\$ 11,443
Provisions for liabilities - non-current	\$ 69,730	\$ 30,800	\$ 100,530

A. Warranty

The Company's warranty provision of liabilities is mainly related to the construction contract, and is based on historical warranty data. The warranty provision of liabilities are expected to expire from 2020 to 2023.

B. Litigation loss

The Company's provision of litigation losses is mainly related to the lawsuits and work safety incidents under the construction contract. The lawsuits arising from the relevant engineering matters are

recognized as likely litigation losses after the management assess and refer to legal opinions by management.

(16) Net defined benefit liability

A. The Company have a defined benefit pension plan in accordance with the “Labor Standards Act”, covering all regular employees’ service years prior to the enforcement of the “Labor Pension Act” on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

a. The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	(\$ 66,312)	(\$ 69,129)
Fair value of plan assets	<u>53,893</u>	<u>51,853</u>
Net defined benefit liabilities	<u>(\$ 12,419)</u>	<u>(\$ 17,276)</u>

b. Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2019			
Balance, January 1	(\$ 69,129)	\$ 51,853	(\$ 17,276)
Service cost for the period	(343)	-	(343)
Interest (expense) income	(495)	369	(126)
Prior period service cost	114	-	114
	<u>(69,853)</u>	<u>52,222</u>	<u>(17,631)</u>
Remeasurements:			
Returns on plan assets	-	2,009	2,009
Changes in demographic assumptions	(161)	-	(161)
Changes in financial assumptions	(306)	-	(306)
Experience adjustments	(1,243)	-	(1,243)
	<u>(1,710)</u>	<u>2,009</u>	<u>299</u>
Pension fund contribution	-	4,227	4,227
Paid pension	5,251	(4,565)	686
Balance, December 31	<u>(\$ 66,312)</u>	<u>\$ 53,893</u>	<u>(\$ 12,419)</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2018			
Balance, January 1	(\$ 88,605)	\$ 52,111	(\$ 36,494)
Service cost for the period	(866)	-	(866)
Interest expense (income)	(853)	494	(359)
Prior period service cost	1,051	-	1,051
	<u>(89,273)</u>	<u>52,605</u>	<u>(36,668)</u>
Remeasurements:			
Returns on plan assets	-	1,614	1,614
Changes in demographic assumptions	208	-	208
Changes in financial assumptions	(1,599)	-	(1,599)
Experience adjustments	3,271	-	3,271
	<u>1,880</u>	<u>1,614</u>	<u>3,494</u>
Pension fund contribution	-	5,789	5,789
Paid pension	18,264	(8,155)	10,109
Balance, December 31	<u>(\$ 69,129)</u>	<u>\$ 51,853</u>	<u>(\$ 17,276)</u>

- c. The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and December 31, 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- d. The principal actuarial assumptions used are as follows:

	2019	2018
Discount rate	0.70%	0.75%
Future salary growth rate	2.00%	2.00%

- (a) Assumptions regarding future mortality experience are set based on actuarial advice in accordance with Taiwan Standard Ordinary Experience Mortality.
- (b) Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Discount rate		Future salary growth rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,512)</u>	<u>\$ 1,563</u>	<u>\$ 1,538</u>	<u>(\$ 1,497)</u>
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,553)</u>	<u>\$ 1,607</u>	<u>\$ 1,583</u>	<u>(\$ 1,538)</u>

⊗The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

⊗The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- e. The expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2020 is NT\$955.

- f. As of December 31, 2019, the weighted average duration of the retirement plan was 9 years. The maturity analysis of pension payments is as follows:

Less than 1 year	\$	1,580
1-2 years		1,863
2-5 years		12,342
More than 5 years		54,900
	\$	<u>70,685</u>

- B. Since July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were \$9,865 and \$10,011 respectively.

(17) Share-based payment (none in 2018)

- A. The share-based payment agreement of the Company for the year ended December 31, 2019 is as follows:

<u>Type of agreements</u>	<u>Grant date</u>	<u>Grant amount</u>	<u>Contract period</u>	<u>Vesting conditions</u>
		6,095		
Employee stock option of cash capital increase	October 7, 2019	thousand shares	NA	Immediate

The above-mentioned payment is equity-settled share-based payment.

- B. The details of equity-settled share-based payment are as follows:

	2019	
	<u>Option amount</u>	<u>Weighted average performance price (unit: NT\$)</u>
Share options outstanding at January 1	-	\$ -
Available share options during the period	6,095	6.50
Executed shares options during the period	(4,908)	6.50
Overdue options	(1,187)	6.50
Outstanding share options at December 31	-	-
Executable share options at December 31	-	-

- C. As of December 31, 2019, the weighted average share price of the executed share options on the execution date was NT\$6.88.

- D. The Company used Black-Scholes model to estimate the fair value of stock options of share-based payment transaction. The related information is as follows:

<u>Type of agreements</u>	<u>Grant date</u>	<u>Share price</u>	<u>Performance price</u>	<u>Expected volatility</u>	<u>Expected duration</u>	<u>Expected dividend</u>	<u>Risk-free rate</u>	<u>Fair value per unit</u>
Employee stock option of cash capital increase	October 7, 2019	NT\$6.88	NT\$6.50	24.1%(*)	0.08	-	0.59%	NT\$0.437

(*)Expected volatility is the stock price in the sample period using the most recent period that is approximately the same as the expected duration of the option and is estimated by the standard deviation of the stock return rate during that period.

E. The expense of share-based payment transaction is as follows:

	2019
Equity settled	\$ 2,664

(18) Capital - common stock

A. As of December 31, 2019 and December 31, 2018, the Company's rated capital were respectively NT\$6,000,000 and NT\$4,500,000, divided into 600,000 thousand shares and 450,000 thousand shares. The paid-in capital were NT\$4,475,274 and NT\$3,475,274, respectively. The number of outstanding shares were 447,572 thousand shares and 347,527 thousand shares. The par value per share is NT\$10. The issued shares of the Company have been received. The number of shares of the Company's common stock at the beginning and end of the period is adjusted as follows: (unit: thousand shares)

	2019	2018
January 1	347,527	347,527
Cash capital increase	100,000	-
December 31	447,527	347,527

B. The Company has amended the Company's articles of association which increased the rated capital to NT\$6,000,000 on June 27, 2019 by resolution of the board of shareholders. Change registration has been completed.

C. On June 14, 2019, the board of directors of the Company determined that issued 100,000 thousand common stocks for cash capital increase. And the par value per share is NTS10. On September 19, 2019, the board of directors decided that the base date for the capital increase and issuance of new shares would be October 12, 2019, and the subscription price per share is NT\$6.5 at a discount. The payment period was October 21, 2019 to November 21, 2019. The rights and obligations of the new issuance of ordinary shares are the same as issued ordinary shares. The total cash capital increase is NT\$650,000, and after deducting the relevant costs, the actual net increasing capitalization is NT\$648,375. The base date of capital increase was November 26, 2019. Change registration has been completed.

(19) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) Retained earnings

A. The Company's articles of association stipulates that if there is a surplus in the annual final accounts, the tax should be paid first to make up for the previous year's losses, and 10% of the remaining amount shall be set aside as legal reserve. If there is still a surplus plus, the board of directors will propose some resolution and decided by board of shareholders. The shareholder dividends are distributed in two ways: stock dividends and cash dividends. The proportion of cash dividends is not less than 10% of the

total shareholder dividends. When necessary, the surplus distribution could be set aside as special reserve before the dividend distribution.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. According to the special surplus reserve mentioned in the letter of the financial management certificate issued on April 6, 2012.
When adopting IFRSs for the first time, the Company shall set aside the special reserve. The Company could use the reversal of the special reserve when the Company uses, disposes or reclassifies the relevant assets. And the proportion will be the same as the original proportion. If the above-mentioned related assets are investment real estate, the part of land will be revolved when it is disposed of or reclassified, and the others will be rotated during the period of use.
- D. On June 29, 2018, the Company resolved to make up for the accumulated loss in 2017 by the board of shareholders with legal reserve of NT\$230,096 and capital reserve of NT\$83,300 for a total of NT\$313,396. And distributed NT\$0.6 per share with the capital reserve of NT\$208,517.
- E. The Company's board of shareholders on June 27, 2019 resolved that there will be no surplus distribution in 2018.
- F. The board of directors of the Company on March 26, 2019 proposed a 2019 loss replenishment. After making up for losses, there was no surplus available for distribution.
- G. For details of employees' and directors' remuneration, please refer to Note 6 (27).

(21) Other equity items

	2019			
	Foreign currency translation	Unrealized gains and losses of equity instrument investments measured at fair value through other comprehensive income		Total
Balance, January 1	(\$ 15,558)	\$	28,945	\$ 13,387
Revaluation - the Company	-		64,306	64,306
Revaluation transferred to retained earnings - the Company	-	(96,613)	(96,613)
Revaluation - subsidiaries	-		37	37
Evaluation transferred to retained earnings - subsidiaries	-		5,513	5,513
Foreign currency translation differences - the Company	15,558		-	15,558
Balance, December 31	<u>\$ -</u>	<u>\$</u>	<u>2,188</u>	<u>\$ 2,188</u>

	2018			
	Foreign currency translation	Unrealized gains and losses of equity instrument investments measured by fair value through other comprehensive gains and losses	Unrealized gains of financial assets for sale	Total
Balance, January 1	(\$ 12,700)	\$ -	\$ 118,590	\$ 105,890
Modified traceability	-	3,621	(118,590)	(114,969)
Revaluation - the Company	-	26,075	-	26,075
Revaluation - subsidiaries	-	(751)	-	(751)
Foreign currency translation differences – the Company	(2,858)	-	-	(2,858)
Balance, December 31	<u>(\$ 15,558)</u>	<u>\$ 28,945</u>	<u>\$ -</u>	<u>\$ 13,387</u>

(22) Operating income

	2019	2018
Engineering contract income	\$ 3,989,288	\$ 3,812,581
Income of sales of land held for construction site	215,000	-
	<u>\$ 4,204,288</u>	<u>\$ 3,812,581</u>

A. Details of client contract income

The Company's income for the years ended December 31, 2019 and 2018 were derived from the income of engineering construction contract which gradually recognized over time and income of sales of land held for construction site which recognized when the control transferred.

B. Contract assets and liabilities

The Company recognized contract assets and liabilities related to client contract income are as follows:

	<u>December 31 ,2019</u>	<u>December 31 ,2018</u>	<u>January 1 ,2018</u>
Contract assets:			
Engineering construction contract	\$ 3,327,437	\$ 2,953,881	\$ 2,192,968
Project retention receivables	<u>321,432</u>	<u>141,988</u>	<u>704,831</u>
	<u>\$ 3,648,869</u>	<u>\$ 3,095,869</u>	<u>\$ 2,897,799</u>
Contract liabilities -			
Engineering construction contract	<u>(\$ 1,192,034)</u>	<u>(\$ 1,058,707)</u>	<u>(\$ 789,786)</u>

The recognized amount of contract liabilities at the beginning of the period in 2019 and 2018 were NT\$1,058,707 and NT\$789,786 respectively.

(23) Other income

	<u>2019</u>	<u>2018</u>
Interest income:		
Interest income from bank deposits	\$ 2,410	\$ 2,955
Other interest income	16	3
Rental income	4,649	4,621
Dividend income	138	6,933
Provisions transferred to income	-	35,143
Accounts payables transferred to income	-	11,563
Other income	<u>2,899</u>	<u>1,912</u>
	<u>\$ 10,112</u>	<u>\$ 63,130</u>

(24) Other gains and losses

	<u>2019</u>	<u>2018</u>
Gains on disposal of property, plant and equipment	\$ 20,144	\$ 4,377
Gains on disposal of investment property	2,995	-
Disposal of investment losses	(10,439)	-
Net foreign exchange losses	(2,375)	(980)
Investment property depreciation expenses	(9,630)	(9,631)
Gain on reversal of impairment loss	13,516	-
Others	<u>(225)</u>	<u>(308)</u>
	<u>\$ 13,986</u>	<u>\$ 6,542</u>

(25) Financial cost

	<u>2019</u>	<u>2018</u>
Interest expense:		
Bank loan	\$ 30,390	\$ 32,574
Others	6,845	605
Syndicated loans expenses	2,304	2,004
Other financial expenses	2,211	198
	<u>\$ 41,750</u>	<u>\$ 35,381</u>

(26) Additional information on the nature of the expenses

	<u>2019</u>	<u>2018</u>
Employee benefit expenses	\$ 380,017	\$ 422,721
Depreciation of property, plant and equipment	33,397	59,176
Depreciation of right-of-use assets	12,774	-
Amortization fee	1,567	580

(27) Employee benefit expenses

	<u>For the year ended December 31, 2019</u>		
	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 268,565	\$ 48,508	\$ 317,073
Labor and health insurance fee	24,522	4,090	28,612
Pension cost	7,877	2,343	10,220
Directors' remuneration	-	2,610	2,610
Other personnel expenses	17,460	4,042	21,502
	<u>\$ 318,424</u>	<u>\$ 61,593</u>	<u>\$ 380,017</u>
	<u>For the year ended December 31, 2018</u>		
	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 301,596	\$ 54,941	\$ 356,537
Labor and health insurance fee	27,372	4,561	31,933
Pension cost	8,303	1,882	10,185
Directors' remuneration	-	1,580	1,580
Other personnel expenses	18,901	3,585	22,486
	<u>\$ 356,172</u>	<u>\$ 66,549</u>	<u>\$ 422,721</u>

- A. In accordance with the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees that account for 3%-5% and to the directors that account for less than 3%, of the total distributed amount.
- B. The Company had no profit for the years ended December 31, 2019 and 2018, so there was no remuneration of employees and directors and supervisors.
The 2018 annual employees' and directors' remuneration determined by the board of directors were NT\$0, which is in line with the amount recognized in the 2018 financial statements.
Information of the remuneration of employees and directors approved by the board of directors of the Company can be obtained from the "Market Observation Post System".

- C. As of December 31, 2019 and December 31, 2018, the employees of the Company, including foreign workers and dayworkers, the number of the workers were 490 and 637 respectively, of which the number of directors who were not concurrent employees was 5. The average employee benefit expenses for the years ended December 31, 2019 and 2018 were NT\$694 and NT\$643 respectively. The average employee salary expenses for the years ended December 31, 2019 and 2018 were NT\$583 and NT\$544 respectively. The average adjustment of employee salary expenses was 7.17% for the year ended December 31, 2019.

(28) Income tax

A. Income tax expenses

a. Components of income tax expenses:

	<u>2019</u>	<u>2018</u>
Income tax for the period:		
Tax on profits for the period	\$ 13,770	\$ -
Tax on undistributed earnings	1,359	-
Land value increment tax recognized as current tax	17,249	
Prior year income tax over estimation	-	(1,509)
	<u>32,378</u>	<u>(1,509)</u>
	<u>2019</u>	<u>2018</u>
Deferred tax:		
Origination and reversal of temporary differences	(14,009)	6,004
Tax losses	308	(26,992)
Impact of change in tax rate	-	(13,767)
	<u>(13,701)</u>	<u>(34,755)</u>
Income tax expenses (gains)	<u>\$ 18,677</u>	<u>(\$ 36,264)</u>

b. Income tax related to other comprehensive income:

	<u>2019</u>	<u>2018</u>
The remeasurement of determined benefit obligations	(\$ 60)	(\$ 699)
Impact of change in tax rate	-	119
	<u>(\$ 60)</u>	<u>(\$ 580)</u>

B. Relationship of income tax expenses and accounting profits:

	<u>2019</u>	<u>2018</u>
Income tax of the net loss before tax calculated at statutory tax rate	(\$ 1,067)	(\$ 21,043)
Tax-free income and fees that should be excluded	(4,868)	348
Deferred income tax achievability assessment changes	(402)	(293)
Prior year income tax over estimation	-	(1,509)
Income tax impacts of the alternative minimum tax	6,407	-
Income tax impacts of tax law amendment	-	(13,767)
Tax on undistributed earnings	1,358	-
Land value increment tax recognized as current tax	17,249	-
Income tax expenses (gains)	<u>\$ 18,677</u>	<u>(\$ 36,264)</u>

C. Amount of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2019			
	January 1	Recognized as profit or loss	Recognized as other comprehensive income	December 31
Deferred income tax assets:				
-Temporary differences				
Unrealized litigation loss	\$ 6,160	\$ -	\$ -	\$ 6,160
Net defined benefit liabilities	3,455	(912)	(60)	2,483
Investment property loss	2,891	(1,659)	-	1,232
Warranty liabilities	16,235	125	-	16,360
Property, plant and equipment loss	4,233	(1,044)	-	3,189
Unrealized sales gross profit	4,488	(545)	-	3,943
Others	1,640	(22)	-	1,618
- Tax loss	90,712	(308)	-	90,404
	<u>\$ 129,814</u>	<u>(\$ 4,365)</u>	<u>(\$ 60)</u>	<u>\$ 125,389</u>
Deferred income tax liabilities:				
- Temporary differences:				
Long-term foreign investment income	(\$ 18,066)	\$ 18,066	\$ -	\$ -
	<u>(\$ 18,066)</u>	<u>\$ 18,066</u>	<u>\$ -</u>	<u>\$ -</u>
			2018	
	January 1	Recognized as profit or loss	Recognized as other comprehensive income	December 31
Deferred income tax assets:				
- Temporary differences				
Unrealized litigation loss	\$ 10,846	(\$ 4,686)	\$ -	\$ 6,160
Net defined benefit liabilities	6,204	(2,169)	(580)	3,455
Investment property loss	2,457	434	-	2,891
Warranty liabilities	13,975	2,260	-	16,235
Property, plant and equipment loss	3,598	635	-	4,233
Unrealized sales gross profit	5,132	(644)	-	4,488
Others	1,199	441	-	1,640
- Tax loss	54,162	36,550	-	90,712
	<u>\$ 97,573</u>	<u>\$ 32,821</u>	<u>(\$ 580)</u>	<u>\$ 129,814</u>
Deferred income tax liabilities:				
- Temporary differences:				
Long-term foreign investment income	(\$ 18,888)	\$ 822	\$ -	(\$ 18,066)
Others	(1,112)	1,112	-	-
Subtotal	<u>(\$ 20,000)</u>	<u>\$ 1,934</u>	<u>-</u>	<u>(\$ 18,066)</u>

The tax losses of Company for the year ended December 31, 2018 was recognized as deferred income tax assets because the estimated tax income generated in the coming year exceeding the accumulated tax loss.

D. The relevant amount of the effective period of tax losses that the Company has not used is as follows:

December 31, 2019			
<u>Occurred year</u>	<u>Declared amount/ Approved amount</u>	<u>Amount that not yet deducted</u>	<u>Last deduction year</u>
2017(Approved)	\$ 320,063	\$ 316,511	2027
2018(Declared)	135,508	135,508	2028
December 31, 2018			
<u>Occurred year</u>	<u>Declared amount / approved amount</u>	<u>Amount that not yet deducted</u>	<u>Last deduction year</u>
2017(Declared)	\$ 320,063	\$ 320,063	2027
2018(Declared)	135,508	135,508	2028

E. The Company's profit-seeking enterprise income tax in 2017 has been approved by the tax collection authorities.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 7, 2018, the income tax rate has been raised from 17% to 20% since January 1, 2018. The Company has assessed the impacts of the changes in income tax rate.

(29) Loss per share

	For the year ended December 31, 2019		
	<u>After-tax amount</u>	<u>Weighted average number of outstanding shares (thousand shares)</u>	<u>Loss per share (NT\$ dollars)</u>
<u>Basic and diluted loss per share</u>			
Net loss attributable to common stocks shareholders for the period	(\$ 24,014)	357,390	(\$ 0.07)
	For the year ended December 31, 2018		
	<u>After-tax amount</u>	<u>Weighted average number of outstanding shares (thousand shares)</u>	<u>Loss per share (NT\$ dollars)</u>
<u>Basic and diluted loss per share</u>			
Net loss attributable to common stocks shareholders for the period	(\$ 68,950)	347,527	(\$ 0.20)

(30) Changes of liabilities from financing activities

	Short-term loan	Long-term loan	Lease liabilities	Others	Total liabilities from financing activities
January 1,2019	\$ 1,875,000	\$ 280,655	\$ 21,524	\$ 527,415	\$ 2,704,594
Changes of cash flow from financing activities	(963,280)	(73,963)	(12,524)	4,715	(1,045,052)
Interest payments (*)	-	-	(558)	-	(558)
Net determined benefit liabilities payments (*)	-	-	-	(4,558)	(4,558)
Other non-cash changes	-	-	32,123	(475,632)	(443,509)
December 31, 2019	<u>\$ 911,720</u>	<u>\$ 206,692</u>	<u>\$ 40,565</u>	<u>\$ 51,940</u>	<u>\$ 1,210,917</u>

	Short-term loan	Long-term loan	Others	Total liabilities from financing activities
January 1,2018	\$ 1,210,000	\$ 307,441	\$ 561,277	\$ 2,078,718
Changes of cash flow from financing activities	665,000	(26,786)	(14,644)	623,570
Net determined benefit liabilities payments (*)	-	-	(15,724)	(15,724)
Other non-cash changes	-	-	(3,494)	(3,494)
December 31, 2018	<u>\$ 1,875,000</u>	<u>\$ 280,655</u>	<u>\$ 527,415</u>	<u>\$ 2,683,070</u>

(*)Cash flow from operating activities was recognized.

7. Related Parties Transactions

(1) The names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Kung Sing Development Co., Ltd. (Kung Sing Development)	Subsidiary
Chan Pang Construction Co., Ltd. (Chan Pang Construction)	Subsidiary
Jiangsu Kung Sing Engineering Consulting Co., Ltd. (Jiangsu Kung Sing)	Subsidiary(Note 1)
Kung Sing Biomedical Engineering Co., Ltd. (Kung Sing Biomedical)	Subsidiary(Note 2)
Kung Sing International Holding Company Limited	Subsidiary(Note 3)
Kung Sing International (Hong Kong) Co., Ltd.	Sub-subsidiary(Note 4)
Chen, huang-ming	Key members of management
Chiang, chi-ching	Key members of management
Pan, jun-rong	Other related party

Note 1: The Company sold the shares of the company in November 2019.

Note 2: The company had been liquidated in December 2019.

Note 3: The company had been liquidated in September 2019.

Note 4: The Company sold the shares of the company in June 2019.

(2) Significant transactions and balances with related parties

A. Project income (recognized as "operating income")

The Company undertook projects of the Kung Sing Development, the project income recognized for the years ended December 31, 2019 and 2018 according to the percentage of completion method were NT\$0 and NT\$28,436, respectively, and the costs were NT\$0 and NT\$33,716, respectively. As of December 31, 2019 and December 31, 2018, the accounts receivable balances were NT\$0 and NT\$27,021, respectively.

B. Rental income (recognized as "other income")

	2019		2018	
Kung Sing Development	\$	1,542	\$	1,542
Subsidiary		57		57
	\$	1,599	\$	1,599

The company rents out some office space to related parties and the payment term is open account 30 days.

C. Capital financing - other payables

	December 31, 2019	December 31, 2018
Kung Sing Development	\$ 200,368	\$ 200,398

The Company raised a financing of NT\$200,000 from Kung Sing Development. The term of the loan was one year and the interest in 2019 and 2018 were calculated at the annual interest rate of 2.689% as NT\$368 and NT\$398 respectively, and recognized as other payables.

D. Land for sale

The Company sold the land of Nangang Yucheng section on October 21, 2006. Some ownership portion was sold to Chan Pang Construction and wrote off unrealized gains as NT\$475,333, and then transferred as deferred income under "liabilities directly related to the non-current assets to be sold".

E. Obtain investment using equity method (none in 2019)

	Number of traded shares	Transaction target	2018
		Common stock	Payment price
	8,000	(cash capital	
Chan Pang Construction	(thousand shares)	increase)	\$ 80,000

F. Endorsement and guarantee

As of December 31, 2019 and December 31, 2018, part of the loan amount of the Company was endorsed by the Company's major management and other related parties.

(3) The remuneration of key management

	2019	2018
Short-term employee benefits	\$ 14,100	\$ 13,571
Post-employment benefits	192	251
	<u>\$ 14,292</u>	<u>\$ 13,822</u>

8. Pledged Assets

Pledged assets	Book value	Book value	Purpose
	December 31, 2019	December 31, 2018	
Other current assets - pledged timed deposit, reserve account and deposit cash	\$ 2,153,697	\$ 1,889,303	Provided to banks and owners as a guarantee of project performance and prepaid projects guarantee, and short-term loan
Inventory - land held for construction site	-	203,396	Short-term loan guarantee
Other non-current assets - restricted assets	28,620	29,154	Provided to owners as a guarantee of maintenance bond, foreign workers, and short-term loan
Financial assets for sale measured at fair value through other comprehensive income - non-current	-	131,976	Short-term loan guarantee
Property, plant and equipment	118,873	119,620	Short-term loan guarantee
Investment property	<u>330,545</u>	<u>339,267</u>	Long-term and short-term loan guarantee
	<u>\$ 2,631,735</u>	<u>\$ 2,712,716</u>	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

As of December 31, 2019, in addition to the important engineering contracts of Note 6 (3), the Company's other commitments and contingent liabilities are as follows:

- (1) As of December 31, 2019, the Company has not used NT\$846 for the purchase of the goods, and the amount of the guarantee issued by the bank for the performance guarantee, prepayment guarantee and warranty guarantee of the project contract was NT\$4,103,081.
- (2) As of December 31, 2019, the amount of bills issued by the Company due to the lease contract was NT\$ 3,277.
- (3) The creditor of the Company's engineering contractor filed a lawsuit against the Company to confirm whether the claim exists or not. On April 14, 2005, the Changhua District Court of Taiwan judged that the contractor's monetary claim on the Company existed, and the amount is within the range of NT\$40,237 and NT\$48,284. According to the court decision, the Company has deducted the amount of the retention and calculated the total loss of NT\$33,000, which is recognized as "Provisions-non-current". On April 11, 2018, the appeal was rejected by the Supreme Court of Taiwan, and the creditor of the contractor was dismissed. The amount of the loss that the Company has already reversed the amount of loss.

(4) The CT206A project of the MRT Tamsui Line contracted by the Company was officially checked and accepted in April 1995, and officially opened to traffic in March 1997. However, the employee setting up soundproof walls of the outsourcers of Taipei MRT was injured in September 2000. They filed a lawsuit in Shilin District Court of Taiwan on March 21, 2013. The Company was asked for a compensation of NT\$174,345 and plus the interest accruing thereon. The Company hold that the project has been formally checked and accepted for 15 years, which is more than the maximum ten-year requirement that the engineering contractor should be responsible for the guarantee, and we were not liable for it. However, on March 2, 2016, the Shilin District Court of Taiwan judged that the Company should compensate NT\$27,027 and plus the interest accruing thereon. The Company refused to accept the judgment and appealed it. On April 2, 2019, the Taiwan High Court judged that the Company should compensate NT\$22,058 and plus the interest until discharged day. The Company appealed to the Taiwan High Court on May 1, 2019. On May 31, 2019 the suit was transferred to the Supreme Court of Taiwan and it is being heard. The Company has accrued relevant compensation losses and interest expenses NT\$30,800, which is recognized as “Provisions - non-current”.

10. Significant Losses from Natural Disaster

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Company’s objectives of capital management are to keep the Company going, to maintain optimal capital structure and to provide compensation to shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the debt-to-capital ratio. This ratio is calculated by net debt and total capital. The net debt is calculated by the amount of total loan (including current and non-current loan in the Parent Company Balance Sheets) deducted from cash and cash equivalent. The total capital is calculated by adding “equity” in the Parent Company Balance Sheets to net debt.

The Company's strategy in 2019 remains the same as in 2018, and the Company is committed to maintaining the debt-to-capital ratio below 50%. The Company's debt-to-capital ratio is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total loans	\$ 2,276,170	\$ 3,277,232
Deduct: Cash and cash equivalents	(394,873)	(739,312)
Net debt (A)	<u>\$ 1,881,297</u>	<u>\$ 2,537,920</u>
Total equity(B)	<u>\$ 4,525,722</u>	<u>\$ 3,815,302</u>
Total capital (C=A+B)	<u>\$ 6,407,019</u>	<u>\$ 6,353,222</u>
Debt-to-capital ratio	<u>29.36%</u>	<u>39.95%</u>

(2) Financial risk of financial instruments

A. Category of financial instruments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Selected equity investment in financial assets measured by fair value through other comprehensive gains and losses	\$ 68,684	\$ 201,394
Financial assets at amortized cost		
Cash and cash equivalents	296,209	638,354
Accounts receivable(including retention)	820,236	1,081,169
Other receivables	100,416	5,024
Pledged time deposits, reserve accounts and cash deposits (recognized as "other current assets")	2,153,697	1,889,303
Restricted assets and refundable deposits (recognized as "other non-current assets")	52,688	50,586
	<u>\$ 3,491,930</u>	<u>\$ 3,865,830</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Short-term loan	\$ 911,720	\$ 1,875,000
Bills payable	592,242	798,342
Accounts payable	651,688	669,983
Other payables(including related parties)	216,042	216,191
Other current liabilities	9,745	574
Loan liabilities	40,565	-
Long-term loan (including due within one year or one business cycle period)	206,692	280,655
Other non-current liabilities	39,520	34,806
	<u>\$ 2,668,214</u>	<u>\$ 3,875,551</u>

B. Risk management policies

The Company's daily operations are affected by various financial risks including market risk, credit risk and liquidity risk. Risk management is performed by the finance department of the Company in accordance with the policies approved by the board of directors.

C. The property and extent of significant financial risks

a. Market risk:

Foreign exchange rate risk

(a) The business of the Company involves a number of non-functional currencies, and has been affected by foreign exchange rate fluctuations. Information of foreign currency assets and liabilities affected by significant exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2019		
	Amount (thousand dollars)	Foreign currency exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 270	29.980	\$ 8,085
RMB : NTD	11,125	4.305	47,892
(Foreign currency: functional currency)	December 31, 2018		
	Amount (thousand dollars)	Foreign currency exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 631	30.715	\$ 19,420
RMB : NTD	14,144	4.472	63,250
<u>Investment using equity method</u>			
USD : NTD	\$ 1,416	30.715	\$ 43,481
RMB : NTD	24,254	4.472	108,461

- (b) The Company's monetary items were affected by exchange rate fluctuations for the years ended December 31, 2019 and 2018. The total amount of exchange loss (including realized and unrealized) were (NT\$2,375) and (NT\$980) respectively.
- (c) The appreciation or depreciation of major foreign currency monetary items impacted the Company's profit and loss at the end of the financial statements period. When the New Taiwan dollar appreciates or depreciates by 1%, the Company's profit and loss will increase or decrease by NT\$560 and NT\$827 respectively for the years ended December 31, 2019 and 2018.

Price risk

- (a) The Company's equity instruments exposed to price risk were recognized as financial assets at fair value through other comprehensive income.
- (b) The Company invests primarily in equity instruments issued by domestic companies and the prices will be affected by the uncertainty of the future value of the investment target. If the price rising or falling by 1%, while all other factors remain unchanged, the other comprehensive income for the years ended December 31, 2019 and 2018 will increase or decrease by NT\$687 and NT\$2,014 respectively.

Cash flow and fair value interest rate risk

The long-term and short-term loan borrowed by the Company are floating-rate debts and are not expected to generate significant interest rate risk. In addition, changes in market interest rate will cause the effective interest rate of borrowing to change, which will cause fluctuations in future cash flows. If the market interest rate increases or decreases by 0.25%, the Company's cash outflow will be increased or decreased by NT\$2,796 and NT\$5,389 respectively.

b. Credit risk

- (a) The Company's credit risk is the risk of the Company's financial losses due to the failure of clients or counterparties of financial instruments to perform contractual obligations. The risk mainly comes from the inability of the counterparty to clear receivables payable, retention receivables from projects and the financial assets measured at amortized cost.
- (b) The Company adopts the assumptions under IFRS 9. If the contract payments are 30 days overdue, it will be recognized a significant increase in credit risk. The default will be recognized when the clients' contract payments were 90 days overdue.
- (c) The debtors of the Company's receivables and contract assets are mainly government units or state-owned enterprises, etc. The Company estimates overdue credit losses by provision matrix, and adjusts loss rate by considering historical and realistic information for a specific period. The Company assesses that the estimated credit loss rate is extremely low, and assessed that the impairment loss was insignificant on December 31, 2019 and December 31, 2018.

c. Liquidity risk

- (a) Cash flow forecasting is performed in the operating entities of the Company and aggregated by the financial department. The Company's financial department monitors rolling forecasts of the Company's liquidity requirements to ensure that has sufficient cash to support operating requirements. Please refer to Note 6 (14) for details.
- (b) The following table is the Company's non-derivative financial liabilities, grouped by the relevant maturity date. The non-derivative financial liabilities are analyzed by the remaining period from the balance sheet date to the contractual expiration date. The analysis is as follows:

Non-derivative financial liabilities:

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>over 3 years</u>
Short-term loan	\$ 922,005	\$ -	\$ -	\$ -
Bills payable	592,242	-	-	-
Accounts payable	587,381	57,938	-	6,369
Other payables (including related parties)	216,042	-	-	-
Loan liabilities	8,553	7,640	6,364	18,940
Long-term loan (including due within one year or one business cycle period)	34,024	8,732	184,155	-

Non-derivative financial liabilities:

<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>over 3 years</u>
Short-term loan	\$ 1,891,658	\$ -	\$ -	\$ -
Bills payable	798,342	-	-	-
Accounts payable	615,958	54,025	-	-
Other payables (including related parties)	216,191	-	-	-
Long-term loan (including due within one year or one business cycle period)	128,560	79,505	6,128	83,881

(3) Fair value information

A. The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Inputs of unadjusted quoted prices in active markets for items identical to the asset or liability being measured. As with current IFRS standards, if there is a quoted price in an active market, an entity uses that price without adjustment when measuring fair value. The fair value of the financial assets measured by the fair value of the part of the investment of the company through other comprehensive profit and loss is level 1.

Level 2: Inputs of other than the quoted prices in determined in level 1 that are directly or indirectly observable for that asset or liability.

Level 3: Unobservable inputs of assets or liabilities. Part of the Company's investment through other financial assets at fair value through profit or loss and financial assets for sale and disposal fair value.

B. Financial instruments not measured at fair value

The book value, of the Company's cash and cash equivalents, accounts receivable, other receivables, other current assets, other non-current assets (excluding prepaid premises and equipment, prepaid mortgage guarantee and management fees), long-term and short-term loans, bills payables, accounts payable, other payables (including related parties), other current liabilities (excluding long-term borrowings and advances due within one year or within one business cycle) and other non-current liabilities (excluding net defined benefit liabilities and deferred income), is the reasonable approximation of fair value.

C. The Company classified the financial and non-financial instruments measured at fair value according to the fair value level, properties, characteristics and risks. The related information is as follows:

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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Assets

Repetitive fair value

Financial assets measured by fair value through other comprehensive gains and losses - equity securities

\$ -	\$ -	\$ 68,684	\$ 68,684
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December 31, 2018

<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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Assets

Repetitive fair value

Financial assets measured by fair value through other comprehensive gains and losses - equity securities

\$ 131,976	\$ -	\$ 69,418	\$ 201,394
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D. The methods and assumptions the Company used to measure fair value are as follows:

a. The Company used market quotation (closing price) as the inputs of fair values (that is, Level 1)

b. In addition to the above-mentioned financial instruments with active markets, the fair value of the other financial instruments (that is, Level 3) is evaluated according to the evaluation model.

The output of the evaluation model is estimated value, and the evaluation technique may not reflect all the factors that the Company holds in financial instruments. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to additional parameters, such as liquidity risk. According to the Company's fair value evaluation model management policy and related control procedures, the management holds that it is appropriate and necessary to evaluate the fair value of the financial instruments in the balance sheet. The price information

and parameters used in the evaluation process are carefully evaluated and appropriately adjusted to current market conditions.

- c. The Company's equity securities classified as Level 3 of fair value are regularly evaluated by the financial department of the Company or evaluated by an external appraiser. The information of evaluation models is as follows:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable inputs	Relationship of inputs and fair value
Unlisted shares	\$ 59,528	Comparable publicly traded / OTC company method	PBR multiplier and discount for lack of marketability	The higher the multiplier, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value.
	9,156	Net asset value method	NA	NA
	<u>\$ 68,684</u>			
	Fair value at December 31, 2018	Valuation technique	Significant unobservable inputs	Relationship of inputs and fair value
Unlisted shares	\$ 60,232	Comparable publicly traded / OTC company method	PBR multiplier and discount for lack of marketability	The higher the multiplier, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value.
	9,186	Net asset value method	NA	NA
	<u>\$ 69,418</u>			

- E. The Company's investment property measured by cost is regularly evaluated by external financial experts. The fair value information is described in Note 6 (11).
- F. The Company's fair value of financial and non-financial instruments did not transfer between level 1 and level 2 for the years ended December 31, 2019 and 2018.
- G. The table below shows the changes in level 3 for the years ended December 31, 2019 and 2018:

	2019	2018
January 1	\$ 69,418	\$ 73,799
Purchased during the period	37	-
Recognized as unrealized investment gains and losses of equity instruments measured by fair value through other comprehensive income	(771)	(4,381)
December 31	<u>\$ 68,684</u>	<u>\$ 69,418</u>

- H. There was no transferring out and transferring in from the level 3 for the years ended December 31, 2019 and 2018.

13. Supplementary Disclosure

(1) Significant transactions information

- A. Loans to others: Please refer to Table 1.
- B. Endorsement and guarantee for others: Please refer to Table 2.

- C. Holding of marketable securities at the end of the period (subsidiaries and affiliates excluded): Please refer to Table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate exceeding NT\$300 million or 20% of paid-in capital: None.
- F. Disposal of real estate exceeding NT\$300 million or 20% of paid-in capital: None.
- G. Purchases or sales of goods from related parties exceeding NT\$100 million or 20% of paid-in capital: None.
- H. Receivables from related parties exceeding NT\$100 million or 20% of paid-in capital or: None.
- I. Derivative financial instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the periods: Please refer to Note 13 of the Company's Consolidated Financial Statements.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 4.

(3) Information of investments in Mainland China

- A. Basic information on investing in Mainland companies: Please refer to Table 5.
- B. Significant transactions of the investment, which invested directly or indirectly in the Mainland through the third regional business. And prices, payment terms, unrealized gains and losses and other information that helps to understand the Mainland investments in the financial statements: Please refer to Table 5.

14. Segments Information

Please refer to the Company's 2019 Consolidated Financial Statements.

Kung Sing Engineering Co., Ltd.
Loans to Others
For the Year Ended December 31, 2019

Table 1

Unit: NT\$1,000
(Except where noted otherwise)

No.	Creditor	Borrower	Item	Related party	Maximum amount		Actual amount	Interest rate	Nature of loan	Business transaction amount	Reason for short-term loan	Loan loss provisions	Collateral name worth	Maximum amount	Aggregate	
					in the current period	Ending balance								permitted to	amount	
														(Note 1)	(Note 1)	
1	Kung Sing Development	Kung Sing Engineering Co., Ltd.	Other receivable	Yes	\$ 200,000	\$ 200,000	\$ 200,000	Benchmark interest rate +1.6%	Short-term loan	-	For operating	-	None	-	256,099	256,099

Note 1: The maximum loan amount of Kung Sing Development is 40% of the company's net value.

Kung Sing Engineering Co., Ltd.
Endorsements and Guarantees for Others
For the Year Ended December 31, 2019

Table 2

Unit: NT\$1,000
(Except where noted otherwise)

Number	Endorser/ guarantor	Company name	Endorsee / Guarantee Relationship with the endorser/ guarantor	The aggregate			Actual amount	Amount of endorsements/ guarantees secured with property	Ration of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Maximum amount of endorsements/ guarantees (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees the party in Mainland China
				amount of endorsements/ guarantees provided for single entity (Note 4)	Maximum endorsement/ guarantees amount as of December 31, 2019	Endorsement/ guarantees balance amount at December 31, 2019							
1	Chan Pang	Note 1	Note 5	\$ 8,950,548	\$ 5,322,300	\$ 5,322,300	\$ 5,233,100	\$ 5,322,300	1.25	\$ 17,901,096	N	N	N
1	Chan Pang	Note 2	Note 5	8,950,548	1,056,750	1,056,750	808,725	1,056,750	0.25	17,901,096	N	N	N
2	Kung Sing Development	Note 3	Note 5	8,950,548	236,000	236,000	173,936	236,000	0.06	17,901,096	N	N	N

Note 1: Guo Yang Industrial Co., Ltd., He Xin Cheng Co., Ltd., Chan Pang Construction Co., Ltd., Hong Hui Development Co., Ltd., Ding Li Development Co., Ltd., Wei Li International Development Co., Ltd. and Yu Sheng Development Co., Ltd.

Note 2: Wei Li International Development Co., Ltd., Hong Hui Development Co., Ltd. and Chan Pang Construction Co., Ltd.

Note 3: Kung Sing Development Co., Ltd. and the landlord of the joint construction (other related parties – Pan, jun-rong).

Note 4: According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the Company shall not exceed octuple paid-in capital of the Company and the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed quadruple paid-in capital of the Company. According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the subsidiary shall not exceed octuple paid-in capital of the parent company and the amount of endorsements/guarantees provided by the subsidiary for any single entity shall not exceed quadruple paid-in capital of the parent company.

Note 5: Inter-insurance companies based on contractual requirements for inter-departmental or co-creation between contractors.

Kung Sing Engineering Co., Ltd.
Holding of Marketable Securities at the End of the Period
(subsidiaries, associates and joint ventures excluded)
December 31, 2019

Table 3

Unit: NT\$1,000
(Except where noted otherwise)

		As of December 31, 2019						
Securities held by	Types of securities	Relationship with the securities issuer	Account title	Number of shares	Book value	Ownership (%)	Fair value	Remark
Kung Sing Engineering Co., Ltd.	Lung Yuan Information Co., Ltd.	-	Financial asset at fair value through other comprehensive income - non-current	248,400	\$ -	1.80	\$ -	Note 1 and Note 2
Kung Sing Engineering Co., Ltd.	Kung Ting Steel Co., Ltd.	-	Financial asset at fair value through other comprehensive income - non-current	3,240,000	59,528	18.00	59,528	Note 1
Kung Sing Engineering Co., Ltd.	Chieh Pang Management Consultant Co., Ltd.	-	Financial asset at fair value through other comprehensive income - non-current	300,000	3,333	6.00	3,333	Note 1
Kung Sing Engineering Co., Ltd.	Cross-Strait Business Co., Ltd.	-	Financial asset at fair value through other comprehensive income - non-current	1,000,000	5,823	10.00	5,823	Note 1
Kung Sing Engineering Co., Ltd.	Chien Ping Technology Co., Ltd.	-	Financial asset at fair value through other comprehensive income - non-current	370,000	-	14.23	-	Note 1 and Note 2

Note 1: No pledge guarantee.

Note 2: The Company has fully recognized the losses due to operating losses.

Kung Sing Engineering Co., Ltd.
Information of Investees (investees in Mainland China excluded)
For the Year Ended December 31, 2019

Table 4

Unit: NT\$1,000
(Except where noted otherwise)

Investor	Investee	Location	Main business activities	Initial investment amount		End of term hold by			Current period net profit (loss) of the investee	Recognition of investment gains and losses in the current period	Remark
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Book value			
Kung Sing Engineering Co., Ltd.	Chan Pang Construction Co., Ltd.	Taiwan	Construction and development of buildings and houses	\$ 590,000	\$ 510,000	59,000,000	100	\$ 551,665	(\$ 2,013)	(\$ 2,013)	Subsidiary
Kung Sing Engineering Co., Ltd.	Kung Sing International Holding Company Limited	Samoa	Holding company	-	53,065	-	-	-	1,124	1,124	Note 1
Kung Sing Engineering Co., Ltd.	Kung Sing Development Co., Ltd.	Taiwan	Construction and development of buildings and houses	420,000	420,000	42,000,000	60	359,270	8,138	5,597	Subsidiary
Kung Sing Engineering Co., Ltd.	Kung Sing Biomedical Engineering Co., Ltd.	Taiwan	Patent medicine sales	-	12,000	-	-	-	(386)	(386)	Note 2
Kung Sing International Holding Company	Kung Sing International (Hong Kong) Co., Ltd.	Hong Kong	General investment	-	44,778	-	-	-	(19)	(19)	Note 3

Note 1: Liquidated in September 2019.

Note 2: Liquidated in December 2019.

Note 3: All shares were sold in June 2019.

Kung Sing Engineering Co., Ltd.
Mainland China Investments Information - Basic Information
For the Year Ended December 31, 2019

Table 5

Unit: NT\$1,000
(Except where noted otherwise)

1. Basic information on investing in Mainland companies:

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China on January 1, 2109	Amount remitted from Taiwan to Mainland China		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (directly or indirectly)	Investment income (loss) recognized by the Company for the year ended December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Book value of investments in Mainland China as of December 31, 2019	Remark
					Amount remitted to Taiwan for the year ended December 31, 2019	Amount remitted back to Taiwan							
Jiangsu Kung Sing Engineering Consulting Co., Ltd.	Investment, construction management	\$ 14,763	Note 1	\$ 14,763	\$ -	\$ 14,763	\$ -	(\$ 7,146)	100%	(\$ 7,146)	\$ -	\$ 24,844	
Fujian TOFF Kung Sing Construction Engineering Co., Ltd.	Undertake industrial plants, public building engineering	147,570	Note 2	43,172	-	43,172	-	(39)	30%	(12)	-	-	

Note 1: The Company held direct investment 100%, and sold all the shares in November 2019. The Company applied for cancellation of mainland investment to the MOEAIC.

Note 2: The Company sub-invested Fujian TOFF Kung Sing Construction Engineering Co., Ltd. of own capital US\$1,460 thousand through the sub-subsidiary, Kung Sing International (Hong Kong) Co., Ltd., which held 100% shares. And the Company sold all the shares in June 2019. The Company had applied for cancellation of mainland investment to the MOEAIC.

<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>
Kung Sing Engineering Co., Ltd.	\$ -	\$ 14,763	\$ 2,715,433

2. Significant transactions of the investment, which invested directly or indirectly in the mainland through the third regional business, including prices, payment terms, unrealized gains and losses and other information that helps to understand the Mainland investment in the financial statements: Please refer to Table 4 of the Company's Consolidated Financial Statements.

Kung Sing Engineering Co., Ltd.

Cash and Cash Equivalents

December 31, 2019

Specification 1

Unit: NT\$1,000

Item	Abstract	Amount	Remark
Petty cash fund		\$ 4,200	
Check deposits		19,011	
Demand deposits		271,388	
Foreign currency deposits	RMB\$125 thousand		
	conversion rate: 4.305	537	
	US\$36 thousand		
	conversion rate: 29.98	1,073	
		\$ 296,209	

Kung Sing Engineering Co., Ltd.

Net Accounts Receivables

December 31, 2019

Specification 2

Unit: NT\$1,000

Client	Abstract	Amount	Remark
Taiwan Power Company		\$ 296,007	
Su-hua Highway Improvement Project Office, Directorate General of Highways, Ministry of Transportation and Communications		254,463	
Railway Reconstruction Bureau, Ministry of Transportation and Communications		124,710	
Port of Taichung ,Taiwan		112,494	
International Ports Co., Ltd.		112,494	
Others		32,562	The balance of each individual client does not exceed 5% of the total number of accounts.
		820,236	
Deduct: Contract asset - construction retainage receivable		(321,432)	
		<u>\$ 498,804</u>	

Kung Sing Engineering Co., Ltd.
Changes of Construction-In-Progress
For the Year Ended December 31, 2019

Specification 3

Unit: NT\$1,000

Project	Opening balance	Increase in the period			Ending balance
		Costs	Profits (Losses)	Completion Roll-out	
KSC036	\$37,923,925	\$ 711	\$ -	\$ -	\$ 37,924,636
KSC053	8,147,845	(49)	-	-	8,147,796
KSC055	8,287,360	1,829,800	61,047	-	10,178,207
KSC056	7,399,536	425,388	4,208	-	7,829,132
KSC057	6,196,403	413,938	9,554	-	6,619,895
KSC062	721,313	422,583	6,696	-	1,150,592
KSC065	265,127	409,811	19,196	-	694,134
KSC066	465,132	461,008	27,732	-	953,872
KSC067	17,808	369,734	15,713	-	403,255
	<u>\$69,424,449</u>	<u>\$ 4,332,924</u>	<u>\$ 144,146</u>	<u>\$ -</u>	<u>\$ 73,901,519</u>
				Current assets	<u>\$ 71,653,538</u>
				Current liabilities	<u>\$ 2,247,981</u>

Kung Sing Engineering Co., Ltd.
Changes of Investment Using Equity Method
For the Year Ended December 31, 2019

Specification 4

Unit: NT\$1,000

Name	Opening balance		Increase in the period		Decrease in the period		Ending balance			market price or net value			Remark
	Shares (thousand)	Amount	Shares (thousand)	Amount	Shares (thousand)	Amount	Shares (thousand)	Ownership (%)	Amount	Unit price (NT\$)	Total price		
Chang Pang Development Co., Ltd.	59,000	\$ 553,678	-	\$ -	-	(\$553,678)	59,000	100%	\$ -	\$ -	\$ -	Note 1 Note 2	
Kung Sing International Holding Co., Ltd.	1,700	43,481	-	-	(1,700)	(43,481)	-	-	-	-	-	-	
Jiangsu Kung Sing Engineering Consulting Co., Ltd.	-	108,461	-	-	-	(108,461)	-	-	-	-	-	-	
Kung Sing Development Co., Ltd.	42,000	350,947	-	8,323	-	-	42,000	60%	359,270	8.55	359,270	Note 2	
Kung Sing Biomedical Engineering Co., Ltd.	1,200	<u>4,184</u>	-	<u>-</u>	(1,200)	<u>(4,184)</u>	-	-	<u>-</u>	-	-	-	
		<u>\$1,060,751</u>		<u>\$ 8,323</u>		<u>(\$709,804)</u>			<u>\$359,270</u>				

Note 1: Please refer to Note 6 (8).

Note 2: No pledge guarantee.

Kung Sing Engineering Co., Ltd.

Short-term Loans

December 31, 2019

Specification 5

Unit: NT\$1,000

Classification	Description	Ending balance	Contract term	Interest rate	Financing line	Pledge/ Guarantee	Remark
Secured loan	Financial Institutions	\$ 161,000	Within one year or one operating cycle	1.51%	\$ 161,000	Property, plant, equipment and investment property	
As above	As above	50,000	As above	1.54%	100,000	Timed deposit	
As above	As above	200,000	As above	1.60%	200,000	Restricted assets	
As above	As above	46,720	As above	1.51%	100,000	Restricted assets	
As above	As above	65,000	As above	1.61%	65,000	Restricted assets	
As above	As above	180,000	As above	1.76%	180,000	Restricted assets	
As above	As above	70,000	As above	1.40%	70,000	Restricted assets	
Non-secured loan	As above	89,000	As above	1.51%	89,000		
As above	As above	50,000	As above	1.50%	50,000		
		<u>\$ 911,720</u>					

Kung Sing Engineering Co., Ltd.
Bills Payables
December 31, 2019

Specification 6

Unit: NT\$1,000

Client	Abstract	Amount	Remark
Ya Tung Ready Mixed Concrete Co., Ltd.		\$ 88,012	
Atom Technology Co., Ltd.		60,962	
Tung Ho Steel Enterprise Co., Ltd.		44,523	
Yi Sheng Electric Co., Ltd.		31,164	
Others		367,581	The balance of each individual client does not exceed 5% of the total number of the account.
		<u>\$ 592,242</u>	

Kung Sing Engineering Co., Ltd.
Accounts Payables
December 31, 2019

Specification 7

Unit: NT\$1,000

Client	Abstract	Amount	Remark
Chen Feng Engineering Technology Co., Ltd.		\$ 25,548	
Jun Yi Engineering Co., Ltd.		22,423	
Xiao Yang Plumbing , Electrical, Mechanical Inc.		21,818	
Wan De Construction Co., Ltd.		18,293	
Qun Sen Construction Co., Ltd.		17,770	
Zhi Guang Industrial Co., Ltd.		17,355	
Others		528,481	The balance of each individual client does not exceed 5% of the total number of the account.
		<u>\$ 651,688</u>	

Kung Sing Engineering Co., Ltd.
 Changes of Advance Construction Receipt
 For the Year Ended December 31, 2019

Specification 8

Unit: NT\$1,000

Project	Opening balance	Increase/Decrease in the period	Completion roll-out	Ending balance
KSC036	\$ 37,564,015	\$ 18,012	\$ -	\$ 37,582,027
KSC053	7,993,132	-	-	7,993,132
KSC055	7,292,568	1,529,895	-	8,822,463
KSC056	6,530,345	232,298	-	6,762,643
KSC057	5,621,128	611,517	-	6,232,645
KSC062	870,499	359,387	-	1,229,886
KSC065	480,071	300,485	-	780,556
KSC066	677,517	255,674	-	933,191
KSC067	500,000	929,573	-	1,429,573
	<u>\$ 67,529,275</u>	<u>\$ 4,236,841</u>	<u>\$ -</u>	<u>\$ 71,766,116</u>
			Current assets	<u>\$ 68,326,101</u>
			Current liabilities	<u>\$ 3,440,015</u>

Kung Sing Engineering Co., Ltd.

Long-term Loans

December 31, 2019

Specification 9

Unit: NT\$1,000

Creditor	Abstract	Loan Amount	Contract term	Interest rate	Pledge/ Guarantee	Remark
Taiwan Shin Kong Commercial Bank Co., Ltd.	Mortgage loan	\$ 81,692	2015.09-2022.09	1.81%	Investment property	
Taipei Fu Bon Bank	Mortgage loan	100,000	2019.02-2022.02	2.61%	Note 1	
Bank of Panh Sin	Credit loan	25,000	2017.05-2020.05	1.90%		
Subtotal		206,692				
Deduct: due within one year		(29,560)				
Total		\$ 177,132				

Note 1: In October 2019 the Company sold the land held for construction site, which originally recognized as inventory. As of December 31, 2019 the Company has not yet applied for cancellation.

Kung Sing Engineering Co., Ltd.
Engineering Income
For the Year Ended December 31, 2019

Specification 10

Unit: NT\$1,000

Project	Abstract	Amount	Remark
Engineering income			
KSC055		\$ 1,529,888	
KSC056		232,304	
KSC057		611,480	
KSC062		457,881	
KSC065		438,249	
KSC066		479,836	
KSC067		239,650	
		<u>3,989,288</u>	
Income from selling the land held for construction site		215,000	
		<u><u>\$ 4,204,288</u></u>	

Kung Sing Engineering Co., Ltd.
Engineering Cost
For the Year Ended December 31, 2019

Specification 11

Unit: NT\$1,000

Project	Abstract	Amount	Remark
Engineering cost			
KSC055		\$ 1,468,842	
KSC056		228,096	
KSC057		601,925	
KSC062		451,186	
KSC065		419,053	
KSC066		452,103	
KSC067		223,937	
		<u>3,845,142</u>	
Cost of selling the land held for construction site			
		<u>203,396</u>	
		<u><u>\$ 4,048,538</u></u>	

Kung Sing Engineering Co., Ltd.
Administrative Expenses
For the Year Ended December 31, 2019

Specification 12

Unit: NT\$1,000

Item	Abstract	Amount	Remark
Salary and wages		\$ 48,508	
Performance guarantee handling fees		46,950	
Professional service fees		13,095	
Others		34,785	The balance of each individual item does not exceed 5% of the total number of the account.
		<u>\$ 143,338</u>	