

*Kung Sing Engineering  
Corporation*

**2021 General Shareholders'  
Meeting**

**Handbook**

Notice to readers

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

**MEETING TIME: June 29, 2021**

**PLACE: NO.10, Ln.87, Sec.1, Zhongzheng Rd., Tamsui Dist., New  
Taipei City 251, Taiwan (Kung Sing Engineering Corporation,  
Tamkang Engineering)**

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# Agenda of 2021 General Meeting of Shareholders, Kung Sing Engineering Corporation

Time: June, 29<sup>th</sup>, 2021 (Tuesday), 9:00 A.M.

Location : NO.10, Ln.87, Sec.1, Zhongzheng Rd., Tamsui Dist., New Taipei City 251, Taiwan (Kung Sing Engineering Corporation, Tamkang Engineering)

1. Announce a meeting (report the number of shares attended)
2. Chairperson Remarks
3. Report matters
  - (1) 2020 Business Report.
  - (2) Audit Committee's Review Report on the 2020 Financial Statements.
  - (3) 2020 employees and directors remuneration assigned case report.
  - (4) Amendment of the Company "Code of Ethical Conduct"
  - (5) The company's sound operation plan implementation situation report.
4. Recognition matters
  - (1) Adoption of the 2020 Business Report and Financial Statements.
  - (2) The 2020 surplus distribution case.
5. Discussion matters
  - (1) Amendment to the Rules of Procedure for Shareholder Meetings.
  - (2) Amendment of the Company "Director Election Measures".
  - (3) Earnings transfer to capital increase and issuance of new shares.
6. Elections  
Comprehensive re-election of directors.
7. Other Proposals  
Removal of the prohibition on competition for new directors and their representatives.
8. Extemporaneous Motions
9. Adjournment

# Report matters

(1) 2020 Annual Business Report

(a) Implementation results of the business plan :

The operating revenue of the year 2020 was NT\$3,096,919 thousand, the net operating profit was NT\$(1,806,849) thousand, and the net operating profit after tax was NT\$1,009,573thousand.

(b)2020 Annual Budget Implementation :

Unit: NT\$ thousand

Item	Actual Amount	Budget Amount	Achievement Rate
Operating Revenue	3,096,919	Unannounced	Not applicable
Gross Profit	(1,078,215)		
Operating Expense	(728,634)		
Net Operating Profit (Loss)	(1,806,849)		
Non-operating income and expenditure	2,819,375		
Net Operating Profit Before Tax (Loss)	1,012,526		
Net Operating Profit After Tax (Loss)	1,009,573		

(c)Financial revenue and expenditure and profitability :

Unit: NT\$ thousand

Item analysis		The year of 2020
Financial ability	Interest income	(6,198)
	Interest expense	26,605
Profitability	Return on equity %	21.05%
	Pre-tax profit as a percentage of paid-in capital ratio	22.62%
	Profit ratio %	32.60%
	EPS (dollar)	2.26

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

(2) Audit Committee's Review Report on the 2019 Financial Statements.

## Review Report of Audit Committee

The Board of Directors has submitted the 2020 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 Wang, Fang-yu 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 2021 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 29<sup>th</sup>, 2021

## Review Report of Audit Committee

The Board of Directors has submitted the 2020 surplus distribution case, 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 2021 General Meeting of Shareholders, Kung Sing Engineering Corporation

Audit Committee Convenor : Tu,yi- yang

Audit Committee : Chen, chin- yueh

Audit Committee : Wang, chih- lung

May 11<sup>th</sup>, 2021

(3) 2020 employees and directors remuneration assigned case report.

Description:

- A. According to the Articles of Association, When the Company in accordance with the annual profit after deducting accumulated deficit situation, as there are balance, employee compensation should distribution 3-5%, and the remuneration of directors not more than 3%.
- B. As recommended by the Salary and Compensation Committee on March 29, 2021, it is proposed to set aside NT\$25,529,178 for 3% of employee remuneration and NT\$21,274,315 for directors' remuneration for 2.5%, both of which will be paid in cash.
- C. This case has been passed by the resolutions of the 4th 2021 First Salary and Compensation Committee and the 26th 2021 First Board of Directors, and submitted to the 2021 regular shareholders meeting report.



(4) Amendment of the Company “Code of Ethical Conduct”

Description:

- A. According to the letter issued by the Taiwan Stock Exchange on June 3, 2020, the number is 10900094681. On August 10, 2020, the board of directors revised some provisions of the Company's " Code of Ethical Conduct " .
- B. Please refer to pages 10 of this manual for the comparison table of the company's “Code of Ethical Conduct” before and after the revision.
- C. Hereby report.

Kung Sing Engineering Corporation  
Synopsis of “Code of Ethical Conduct” before and after amendments

Article	After	Before	Basis and reasons
Article 2	<p>Article 2(To prevent conflicts of interest) Directors, <u>the Audit Committee</u> and managers should be based on objective and efficient approach to public service, and not rely on its position in the company as it and its own relatives spouse, <u>Second</u>-degree relatives the attainable and other improper benefits. Affiliates person skilled in the preceding paragraph of this company is to provide loans to or guarantee transactions of major assets into (selling) stock exchanges of circumstances, the correlation of the Company should take the initiative to explain to the company with the company for potential conflicts of interest and according to the company after the nuclear determine permissions on the table on top of a first-order handling charge of nuclear decision, in order to prevent conflicts of interest.</p>	<p>Article 2(To prevent conflicts of interest) Directors, <del>supervisors</del>, and managers should be based on objective and efficient approach to public service, and not rely on its position in the company as it and its own relatives spouse, <del>parent</del>, <del>child</del>, <del>three</del>-degree relatives the attainable and other improper benefits. Affiliates person skilled in the preceding paragraph of this company is to provide loans to or guarantee transactions of major assets into (selling) stock exchanges of circumstances, the correlation of the Company should take the initiative to explain to the company with the company for potential conflicts of interest and according to the company after the nuclear determine permissions on the table on top of a first-order handling charge of nuclear decision, in order to prevent conflicts of interest.</p>	<p>According to the letter issued by the Taiwan Stock Exchange on June 3, 2020, the number is 10900094681</p>
Article 8	<p>Internal advocacy ethics should be strengthened and encouraged employees to suspected or found to have laws and regulations of the violation of the code of conduct or ethical, to <u>the Audit Committee</u>, managers, internal audit officer or other appropriate officer reported. <u>In order to encourage employees to report violations, the company should establish a whistleblowing system that allows anonymous whistleblowing and let employees know that the company will do its best to protect the safety of whistleblowers from retaliation.</u></p>	<p>Internal advocacy ethics should be strengthened and encouraged employees to suspected or found to have laws and regulations of the violation of the code of conduct or ethical, to <del>supervisors</del>, managers, internal audit officer or other appropriate officer reported. To encourage employees to report violations <del>of the law, Should set report system and employees know the company will do its utmost to protect the safety report, harmless from retaliation.</del></p>	
Article 11	<p>This code of ethical conduct will be implemented after being approved by the company’s board of directors, and sent to the <u>the Audit Committee</u> and reported to the shareholders’ meeting. The same applies for revision. This standard is set on August 23, 2012. The first revision was on March 27, 2015. <u>The Second revision was on August 10, 2020</u></p>	<p>This code of ethical conduct will be implemented after being approved by the company’s board of directors, and sent to the <del>supervisors</del> and reported to the shareholders’ meeting. The same applies for revision. This standard is set on August 23, 2012. The first revision was on March 27, 2015.</p>	<p>Date of revision.</p>

(5) The company's sound operation plan implementation situation report.

Description:

1. Please refer to page 12 of this manual for the report of the company's 2020 cash capital increase and sound operation plan.
2. Hereby report.

# Kung Sing Engineering Corporation

## Sound operation plan implementation situation report

The company's 2020 cash increase case improves the implementation of the operating plan

Unit: NT \$ thousand

year project	2020 estimated profit and loss	Actual profit and loss in 2020	Change ratio	Explanation of the difference
Operating income	3,758,877	7,159,730	90%	Mainly due to the income from the sale of construction land by the subsidiary, the overall operating income, operating gross profit, operating net profit and net profit before tax have all increased relatively.
Operating cost	(3,562,997)	(5,268,115)	-48%	This was mainly due to the increase in operating costs due to the cost of selling land for construction by the subsidiary.
Operating margin	195,880	1,891,615	866%	Same as operating income items
Operating expenses	(156,560)	(742,547)	-374%	Mainly because of the expected credit loss of some projects to measure the recoverability, and the provision of employee dividends and directors' remuneration expenses in accordance with the company's articles of association, operating expenses increased relatively.
Operating profit	39,320	1,149,068	2822%	Same as operating income items
Total non-operating income and expenses	(25,187)	(83,845)	-233%	Mainly due to impairment of asset evaluation, resulting in a relative increase in non-operating income and expenses
Net profit before tax	14,133	1,065,223	7437%	Same as operating income items

# Recognition Matters

Case 1 :

Proposal : The 2020 Annual Business Report and Financial Statements, Submit approval  
. (By the board)

Description:

- 1.The Company's financial statements of the year 2020 (and the consolidated financial statements) have been checked by accountants Lin, Se-kai and Wang, Fang-yu from PWC Taiwan, together with the business report, have been submitted to the Audit Committee for verification, a written examination report was issued on file.
- 2.For the business report, report of independent auditors, and the above-mentioned financial statements, please refer to Page 5 and Page 36-60 in this manual.
- 3.Please recognize.

Resolution :

Case 2 :

Proposal : Approve the 2020 surplus distribution case. (by the board)

Description :

1. The 2020 surplus distribution proposal was approved by the board of directors on May 11, 2021.
2. The surplus after tax for the current period was NT\$1,009,573,302, which made up for the previous loss of NT\$208,357,073. The statutory surplus reserve was NT\$79,967,335, minus other comprehensive gains and losses of NT\$1,542,878. The surplus available for distribution in the current period is NT\$719,706,016. It is planned to pay shareholder dividends of NT\$505,705,984 (including stock dividends of NT\$447,527,420, about NT\$1 per share and cash dividends of NT\$58,178,564, about NT\$0.13 per share) from the 109-year earnings, and the end of the distribution period The undistributed profit of NT\$214,000,032.
3. The cash dividend will be calculated according to the distribution ratio until NT\$1, rounded up below NT\$1, and the total amount of abnormal zeros less than NT\$1 will be counted from the largest decimal point to the smallest and the account number will be adjusted from front to back. In line with the total cash dividend distribution.
4. After the surplus distribution proposal is passed at this meeting of shareholders, the chairman is authorized to set the dividend base date and the distribution of dividends and other related matters. In the future, if the number of outstanding shares of the company changes, which affects the dividend rate of shareholders, the chairman of the board is also authorized to adjust it at full authority.
5. Please refer to page 16 of this manual for the "2020 Earnings distribution statement ".

Resolution :

Kung Sing Engineering Corporation  
Earnings distribution statement

The Year of 2020

Unit: NT\$

Undistributed surplus at the beginning of the period	<b>(208,357,073)</b>
Plus: 2020 after-tax surplus	1,009,573,302
Less :2020 other comprehensive profit and loss	(1,542,878)
Less: Withdraw 10% of the statutory surplus reserve	(79,967,335)
Distributable surplus for the current period	<b>719,706,016</b>
Less: surplus distribution to shareholders' dividends	<b>(505,705,984)</b>
Retained surplus at the end of the period	<b>214,000,032</b>
Notes :	



# Discussion Matters

Case 1 :

Proposal : Amendment to the Company “Rules of Procedure for Shareholder Meetings.” (by the board)

Description :

- A. According to the letter issued by the Taiwan Stock Exchange on June 3, 2020, the number is 10900094681, and on January 28, 2021, the number is 11000014461. On August 10, 2020 and March 29, 2021, the board of directors revised some provisions of the "Rules of Procedures for Shareholders' Meetings" of the company.
- B. Please refer to pages 19-21 of this manual for the comparison table of the company's “Rules of Procedure for Shareholder Meetings” before and after the revision.
- C. Please discuss

Resolution :

Kung Sing Engineering Corporation  
Synopsis of “Rules of Procedure for Shareholder Meetings”  
before and after amendments

Article	After	Before	Basis and reasons
Article 3	<p>The first, second, and third items are omitted.</p> <p>Election or dismissal of directors (including independent directors), change of articles of association, capital reduction, application for suspension of public offering, directors' business license, surplus capital increase, surplus capital increase, company dissolution, merger, division or matters in the first paragraph of Article 185 of the <u>Company Law</u>、<u>Securities and Exchange Act Article 26-1, Article 43-6, Issuer's Raising and Issuing of Negotiable Securities Handling Guidelines Article 56-1 and Article 60-2 Matters</u>. The items of each item shall be listed and stated in the convening reasons and their main contents shall not be proposed by a temporary motion.</p> <p>The fifth item is omitted.</p> <p>Shareholders who hold more than one percent of the total number of shares in issue may submit a proposal to the company's ordinary shareholders meeting. The proposal is limited to one item. Any proposal with more than one proposal shall not be included in the proposal. However, the shareholders' proposal is to urge the company to promote the public interest or fulfill its social responsibilities, and the board of directors may still include it in the proposal. In addition, the shareholder's proposal has one of the conditions in Article 172-1, Item 4 of the Company Law, and the board of directors may not be listed as a proposal.</p>	<p>The first, second, and third items are omitted.</p> <p>Election or dismissal of directors (including independent directors), change of articles of association, capital reduction, application for suspension of public offering, directors' business license, surplus capital increase, surplus capital increase, company dissolution, merger, division or Article 185 The items of each item shall be listed and stated in the convening reasons and their main contents shall not be proposed by a temporary motion; <del>their main contents may be placed on the website designated by the securities authority or the company, and their website shall be stated in the notice.</del></p> <p>The fifth item is omitted.</p> <p>Shareholders who hold more than one percent of the total number of shares in issue may submit a proposal to the company's ordinary shareholders meeting. The proposal is limited to one item. Any proposal with more than one proposal shall not be included in the proposal. However, the shareholders' proposal is to urge the company to promote the public interest or fulfill its social responsibilities, and the board of directors may still include it in the proposal. In addition, the shareholder's proposal has one of the conditions in Article 172-1, Item 4 of the Company Law, and the board of directors may not be listed as a proposal.</p>	<p>According to the letter issued by the Taiwan Stock Exchange on June 3, 2020, the number is 10900094681 and on January 28, 2021, the number is 11000014461</p>

(Continued from previous page)	<p><u>Shareholders may submit proposed proposals to urge the company to promote the public interest or fulfill its social responsibilities. The procedures shall be limited to one item in accordance with the relevant provisions of Article 172-1 of the Company Law. Any proposal with more than one item shall not be included in the proposal. .</u></p> <p><u>The following is omitted.</u></p>	<p>The following is omitted.</p>	
Article 9	<p>The first item is omitted.</p> <p>When the meeting time has expired, the chairman shall announce the meeting immediately. <u>At the same time, relevant information such as the number of non-voting rights and the number of shares present will be announced</u> .However, when no shareholder representing more than half of the total issued shares is present, the chairman may announce the postponement of the meeting. The number of postponements is limited to two, and the total postponement time shall not exceed one. hour. When there are insufficient shareholders representing more than one-third of the total number of issued shares after the second delay, the chairman shall announce that the meeting shall not be established.</p> <p>The following is omitted.</p>	<p>The first item is omitted.</p> <p>When the meeting time has expired, the chairman shall announce the meeting immediately. However, when no shareholder representing more than half of the total issued shares is present, the chairman may announce the postponement of the meeting. The number of postponements is limited to two, and the total postponement time shall not exceed one. hour. When there are insufficient shareholders representing more than one-third of the total number of issued shares after the second delay, the chairman shall announce that the meeting shall not be established.</p> <p>The following is omitted.</p>	<p>According to the letter issued by the Taiwan Stock Exchange on June 3, 2020, the number is 10900094681 and on January 28, 2021, the number is 11000014461</p>
Article 14	<p>When the shareholders have elected directors (including independent directors), they shall be handled in accordance with the relevant selection rules stipulated by the company, and shall announce the election results on the spot, including the list of elected directors (including independent directors) and the number of their election rights <u>and the number of un-elected directors (including independent directors) ) List and the number of voting rights obtained.</u></p>	<p>When the shareholders have elected directors (including independent directors), they shall be handled in accordance with the relevant selection rules stipulated by the company, and shall announce the election results on the spot, including the list of elected directors (including independent directors) and the number of their election rights.</p>	

Article 20	<p>This approach was established on June 30th, 1994.</p> <p>The first amendment was made on June 29th, 1998.</p> <p>The second amendment was made on June 26th, 2002.</p> <p>The third amendment was made on June 20th, 2006.</p> <p>The Fourth amendment was made on June 25th, 2013.</p> <p>The Fifth amendment was made on June 26th, 2015.</p> <p>The sixth amendment was made on June 28th, 2016.</p> <p><u>The eighth revision is on June 29, 2021.</u></p> <p>The seventh amendment was made on June 17th, 2020.</p>	<p>This approach was established on June 30th, 1994.</p> <p>The first amendment was made on June 29th, 1998.</p> <p>The second amendment was made on June 26th, 2002.</p> <p>The third amendment was made on June 20th, 2006.</p> <p>The Fourth amendment was made on June 25th, 2013.</p> <p>The Fifth amendment was made on June 26th, 2015.</p> <p>The sixth amendment was made on June 28th, 2016.</p> <p>The seventh amendment was made on June 17th, 2020.</p>	Updated revision date
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Case 2 :

Proposal : Revise some of the provisions of the company's "Director Election Measures" and submit them for discussion. (by the board)

Description :

- A. In accordance with the reference example of "○○ Co., Ltd. Directors Selection Procedures" set by the competent authority and the company Practical operation revised this method, and revised some provisions of the company's "Director Election Method".B. Please refer to pages 19-20 of this manual for the comparison table of the company's "Rules of Procedure for Shareholder Meetings" before and after the revision.
- B. For the comparison table before and after the revision of the "Director Election Measures" of the company, please refer to pages 23-25 of this manual.
- C. Please discuss

Resolution :

Kung Sing Engineering Corporation  
Synopsis of “Director Election Measures”  
before and after amendments

Article	After	Before	Basis and reasons
Article 2	<p>When the company’s directors are elected, the registered voting method is adopted. Each share has the same voting rights as the number of directors to be elected. One person may be elected collectively or several persons may be elected separately.</p> <p>Those with more voting rights shall be elected as directors in turn. <del>The name of the elector may be represented by the attendance card number printed on the ballot.</del></p>	<p>When the company’s directors are elected, the registered voting method is adopted. Each share has the same voting rights as the number of directors to be elected. One person may be elected collectively or several persons may be elected separately.</p> <p>Those with more voting rights shall be elected as directors in turn. The name of the elector may be represented by the attendance card number printed on the ballot.</p>	<p>In accordance with the "○○ Co. , Ltd. Directors Selection Procedures" reference examples set by the competent authority and the company’s practical operation amendments.</p>
Article 3	<p><u>Before the election begins, the chairman shall appoint a number of scrutineers and tellers each to perform various related duties, but the scrutineers shall have the status of shareholders. The ballot box is prepared by the board of directors.</u></p>	<p><del>As to find out the election results, the Chairman will assign tells and canvassers.</del></p>	
Article 4	<p><u>The number of directors of the company is determined by the company's articles of association, and the voting rights of independent directors and non-independent directors are calculated respectively, and the votes obtained shall represent the higher number of voting rights.</u></p> <p>In the election of directors, if two or more persons <u>have the same number of voting rights</u> and exceed the number of candidates, the decision will be made by drawing lots for those with the same number of voting rights, and the chairman shall draw lots for those who do not attend.</p> <p>The election of directors shall adopt a candidate nomination system in accordance with Article 192 of the Company Law.</p>	<p>Election of Directors, if the number of votes of two or more than two individuals is the same, or exceeds the quota, shall take a draw, the Chairman will take the draw on behalf of those who are not at present. Election of directors shall use the nomination system in accordance with Article 192 Provision 1 of Company Act, General meeting elected the person has the capacity and shall be recorded in Articles of Associations.</p> <p><del>When companies such as setting up an audit committee of independent directors elect at least one of whom shall have accounting or financial expertise.</del></p>	<p>Date of revision.</p>

Article 4-1	<p>Qualifications of the Company’s independent directors shall meet Articles 2, 3, and 4 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”. Election of the Company’s independent directors shall meet Articles 5, 6, 7, 8, and 9 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, as well as Article 24 of “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”.</p> <p><u>If the directors are dismissed for some reason and there are fewer than five people, the company shall be elected at the latest shareholders meeting.</u></p> <p><u>However, if the vacancy of directors reaches one-third of the number of seats specified in the articles of association, the company shall convene a by-election of an extraordinary meeting of shareholders within 60 days from the date of the fact.</u></p> <p><u>If the number of independent directors is not enough as stipulated in the proviso of Article 14-2 of the Securities Exchange Act, they shall be elected at the latest shareholders meeting; when independent directors are dismissed, they shall convene an interim shareholder meeting within 60 days from the date of the fact There will be a by-election.</u></p>	<p>Qualifications of the Company’s independent directors shall meet Articles 2, 3, and 4 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”. Election of the Company’s independent directors shall meet Articles 5, 6, 7, 8, and 9 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, as well as Article 24 of “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”.</p>	
Article 5	<p><u>The board of directors shall prepare the same voting ballot as the number of directors to be elected, fill in the number of votes, and distribute it to shareholders attending the shareholders meeting. The name of the elector may be replaced by the attendance card number printed on the ballot.</u></p>	<p><del>Electoral votes are to prepared by the Company, based on attendance number, plus the right to vote.</del></p>	



Article 6	<p>The ballot will be invalid if there is <u>one of the following conditions</u></p> <p>(1) <u>No ballot prepared by a person with the right to convene is used.</u></p> <p>(2) <u>Putting blank ballots into the ballot box.</u></p> <p>(3) <u>The handwriting is blurred and unrecognizable or has been altered.</u></p> <p>(4) <u>The filled-in list of elected persons and director candidates does not match after verification.</u></p> <p>(5) <u>In addition to filling in the number of voting rights allocated, other words are inserted.</u></p>	<p>The elector shall write his/her name <del>clearly in the "candidate" column, as well as shareholder number or ID number.</del></p>	
Article 7	<p>The ballot will be opened on the spot <u>after the voting is completed, and the result of the balloting shall be announced on the spot by the person designated by the chairman, including the list of directors elected along with the number of elected rights and the list of unsuccessful directors and the number of election rights obtained.</u></p>	<p>If the electoral vote meets one of <del>situations on the left, the vote will be invalid.</del></p> <p>(1) <del>An elector who is not applied to regulations stated in Article 5.</del></p> <p>(2) <del>The number of candidates filled on the form exceeds the quota.</del></p> <p>(3) <del>Texts are found besides the candidate's name and his/her shareholder number.</del></p> <p>(4) <del>Handwritings are unable to recognize.</del></p> <p>(5) <del>Candidates who have the same name must add the shareholder number or ID number in order for identification.</del></p>	
Article 8	<p>The board of directors shall issue a <u>notice of election to the elected directors, and the elected persons shall sign a letter of willingness to do so.</u></p>	<p><del>After the voting is finished, invoicing results shall be announced right away.</del></p>	
Article 9	<p><u>This method shall be implemented after being approved by the shareholders' meeting, and the same shall apply when amended.</u></p> <p><u>The amendment was approved by the shareholders meeting on June 29, 2021.</u></p>	<p><del>Elected notice will be passed to every elected director by the Board of Directors, and the elected person will sign the petition.</del></p>	
Article 10	<p>(delete)</p>	<p><del>This approach will take into account after the Board of Directors passes it, amendments shall follow the same procedure.</del></p>	

Case 3 :

Proposal : Earnings transfer to capital increase and issuance of new shares. (by the board)

Description :

- A. In order to provide sufficient working capital and consider future business development needs, the company plans to allocate 447,527,420 yuan from the distributable surplus for 2020, and issue 44,752,742 new shares (common shares) for capital increase, with a denomination of NT\$10 per share. , The paid-in capital after this capital increase is 4,922,801,550 yuan
- B. For the new shares issued this time, 100 shares will be allotted free of charge for every thousand shares recorded in the shareholder's register on the base date of allotment, and 100 shares will be allotted free of charge by the original shareholders of the company in accordance with the shareholders listed in the shareholder register on the ex-rights base date. If there is a proportional distribution of shares, the abnormal shares of less than one share may be pieced together by the shareholders themselves, and the registration of the pieced-up shares shall be registered with the company's stock affairs agency within five days from the base date of the allotment, if the piece-up is overdue or the piece-up is less than one share , According to Article 240 of the Company Law, the cash was changed to NT\$1 (rounded up below NT\$1), and the chairman of the board was authorized to negotiate with the holder to purchase it at face value.
- C. The rights and obligations of the new shares issued this time are the same as those of the original issued shares, and are issued without entities.
- D. After this case is passed by the shareholders meeting and approved by the competent authority, the chairman of the board is authorized to set another base date for allotment, and an announcement will be made. When the competent authority changes the content, the chairman shall be authorized to deal with it in accordance with the actual situation. If the number of outstanding shares of the company changes subsequently, which affects the shareholders' allotment ratio, the chairman of the board is also authorized to adjust it with full authority.
- E. Please discuss

Resolution :

# Elections

Proposal : Full re-election of directors. (by the board)

Description :

- 1、The term of directors of the Company will be expired on June 28th, 2021, in accordance with the Company Law stipulates that the shareholders intends to apply for regular comprehensive re-election of directors.
- 2、In accordance with Article 12 of the Company's Articles of Association, shall elect seven directors (including three independent directors), with a three-year term.
- 3、The new directors three-year term ending June 29, 2021 to June 28, 2024, former directors to hold office until this shareholders' meeting.
- 4、On May 11th, 2021, the nomination system applied to candidates for director, reviewed and passed by the Board, the related information is as follows:

Candidates Category	Name	Educational background	Experiences	Current position	Shareholding
director	Ch'uan fu Investment Co., Ltd. Representative: Chen, huang-ming	PhD in Management, Nankai University.	Kung Sing Engineering Corporation Chairman of the board. Executive Director of the National Federation of Industry of the Republic of China. Chairman of Taiwan Comprehensive Construction Industry Association Chairman of the National Federation of Comprehensive Construction Industry	Kung Sing Engineering Corporation Chairman of the board. Executive Director of the National Federation of Industry of the Republic of China	12,110,149

			Associations of the Republic of China		
director	Ch'uan fu Investment Co., Ltd. Representative: Chiang, chi-ching	PhD in Management, Nankai University.	Kung Sing Engineering Corporation General manager Kung Sing Development Co., Ltd. Chairman of the board. Chairman of the Taiwan Comprehensive Construction Industry Association. Chairman of the National Federation of Comprehensive Construction Industry Associations of the Republic o	Kung Sing Engineering Corporation General manager Kung Sing Development Co., Ltd. Chairman of the board.	
director	J u hsiang Investment Co., Ltd. Representative Li, shu-hsu	Bachelor of Tourism, Department of Tourism, Chinese Culture University	Supervisor of Honghui Development and Construction Co., Ltd. Head of Hongyi Investment Co., Ltd.	Supervisor of Honghui Development	5,006,904
director	J u hsiang	George	Special	Special	

	Investment Co., Ltd. Representative Pan-kuan-ju	Master of Business Administration, Nankai University, China	Assistant to the Chairman's Office of Kung Sing Engineering Co., Ltd. Senior Manager of Kung Sing Engineering Co., Ltd.	Assistant to the Chairman's Office of Kung Sing	
independent director	Chen, chin- yueh	PhD in Management, Nankai University.	Hsin Fu hsing Co., Ltd. independent directors Independent Director of Guangpeng Industrial Co., Ltd.	Hsin Fu hsing Co., Ltd. independent directors Independent Director of Guangpeng Industrial Co., Ltd.	0
independent director	Tu, yi- yang	Bachelor Business, Tamkang University	Li Yang Certified Public Accountants Ch'un Yi Joint CPA group Accountants	Li Yang Certified Public Accountants	0
independent director	Tsai, lien-sheng	Taiwan University of Science and Technology Institute of Industrial Management	Secretary-General of the National Federation of Industries of the Republic of China. Consultant of the Straits Exchange Foundation. Director of	Secretary-General of the National Federation of Industries of the Republic of China. Consultant of the Straits	0

			the Intellectual Property Bureau of the Ministry of Economic Affairs. Executive Secretary of the Investment Review Committee of the Ministry of Economic Affairs.	Exchange Foundation.	
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4、The Method of election of directors of this Corporation , see page 69 of this manual.

5、Please Election

Election results:

# Other Proposals



Proposal : Removal of the prohibition on competition for new directors and their representatives. (by the board)

Description :

- 1 、 According to the provisions of Article 209 of the Company Law, "The directors shall explain the important content of their behaviors for themselves or others for acts within the business scope of the company, and obtain their permission."
- 2 、 The directors of the company may invest or operate other companies with the same or similar business scope as the company, and act as directors, so as to recruit professionals to serve as directors of the company. Without prejudice to the interests of the company, it is proposed to submit The shareholders' meeting agreed to lift the prohibition on competition for the newly elected directors and their representatives in order to facilitate the promotion of the business. When discussing at the shareholders' meeting, the scope and content were supplemented on the spot.
- 3 、 Please discuss

Resolution :

Extemporaneous Motions

Adjournment

# Attachments

## Appendix 1

### **Independent Auditors' Report Translated from Chinese**

To the Boards of Directors and Stockholders of Kung Sing Engineering Corporation

#### **Opinion**

We have audited the accompanying parent company only balance sheets of Kung Sing Engineering Corporation (the "Company") as at December 31, 2020 and 2019, as well as the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (please refer to *Other matter* section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2020 and 2019, as well as its parent company only financial performance and its parent company only statement of cash flows for the years then ended 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 "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities with the requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, we do not provide a separate

opinion on these matters.

Key audit matters for the Company's 2020 parent company only financial statements are stated as follows:

### **Assessment of Construction Contract Estimated Total Cost**

#### Description

Refer to Note 4 (27) for accounting policies on construction contract revenue, Note 5 for significant judgments, accounting estimates and uncertainty of assumptions adopted in the construction contract accounting policy, and Note 6 (22) for the contract assets and liabilities of the Company were respectively NT\$2,174,195(thousand) and NT\$1,259,905(thousand) at December 31, 2020.

The engineering revenue and cost of the Company is mainly generated by constructing civil projects. The accurate estimates of the construction contract result are recognized by the percentage of incurred construction cost or the owner's assessment of pricing progress accounts for the estimated total cost, or recognized gradually over time based on the milestones agreed in the contract.

Due to the estimated total cost is assessed and judged from construction properties, estimated subcontract amount, duration, construction operation and methods by the management. It's highly uncertain, which may affect the revenue calculation of the project. Therefore, we included assessment of construction contract estimated total cost as one of the key matters for audit.

#### Procedure

We performed the following audit procedures on the above key audit matter:

1. Evaluated the reasonableness of the policies and procedures of estimated total cost based on understanding of the industry properties and operation, including the assessment basis of the estimated total cost of the same properties construction contracts in the past.
2. Obtained the projects with significant changes in the estimated total cost for the period, reviewed the changes description. And confirmed the appropriate approval of the head of authority or obtained the supporting information of owner's changing contract agreement.
3. Selected samples of outsourced contracts, for the un-outsourced contracts, 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 owner's accepted completion progress to assess the reasonableness of the estimated total cost. If there was any difference, we obtained the management's description and assessed the reasonableness.

## **Achievability of Deferred Tax Assets**

### Description

Refer to Note 4 (24) for the deferred tax assets accounting policies, Note 5 for the accounting estimates of the deferred tax assets achievability and the uncertainty of assumptions, and Note 6 (29) for the deferred tax assets of the Company were NT\$121,616(thousand) at December 31, 2020.

Deferred tax asset is recognized only if it is likely to be used to deduct future taxable income. The estimated future income statement and potential taxable income used to assess the achievability of deferred tax assets involved subjective judgment of the management. We consider that the judgments mentioned above are related to the prediction of future and the assumptions used are highly uncertain and the estimates have a significant impact on taxable income. Therefore, we included the achievability of deferred tax assets as one of the key matters for audit.

### Procedure

We performed the following audit procedures on the above key audit matter:

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 taxable income.
4. Evaluated the achievability of deferred tax assets by comparing the estimated taxable income with the tax loss of the past year.

## **Other Matters – Audits of the Other Independent Accountants**

We did not audit the financial statements of investments using equity method of the Company for the years ended December 31, 2020 and 2019, but audited by other independent accountants. Therefore, the amount of financial statements and the relevant information disclosed in Note 13 and our opinions expressed herein is based solely on the audit report of the other independent accountants. The balance of investments using equity method amounted to NT\$355,591 thousand and NT\$359,270 thousand, constituting of 4.41% and 4.11% of total assets at December 31, 2020 and 2019, respectively, and the total comprehensive income recognized to net loss NT\$3,678 thousand and net profit NT\$5,597 thousand, constituting of (0.35%) and (9.97%) of total comprehensive income for the years then ended, respectively.

## **Responsibilities of Management and those Charged with Governance for Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company’s financial reporting process.

## **Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objective are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GASS will always detect a material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GASS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risk of misstatement of parent company only financial statements whether due to fraud or error, design and perform appropriate countermeasures for the risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control of relevant to the audit to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control.

3. Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Company's ability of to continue as a going concern. If we concluded that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance the group audit, and concluding audit opinions on parent company only financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial



statement of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Accountant

Lin, Se-kai

Wang, Fang-yu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 30, 2021

Kung Sing Engineering Corporation  
Parent Company Only Balance Sheets  
December 31, 2020 and 2019  
(Expressed in thousands of New Taiwan dollars)

Assets	Note	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 904,515	11	\$ 296,209	3
1140	Contract assets-current	6(22)	2,174,195	27	3,648,869	42
1170	Accounts receivable, net	6(2)	-	-	498,804	6
1200	Other receivables		13,634	-	100,416	1
1220	Current tax assets		3,819	-	263	-
1410	Prepayments		19,748	-	15,910	-
1460	Non-current assets for sale, net	6(8)	-	-	551,665	6
1479	Other current assets-other	6(4), 8	1,972,804	25	2,153,697	25
1482	Fulfilling contract cost-net current	6(5)	<u>544,759</u>	<u>7</u>	<u>118,526</u>	<u>1</u>
11XX	<b>Total current assets</b>		<u>5,633,474</u>	<u>70</u>	<u>7,384,359</u>	<u>84</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income-non-current	6(6), 8	113,298	1	68,684	-
1550	Investments using equity method	6(7)	1,340,216	17	359,270	4
1600	Property, plant and equipment	6(9), 8	232,100	3	300,604	3
1755	Right-of-use assets	6(10)	36,438	-	40,315	1
1760	Investment property, net	6(11), 8	396,906	5	406,537	5
1780	Intangible assets		4,147	-	5,822	-
1840	Deferred income tax assets	6(29)	121,616	2	125,389	1
1900	Other non-current assets	6(12), 8	<u>191,369</u>	<u>2</u>	<u>55,126</u>	<u>2</u>
15XX	<b>Total non-current assets</b>		<u>2,436,090</u>	<u>30</u>	<u>1,361,747</u>	<u>16</u>
1XXX	<b>Total assets</b>		<u>\$ 8,069,564</u>	<u>100</u>	<u>\$ 8,746,106</u>	<u>100</u>

(Continued)

**Kung Sing Engineering Corporation**  
**Parent Company Only Balance Sheets**  
**December 31, 2020 and 2019**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Note	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(13), 8	\$ 65,000	1	\$ 911,720	10
2130	Contract liabilities-current	6(22)	1,259,905	16	1,192,034	14
2150	Notes payable		329,622	4	592,242	7
2170	Accounts payable		639,654	8	639,681	7
2200	Other payables		76,432	1	27,681	-
2220	Other payable-related parties	7	-	-	200,368	2
2230	Current income tax liabilities		-	-	12,521	-
2250	Provisions for liabilities-current	6(15), 9	95,277	1	12,261	-
2260	Liabilities of directly related to the non-current assets for sale	6(8), 7	-	-	475,333	6
2280	Lease liabilities-current		9,599	-	8,973	-
2300	Other current liabilities	6(14)	9,043	-	42,668	1
21XX	<b>Total current liabilities</b>		<u>2,484,532</u>	<u>31</u>	<u>4,115,482</u>	<u>47</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(14), 8	72,570	1	177,132	2
2550	Provisions for liabilities-non-current	6(15), 9	90,344	1	100,336	1
2570	Deferred income tax liabilities	6(29)	155	-	-	-
2580	Lease liabilities-non-current		27,240	-	31,592	-
2600	Other non-current liabilities	6(16), 7	72,455	1	51,940	1
25XX	<b>Total non-current liabilities</b>		<u>262,764</u>	<u>3</u>	<u>361,000</u>	<u>4</u>
2XXX	<b>Total liabilities</b>		<u>2,747,296</u>	<u>34</u>	<u>4,476,482</u>	<u>51</u>
<b>Equity</b>						
Share capital		6(18)				
3110	Common stock		4,475,274	55	4,475,274	51
Capital surplus		6(19)				
3200	Capital surplus		519	-	519	-
Retained earnings		6(20)				
3320	Special reserve		-	-	1,872	-
3350	Undistributed earnings (for covering deficit)		799,673	10	( 210,229)	( 2)
Other equity		6(7)(21)				
3400	Other equity		46,802	1	2,188	-
3XXX	<b>Total equity</b>		<u>5,322,268</u>	<u>66</u>	<u>4,269,624</u>	<u>49</u>
Significant contingent liabilities and unrecognized contract commitments		9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 8,069,564</u>	<u>100</u>	<u>\$ 8,746,106</u>	<u>100</u>

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

**Kung Sing Engineering Corporation**  
**Parent Company Only Statements of Comprehensive Income**  
**For the Years Ended December 31, 2020 and 2019**  
(Expressed in thousands of New Taiwan dollars, except losses per share amounts)

Items	Note	Years ended December 31			
		2020		2019	
		Account	%	Account	%
4000 Operating revenue	6(22), 7	\$ 3,096,919	100	\$ 4,204,288	100
5000 Operating cost	6(3)(27), 7	( 4,175,134)	( 135)	( 4,048,538)	( 96)
5900 Operating gross profit (loss)		( 1,078,215)	( 35)	155,750	4
5920 Realized gross profit on sales	6(7)	-	-	2,727	-
5950 Operating gross profit (loss), net		( 1,078,215)	( 35)	158,477	4
Operating expenses					
6200 General and administrative expenses	6(27)(28)	( 211,513)	( 7)	( 143,338)	( 4)
6450 Expected credit impairment loss	6(22), 12(2)	( 517,121)	( 16)	-	-
6900 Operating profit (loss)		( 1,806,849)	( 58)	15,139	-
Non-operating income and expenses					
7100 Interest income	6(23)	6,198	-	2,426	-
7010 Other income	6(24), 7	10,406	-	7,686	-
7020 Other gains and losses	6(25), 7	398,624	13	13,986	1
7050 Financial costs	6(26)	( 31,134)	( 1)	( 41,750)	( 1)
Shares of income recognized by equity method of subsidiaries, affiliates and joint ventures					
7070 ventures	6(7)	2,435,281	79	( 2,824)	-
7000 Total non-operating income and expenses		2,819,375	91	( 20,476)	-
7900 <b>Net profit (loss) before tax</b>		1,012,526	33	( 5,337)	-
7950 Income tax expenses	6(29)	( 2,953)	-	( 18,677)	( 1)
8200 <b>Net profit (loss) for the period</b>		\$ 1,009,573	33	(\$ 24,014)	( 1)
<b>Other comprehensive income, net</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Remeasurements of defined benefit plans	6(16)	(\$ 1,929)	-	\$ 299	-
Unrealized gains and losses from investments in equity instruments measured at fair value through other comprehensive					
8316 income	6(6)(21)	44,614	1	64,306	2
Shares of income recognized by equity method of subsidiaries, affiliates and joint ventures-items that will not be reclassified					
8330 to profit or loss	6(7)(21)	-	-	37	-
Income tax of related to components of other comprehensive income that will not					
8349 be reclassified to profit or loss	6(29)	386	-	( 60)	-
Total amount of components of other comprehensive income that will not be					
8310 reclassified to profit or loss		43,071	1	64,582	2
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
Translation gains and losses on the financial					
8361 statements of foreign operating entities	6(21)	-	-	15,558	-
Total amount of components of other comprehensive income that will be					
8360 reclassified to profit or loss		-	-	15,558	-
8300 <b>Other comprehensive income (net)</b>		\$ 43,071	1	\$ 80,140	2
8500 <b>Total comprehensive income for the period</b>		\$ 1,052,644	34	\$ 56,126	1
9750 Basic earnings (losses) per share	6(30)	\$ 2.26		(\$ 0.07)	
9850 Diluted earnings (losses) per share	6(30)	\$ 2.24		(\$ 0.07)	

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

**Kung Sing Engineering Corporation**  
**Parent Company Only Statements of Changes in Equity**  
**For the Years Ended December 31, 2020 and 2019**  
(Expressed in thousands of New Taiwan dollars)

	Note	Capital surplus			Retained earnings		Other equities		Total equity	
		Common stock	Issue premium	Employee stock option	Others	Special reserve	Undistributed earnings for covering deficit	Translation gains and losses on the financial statements of foreign operating entities		Unrealized gains and losses from financial assets at fair value through other comprehensive income
<b>For the year ended December 31, 2019</b>										
Balance at January 1, 2019		\$ 3,475,274	\$ 18,545	\$ -	\$ -	\$ 1,872	\$ 53,381	(\$ 15,558)	\$ 28,945	\$ 3,562,459
Net loss for the period		-	-	-	-	-	( 24,014)	-	-	( 24,014)
Other comprehensive income for the period	6(21)	-	-	-	-	-	239	15,558	64,343	80,140
Total comprehensive income for the period		-	-	-	-	-	( 23,775)	15,558	64,343	56,126
Cash capital increase	6(18)	1,000,000	( 18,545)	( 2,145)	-	-	( 330,935)	-	-	648,375
Employee stock option of cash capital increase	6(17)	-	-	2,664	-	-	-	-	-	2,664
Expired employee stock option		-	-	( 519)	519	-	-	-	-	-
Disposal of equity instrument at fair value through other comprehensive income	6(6)(21)	-	-	-	-	-	96,613	-	( 96,613)	-
Subsidiaries' disposal of equity instrument at fair value through other comprehensive income	6(21)	-	-	-	-	-	( 5,513)	-	5,513	-
Balance at December 31, 2019		\$ 4,475,274	\$ -	\$ -	\$ 519	\$ 1,872	(\$ 210,229)	\$ -	\$ 2,188	\$ 4,269,624
<b>For the year ended December 31, 2020</b>										
Balance at January 1, 2020		\$ 4,475,274	\$ -	\$ -	\$ 519	\$ 1,872	(\$ 210,229)	\$ -	\$ 2,188	\$ 4,269,624
Net loss for the period		-	-	-	-	-	1,009,573	-	-	1,009,573
Other comprehensive income for the period	6(6)(21)	-	-	-	-	-	( 1,543)	-	44,614	43,071
Total comprehensive income for the period		-	-	-	-	-	1,008,030	-	44,614	1,052,644
Reversal of special reserve	6(20)	-	-	-	-	( 1,872)	1,872	-	-	-
Balance at December 31, 2020		\$ 4,475,274	\$ -	\$ -	\$ 519	\$ -	\$ 799,673	\$ -	\$ 46,802	\$ 5,322,268

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

Kung Sing Engineering Corporation  
Parent Company Only Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019  
(Expressed in thousands of New Taiwan dollars)

	Note	For the years ended December 31	
		2020	2019
<u>Cash Flows from Operating Activities</u>			
Net profit (loss) before tax		\$ 1,012,526	(\$ 5,337)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including right-of-use assets and investment property)	6(25)(27)	27,903	55,801
Amortization	6(26)(27)	6,694	6,082
Expected credit loss	12(2)	517,121	-
Interest expense	6(26)	26,605	37,235
Interest income	6(23)	( 6,198)	( 2,426)
Dividend income	6(24)	( 4,971)	( 138)
Shares in losses (profit) of affiliates and joint ventures accounted for using equity method	6(7)	( 2,435,281)	2,824
Losses (Gains) on disposal of property, plant and equipment	6(25)	( 472,143)	( 20,144)
Impairment loss (reversal gains) on property, plant and equipment	6(25)	64,722	( 5,221)
Impairment reversal gains on investment property	6(25)	-	( 8,295)
Gains on disposal of investment property	6(25)	-	( 2,995)
Losses on disposal of investments using equity method	6(7)(25)	-	10,439
Realized gross profit from intercompany transactions	6(7)	-	( 2,727)
Compensation costs for employee stock options	6(17)	-	2,664
Gains on lease early termination	6(10)	( 75)	-
Gains on rent concessions	6(24)	( 107)	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Contract assets		957,553	( 553,000)
Accounts receivable		498,804	440,377
Other receivables		91,326	( 95,404)
Inventories		-	203,396
Prepayments		( 4,665)	7,017
Cost of fulfilling contracts		( 426,233)	11,051
Net changes in operating liabilities			
Contract liabilities		67,871	133,327
Notes payable		( 262,620)	( 206,100)
Accounts payable		( 27)	( 30,302)
Other payables		49,449	12,383
Provisions for liabilities		73,024	624
Other current liabilities		( 2,369)	1,642
Net defined benefit liabilities	6(16)	( 3,504)	( 4,558)
Cash outflows generated from operations		( 224,595)	( 11,785)
Interest received		1,654	2,438
Interest paid		( 26,645)	( 37,202)
Dividend received		4,971	138
Income tax refunded		263	1,187

Income tax paid	<u>( 14,979)</u>	<u>( 19,857)</u>
Net cash outflows from operating activities	<u>( 259,331)</u>	<u>( 65,081)</u>

(Continued)

Kung Sing Engineering Corporation  
Parent Company Only Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2020	2019
<u>Cash Flows From Investing Activities</u>			
Decrease (Increase) in other current assets		\$ 157,796	(\$ 264,393)
Investments using equity method-subsi-dary balance repatriated	6(7)	2,006,000	24,844
Liquidation and refund of investments using equity method	6(7)	-	55,301
Increase in other non-current assets		( 115,359)	( 2,101)
Proceeds from acquisition of property, plant and equipment	6(9)	( 7,672)	( 2,195)
Proceeds from disposal of property, plant and equipment		772	32,341
Proceeds from acquisition of intangible assets		( 279)	( 5,569)
Proceeds from disposal of investment property		-	3,239
Disposal of investments using equity method -proceeds of subsidiaries	6(7)	-	74,730
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
Net cash inflows from investing activities		<u>2,041,258</u>	<u>113,212</u>
<u>Cash Flows From Financing Activities</u>			
Borrow short-term borrowings	6(31)	563,000	300,000
Repayment of short-term borrowings	6(31)	( 1,409,720)	( 1,263,280)
Borrow long-term borrowings	6(31)	132,600	100,000
Repayment of long-term borrowings	6(31)	( 264,652)	( 176,174)
Increase in deposits received	6(31)	111,264	65,786
Decrease in deposits received	6(31)	( 95,466)	( 51,901)
Decrease in lease liabilities	6(31)	( 10,647)	( 13,082)
Decrease in related parties funding	7	( 200,000)	-
Cash capital increase	6(18)	-	648,375
Net cash outflows from financing activities		<u>( 1,173,621)</u>	<u>( 390,276)</u>
Increase (Decrease) in cash and cash equivalents for the period		608,306	( 342,145)
Cash and cash equivalents balance at beginning of the period		296,209	638,354
Cash and cash equivalents balance at end of the period		<u>\$ 904,515</u>	<u>\$ 296,209</u>

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



## Independent Auditors' Report Translated from Chinese

To the Boards of Directors and Stockholders of Kung Sing Engineering Corporation

### Opinion

We have audited the consolidated balance sheets of Kung Sing Engineering Corporation and its subsidiaries (the "Group") as at December 31, 2020 and 2019, as well as the consolidated statements of comprehensive income, the consolidated statement of changes in equity and of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (please refer to *Other matter* section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group at December 31, 2020 and 2019, as well as its consolidated financial performance and its consolidated statement of cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities with the requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these

matters.

Key audit matters for the Group's consolidated financial statements for the current period are stated as follows:

### **Assessment of Construction Contract Estimated Total Cost**

#### Description

Refer to Note 4 (27) for accounting policies on construction contract revenue, Note 5 for significant judgments, accounting estimates and uncertainty of assumptions adopted in the construction contract accounting policy, and Note 6 (21) for the contract assets and liabilities of the Group were respectively NT\$2,174,195(thousand) and NT\$1,259,905(thousand) at December 31, 2020.

The construction income and cost of the Group is mainly generated by constructing civil projects. The accurate estimates of the construction contract result are recognized by the percentage of incurred construction cost or the owner's assessment of pricing progress accounts for the estimated total cost, or recognized gradually over time based on the milestones agreed in the contract.

Due to the estimated 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 revenue calculation of the project. Therefore, we included the assessment of construction contract estimated total cost as one of the key matters for audit.

#### Procedure

We performed the following audit procedures on the above key audit matter:

5. Evaluated the reasonableness of the policies and procedures of estimated total cost based on understanding of the industry properties and operation, including the assessment basis of the estimated total cost of the same properties construction contracts in the past.
6. Obtained the projects with significant changes in the estimated total cost for the period, reviewed the changes description. And confirmed the appropriate approval of the head of authority or obtained the supporting information of owner's changing contract agreement.
7. Selected samples of outsourced contracts, for the un-outsourced contracts, we evaluated the basis and reasonableness of estimated cost.
8. Verified the proportion of actual cost to estimated total cost and compared it with the owner's accepted completion progress to assess the reasonableness of the estimated total cost. If there was any difference, we obtained the management's description and assessed the reasonableness.

## **Achievability of Deferred Tax Assets**

### Description

Refer to Note 4 (25) for the deferred tax assets accounting policies, Note 5 for the accounting estimates of the deferred tax assets achievability and the uncertainty of assumptions, and Note 6 (28) for the deferred tax assets of the Group were NT\$121,616(thousand) at December 31, 2020. Deferred tax asset is recognized only if it is likely to be used to deduct future taxable income. The estimated future income statement and potential taxable income used to assess the achievability of deferred tax assets involved subjective judgment of the management. We consider that the judgments mentioned above are related to the prediction of future and the assumptions used are highly uncertain and the estimates have a significant impact on taxable income. Therefore, we included the achievability of deferred tax assets as one of the key matters for audit.

### Procedure

We performed the following audit procedures on the above key audit matter:

5. Obtained future operating plan and estimated income statement approved by management.
6. Compared the estimated future income statement with past results.
7. Inspected the reasonableness of the items and amount of the estimated income statements adjusted to the future taxable income.
8. Evaluated the achievability of deferred tax assets by comparing the estimated taxable income with the tax loss of the past year.

## **Other Matters-Audits of the Other Independent Accountants**

We did not audit the financial statements of all subsidiaries of the Group for the years ended December 31, 2020 and 2019, but audited by other independent accountants. Therefore, the amount of financial statements and the relevant information disclosed in Note 13 and our opinions expressed herein is based solely on the audit report of the other independent accountants. Total assets of the subsidiary amounted to NT\$638,547 thousand and NT\$916,768 thousand, constituting of 7.67% and 9.63% of consolidated total assets at December 31, 2020 and 2019, respectively, and the net operating revenue amounted to NT\$ 798 thousand and NT\$78,616 thousand, constituting of 0.01% and 1.84% of net consolidated operating revenue for the years then ended, respectively.

## **Other Matters-Parent Company Only Financial Reports**

We have audited and expressed an unqualified opinion on the parent company only financial statements of Kung Sing Engineering Corporation as at and for the years ended December 31, 2020 and 2019.

## **Responsibilities of Management and those Charged with Governance for Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

## **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objective are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GASS will always detect a material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GASS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

7. Identify and assess the risk of misstatement of consolidated financial statements whether due to fraud or error, design and perform appropriate countermeasures for the risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

8. Obtain an understanding of internal control of relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control.
9. Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Group's ability of to continue as a going concern. If we concluded that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
11. Evaluate the overall presentation, structure and content of consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance the group audit, and concluding audit opinions on consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statement of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Accountant

Lin, Se-kai

Wang, Fang-yu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 30, 2021

Kung Sing Engineering Corporation and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019  
(Expressed in thousands of New Taiwan dollars)

Assets	Note	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,924,771	23	\$ 394,873	4
1140	Contract assets-current	6(21)	2,174,195	26	3,648,869	38
1170	Accounts receivable, net	6(2)	-	-	498,804	5
1200	Other receivables	7	95,403	1	180,102	2
1220	Current tax assets		3,848	-	263	-
130X	Inventories	6(3), 8	463,366	6	479,962	5
1410	Prepayments	6(4)	52,493	1	40,820	1
1460	Non-current assets for sale, net	6(11)	-	-	990,912	10
1479	Other current assets-other	6(4), 8	1,972,804	24	2,153,696	23
1482	Fulfilling contract cost-net current	6(5)	<u>544,759</u>	<u>6</u>	<u>118,526</u>	<u>1</u>
11XX	<b>Total current assets</b>		<u>7,231,639</u>	<u>87</u>	<u>8,506,827</u>	<u>89</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income-non-current	6(6)	113,298	1	68,684	1
1600	Property, plant and equipment	6(7), 8	445,732	5	521,496	6
1755	Right-of-use assets	6(8)	36,438	1	40,315	-
1760	Investment property, net	6(9), 8	183,274	2	185,646	2
1780	Intangible assets		4,147	-	5,822	-
1840	Deferred income tax assets	6(28)	121,616	2	125,389	1
1900	Other non-current assets	6(10), 8	<u>191,369</u>	<u>2</u>	<u>63,126</u>	<u>1</u>
15XX	<b>Total non-current assets</b>		<u>1,095,874</u>	<u>13</u>	<u>1,010,477</u>	<u>11</u>
1XXX	<b>Total assets</b>		<u>\$ 8,327,513</u>	<u>100</u>	<u>\$ 9,517,304</u>	<u>100</u>

(Continued)

**Kung Sing Engineering Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2020 and 2019**

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Note	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(12), 8	\$ 65,000	1	\$ 911,720	10
2130	Contract liabilities-current	6(21)	1,259,905	15	1,192,034	12
2150	Notes payable		329,871	4	598,218	6
2170	Accounts payable		642,444	8	650,811	7
2200	Other payables		77,923	1	26,064	-
2230	Current income tax liabilities		-	-	12,521	-
2250	Provisions for liabilities-current	6(14)	95,277	1	12,261	-
2260	Liabilities of directly related to the non-current assets for sale	6(11)	-	-	914,580	10
2280	Lease liabilities-current		9,599	-	8,973	-
2300	Other current liabilities	6(13)	9,116	-	303,645	3
21XX	<b>Total current liabilities</b>		<u>2,489,135</u>	<u>30</u>	<u>4,630,827</u>	<u>48</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(13), 8	72,570	1	177,132	2
2550	Provisions for liabilities-non-current	6(14), 9	90,344	1	100,336	1
2570	Deferred income tax liabilities	6(28)	155	-	-	-
2580	Lease liabilities-non-current		27,240	-	31,592	-
2600	Other non-current liabilities	6(15)	72,155	1	51,695	1
25XX	<b>Total non-current liabilities</b>		<u>262,464</u>	<u>3</u>	<u>360,755</u>	<u>4</u>
2XXX	<b>Total liabilities</b>		<u>2,751,599</u>	<u>33</u>	<u>4,991,582</u>	<u>52</u>
<b>Equity</b>						
Share capital		6(17)				
3110	Common stock		4,475,274	54	4,475,274	47
Capital surplus		6(18)				
3200	Capital surplus		519	-	519	-
Retained earnings		6(19)				
3320	Special reserve		-	-	1,872	-
3350	Undistributed earnings		799,673	10	( 210,229)	( 2)
Other equity		6(20)				
3400	Other equity		46,802	-	2,188	-
31XX	<b>Total equity attributable to owners of the parent</b>		<u>5,322,268</u>	<u>64</u>	<u>4,269,624</u>	<u>45</u>
36XX	<b>Non-controlling equity</b>		<u>253,646</u>	<u>3</u>	<u>256,098</u>	<u>3</u>
3XXX	<b>Total equity</b>		<u>5,575,914</u>	<u>67</u>	<u>4,525,722</u>	<u>48</u>
Significant contingent liabilities and unrecognized contract commitments		9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 8,327,513</u>	<u>100</u>	<u>\$ 9,517,304</u>	<u>100</u>

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



**Kung Sing Engineering Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the Years Ended December 31, 2020 and 2019**

(Expressed in thousands of New Taiwan dollars, except losses per share amounts)

Items	Note	Years ended December 31			
		2020		2019	
		Account	%	Account	%
4000 Operating revenue	6(21)	\$ 7,159,730	100	\$ 4,282,904	100
5000 Operating cost	6(3)(26)	( 5,268,115)	( 74)	( 4,110,115)	( 96)
5900 Gross profit		<u>1,891,615</u>	<u>26</u>	<u>172,789</u>	<u>4</u>
Operating expenses	6(26)(27)				
6100 Selling expenses		( 2,212)	-	( 2,953)	-
6200 General and administrative expenses		( 223,214)	( 3)	( 162,892)	( 4)
6450 Expected credit impairment loss	9,12(2)	( 517,121)	( 7)	-	-
6000 Total operating expenses		<u>( 742,547)</u>	<u>( 10)</u>	<u>( 165,845)</u>	<u>( 4)</u>
6900 Operating income		<u>1,149,068</u>	<u>16</u>	<u>6,944</u>	<u>-</u>
Non-operating income and expenses					
7100 Interest income	6(22)	20,370	-	2,627	-
7010 Other income	6(23)	9,784	-	8,003	-
7020 Other gains and losses	6(24)	( 69,450)	( 1)	22,516	1
7050 Financial costs	6(25)	( 44,549)	-	( 42,160)	( 1)
Shares of profit of affiliates and joint ventures accounted for under equity method		-	-	( 12)	-
7000 Total non-operating income and expenses		<u>( 83,845)</u>	<u>( 1)</u>	<u>( 9,026)</u>	<u>-</u>
7900 <b>Net profit (loss) before tax</b>		<u>1,065,223</u>	<u>15</u>	<u>( 2,082)</u>	<u>-</u>
7950 Income tax expenses	6(28)	( 58,102)	( 1)	( 18,677)	( 1)
8200 <b>Net profit (loss) for the period</b>		<u>\$ 1,007,121</u>	<u>14</u>	<u>(\$ 20,759)</u>	<u>( 1)</u>
<b>Other comprehensive income, net</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Remeasurements of defined benefit plans	6(15)	(\$ 1,929)	-	\$ 299	-
Unrealized gains and losses from investments in equity instruments measured at fair value through other comprehensive income	6(6)(20)	44,614	1	64,343	2
Income tax of related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)	<u>386</u>	<u>-</u>	<u>( 60)</u>	<u>-</u>
8310 Total amount of components of other comprehensive income that will not be reclassified to profit or loss		<u>43,071</u>	<u>1</u>	<u>64,582</u>	<u>2</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
Translation gains and losses on the financial statements of foreign operating entities	6(20)	-	-	15,558	-
8360 Total amount of components of other comprehensive income that will be reclassified to profit or loss		<u>-</u>	<u>-</u>	<u>15,558</u>	<u>-</u>
8300 <b>Other comprehensive income (net)</b>		<u>\$ 43,071</u>	<u>1</u>	<u>\$ 80,140</u>	<u>2</u>
8500 <b>Total comprehensive income for the period</b>		<u>\$ 1,050,192</u>	<u>15</u>	<u>\$ 59,381</u>	<u>1</u>
Net profit (loss) attributable to:					
8610 Owners of the parent		<u>\$ 1,009,573</u>	<u>14</u>	<u>(\$ 24,014)</u>	<u>( 1)</u>
8620 Non-controlling equity		<u>(\$ 2,452)</u>	<u>-</u>	<u>\$ 3,255</u>	<u>-</u>
Total comprehensive income attributable to:					
8710 Owners of the parent		<u>\$ 1,052,644</u>	<u>15</u>	<u>\$ 56,126</u>	<u>1</u>
8720 Non-controlling equity		<u>(\$ 2,452)</u>	<u>-</u>	<u>\$ 3,255</u>	<u>-</u>
9750 Basic earnings (losses) per share	6(29)	<u>\$</u>	<u>2.26</u>	<u>(\$)</u>	<u>0.07</u>
9850 Diluted earnings (losses) per share	6(29)	<u>\$</u>	<u>2.24</u>	<u>(\$)</u>	<u>0.07</u>

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

**Kung Sing Engineering Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the Years Ended December 31, 2020 and 2019**  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent

Note	Capital surplus				Retained earnings		Other equities		Total	Non-controlling equity	Total equity
	Common stock	Issue premium	Employee stock option	Others	Special reserve	Undistributed earnings (for covering accumulated deficit)	Translation gains and losses on the financial statements of foreign operating entities	Unrealized gains and losses from financial assets at fair value through other comprehensive income			
<b><u>For the year ended December 31, 2019</u></b>											
Balance at 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 for the period	6(20) -	-	-	-	-	239	15,558	64,343	80,140	-	80,140
Total comprehensive income for the period	-	-	-	-	-	( 23,775)	15,558	64,343	56,126	3,255	59,381
Cash capital increase	6(17) 1,000,000	( 18,545)	( 2,145)	-	-	( 330,935)	-	-	648,375	-	648,375
Employee stock option of cash capital increase	6(16) -	-	2,664	-	-	-	-	-	2,664	-	2,664
Expired employee stock option	-	-	( 519)	519	-	-	-	-	-	-	-
Disposal of equity instrument at fair value through other comprehensive income	6(6)(20) -	-	-	-	-	96,613	-	( 96,613)	-	-	-
Subsidiaries' disposal of equity instrument at fair value through other comprehensive income	6(20) -	-	-	-	-	( 5,513)	-	5,513	-	-	-
Balance at December 31, 2019	\$ 4,475,274	\$ -	\$ -	\$ 519	\$ 1,872	(\$ 210,229)	\$ -	\$ 2,188	\$ 4,269,624	\$ 256,098	\$ 4,525,722
<b><u>For the year ended December 31, 2020</u></b>											
Balance at January 1, 2020	\$ 4,475,274	\$ -	\$ -	\$ 519	\$ 1,872	(\$ 210,229)	\$ -	\$ 2,188	\$ 4,269,624	\$ 256,098	\$ 4,525,722
Net profit for the period	-	-	-	-	-	1,009,573	-	-	1,009,573	( 2,452)	1,007,121
Other comprehensive income for the period	6(6)(20) -	-	-	-	-	( 1,543)	-	44,614	43,071	-	43,071
Total comprehensive income for the period	-	-	-	-	-	1,008,030	-	44,614	1,052,644	( 2,452)	1,050,192
Reversal of special reserve	6(19) -	-	-	-	( 1,872)	1,872	-	-	-	-	-
Balance at December 31, 2020	\$ 4,475,274	\$ -	\$ -	\$ 519	\$ -	\$ 799,673	\$ -	\$ 46,802	\$ 5,322,268	\$ 253,646	\$ 5,575,914

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

Kung Sing Engineering Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

	Note	For the years ended December 31	
		2020	2019
<u>Cash Flows from Operating Activities</u>			
Net profit (loss) before tax		\$ 1,065,223	(\$ 2,082)
Adjustments			
Adjustments to reconcile profit			
Depreciation (including right-of-use assets and investment property)	6(24)(26)	27,903	60,180
Amortization	6(25)(26)	6,694	6,082
Expected credit impairment loss	12(2)	517,121	-
Interest expense	6(25)	40,020	37,645
Interest income	6(22)	( 20,370)	( 2,627)
Dividend income	6(23)	( 4,971)	( 138)
Shares of losses of affiliates and joint ventures accounted for under equity method		-	12
Impairment loss (Gain on reversal) on property, plant and equipment	6(24)	64,722	( 5,221)
Reversal gains on investment property impairment	6(24)	-	( 8,295)
Losses (Gains) on disposal of property, plant and equipment	6(24)	3,190	( 20,144)
Gains on disposal of investment property	6(24)	-	( 2,995)
Gains on disposal of subsidiaries investment	6(24)	-	9,077
Compensation costs for employee stock options	6(16)	-	2,664
Gains on lease early termination	6(8)	( 75)	-
Gains on rent concessions	6(23)	( 107)	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Contract assets		957,553	( 553,000)
Accounts receivable		498,804	413,356
Other receivables		101,146	( 86,870)
Inventories		981,110	224,959
Prepayments		( 11,504)	8,205
Cost of fulfilling contracts		( 426,233)	11,051
Net changes in operating liabilities			
Contract liabilities		67,871	133,327
Notes payable		( 268,347)	( 202,146)
Accounts payable		( 17,767)	( 33,076)
Other payables		45,102	21,691
Provisions for liabilities		73,024	624
Other current liabilities		( 2,369)	( 8,360)
Net defined benefit liabilities	6(15)	( 3,504)	( 4,558)
Cash inflows (outflows) generated from operations		3,694,236	( 639)
Interest received		15,826	2,639
Interest paid		( 40,931)	( 37,532)
Dividend received		4,971	138
Income tax refunded		263	1,187
Income tax paid		( 70,163)	( 19,857)
Net cash inflows (outflows) from operating activities		3,604,202	( 54,064)

(Continued)

Kung Sing Engineering Corporation and Subsidiaries  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2020	2019
<u>Cash Flows From Investing Activities</u>			
Decrease (Increase) in other current assets		\$ 199,562	(\$ 264,393)
Increase in other non-current assets		( 149,128)	( 2,101)
Proceeds from acquisition of property, plant and equipment	6(7)	( 7,672)	( 2,195)
Proceeds from disposal of property, plant and equipment		772	32,341
Proceeds from acquisition of intangible assets		( 279)	( 5,569)
Proceeds from disposal of investment property		-	3,239
Proceeds from disposal of subsidiaries (deducting the cash disposition)	6(30)	-	118,246
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(6)	-	197,053
Net cash inflows from investing activities		<u>43,255</u>	<u>76,621</u>
<u>Cash Flows From Financing Activities</u>			
Borrow short-term borrowings	6(31)	563,000	300,000
Repayment of short-term borrowings	6(31)	( 2,037,620)	( 1,268,003)
Borrow long-term borrowings	6(31)	132,600	140,904
Repayment of long-term borrowings	6(31)	( 795,131)	( 176,174)
Increase in deposits received	6(31)	111,265	65,650
Decrease in deposits received	6(31)	( 95,521)	( 51,956)
Decrease in lease liabilities	6(31)	( 10,647)	( 13,082)
Cash capital increase	6(17)	-	648,375
Net cash outflows from financing activities		<u>( 2,132,054)</u>	<u>( 354,286)</u>
Effect of change in foreign exchange rates		-	1,785
Increase (Decrease) in cash and cash equivalents for the period		1,515,403	( 329,944)
Cash and cash equivalents balance at beginning of the period		<u>394,873</u>	<u>739,312</u>
Cash and cash equivalents balance at end of the period		<u>\$ 1,910,276</u>	<u>\$ 409,368</u>
Component of cash and cash equivalents:			
Cash and cash equivalents accounted at balance sheet		\$ 1,924,771	\$ 394,873
Cash and cash equivalents classified to (non-current) assets (disposal groups) for sale		<u>( 14,495)</u>	<u>14,495</u>
Cash and cash equivalents balance at end of the period		<u>\$ 1,910,276</u>	<u>\$ 409,368</u>

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

# **The Code of Ethical Conduct of Kung Sing Engineering Co., Ltd.**

## **Article 1(Set purpose and basis)**

To guide the Company's directors, supervisors and managers (including the general manager and the person of comparable rank, deputy general manager and person of comparable rank, and quite Level Associate's finance director, in charge of the accounting department, as well as other promising companies Management Services and signature rights of the people) of behavior makes ethical standards, and the company's stakeholders a better understanding of corporate ethics standards, Yuan set the final version of the guidelines, are provided followed.

## **Article 2(To prevent conflicts of interest)**

Directors, supervisors, and managers should be based on objective and efficient approach to public service, and not rely on its position in the company as it and its own relatives spouse, parent, child, Second-degree relatives the attainable and other improper benefits.

Affiliates person skilled in the preceding paragraph of this company is to provide loans to or guarantee transactions of major assets into (selling) stock exchanges of circumstances, the correlation of the Company should take the initiative to explain to the company with the company for potential conflicts of interest and according to the company after the nuclear determine permissions on the table on top of a first-order handling charge of nuclear decision, in order to prevent conflicts of interest.

## **Article 3(Avoid self-interest)**

Companies should avoid the directors, supervisors, and managers have the following:

- 1, through the use of corporate property, information or by his position and have the opportunity to gain the diagram.
- 2, through the use of corporate property, information or by his position for personal gain.
- 3, with the company to compete.

When a company has a profit opportunity, directors, supervisors, and managers have a responsibility to increase the legitimate interests of the company can get it.

## **Article 4(Duty of confidentiality)**

Directors, supervisors, and managers for the company itself or into (selling) customer information, in addition to publicly authorized or required by law, should bear the obligation of confidentiality. Confidentiality of information should include all non-public information may be of use to competitors or disclosure of the company after injury or customers.

## **Article 5(Fair Trading)**

Directors, supervisors, and managers should be fair to the company into the (selling) customers, competitors and employees, can not pass through manipulation, concealment, abuse of office was informed of its information based on important matters do not untrue statement or other equity transactions and obtain improper benefits.

## **Article 6(Protection and proper use of company assets)**

Directors, supervisors and managers have a responsibility to protect company assets , and to ensure its effective legal use on official duties, in order to avoid theft, neglect or waste directly affect the company's profitability.

#### Article 7(Follow the laws and regulations)

Companies should strengthen follow the Securities and Exchange Act and other laws.

#### Article 8(Encourage reporting of any illegal or unethical conduct Code of Conduct)

Internal advocacy ethics should be strengthened and encouraged employees to suspected or found to have laws and regulations of the violation of the code of conduct or ethical, to supervisors, managers, internal audit officer or other appropriate officer reported. To encourage employees to report violations of the law, Should set report system and employees know the company will do its utmost to protect the safety report, harmless from retaliation.

#### Article 9 (Discipline and Relief)

Directors, supervisors, and managers who have suspected of violating the Code of Ethics of the circumstances, the company should be in accordance with relevant laws and regulations and work rules set of disciplinary measures to deal with. The company and a complaint system to provide those who violate ethical conduct, may, in accordance with the relevant provisions of the way of relief.

#### Article 9-1(Exemption applicable procedures)

Exempt directors, managers who follow the company's ethical guidelines, must pass through a board resolution, and instant in MOPS disclose the date of the exemption approved by the Board, the independent directors of the opposition or reservations during the exemption applicable exemptions from the application of reason and exemption applicable criteria and other information, to serve interest of shareholders to assess the adequacy of the Board whom the resolution, reject any or suspicious exemptions follow the guidelines of the occurrence, and to ensure that any exemption to follow the guidelines of the case has a proper control mechanism to protect the company.

#### Article 10(Exposing the way)

The company should be in the company website, annual report, prospectus and MOPS expose this ethical code of conduct, any amendments thereto.

#### Article 11(Implement)

This code of ethical conduct will be implemented after being approved by the company's board of directors, and sent to the supervisors and reported to the shareholders' meeting. The same applies for revision.

This standard is set on August 23, 2012.

The first revision was on March 27, 2015.

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

- 1、In order to establish a good governance system of the shareholders' meeting of the company, improve the supervision function and strengthen the management function, the rules are formulated in accordance with Article 5 of the Code of Practice on Corporate Governance of Listed OTC Companies for compliance.
- 2、The rules of procedure of the company's shareholders' meeting shall be in accordance with the provisions of these rules, unless otherwise provided by laws or regulations.
- 3、The shareholders' meeting of the company shall be convened by the board of directors unless otherwise provided by law.

The company shall, before 30 days before the shareholders' general meeting or 15 days before the shareholders' interim meeting, send the notice of the shareholders' meeting, the power of attorney, relevant recognition, discussion, election or dismissal of directors (including independent directors), etc. The bill of the bill is made into electronic files with explanatory data and sent to the public information observatory. And before the 21st meeting of the shareholders' general meeting or 15 days before the meeting of the shareholders' interim meeting, the shareholders' meeting handbook and meeting supplementary materials shall be prepared, and electronic files shall be prepared and sent to the public information observatory. Fifteen days before the shareholders' meeting, the handbook and supplementary materials of the current shareholders' meeting shall be prepared for shareholders to request for reading at any time, and displayed on the company and the professional stock agency appointed by the company, and shall be distributed on the spot at the shareholders' meeting.

The notice and announcement shall contain the reason for the convening; the notification can be done electronically if the counterpart agrees.

Election or dismissal of directors (including independent directors), change of articles of association, capital reduction, application for suspension of public offering, directors' business license, surplus capital increase, surplus capital increase, company dissolution, merger, division or Article 185 The items of each item shall be listed and stated in the convening reasons and their main contents shall not be proposed by a temporary motion; their main contents may be placed on the website designated by the securities authority or the company, and their website shall be stated in the notice.

The convening of the shareholders' meeting has stated the full re-election of directors and the date of appointment. After the election of the shareholders' meeting is completed, the same meeting shall not change its appointment date by temporary motion or other means.

Shareholders who hold more than one percent of the total number of shares in issue may submit a proposal to the company's ordinary shareholders meeting. The proposal is limited to one item. Any proposal with more than one proposal shall not be included in the proposal. However, the shareholders' proposal is to urge the company to promote the public interest or fulfill its social responsibilities, and the board of directors may still include it in the proposal. In addition, the shareholder's proposal has one of the conditions in Article 172-1, Item 4 of the Company Law, and the board of directors may not be listed as a proposal.

The company shall announce the acceptance of shareholders' proposals, written or electronic acceptance methods, acceptance premises, and acceptance period before the shareholders' closing date before the regular shareholders' meeting; its acceptance period shall not be less than ten days.

Proposals proposed by shareholders shall be limited to three hundred words. Those exceeding three hundred words shall not be included in the proposal; the shareholders of the proposal shall personally or entrust others to attend the general meeting of shareholders and participate in the discussion of the proposal.

The company shall notify the shareholders of the proposal of the processing results before the date of the notice of the shareholders' meeting, and shall list the resolutions stipulated in this article in the notice of the meeting. For shareholder proposals not included in the proposal, the board of directors shall explain the reasons for the non-inclusion in the shareholders meeting.

- 4 · Shareholders can obtain the power of attorney issued by the company at each shareholder meeting, stating the scope of authorization, and appointing agents to attend the shareholders meeting.

A shareholder shall issue a power of attorney and limit the power to one person. It shall be served on the company five days before the meeting of the shareholders' meeting. In the case of duplicate power of attorney, the first one shall prevail.

However, if the declaration is withdrawn, the former client is not limited to this.

After the power of attorney is served on the company, shareholders who wish to attend the shareholders' meeting in person or to exercise their voting rights in writing or electronically shall notify the company in writing of the cancellation of the entrustment in writing two days before the meeting of the shareholders' meeting; The voting rights exercised by persons attending shall prevail.

- 5 · The venue shall be located somewhere around the Company for the convenience of shareholders. The time shall not be earlier than 9:00 in the morning or later than 3:00 in the afternoon. The venue and time of the meeting shall take into account the opinions of independent directors.

- 6 · The shareholders' meeting notice states reporting time, reported everywhere location, and other considerations. Shareholders accepting the preceding paragraph shall report at least thirty minutes prior to the start of the handle; reported everywhere should be clearly labeled, and sent to an adequate handling of the qualified person.

I commissioned the shareholders or shareholder nominee (hereinafter referred to as the Shareholders) shall, with attendance certificates, attendance attendance cards or other documents to attend the shareholders' meeting; supporting documents of Shareholders can not ask to add other documents. solicit proxies are solicited person shall also carry the identity documents to prepare for verification.

The company shall set up a signature book for the attending shareholders to sign in, or the attending shareholders shall pay the sign-in card to sign in instead.

The company shall deliver the discussion manual, annual report, attendance card, speech, voting and other meeting materials to the shareholders present at the shareholders' meeting; if there are elected directors (including independent directors), additional voting votes shall be attached.

When the government or legal person is a shareholder, the representative who attends the shareholders' meeting is not limited to one person. When a legal person is entrusted to attend the shareholders' meeting, only one person may be appointed to attend.

- 7 · If the shareholders' meeting is convened by the board of directors, the chairman of the board of directors shall be the chairman of the board of directors. When the chairman of the board asks for leave or cannot exercise his powers, the deputy chairman shall act on his behalf. At that time, the chairman shall appoint one person as the managing director; if he does not have a managing director, he shall appoint one person as the agent; if the chairman does not appoint an agent, the managing director or the director shall appoint one person to act as the agent.

Former chairman of the Department of Managing Directors or by the agent in order to serve more than six months, and to understand the company's financial and business conditions as the managing director or directors. If the President is a legal representative director who likewise.



The shareholders' meeting convened by the board of directors should be presided over by the chairman of the board, and more than half of the directors and at least one independent director of the board should be present in person. record.

If the shareholders' meeting is convened by a convener other than the board of directors, the chairman shall be the convener. If there are more than two conveners, one person shall be elected.

The Company may appoint attorneys, accountants or related persons to attend the shareholders' meeting. Conduct a shareholders' meeting shall wear identification badges or armbands.

- 8、The company shall report to the shareholders from the time when the shareholders report to the investors, the meeting shall proceed, and the voting process shall be continuous and uninterrupted. The audiovisual materials in the preceding paragraph shall be kept for at least one year. However, those who filed a lawsuit in accordance with Article 189 of the Company Law shall keep it until the end of the lawsuit.
- 9、The attendance of the shareholders' meeting shall be based on the shares. The number of shares present is calculated based on the signature book or the signed-in card paid, plus the number of shares exercising voting rights in writing or electronically. When the meeting time has expired, the chairman shall announce the meeting immediately. However, when no shareholder representing more than half of the total issued shares is present, the chairman may announce the postponement of the meeting. The number of postponements is limited to two, and the total postponement time shall not exceed one hour. When there are insufficient shareholders representing more than one-third of the total number of issued shares after the second delay, the chairman shall announce that the meeting shall not be established. If the attendance is still not sufficient after two times of delay, but the number of representatives reaches 1/3 of the total shares, false resolution can be performed in accordance with Article 175 Provision 1 of Company Act. And before such meeting ends, if the number of shareholders or representatives exceeds more than half, the Chairman may ask for another resolution of the false resolution in accordance with Article 174 of Company Act. When the second postponement is still not enough to represent more than one third of the total number of issued shares, the chairman will announce the circulation.  
An interim resolution was announced to notify shareholders to convene a general meeting of shareholders within one month.
- 10、If the shareholders' meeting is convened by the board of directors, the agenda shall be determined by the board of directors. The relevant motions (including interim motions and amendments to the original motions) shall be voted on in a case-by-case manner. .

If the shareholders' meeting is convened by a convening person other than the board of directors, the provisions of the preceding paragraph shall apply.

The agenda set in the first two items shall not be declared by the chairman unless the resolution is concluded (including the provisional motion). If the chairman violates the rules of procedure and declares the adjournment, the other members of the board shall promptly assist the shareholders to attend the legal procedures to The majority of the shareholders who voted more than half agreed to elect one person to be the chairman and continue the meeting.

The chairman shall give the opportunity for full explanation and discussion of the motions and amendments or temporary motions proposed by shareholders. When he thinks that the voting has reached the level of voting, he may declare that the discussion shall be stopped, the voting shall be put forward, and adequate voting time shall be arranged.

- 11、Before making a speech in the meeting of shareholders, must fill out the speech note to notify the topic, shareholder number (or attendance number) and account name, the Chairman will decide the order of giving speeches. Shareholders who have turned in speech notes will get to speak up, for those who do not speak up will be

regarded as not spoken. If the content of speech does not match the content in the speech note, shall base on the content of speech.

Each shareholder of the same motion may speak no more than twice without the chairman's consent, and no more than five minutes each time. However, if the shareholder's speech violates the regulations or exceeds the scope of the agenda, the chairman may stop his speech.

As a shareholder speaks, others must not interfere unless he/she is approved by the Chairman or the shareholder who gives a speech, any violations shall be prevented. When a legal person shareholder appoints two or more representatives to attend the shareholders' meeting, only one person may speak on the same proposal.

After attending the shareholder speech, the chairman may reply in person or by designating relevant personnel.

- 12、The voting of the shareholders' meeting shall be based on the shares.

The resolution of the shareholders' meeting does not count the total number of shares issued by non-voting shareholders.

Shareholders may not participate in voting on matters at the meeting that may be detrimental to the interests of the company due to their own interests, and may not exercise their voting rights on behalf of other shareholders.

The number of shares that cannot exercise voting rights in the preceding paragraph is not included in the voting rights of shareholders who have attended.

Except for a trust business or a stock agency approved by the securities authority, when one person is entrusted by two or more shareholders at the same time, the voting rights of his agent shall not exceed 3% of the total voting rights of the issued shares, and if it exceeds the voting rights, Not calculated.

- 13、Shareholders have one voting right per share; however, those who are restricted or have no voting rights listed in the second paragraph of Article 179 of the Company Law are not subject to this limit.

When the company convenes a shareholders' meeting, it shall adopt electronic means and may exercise its voting rights in writing; when it exercises its voting rights in writing or electronically, the method of exercise shall be stated in the notice of the shareholders' meeting. Shareholders who exercise their voting rights in writing or electronically are deemed to attend the shareholders' meeting in person. However, the provisional motion of the shareholders meeting and the amendment of the original motion are regarded as abstentions, so the company should avoid proposing the motion and the amendment of the original motion.

In the case of exercising voting rights in writing or electronically in the preceding paragraph, the intention means that it shall be served on the company two days before the meeting of the shareholders' meeting. If there is any duplication, the first one shall prevail. However, those who have expressed their intention before the withdrawal are not subject to this limit.

After the shareholders exercise their voting rights in writing or electronically, if they wish to attend the shareholders' meeting in person, they shall withdraw the exercise of voting rights in the preceding paragraph in the same manner as the voting rights two days before the meeting of the shareholders' meeting; The right to vote shall prevail. If the voting right is exercised in writing or electronically and the proxy is used to entrust an agent to attend the shareholders' meeting, the voting right entrusted to the agent shall prevail.

The voting on the resolutions shall be passed with the consent of more than half of the voting rights of the shareholders present, unless otherwise provided by the Company Law and the Articles of Association. When voting, the chairman or his designated person announces the total number of voting rights to attend the shareholders, and the shareholders vote on a case-by-case basis, and the results of shareholders' consent, objections and abstentions are entered into the public information observatory on the day after the shareholders' meeting.

When there are amendments or alternatives to the same bill, the chairman shall

determine the order of voting with the original bill. If one of the cases has been passed, the other motions will be considered as vetoes. Please do not vote again. The scrutineers and vote counting staff for voting on the resolutions shall be designated by the chairman, but the scrutineers shall have the status of shareholders.

The counting of votes at the shareholders' meeting or the election proposal shall be made public in the shareholders' meeting, and the voting results shall be announced on the spot after the counting of votes is completed, including statistical weights, and a record shall be made.

- 14、When the shareholders have elected directors (including independent directors), they shall be handled in accordance with the relevant selection rules stipulated by the company, and shall announce the election results on the spot, including the list of elected directors (including independent directors) and the number of their election rights.

The electoral votes in the election matters in the preceding paragraph shall be properly sealed and sealed by the scrutineers and kept for at least one year. However, those who filed a lawsuit in accordance with Article 189 of the Company Law shall keep it until the end of the lawsuit.

- 15、The matters discussed at the shareholders' meeting shall be made into the minutes, which shall be signed or sealed by the chairman, and the minutes shall be distributed to the shareholders within 20 days after the meeting. The production and distribution of proceedings can be done electronically.

The distribution of the proceedings in the preceding paragraph allows the company to enter the announcement method of the public information observatory.

Proceedings shall be recorded according to the year, month, day, venue, name of the chairman, resolution method, method of discussion and voting results (including statistical weights). When there are elected directors (including independent directors), each The number of votes for each candidate. During the existence of the company, it should be kept permanently.

- 16、The number of shares solicited by the solicitor and the number of shares entrusted by the entrusted agent shall be clearly disclosed by the company on the day of the shareholders' meeting in the form of a statistical table prepared in accordance with the prescribed format in the shareholders' meeting.

For matters decided by the shareholders' meeting, if there is any significant information required by laws and regulations or Taiwan Stock Exchange Co., Ltd., the company shall transmit the content to the public information observatory within the prescribed time.

- 17、Personnel handling the shareholders' meeting shall wear identification cards or armbands.

The chairman may direct pickets or security personnel to help maintain order in the venue. The picket or security personnel shall wear the "picket" badge or identification card when they are present to help maintain order.

If there is a public address facility in the venue, and the shareholder does not speak with the equipment provided by the company, the chairman may stop it.

Shareholders who violate the rules of procedure and do not obey the chairman's rectification, which hinders the progress of the meeting and stop the non-compliance, the chairman may direct the picket or security personnel to ask them to leave the venue.

- 18、The Chairman may decide on his/her own whether to have a break during the meeting. In the event of an irresistible situation, the chairman may decide to temporarily suspend the meeting and announce the time for the continuation of the meeting as appropriate.

The agenda scheduled by the shareholders' meeting cannot be used until the meeting (including temporary motions) has ended. The shareholders' meeting may decide to find another venue to continue the meeting.

The shareholders' meeting may, in accordance with the provisions of Article 182 of the Company Law, decide to extend or renew the assembly within five days.

19、 This rule will be implemented after approval by the shareholders' meeting and will be the same when it is amended.

20、 This approach was established on June 30th, 1994.

The first amendment was made on June 29th, 1998.

The second amendment was made on June 26th, 2002.

The third amendment was made on June 20th, 2006.

The Fourth amendment was made on June 25th, 2013.

The Fifth amendment was made on June 26th, 2015.

The sixth amendment was made on June 28th, 2016.

The seventh amendment was made on June 17th, 2020.

## **The Method of election of directors of Kung Sing Engineering Co., Ltd.**

Article 1 : Directors of the Company shall be elected in accordance with this approach.

Article 2 : Directors of the Company are to be elected, the election shall be carried out together, by using the cumulative open ballot method, each share has the same voting right that is applicable to electing directors and supervisors, may concentrate on one individual or vote on a number of individuals, Successively individuals receive the most votes will take posts of directors respectively. Electors may use the attendance number to represent the name.

Article 3 : As to find out the election results, the Chairman will assign tells and canvassers.

Article 4 : Election of Directors, if the number of votes of two or more than two individuals is the same, or exceeds the quota, shall take a draw, the Chairman will take the draw on behalf of those who are not at present. Election of directors shall use the nomination system in accordance with Article 192 Provision 1 of Company Act, General meeting elected the person has the capacity and shall be recorded in Articles of Associations.

When companies such as setting up an audit committee of independent directors elect at least one of whom shall have accounting or financial expertise.

Article 4-1: Qualifications of the Company's independent directors shall meet Articles 2, 3, and 4 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". Election of the Company's independent directors shall meet Articles 5, 6, 7, 8, and 9 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", as well as Article 24 of "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies".

Article 5: Electoral votes are to prepared by the Company, based on attendance number, plus the right to vote.

Article 6 : The elector shall write his/her name clearly in the "candidate" column, as well as shareholder number or ID number.

Article 7 : If the electoral vote meets one of situations on the left, the vote will be invalid.

- (1) An elector who is not applied to regulations stated in Article 5.
- (2) The number of candidates filled on the form exceeds the quota.
- (3) Texts are found besides the candidate's name and his/her shareholder number.
- (4) Handwritings are unable to recognize.
- (5) Candidates who have the same name must add the shareholder number or ID number in order for identification.

Article 8 : After the voting is finished, invoicing results shall be announced right away.

Article 9 : Elected notice will be passed to every elected director by the Board of Directors, and the elected person will sign the petition.

Article 10 : This approach will take into account after the Board of Directors passes it, amendments shall follow the same procedure.

(Revised on June 26th, 2014)

# **The Constitution of Kung Sing Engineering Co., Ltd.**

## **Chapter 1 General Provisions**

### Article 1

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

### Article 2

The businesses operated by the company are as follows:

1. E101011 General Construction
2. E401010 Dredging
3. E599010 Plumbing
4. E801010 Interior Renovation
5. E801020 Doors and Windows Installation
6. E801030 Interior Light Steel Frame Engineering
7. E801040 Glass Installation
8. E801070 Kitchen and Bathroom Equipment Installation
9. E901010 Painting Works
10. E903010 Corrosion and Rust-Proof Works
11. EZ02010 Crane Engineering
12. EZ207010 Drilling Engineering
13. EZ99990 Other Engineering
14. C901040 Ready-Mix Concrete Manufacturing
15. C901050 Cement and Concrete Manufacturing
16. CD01020 Rail Vehicles and Parts Manufacturing
17. CD01990 Other Vehicles and Parts Manufacturing
18. F111090 Building Materials Wholesale
19. F113010 Machinery Wholesale
20. F401010 International Trade
21. F113030 Precision Instruments Wholesale
22. H701010 Residences and Buildings Development, Sale and Lease
23. H701020 Industrial Factory Buildings Development, Sale and Lease
24. H701040 Specialized Fields Construction and Development
25. H701050 Public Works Construction and Investment
26. H701060 New County and Community Development
27. H701070 Zone Expropriation and Urban Land Consolidation Agencies
28. H703090 Real Estate Trading
29. H703100 Real Estate Lease
30. H701080 Urban Renewal

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

#### Article 2.1

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

#### Article 2.2

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

#### Article 3

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

### **Chapter 2 Shares of Stock**

#### Article 4

The total capital of the company is NT\$ 6,000,000,000, divided by 600,000,000 shares of stock. The face value of each share is NT\$ 10 and the stock are issued stage by stage.

#### Article 5

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

#### Article 6

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



#### Article 7

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

### Chapter 3 Shareholders' Meeting

#### Article 8

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

#### Article 9

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

#### Article 10

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

#### Article 11

Unless otherwise regulated by the company Act, the resolution of shareholders' meeting only can be passed under the condition that more than half the voting powers of the shareholders present agree with the resolution and shareholders owning more than half the shares issued attend the meeting.

### Chapter 4 Directors and Audit Committee

#### Article 12

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

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

#### Article 12.1

The meeting of the board of directors should be held at least once a season. The reasons of calling the meeting should be stated clearly on the notice, which should be sent to

each director. However, the meeting may be summoned if necessary. The meeting may be summoned by notice in written form, fax, or email etc.

#### Article 13

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

#### Article 14

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

#### Article 15

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

#### Article 15.1

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

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

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

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

### Chapter 5 Manager

#### Article 16.

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

### Chapter 6 Accounting

#### Article 17

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

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

#### Article 18

When the Company in accordance with the annual profit after deducting accumulated deficit situation, as there are balance, employee compensation should be set aside 3-5%, not more than 3% of the remuneration of directors.

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

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

#### Article 18-1

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

### **Chapter 7 Supplementary Provisions**

#### Article 19.

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

#### Article 20

The constitution was concluded on January 5, 1947.

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

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

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

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

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

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

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

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

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

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

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

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

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

It was revised on June 29, 1998 for the fourteenth time.

It was revised on June 27, 2000 for the fifteenth time.  
It was revised on June 26, 2002 for the sixteenth time.  
It was revised on May 27, 2004 for the seventeenth time.  
It was revised on May 25, 2005 for the eighteenth time.  
It was revised on June 20, 2006 for the nineteenth time.  
It was revised on May 15, 2007 for the twentieth time.  
It was revised on May 20, 2008 for the twenty-first time.  
It was revised on June 16, 2009 for the twenty- second time.  
It was revised on June 18, 2010 for the twenty- third time.  
It was revised on June 9, 2011 for the twenty- fourth time.  
It was revised on June 18, 2012 for the twenty-fifth time.  
It was revised on June 26, 2014 for the twenty- sixth time.  
The twenty- seven amendment was made on June 28th, 2016.  
The twenty- eihht amendment was made on June 27th, 2019.  
The twenty- nine amendment was made on June 17th, 2020.

## Appendix 6

### Directors holdings

- 1.The Company's paid-up capital is \$4,475,274,130, the number of shares issued is about 447,527,413.
- 2.In accordance with Article 26 of Securities and Exchange Act, all the directors shall hold a minimum of 16,000,000 shares, The Company has an audit committee, it does not apply to the number of shares specified supervisors.
3. By "public offering of company directors, supervisors and Review Procedures stake into Rules" Article II, the number of holdings into two or more independent directors elected, all directors outside independent directors, supervisors calculated according to the ratio of 80% .
- 4.By the closure date of transfer in the general meeting shareholders this time (May 1<sup>th</sup>, 2021),the number of shares the individual and all directors as recorded on the list of shareholders is as follows:

#### Type of shares held: Ordinary shares

Position	Name	Date elected	Term (Year s)	Number of shares held on the elected date		The number of shares recorded on the list of shareholders on the closure date of transfer	
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Chairman of the board	Ch'uan Fu Investment Co. Ltd. Representative: Chen ,huang-ming	2018.6.29	3	9,844,068	2.83%	12,110,149	2.71%
Director	Ch'uan Fu Investment Co. Ltd. Representative:: Chiang,chi-ching	2018.6.29	3				
Director	Chia ho Investment Co. Ltd. Representative: Tseng, mei- ling	2018.6.29	3	2,000,000	0.58%	2,460,395	0.55%
Director	Ju hsiang Investment Co., Ltd Representative: Chang, liang- ming	2018.6.29	3	4,070,000	1.17%	5,006,904	1.12%
<b>Independent Directors</b>	Chen, chin- yueh	2018.6.29	3	0	0.00%	0	0.00%
<b>Independent Directors</b>	Wang, chih- lung	2018.6.29	3	0	0.00%	0	0.00%
<b>Independent Directors</b>	Tu,yi- yang	2018.6.29	3	0	0.00%	0	0.00%
Total directors				<b>15,914,068</b>	<b>4.58%</b>	<b>19,577,448</b>	<b>4.38%</b>