

# Kung Sing Engineering Corporation

## 2020 Annual Report

*Notice to readers*

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

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**Spokesperson**

Name: Liu, Te-chang  
Title: Director, Auditing Office  
Tel: 886-2-27514188  
E-mail: liu@kseco.com.tw

**Headquarters, Branches and Plant**

Headquarters  
Address: 8F., No.102, Sec. 4, Civic  
Blvd., Da'an Dist., Taipei City 106,  
Taiwan (R.O.C.)  
Tel: 886-2- 27514188

**Deputy Spokesperson**

Name: Huang,li-wang  
Title: Finance Manager  
Tel: 886-2-27514188  
E-mail: coral@kseco.com.tw

**Second Deputy Spokesperson**

Name: Juan,Yen-ping  
Title: Commissioner  
Tel: 886-2-27514188  
E-mail: k2089@kseco.com.tw

**Stock Transfer Agent**

Stock Affairs Agency Department of Yuanta Securities.  
Address: B1F and B2F., No.210, Sec.3, Chengde Road., Taipei City Taiwan (R.O.C.)  
Tel: 886-2-25863117  
Website: <http://www.yuanta.com.tw/>

**Auditors**

PWC Accounting Firm  
Auditors: Lin, Se-kai and Wang, Fang-yu  
Address: 7F., No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan  
(R.O.C.)  
Tel.: 886-2-27296666  
Website: [http : //www.pwc.com/tw](http://www.pwc.com/tw)

**Overseas Securities Exchange : NA****Corporate Website**

[http : //www.kseco.com.tw](http://www.kseco.com.tw)

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## I. Letter to Shareholders

### 1.1 2020 business results

#### 1.1.1 2020 annual business plan implementation results

Unit: NT\$ thousand

Operating income	Operating profit	Net income
7,159,730	1,149,068	1,007,121

#### 1.1.2 2020 annual budget implementation situation

Unit: NT\$ thousand

	The actual amount	Budget	Amount ratio
Operating income	7,159,730	Not announced	Not applicable
Gross profit	1,891,615		
Operating expenses	(742,547)		
Operating profit	1,149,068		
Non-operating income and expenses	(83,845)		
Pre-tax income	1,065,223		
Net income	1,007,121		

#### 1.1.3 Financial income and expenditure and profitability analysis

Unit: NT\$ thousand

Analysis Project		2020
Financial ability	Interest income	20,370
	Interest expenses	40,020
Profitability	Return on equity (%)	19.94%
	Pre-tax profit to paid-in capital ratio(%)	23.80%
	Net profit rate(%)	14.07%
	After-tax earnings per share (yuan)	2.26

#### 1.1.4 Research and development status

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

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

## **1.2 Business Plan for 2021**

### 1.2.1 Operational principles

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

### 1.2.2 Expected sales and the basis

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

Based on the current total amount of the company's construction projects, capital flow and comprehensive evaluation of the above assessment, public projects such as roads, rail transportation, bridges, tunnels and ports in 2021 will be the main tracking targets. After searching the Public Works Committee of the Executive Yuan, Taiwan Electric Power Co., Ltd., Taipei City Government, China Post Co., Ltd., Taoyuan City Government, Ministry of Transportation Railway Bureau, Taipei Waterworks, Taiwan Port Corporation,

New Taipei City Government MRT Project Bureau, Ministry of Communications, General Administration of Highways and other agencies check the possible bids for projects in 2021, carefully select the contractors that are more suitable for the company according to the nature of the project, and plan to set the company's 2021 business contract amount to NT\$8 billion (not taxed).

The 2021 operational plan is as shown in the following:

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

#### 1.2.3 Important production and marketing policies

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

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

In 2021, the Company continued to focus on public works such as roads, rail transit, bridges, tunnels and port areas.

The Chief Accounting Office of the Executive Yuan predicted a GDP of 2.37% at the beginning of 2020. It announced on November 27, 2020 that the GDP for 2020 will be 2.54%, with an upward revision of 0.17%. However, the outbreak of the new coronavirus (COVID-19) at the beginning of the year has made the economy of many countries Paralysis, an unprecedented large-scale blockade, has brought great economic shocks; and the increasing friction in Sino-US trade disputes and geopolitical tensions may weaken the power of global economic growth, although it may go down; although The domestic epidemic is properly controlled, and then the impact on the domestic economy still requires special attention.

In 2021, in order to strengthen the momentum of economic recovery, promote industrial upgrading and transformation, revitalize the economy, and build "six core strategic industries", the government plans to continue to promote the third phase of forward-looking infrastructure construction in addition to the "five plus two" industrial innovation plan Plan and optimize the domestic investment environment through the "Accelerated Investment Taiwan Project Conference", remove investment barriers, accelerate industrial innovation and structural transformation, and combine economic supply and demand to stimulate private consumption and reward private participation in public construction. This will help Drive the growth of domestic investment next year and stabilize the momentum of economic growth. A total of NT\$534 billion yuan has been allocated for government public construction design drawings in 2021, an increase of NT\$67 billion yuan from the same basic budget of NT\$467 billion yuan in 2020. Among them, the three sub-categories of "transportation and construction", "environmental resources" and "urban and regional development", which are the contractable categories of the construction industry, total NT\$273.8 billion yuan, and the most important transportation construction category is NT\$196.4 billion yuan.

In recent years, the government has actively promoted the use of "the most favorable bids" or "the most favorable bids for turnkey projects" in domestic public engineering bids. The first is to avoid vicious competition in the domestic industry, which in turn affects the quality and execution efficiency of the project, and enhances the competitiveness of the industry; Design consultants and construction of turnkey projects are handled in the most advantageous way. In addition to



cultivating manufacturers' ability to integrate design, construction, financial management, etc., they can also introduce innovative materials, technologies and construction methods through turnkey to promote industrial R&D and technology improvement.

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

Sincerely yours,

Chairman of the board  
Chen, Huang-ming

General manager  
Chiang, Chi-ching

Accounting Supervisor  
Wen, Shu-Chiao

## II. Company Profile

### 2.1 Date of Incorporation:

Date of Incorporation: February 01, 1941

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

company address: 8F., No.102, Sec. 4, Civic Blvd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

Tel: 886-2- 27514188

Fax: 886-2-27218027

### 2.2 Company History

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

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

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

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

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

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

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

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



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

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

	<ol style="list-style-type: none"> <li>3. Won the "2019 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Bronze Award.</li> <li>4. According to the resolution of the board of directors, the capital increase of NT \$ 1,000,000,000 was completed in November, and the paid-in capital was changed to NT \$ 4,475,274,130.</li> </ol>
2020	<ol style="list-style-type: none"> <li>1. Suhuagai Guanyin and Gufeng Tunnel new construction project on 1/6 was opened to traffic.</li> <li>2. The company participated in the public tender and obtained the Taipei Port South Wharf S07, S08 Revetment and Rear Line Embankment Construction Project.</li> <li>3. The new construction of Taichung Port No. 106 was completed and won the "Excellent Award" of the 2020 Public Works Excellent Project Award issued by the Ministry of Transportation.</li> <li>4. Won the "2020 TCSA Taiwan Enterprise Sustainability Award" Taiwan Enterprise Sustainability Award Silver Award.</li> <li>5. The new construction of Taichung Port No. 106 won the "Public Engineering Gold Award, Water Conservancy Engineering Category".</li> <li>6. The company participated in public bidding to obtain "Taichung Combined Cycle Power Plant Project -Circulating Water Pump House and Tunnel Project"</li> <li>7. The company participated in the public bidding and won the procurement case for "Taiwan Line 9 212K + 800~214K + 685 Papaya River Bridge Reconstruction Project".</li> </ol>

(1) In the most recent year and as of the date of publication of the annual report, the company's mergers and acquisitions, reinvestment of related companies, and reorganizations: None.

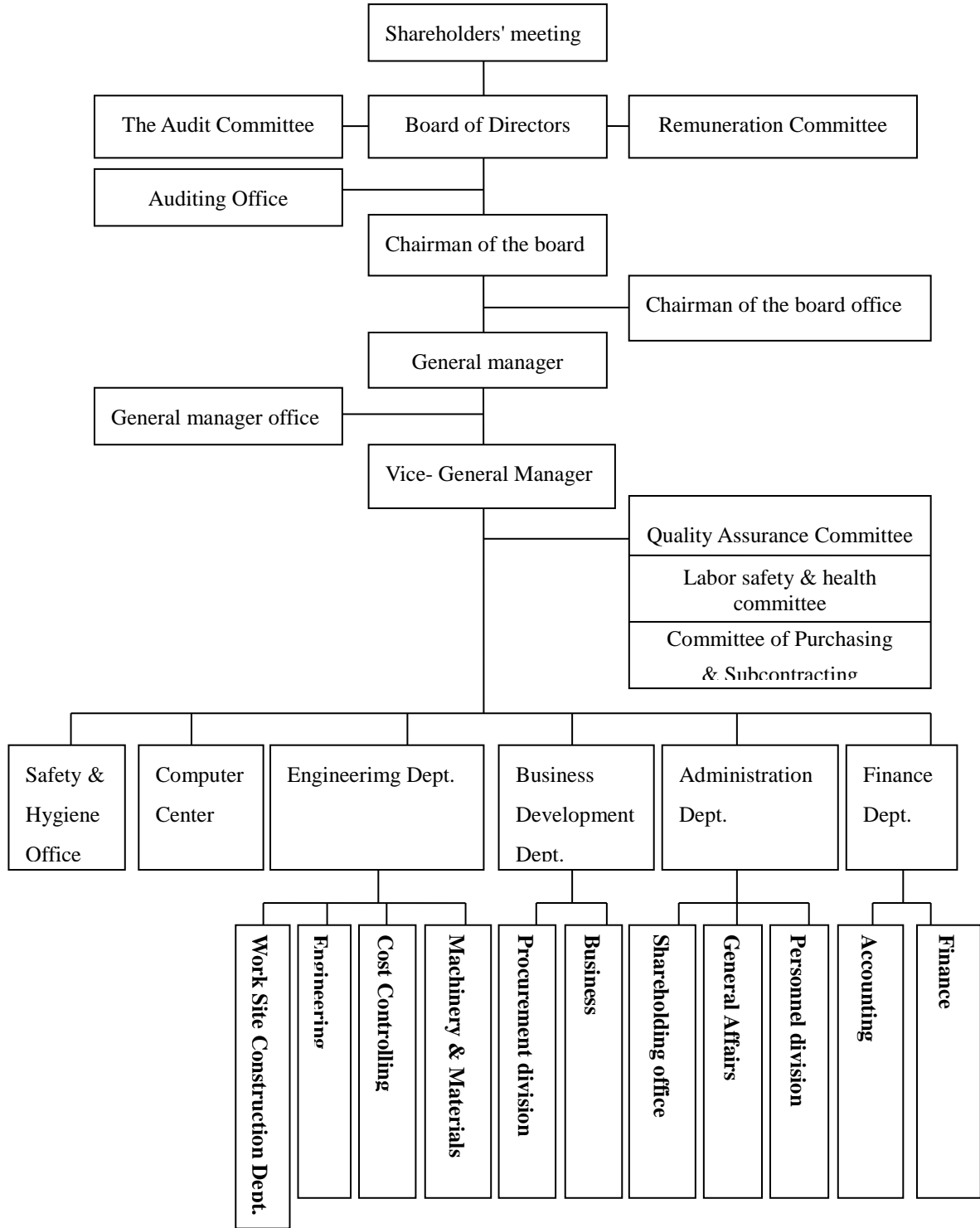
(2) A large number of transfers or replacements of shares of directors, supervisors, or major shareholders holding more than 10% of the shares, changes in management rights, major changes in business methods or business content, and other important matters that affect shareholders' rights and interests and their impact on the company Impact: None.

(3) Group profile, group structure, risk issues: For details of the company's risk issues, please refer to pages 164-166, and related information on related companies, please refer to pages 166-168.

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organizational Chart



### 3.1.2 Major Corporate Functions

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

Safety & Hygiene Office	To plan and organize labor safety & health education training programs, set up occupational hazard prevention plan, handle the processing of information related to safety & health, work on statistics and data filing, etc.
Computer Center	Information system development, maintenance training program planning, and computer equipment maintenance and management, etc.
Administration Dept.	<p>1. Personnel division: To simulate and do a research on systems, implementations, and revisions, organize welfares, plan human resources and training programs, etc.</p> <p>2. General Affairs: Simulations, implementations, and revisions of all general affairs, procurement, custody, recipient, allocation, maintenance of public goods, working environment and improvement, maintenance, safety, documentation, receipt and delivery, filing of equipment, registration, inventory, custody, maintenance of properties, and allowance payments, etc.</p> <p>3. Shareholding office: To handle the matters related to company stocks and shareholders, and managements of general affairs, personnel, and stock affairs.</p>
Finance Dept.	<p>1. Finance: Payments of all amounts, the cash dispatch, the use of control, reconciliation processing with the company, contract execution, implementation, cash, receipts, securities and payments of advance payment guarantee application and extension, etc.</p> <p>2. Accounting: Establishment and implementation of accounting systems, accounting accounts handling, cost planning analysis, budgeting, analysis on a variety of operation, managerial reports design, etc.</p>

### 3.2 Directors and Management Team

May 1, 2021

#### 3.2.1 Directors

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

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



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

**Major shareholders of the institutional shareholders**

May 1, 2021

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

**Professional qualifications and independence analysis of directors and supervisors**

May 1, 2021

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

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

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

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

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

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

### 3.2.2 Management Team

May 1, 2021

Title	Nationality / Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General manager	Republic of China	Chiang,chi-ching	Men	08 15,2008	115,145	0.03	9,000	0.00	0	0.00	Graduated from Tunghai Senior High School President, Chun Jun Construction Co. Ltd. Executive Director, Taiwan Professional Boxing Association Executive Director, Construction Association Consultant, Executive Yuan The current Chinese KMT Central Committee The current Executive Director, National Association of Construction	Chairman, Chin Pone Construction Company Chairman, Merit Century Investments Limited Chairman, Kung Sing Development Corporation	None	None	None
Vice- General Manager(20200301 resigns)	Republic of China	Tai, Yin-chou	Men	11 01,2017	208	0.00	0	0.00	0	0.00	Bachelor degree in Civil Engineering, National Chung Hsin University Project Member, China Engineering	None	None	None	None
Vice- General Manager (Inauguration 20200301)	Republic of China	Liu, Yung-ching	Men	03 01,2020	11,308	0.00	0	0.00	0	0.00	Department of Civil Engineering, Southeast University of Science and Technology	None	None	None	None
Public Works Manager	Republic of China	Kuo, yao- wen	Men	01.01,2020	0	0.00	0	0.00	0	0.00	Department of Civil Engineering, Chung Yuan University Deputy Manager of Public Works	None	None	None	None

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

### 3.2.3 Remuneration of Directors, President, and Vice President

#### Remuneration of Directors

2020/12/31 Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements			The company	Companies in the consolidated financial statements
															Cash	Stock	Cash	Stock				
Chairman of the board	Ch'uan Fu Representative: Chen , huang-ming	0	0	0	0	3,039	3,039	290	290	0.33	0.33	3,787	3,787	0	0	297		297	0	0.73	0.73	None
Directors	Ch'uan Fu Representative: Chiang ,chi-ching	0	0	0	0	3,039	3,039	290	290	0.33	0.33	3,019	3,019	169	169	297	0	297	0	0.67	0.67	None



Directors	Chia ho Representative: Tseng, mei-ling(2018.06.29 Newly appointed)	0	0	0	0	3.039	3.039	290	290	0.33	0.33	0	0	0	0	0	0	0	0	0	0.33	0.33	None
Directors	Ju hsiang Representative: Chang, liang-ming (2018.06.29 Newly appointed)	0	0	0	0	3.039	3.039	290	290	0.33	0.33	0	0	0	0	0	0	0	0	0	0.33	0.33	None
Independent Directors	Chen, chin-yueh	0	0	0	0	3.039	3.039	490	490	0.35	0.35	0	0	0	0	0	0	0	0	0	0.35	0.35	None
Independent Directors	Tu, yi-yang	0	0	0	0	3.039	3.039	490	490	0.35	0.35	0	0	0	0	0	0	0	0	0	0.35	0.35	None
Independent Directors	Wang, chih-lung	0	0	0	0	3.039	3.039	490	490	0.35	0.35	0	0	0	0	0	0	0	0	0	0.35	0.35	None

1. Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: There are three independent directors of the company, and the standard of remuneration is in accordance with the provisions of Article 15 of the company's articles of association: the remuneration of all directors is based on the degree of participation and contribution to the operation of the company, and takes into account domestic and foreign industry standards. The board meeting was fixed. Because the three independent directors are elected by the board of directors as members of the remuneration committee and audit committee at the same time, in addition to regular and irregular meetings to review the remuneration of directors and managers, they also need to review financial reports, audit internal control, and company fund loans. , Endorsement guarantees and other related matters, the responsibility, risk and time invested are more, so the business execution cost of directors' remuneration is higher than that of general directors.

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

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

## Remuneration of the President and Vice President

2020/12/31 Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General manager	Chiang, chi-ching	2,844	2,844	169	169	175	175	297	0	297	0	0.35	0.35	None
Vice - General Manager (2020 0301 resigns)	Tai, Yin-chou	231	231	4	4	104	104	0	0	0	0	0.03	0.03	None
Vice - General Manager (Inauguration 2020 0301 )	Liu, Yung-ching	1,284	1,284	26	26	8	8	297	0	297	0	0.16	0.16	None

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

2020/12/31 Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	General manage	Chiang,chi-ching	0	1,262	1,262	0.13
	Vice- General Manage	Tai, Yin-chou				
	Assistant manager	Liu, Yung-ching				
	Manager, Finance Dept.	Huang, li-wang				
	Accounting Supervisor	Wen, Shu Chiao				

**The remuneration of the company's top five remuneration executives( Note1)**

Title	Name	Salary(A)( Note2)		Severance Pay (B)		Bonuses and Allowances (C)( Note3)		Employee Compensation (D))( Note4)				Ratio of total compensation (A+B+C+D) to net income (%) ( Note6)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary( Note7)
		The company	Companies in the consolidated financial statements( Note5)	The company	Companies in the consolidated financial statements( Note5)	The company	Companies in the consolidated financial statements( Note5)	The company		Companies in the consolidated financial statements)( Note5)		The company	Companies in the consolidated financial statements( Note5)	
								Cash	Stock	Cash	Stock			
General manage	Chiang,chi-ching	2,844	2,844	169	169	175	175	297	0	297	0	0.35	0.35)	None

Vice - General Manager (Note 8)	Liu, Yung-ching	1,479	1,479	34	34	199	199	297	0	297	0	0.20	0.20	None
Corporate Governance Supervisor	Li, kuei-chung	995	995	55	55	130	130	223	0	223	0	0.14	0.14	None
Manager, Finance Dept.	Huang, li-wan g	838	838	71	71	131	131	223	0	223	0	0.13	0.13	None
Accounting Supervisor	Wen, Shu Chiao	603	603	55	55	82	82	223	0	223	0	0.10	0.10	None

Note 1: The "top five top executives of remuneration" refers to the managers of the company, to the certification standards of the relevant managers, based on the three-character "Taiwan Finance Certificate" dated March 27, 2003 by the Securities and Futures Management Commission of the former Ministry of Finance Letter Order No. 0920001301

The application scope of the "manager" shall be stipulated. As for the "top five highest remuneration" calculation and determination principle, it is based on the company's managers receiving salaries, retirement pensions, bonuses and special expenses from all companies in the consolidated financial report, as well as the total amount of employee remuneration (that is, A +B+C+D (the total amount of four items), and the five highest remunerations will be recognized after sorting. If the director concurrently serves as the former director, this form and the above form (1-1) should be filled in.

Note 2: This is the salary, job bonus, and severance pay of the top five highest compensation executives in the most recent year.

Note 3: The amount of various bonuses, incentives, carriage fees, special expenses, various allowances, dormitories, car allocation and other remunerations of the top five top executives in the most recent year is filled in. Such as providing houses, cars and other transportation or exclusive

When personal expenditures, the nature and cost of the assets provided, the actual or fair market price rent, oil and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it will not be included in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Share Basic Benefits", including obtaining employee stock options, restricting employee rights, new shares, and participating in cash capital increase subscription for shares, should also be included in remuneration.

Note 4: The amount of compensation (including stocks and cash) for the employees of the top five top executives approved by the board of directors in the most recent year is listed. If it is not possible to estimate, the proposed distribution amount for this year will be calculated based on the actual distribution amount last year. Fill in and attach

Table one of three.

Note 5: The total amount of remuneration paid to the top five top executives of the company by all companies (including the company) in the consolidated report should be disclosed.

Note 6: Net profit after tax refers to the net profit after tax of the individual or individual financial report in the most recent year.

Note 7: a. This column should clearly indicate the amount of the top five remuneration executives of the company receiving related remunerations from the non-subsidiary investment business or the parent company (if none, please fill in "none").

b. Remuneration refers to the remuneration and remuneration (including remuneration for employees, directors and supervisors) received by the company's top five executives with the highest remuneration as directors, supervisors or managers of subsidiaries or parent companies. And related remuneration such as business execution costs.

Note 8: Vice President Liu, Yung-ching took office on March 1, 2020. From January 1, 2020 to the end of February 2020, he will be an associate position. The remuneration is calculated in a consolidated manner.

\* The content of the remuneration disclosed in this table is different from the income concept of the income tax law, so the purpose of this table is for information disclosure and not for taxation.

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

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

Year	Total remuneration paid to directors, supervisors, presidents and vice presidents		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
2021	33,130	33,130	3.28	3.28
2020	14,292	15,007	(59.52)	(62.49)

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

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

#### **The link between board performance evaluation and salary compensation**

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

Regulations:



Article 15 of the articles of association:

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

Article 18:

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

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

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

1. Ensure that the company's salary and remuneration arrangements comply with relevant laws and regulations and are sufficient to attract outstanding talents.
2. The performance evaluation and salary and remuneration of directors, audit committees and managers should refer to the normal level of the industry.

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

3. Directors and managers should not be guided to pursue behaviors that exceed the company's risk appetite in pursuit of salary and remuneration.
4. The proportion of short-term performance payment of directors and senior managers and some changes in salary payment time should be determined by considering the characteristics of the industry and the nature of the company's business.
5. The content and amount of the remuneration of the directors, audit committee and managers should be considered for their reasonableness. The decision of the remuneration of the directors, audit committee and managers should not be significantly contrary to financial performance. For a long-term loss, the salary should not be higher than the previous year. If it is still higher than the previous year, the reasonable explanation should be disclosed in the annual report and reported to the shareholders' meeting.
6. The members of this committee shall not participate in the discussion and voting on their personal salary and remuneration decisions.

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

remuneration committee on December 28th, 2011.

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

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

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

### 3.3 Implementation of Corporate Governance

#### 3.3.1 Board of Directors

In 2020, the board of directors will meet 10 times [A], and the directors' attendance is as follows:

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

nt director					
<p>Other mentionable items:</p> <ol style="list-style-type: none"> <li>1. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified: <ol style="list-style-type: none"> <li>(1) Matters referred to in Article 14-3 of the Securities and Exchange Act : Please refer to P89-94.</li> <li>(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors : None</li> </ol> </li> <li>2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: <ol style="list-style-type: none"> <li>A.1.2020.03.26 The first proposal of the twenty-sixth session of the 2020 board of directors I: 2019 employee and director remuneration distribution proposal. (Proposed by the Salary and Compensation Committee) In the agenda of this case, interested parties are invited to avoid voting, and other directors shall vote. Resolution: This case was passed without objection by all the directors present.</li> <li>B.2020.03.26 The tenth discussion proposal of the first board of directors of the twenty-sixth session of 2020: review of directors' remuneration and review of manager's salary adjustments and new deputy Remuneration of the general manager and head of corporate governance. (Proposed by the Salary and Compensation Committee) In the agenda of this case, interested parties are invited to avoid voting, and other directors shall vote. Resolution: This case was passed without objection by all the directors present.</li> </ol> </li> <li>3. Listed companies should disclose information on the evaluation cycle and period, evaluation scope, methods, and evaluation contents of the board's self (or peer) evaluation, and fill out the attached table 2 (2) The implementation of the board evaluation. Please refer to the attached table "Execution of Board Evaluation".</li> <li>4. Measures taken to strengthen the functionality of the board:In 2020, two remuneration committee meetings will be held to strengthen performance evaluation and remuneration structure. At the end of each year, the company will conduct self-assessment of directors and board performance evaluation as the basis for board performance appraisal, and conduct review and improvement. Please refer to P28-29 for details. Corporate governance operation situation-the composition and responsibilities of the board of directors. In 2020, directors and independent directors have completed 6 hours of training to strengthen the functions of the board of directors.</li> </ol>					

**Evaluation of the implementation of the board of directors**

<u>Evaluation cycle</u>	<u>Assess time span</u>	<u>Assessment scope</u>	<u>Evaluation method</u>	<u>Evaluation content</u>
Once a year	January 1, 2020 Until December 31	Board of Directors, Remuneration Committee, Audit Committee Performance Evaluation and Individual Directors	Self-assessment of performance evaluation of the board of directors, remuneration committee and audit committee by way of internal company evaluation. Individual directors also conduct self-assessments.	<p>The contents of the board performance evaluation include:</p> <ol style="list-style-type: none"> <li>1. Participation in company operations With (12 items).</li> <li>2. Board decision quality (12 items).</li> <li>3. Board composition and knot Structure (7 items).</li> <li>4. Selection and holding of directors Continue training (7 items).</li> <li>5. Internal control (7 items).</li> </ol> <p>The contents of individual director self-evaluation include:</p> <ol style="list-style-type: none"> <li>1. Company goals and tasks Mastery (3 items).</li> <li>2. Director's responsibilities (3 item).</li> </ol>

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

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

#### Chapter III Strengthens Board Functions

##### Section 1 Board Structure

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

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

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

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

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

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

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

First, the ability to judge operations.

Second, accounting and financial analysis capabilities.

Third, business management capabilities.

Fourth, the ability to handle the crisis.

Fifth, the industry knows.

Sixth, the international market view.

Seven, the ability to guide.

Eight, decision-making ability.

#### Diversity of Directors

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

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

#### Audit Committee

In 2020, the Audit Committee will meet 5 times (A), and the attendance is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Independent director	Tu,yi-yang	5	0	100%	
Independent director	Chen, chin-yueh	5	0	100%	
Independent director	Wang, chih-lung	5	0	100%	

Other mentionable items:

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

(1) Please refer to P95-99 for all the proposals of the Audit Committee in 2020 and as of the printing date of the annual report, the results of resolutions and the company's implementation. Proposals related to the Securities and Exchange Act 14-5 are indicated after each item.

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

None

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

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

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

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

2. Internal audit supervisors and independent, etc. are quarterly meetings, the



implementation of the company's internal audit and internal control of the operation of the situation to mention report, in case of major unusual matters, may be convened with the meeting.

(B)Communication between independent directors and accountants:

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

2.Date of communication in 2020:

(1)The 3/26 financial report has been approved by the audit committee and submitted to the board of directors for approval. The independent director / audit committee has no opinion.

(2)The 5/6 financial report has been approved by the audit committee and submitted to the board of directors for approval. The independent director / audit committee has no opinion.

(3)The 8/10 financial report has been approved by the audit committee and submitted to the board of directors for approval. The independent director / audit committee has no opinion.

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

On December 29, 2020, the symposium will communicate on the annual inspection plan. The items are as follows:

(1) Communicate the current progress of the company's financial report self-compilation and the 2021 counseling plan in the Republic of China, in order to have a complete financial report self-compilation ability.

(2) The 2021 audit and communication plan .

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

2020 Communication Date: In addition to each board meeting (10 meetings in 2020), face-to-face interviews will be held on the following dates.

12/11 Audit conducted face-to-face interviews with independent directors, compiled the implementation status of the audit business reports in the first three quarters of 2020, and reported the current audit business implementation and company operating conditions to the independent directors.

Implementation situation: The independent director has no objection, and the audit continues to be implemented in accordance with the regulations.

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

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	√		<p>The company's "Code of Conduct for Corporate Governance" was formulated on November 13, 2014 in accordance with the "Code of Conduct for Corporate Governance of Listed OTC Companies" approved and implemented by the board of directors. The fifth revision has been approved by the board of directors on March 26, 2020.</p> <p>Enquiry point: Public Information Observation Station(<a href="http://mops.twse.com.tw/mops/web/t100sb04_1">http://mops.twse.com.tw/mops/web/t100sb04_1</a>)</p> <p>The company’s stock code: 5521, and the company’s official website : <a href="http://www.kseco.com.tw/tc/regulations.aspx">http://www.kseco.com.tw/tc/regulations.aspx</a>.</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
2. Shareholding structure & shareholders’ rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		Internal control of the Company set about parties on record operating procedures, the actual operation of the process in conformity to prescribed procedures and made a record, the company website investor contact zone and set up the window, a spokesman for the establishment of mechanisms to deal with shareholder proposals, doubts, disputes and litigation matters. .	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares.	None
(3) Does the company establish and execute the risk management and firewall system within its	✓		Rules are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. In addition, the “Criteria of Internal Control Mechanism for a	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>conglomerate structure?</p> <p>(4) Does the company establish internal rules against insiders trading with undisclosed information?</p>	✓		<p>Public Company”, outlined by the Financial Supervisory Commission when drafting the guidelines for the “Supervision and Governance of Subsidiaries”, was followed in order to implement total risk control with respect to subsidiaries.</p> <p>To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information(amended in August 2015 Preventing insider trading management system operations). The Company has also strongly advocated these rules in order to prevent any violations.</p>	None
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a</p>			Member diversification is considered by the	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
diversified policy for the composition of its members?	√		<p>Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The Board objectively chooses candidates to meet the goal of member diversification.</p> <p>Please refer to the company's website-corporate governance-director introduction.  <a href="http://www.kseco.com.tw//tc/finance1.aspx">http://www.kseco.com.tw//tc/finance1.aspx</a></p>	None
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		√	<p>The company is currently in addition to salary compensation committee, the audit committee was set up in 2015 (still the establishment of non-mandatory), other functional panel will assess whether to set.</p>	other functional panel will assess whether to set.

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually? And report the results of the performance evaluation to the board of directors and run.References for individual directors' remuneration and nomination renewal?	√		<p>The company has formulated rules and procedures for evaluating the Board's performance and conducts it annually.</p> <p>The assessment items are as follows:</p> <ol style="list-style-type: none"> <li>1. Degree of participation in company operations (12 items)</li> <li>2. Improve the quality of board decision-making (12 items)</li> <li>3. Board composition and structure (7 items)</li> <li>4. Selection of directors and continuing education (7 items)</li> <li>5. Internal control (7 items)</li> </ol> <p>A total of 45 items. After handing over the directors' self-assessment form to the directors at the end of the year, the board of directors' meeting unit will conduct an assessment based on the above-mentioned assessment items.</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?	√		<p>The evaluation results are divided into five levels: 1. Very poor, 2. Poor, 3. Medium, 4. Excellent, 5. Very excellent. The 2020 board performance evaluation was excellent. The result of the evaluation determines the percentage of directors' remuneration distribution for the year, Not more than 3%. and the reference for nomination and re-appointment when the directors are re-elected.</p> <p>(For other board performance evaluation, please refer to the company's website.  <a href="http://www.kseco.com.tw/upload/53/2021011810140651934.pdf">http://www.kseco.com.tw/upload/53/2021011810140651934.pdf</a> )</p> <p>(4) Based on the advice of the accountant, conduct an assessment before the announcement of the first quarter of the financial report. In 2021, the first board conducted an assessment on</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>March 29, and the assessment was as follows:  The company's internal corporate governance code of conduct is evaluated by the company as follows:  (A) According to Article 68 of the Auditing Standards Bulletin No. 46: "The impact of familiarity is particularly relevant to the case of checking the financial statements of listed cabinet companies. For similar cases, the host accountant should rotate after a certain period (usually not more than 7 years), and At least a certain period of time (usually not less than 2 years) is required to return to office. "And the company's" Corporate Governance Code of Practice "Article 29, second item:" The company should periodically (at least once a year) evaluate the independence of the employed accountant "Sex" requirements.</p>	



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(B) The current visa accountants of the company are Lin, Se-kai and Wang, Fang-yu, the accountants of PwC Taiwan. Their visa periods in the company are as follows:  Accountant's name from the beginning of the visa period  Lin, Se-kai 2019 to date  Wang, Fang-yu 2020 to date</p> <p>(C) During the period of cooperation with the Company, the accountants in the preceding paragraph have no conflicts of interest and conform to the principle of independence.  Resolution: After all directors attended the resolution on March 29, 2021</p>	
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors			The company uses the stock office of the administrative department as the special unit for corporate governance affairs, And appoint a Corporate Governance Supervisor ( Li, kuei-	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	√		<p>chung), in addition to providing directors (including independent directors) with the necessary information for the execution of business, according to law to deal with the board of directors and shareholders' meetings related matters, handle company registration and change registration, production board and shareholders' In addition to the meeting minutes and other matters, it also builds and maintains information disclosure on the company's website and related information on corporate governance, stakeholders, and corporate social responsibility. For related corporate governance operations and implementation, please refer to our website: <a href="http://www.kseco.com.tw/upload/17/2021010411191448425.pdf">http://www.kseco.com.tw/upload/17/2021010411191448425.pdf</a></p>	
5. Does the company establish a communication channel and build a designated section on its	√		The Company provides detailed contact information, including telephone numbers and	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?			email addresses in the “Stakeholder Area” section of the corporate website. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company appoints a professional stock agency "Yuanta Securities Stock Agent" to handle the affairs of the company's shareholders' meeting.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1)The Company has set up a Chinese/English website ( <a href="http://www.kseco.com.tw">http://www.kseco.com.tw</a> ) to disclose information regarding the Company’s financials, business and corporate governance status.	None
(2) Does the company have other information	✓		(2)The Company has assigned an appropriate	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed time limit?</p>		<p>√</p>	<p>person to handle information collection and disclosure. Contact person: Shareholding office. The Company has established a spokesman system. Investor conference information is disclosed on the corporate website.</p> <p>(3) The company currently publishes and declares its annual financial report by the end of March in accordance with regulations. The first, second, and third quarters are also completed within the standard timeframe. The monthly revenue is declared before the 10th of each month.</p>	<p>None</p> <p>No early declaration yet Corporate governance 3.0 for planning.</p>
<p>8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p> <p>(1) The directors and supervisors of the Company are in the process of further training. ( Please refer to P58-60) The Company has established an</p>				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>audit committee and has no supervisors. In addition to the 6-hour course for the required directors, the company also regularly arranges related activities such as corporate governance, corporate ethics and certification, and internal transactions.</p> <p>(2) Please refer to page 40-41 for the status directors and supervisors participating in the meeting of the board of directors. For employees’ interests and care, please refer to pages 134-137.</p> <p>(3) For the risk management policy and risk assessment standard, please refer to pages 164-166. The relationship with suppliers and the status of customer policy, please refer to pages 127-130. For the relationship among investors and interests of related parties, please refer to “For investors” on the company’s website.</p> <p>(4) In addition to dedication to its regular management and profit maximization, the company as well is aware of its corporate responsibility for the society, and constantly pays attention to consumers’ interests and environmental protection. Please refer to pages 69-76 regarding responsibility to the society stated in the area for investors on the company’s website.( <a href="http://www.kseco.com.tw/venture/">http://www.kseco.com.tw/venture/</a>)</p> <p>(5) The company’s directors are evaded from participating in the voting of cases involved with interests and forces and may cause harm to the company’s interests listed by the Board.</p> <p>(6) The company purchased liability insurance for all directors on November 16, 2018 and And renew on November 16, 2020, and has applied to the public information observatory.</p> <p>(7) In order to enhance the company’s operation, the company successively checks and complies with the authorities and set up related measures and internal operating procedure based on needs. Such as “procedure of meetings of the Board of Directors”, “procedures of the acquisition or disposition of assets”, “procedures of engaging in derivative transactions”, “procedures and rules of shareholders’ meeting”, “election measures for directors and supervisors”, “procedures of derivative transactions”, “budget management measures”, “subsidiary management measures”, “prevention of insider trading management systems”, and “public information reporting and operational control”. Among which, “prevention of insider trading management systems” and “public information reporting and operational control” are the major information</p>				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	

processing procedures, as all related departments and staff are dealing with important information or disclosure, must follow the related procedures and regulations.

As a site is established, the company always offers a complete internal control system to each site, and when amendments and additions are made, all staff, managers, and directors will be noticed immediately.

Directors training records:

Title	Name	Training hours	Study period		Sponsoring Organization	Course
			From	To		
Director	Chen ,huang-min g	3H 3H	2020/10/16 2020/11/03	2020/10/16 2020/11/03	1.Taiwan Stock Exchange 2.Securities and Futures Development Foundation	1. 2020 Corporate Governance and Corporate Integrity Directors and Supervisors Promotion Conference 2.Discussion on Legal Risks and Responses of Directors and Supervisors from Major Enterprise Malpractice Cases
Director	Chiang,c hi-ching	3H 3H	2020/10/21 2020/11/03	2020/10/21 2020/11/03	Securities and Futures Development Foundation	1. Discussion on Cases of Fraud in Enterprise Financial Statements. 2. Discussion on Legal Risks and Responses of Directors and Supervisors from Major Enterprise Malpractice Cases.

Evaluation Item				Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
				Yes	No	Abstract Illustration	
Director	Tseng, mei-ling	3H 3H	2020/09/30 2020/10/16	2020/09/30 2020/10/16	1. Securities and Futures Development Foundation 2. Taiwan Stock Exchange	1. 2020 Prevention of Insider Trading advocacy briefing 2. 2020 Corporate Governance and Corporate Integrity Directors and Supervisors Promotion Conference	
Director	Chang, liang-min g	3H 3H	2020/09/04 2020/11/17	2020/09/04 2020/11/17	Securities and Futures Development Foundation	1. 2020 Prevention of Insider Trading advocacy briefing 2. The impact of the latest tax law changes on business operations and its response	
Independent director	Chen, chin-yueh	3H 3H	2020/09/22 2020/09/30	2020/09/22 2020/09/30	1. Taiwan Stock Exchange 2. Securities and Futures Development Foundation	1. IPO "Corporate Governance 3.0-Blueprint for Sustainable Development" Summit Forum 2. 2020 Prevention of Insider Trading advocacy briefing	
Independent director	Wang, chih-lung	3H 3H	2020/08/03 2020/08/03	2020/08/03 2020/08/03	Corporate Corporate Governance Association	1. How do directors and supervisors supervise companies to do a good job in corporate risk management and crisis management. 2. Threat Management and Prevention of New Generation Enterprises: Big Data Analysis and Company Fraud Detection and	

Evaluation Item				Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
				Yes	No	Abstract Illustration	
						Prevention	
Independent director	Tu,yi-yang	7H 3H 3H	2020/03/16 2020/03/26 2020/10/06	2020/03/16 2020/03/26 2020/10/06	National Association of the Chinese Institute of Certified Public Accountants	<ol style="list-style-type: none"> <li>1. Analysis of the main points and doubts of the income tax declaration for profit enterprises.</li> <li>2. Application of internal control system of accounting firms to prevent money laundering and combat capital terrorism.</li> <li>3. The impact of new developments and controlled foreign company terms on the investment structure of Taiwanese companies</li> </ol>	
<p>9. Has the company implemented a self-evaluation report <sup>2</sup> on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements.</p> <p>The Company has set corporate governance codes of practice and perform in accordance with the norms of the Code. 2020 Annual Corporate Governance Evaluation (certificate-based evaluation will be carried out), the Company completed the self-assessment before the end of January 2021, 29 April 2021 will be released by the group certificate 89.74 score, the results of the assessment of all listed companies in the affected the 6-20 percent. Score less by 0.62 from last year.</p>							



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<b>Missing improvement:</b> 1. The quarterly board of directors and the time for reporting financial reports cooperate with the standards for corporate governance evaluation.				

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

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

### 3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

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

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

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

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

#### A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

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

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

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

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

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

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

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

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

## **B. Attendance of Members at Remuneration Committee Meetings**

1. There are 3 members in the Remuneration Committee.

2. The term of office of the current members: August 2, 2018 to June 28, 2021. Please refer to the previous page for membership qualifications. The attendance in 2020 is as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Convener	Chen, chin-yueh	2	0	100%	
Committee Member	Tu, yi-yang	2	0	100%	
Committee Member	Wang, chih-lung	2	0	100%	

Other mentionable items:

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

In 2020 and as of the date of publication of the annual report, the operation of the salary and compensation committee:

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

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

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

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

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

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

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

(2) December 29, 2020 Salary and Remuneration Committee. (the 26th, ten time of Board, 2020)

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

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

The company's business situation: The company's handling of the situation: After the remuneration committee passed it, it submitted it to the board of directors for resolution, which was passed on December 29, 2020. The manager 's year-end bonus will be issued based on the resolution. The assessment of the director's product effectiveness is the basis for the director's remuneration distribution during the surplus distribution and the director's nomination during the re-election.

- The annual work plan for 2021.

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

The company's business situation: Perform related tasks in accordance with the predetermined work plan.

(3) March 29, 2021 Salary and Remuneration Committee. (the 26th, first time of Board , 2021)

- Employee and director compensation distribution in 2020. (Stakeholders are advised to evade when voting on this case)

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

The company's business situation: After being approved by the Remuneration Committee, it was submitted to the board of directors for resolution, and the board of directors resolution passed on March 29, 2021. In 2020, it is proposed to set aside NT\$25,529,178 for 3% of employee compensation and NT\$21,274,315 for directors' compensation for 2.5%, both of which will be paid in cash. It will be submitted to the general meeting of shareholders on June 29, 2021.

- Review the director's remuneration and manager's remuneration case. (Stakeholders are requested to avoid when voting on this case)

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

The company's business situation: The remuneration committee reviewed and approved directors' remuneration and manager's remuneration adjustments in 2021. And on March 29, 2021, it was submitted to the board of directors for a resolution, which was passed by all the directors present. The company continued to do follow-up work.

### 3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
1. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note 3)	√		<p>The company conducts risk identification on environmental, social and corporate governance issues related to company operations based on the principle of materiality, then conducts risk assessment, and formulates management strategies and risk countermeasures based on actual risks that may arise.</p> <p>For detailed risk management strategies, please refer to the company's website:  <a href="http://www.kseco.com.tw/upload/17/2021011209314695140.pdf">http://www.kseco.com.tw/upload/17/2021011209314695140.pdf</a></p>	None

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



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load?	✓		and the use of recycled asphalt concrete. Using a secondary burner: the sizzling sand mix AC and fumes generated by the secondary treatment, in order to reduce air pollution.	None
	✓		(2)Pre-cast Original use: The company Airport MRT CE02 standard construction projects, railway stations, elevated steel structure, Pre-cast box girder, Pre-cast parapet, Pre-cast cable trenches and covers for Pre-cast elements. In the system construction methods, not only can improve the rate of construction, save money, but also reduce carbon dioxide emissions during construction.	
	✓		(3)Steel bars are made of fixed lengths: The loss of steel can be reduced from 8.0% to 1.76%. Using about 75,349 tons, it can save about 4,702 tons of steel, which is equivalent to saving about 10,484,922kg of carbon dioxide.	
	✓		(4) Shorten the project, reduce the engineering cost, energy-saving and carbon-reduction design: the new construction of Taichung Port No. 106, the steel sheet pile wharf design adopts innovative "reducing construction method" and "dual structure system", reducing engineering costs by 40% and shortening the construction period to 28 Completed within months. Optimize the construction methods and procedures of the wharf (such as the quaternary construction method, the dry construction method in the decompression zone, and the load-bearing platform first backfill, mining on land, and then sand	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
C. Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to address climate-related issues?	√		<p>pumping, etc., to achieve energy-saving and carbon-reduction effects.</p> <p>C. The company has carried out climate change impacts based on the currently contracted projects. Risk assessment and evaluation of future contracting opportunities  Analyze and formulate management strategies and risk countermeasures to respond. (See The company's website: <a href="http://www.kseco.com.tw/tc/about1.aspx?cid=101&amp;cchk=812E398D-DFC2-43B1-8AC0-83184FB23358">http://www.kseco.com.tw/tc/about1.aspx?cid=101&amp;cchk=812E398D-DFC2-43B1-8AC0-83184FB23358</a>)</p>	None
D. Does the company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste			<p>D.The company's energy management policy and greenhouse gas reduction and reduction for information on water and waste management, please refer to our website-Corporate Social Responsibility-Environmental Protection Zone : <a href="http://www.kseco.com.tw/tc/responsibility.aspx?cid=29&amp;cchk=0ADDA6B5-8F20-4780-BE4C-67A38E65EBC6">http://www.kseco.com.tw/tc/responsibility.aspx?cid=29&amp;cchk=0ADDA6B5-8F20-4780-BE4C-67A38E65EBC6</a></p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
management?				
4. Social issues				
A. Has the company formulated relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	√		A. The company formulates personnel management measures in accordance with the Labor Standards Law and formulates human rights policies in accordance with international human rights conventions. Please refer to the company's website. <a href="http://www.kseco.com.tw//tc/responsibility.aspx?cid=104&amp;cchk=5E6B22F6-16F2-4F18-82F2-0049D0F59A55">http://www.kseco.com.tw//tc/responsibility.aspx?cid=104&amp;cchk=5E6B22F6-16F2-4F18-82F2-0049D0F59A55</a>	None
B. Does the company formulate and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results in employee compensation?	√		B. The company established the Employee Welfare Committee in June 1993, and each year sets an annual plan and budget to handle various activities. The company also plans internal and external education and training and adjusts employee salaries according to the annual performance appraisal and company operating conditions and allocates 3% -5% of the surplus for employee dividends. For other related welfare measures, please refer to the "Human Resources Zone-Good Health in Industry Credit" of our website. ( <a href="http://www.kseco.com.tw//tc/humanResources.aspx?cid=13&amp;cchk=ED">http://www.kseco.com.tw//tc/humanResources.aspx?cid=13&amp;cchk=ED</a> )	None
C. Does the company				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
provide a safe and healthy work environment for employees, and regularly implement safety and health education for employees?	√		<u>DA7FCF-1BBE-4AAC-978B-5737C87B3701</u> C. The company provides a safe, healthy and comfortable working environment Arrange employee health checks (July-September each year), and regularly hold safety and health education and training to make colleagues aware of relevant safety and health regulations.	None
D. Does the company establish an effective career development training program for employees?	√		D. The company has set up an education and training quality management manual to evaluate employee functions and conduct training so that employees 'career planning can be integrated with the company 's overall benefits grow together.	None
E. With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed relevant regulations and international standards,	√		E. For the construction industry, the company is mainly engaged in contracting government public projects. Therefore, it follows the relevant regulations of the government regulations, such as the government procurement law, project warranty operations, and the construction management system and relevant government regulations in production to protect consumers and stakeholders. Rights and interests, and has set up a special area for stakeholders on the company's website as a channel for appeals and liaison.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
<p>and formulated relevant consumer protection policies and appeal procedures?</p> <p>F. Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?</p>	√		<p>The company has the management of suppliers in the internal control system, strictly regulates the suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and sets the environmental and social responsibility statement in the contract.</p>	None
<p>5. Does the company refer to the internationally-prepared reporting standards or guidelines for preparing corporate social responsibility reports and other reports that disclose the</p>	√		<p>The company compiles the corporate social responsibility report with reference to the internationally-recognized report preparation standard indicators (GRI Standards). Since it is still voluntary, it adopts self-confidence. In the future, it will obtain the confidence of the third-party verification unit.</p>	<p>The confirmation of the third-party verification unit has not yet been obtained.</p>

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

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

### 3.3.6 Ethical Corporate Management

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Formulate integrity management policies and plans				
(1) Has the company formulated the integrity management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management, as well as the commitment of the board of directors and senior management to actively implement the management policy?	√		(1)The company has a "integrity management policy", which was approved by the board of directors on November 12, 2019, and is clearly stated in the employee manual, supplier contract documents and the company's website. Please refer to the company's website for the company's integrity management and operation situation: <a href="http://www.kseco.com.tw/upload/17/2021031515265085727.pdf">http://www.kseco.com.tw/upload/17/2021031515265085727.pdf</a>	None
(2) Whether the company has established an assessment mechanism for the risk of dishonesty, regularly analyzes and evaluates	√		(2)The company has formulated the "Integrity Management Operation Procedures and Conduct Guidelines", which sets out clear	None

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



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			made on March 26, 2020, and was discussed and approved by the board of directors.	
<p>2. Implement integrity management</p> <p>(1) Does the company evaluate the honest and credit records of the counterparty and specify the terms of honesty and credit in its long contract with the counterparty?</p>	√		(1) The company's internal control system has strict specifications, establishes a supplier data management model, conducts market surveys and manufacturers' credit investigation in accordance with regulations, and incorporates the company's integrity management policy with the signing of the integrity management clause in the contract.	None
<p>(2) Does the company set up a special unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once a year) report to the board of</p>	√		(2) The company takes the Administration Department as the unit to promote integrity management, and the board of directors reports to the board of directors for the first time each	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>directors on its integrity management policies and plans to prevent dishonest behaviors and supervision and implementation?</p> <p>(3) Does the company formulate a policy to prevent conflicts of interest, provide appropriate presentation channels, and implement them? ✓</p>			<p>year. The 2020 integrity management and related prevention plans and supervision implementation status have been reported by the board of directors on March 29, 2021. Please refer to the company's website for the relevant implementation status of integrity management:</p> <p><a href="http://www.kseco.com.tw/upload/17/2021031515265085727.pdf">http://www.kseco.com.tw/upload/17/2021031515265085727.pdf</a></p> <p>(3) The company has provisions for avoiding interests in the code of good faith operation and the rules of procedure for board meetings, and provides appropriate channels for directors, independent directors, managers and other stakeholders who attend or attend the</p>	None

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

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Whether the company has established an effective accounting system and internal control system for the implementation of integrity management, and the internal audit unit has formulated relevant audit plans based on the results of the assessment of the risk of dishonesty, and checked the compliance with the plan to prevent dishonesty Or entrust an accountant to perform the audit?	√		(4)The company has established an effective accounting system and internal control system. The audit unit has also formulated a risk assessment of dishonesty in the audit plan to check compliance with the plan to prevent dishonesty.	None
(5) Does the company regularly conduct internal and external education and training on integrity management?	√		(5) The company regularly organizes (at least once a year) internal and external education and training on integrity management. In 2020, in addition to inviting directors to participate in the courses organized by the Securities Development Foundation, an internal training	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			course on "Corporate Integrity Management Insider Trading and Internal Major Information Processing Operations" will be conducted on November 12, 2020, inviting directors and managers to participate. And after the meeting, the course materials will be published on the company's intranet EIP, please download it for viewing by all colleagues, in order to achieve the purpose of education promotion for all staff.	
3. The operation of the company's whistleblowing system (1) Does the company formulate a specific reporting and reward system, and establish a convenient reporting channel, and assign	√		(1) The company has "Employee Complaint Handling System" and "Handling Methods for Reporting Cases of Illegal and Unethical or	None

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

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

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			company’s website : <a href="http://www.kseco.com.tw/tc/regulations.aspx">http://www.kseco.com.tw/tc/regulations.aspx</a> Operation situation and effectiveness: <a href="http://www.kseco.com.tw/upload/17/2021031515265085727.pdf">http://www.kseco.com.tw/upload/17/2021031515265085727.pdf</a>	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). In the contract between the company and the manufacturer, the main clause is to clearly define the relevant provisions of the principle of integrity, and the manufacturer is welcome to submit comments on the company's integrity management code for review and amendment. The Company formulated the Integrity Management Code on July 4, 2012. The first amendment was adopted on March 27, 2015, and the Board of Directors approved the amendment to the Integrity Management Code (second amendment) on August 13, 2019 The report of the regular shareholders meeting was submitted on 2020.06.17.				

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



### **3.3.7 Corporate Governance Guidelines and Regulations**

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

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

### **3.3.8 Other Important Information Regarding Corporate Governance**

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

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

### **3.3.9 Internal Control Systems**

#### **A. Internal Control Statement:**

Kung Sing Engineering Corporation  
Internal Control Statement

Date: March 29, 2021

The company's internal control system for 2020, based on the results of its own assessment, would like to state the following:

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

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

- IV. The Company has adopted the above internal control system to judge the project and evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the results of the previous assessment, the Company believes that the internal control system (including the supervision and management of subsidiaries) of the Company on December 31, 2020, including the understanding of the effectiveness and efficiency objectives of the operation, and the reporting are reliable. The design and implementation of the internal control system, such as timely, transparent and in compliance with relevant regulations and relevant laws and regulations, is effective and can reasonably ensure the achievement of the above objectives.
- VI. This statement will become the main content of the company's annual report and public statement, and will be made public. If the content of the above disclosure is illegal or concealed, it will involve legal liabilities such as Articles 20, 32, 171 and 174 of the Securities Exchange Law.
- VII. This statement was approved by the board of directors of the Company on March 29, 2021. Among the 7 directors, 0 were dissent, and the rest agreed to the contents of this statement.

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

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

**3.3.10 In the most recent year and as of the publication date of the annual report, the company and its internal personnel have been punished in accordance with the law, or the company has imposed penalties on its internal personnel for violations of the internal control system, and the results of the penalties may have a significant impact on shareholders’ rights and securities prices, it should be specified Punishment content, main**

**deficiencies and improvement situation: None.**

### **3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings**

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

The 2020 Annual Shareholders' Meeting of the Company was held on June 17, 2020. The matters and implementation of the shareholders' resolutions were as follows:

a. 2019 annual business report and financial report.

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

b. The 2019 profit and loss supplementary proposal.

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

c. Revised some of the provisions of the "Rules of Procedures for Shareholders' Meetings" of the company.

Implementation: It is submitted to the shareholders meeting for discussion and resolution. The amendments to this rule will be implemented after approval by the shareholders meeting.

d. Revised some of the articles in the "Articles of Association" of the company.

Implementation status: It is submitted to the shareholders meeting for discussion and resolution. The amendments to this Articles of Association will be implemented after approval by the shareholders meeting.

#### **B. Important resolutions of the board of directors:**

The summary of the important resolutions of the board of directors of the company for 2020 and as of the printing date of the annual report is as follows: (Regarding the resolutions of the Securities and Exchange Act 14-3, indicate after each resolution, if the resolution has independent directors expressing opposition or reservations, list State the opinions of independent directors and the company's handling of the situation.)

a. Board of Directors, January 22, 2020 (the 26th, first time of Board , 2020)  
Temporary meeting

- The resolution passed to set a base price for the 100% shareholding price of the public sales office molecular company, Chan Pang Construction Co., Ltd.

b. Board of Directors, January 31, 2020 (the 26th, second time of Board , 2020)

- The resolution passed to approve the results of the 100% equity bid opening of the public bidding office molecular company Chan Pang Construction Co., Ltd. and to discuss matters related to the follow-up operations of the second public tender.

c. Board of Directors, February 20, 2020 (the 26th, third time of Board , 2020)

- The resolution was passed, the second time and the reserve price of 100% equity of Zhanbang Construction Co., Ltd.
- d. Board of Directors, February 26, 2020 (the 26th, fourth time of Board , 2020)  
Temporary meeting
- The resolution passed, approved the second bid opening result of 100% equity of Chan Pang Construction Co., Ltd., and discussed matters related to the follow-up operation of the third public bidding.
- e. Board of Directors, March 26, 2020 (the 26th, fifth time of Board , 2020)
- The resolution passed the 2019 employee and director compensation distribution case. (Securities and Exchange Act 14-3)  
Content: The net loss before tax for 2019 is NT\$5,337 thousand, and it is proposed not to mention employee remuneration and directors' remuneration. (Adopted without objection after the chairman consulted all the directors present.)
  - The resolution passed the 2019 annual business report and financial report.
  - The resolution passed the 2019 annual profit and loss transfer case.
  - The resolution issued a "Statement of Internal Control System Statement" through the company.
  - Resolution passed to revise some of the company's "Rules of Procedure for Shareholders' Meetings"
  - The resolution passed to revise some provisions of the Company's "Corporate Governance Code of Practice" and "Corporate Social Responsibility Code of Practice".
  - The resolution passed to revise part of the company's "integrity business operation procedures and behavior guidelines".
  - The resolution passed relevant matters concerning the holding of the 2020 regular shareholders meeting of the company.
  - The resolution passed the renewal of the company's bank guarantee quota and working capital comprehensive quota.
  - By reviewing the remuneration of directors and reviewing the salary adjustment of managers and the remuneration of new deputy general managers and Corporate Governance Supervisor. (Securities and Exchange Act 14-3)  
Content: Regularly review the policies, systems, standards and structure of the remuneration of directors and managers, and approve the current remuneration items of the company's directors (including independent directors) and managers. (Adopted without objection after the chairman consulted all the directors present.)
  - Resolution passed by the company to regularly assess the independence of visa accountants.
  - The resolution was passed, the third time and the reserve price of 100% equity of

Chan Pang Construction Co., Ltd.

f. Board of Directors, April 9, 2020 (the 26th, sixth time of Board , 2020)

- Recognize the third bid opening result of the 100% equity of Zhanbang Construction Co., Ltd. and the company ceased to publicly sell 100% of its subsidiary, Zhanbang Construction Co., Ltd.

g. Board of Directors, May 6, 2020 (the 26th, seventh time of Board , 2020)

- Resolution passed to amend some provisions of the company's "Articles of Association".
- The resolution was passed to amend the company's 2019 general meeting agenda.

h. Board of Directors, August 10, 2020 (the 26th, eighth time of Board , 2020)

- The resolution passed the revision of the company's internal control system "Construction Management System-Project Project Closing Operations". (Securities Law 14-3)

Content: In order to comply with the current actual operation status, it is planned to revise some operating provisions of "Construction Management System-Project Project Closing Operations". (Adopted without objection after the chairman consulted all the directors present.)

- The resolution passed the revision of the company's internal control system "Management system for the operation of the board of directors", "Administrative system for the operation of the audit committee", and "Management system for the operation of the remuneration committee".
- The resolution passed the revision of the company's "Rules of Procedures for Shareholders' Meetings" and "Methods for Election of Directors".
- The resolution passed amendments to the "Rules of Procedure of the Board of Directors", "Code of Ethical Conduct" and "Independent Directors' Duties" of the company. "Rules for Scope of Responsibility", "Organization Rules of Audit Committee", "Organization Rules of Salary and Compensation Committee" and "Measures for Performance Evaluation of Board of Directors and Functional Committees".
- The resolution passed the sale of real estate.
- The resolution passed the renewal and ratification of the company's bank guarantee quota and the comprehensive quota of working capital.

i. Board of Directors, November 12, 2020 (the 26th, ninth time of Board , 2020)

- The resolution passed the formulation of the company's "Subsidiary Supervision Operation Method". (Securities Law 14-3)

Content: According to the operating regulations of Article 41 of the Guidelines for the Establishment of an Internal Control System for Public Offering Companies, this operating method is formulated. (Adopted without objection after the

chairman consulted all the directors present.)

- The resolution passed the sale of real estate.
- The resolution passed the change of the name and business items of the subsidiary Chan Pang Construction Co., Ltd.
- Resolved to pass the company's bank guarantee line and working capital comprehensive line extension proposal and application.

j. Board of Directors, December 29, 2020 (the 26th, tenth time of Board , 2020)

- Resolved to approve the company's "2021 Operation Plan".
- The resolution passed the "2021 Audit Plan" of the company.
- The resolution passed the year-end performance evaluation of directors and managers. (Securities Law 14-3)

Content: Adopt the method of self-assessment by directors. (When voting on this case, interested parties are requested to evade, and other directors shall vote. This case was passed without objection after the chairman consulted all the directors present.)

- The resolution passed and stipulated the company's "Internal Auditor Appointment, Evaluation, Salary and Remuneration Measures".
- The resolution passed the formulation of the company's "risk management policies and procedures."
- The resolution passed the case of increasing the shareholding in the purchase of subsidiary Kung Sing Development Co., Ltd.
- The resolution passed the extension of the company's bank guarantee line and the comprehensive line of working capital and the application.

k. Board of Directors, March 29, 2021 (the 26th, first time of Board , 2021)

- The resolution passed the 2020 year employee and director compensation plan. (Securities Law 14-3)

Content: It is proposed to set aside NT\$25,529,178 for 3% of employee compensation and NT\$21,274,315 for directors' compensation for 2.5%. (This case was passed without objection after the chairman consulted all the directors present.)

- Resolved to pass the 2020 business report and financial report recognition proposal.
- The resolution passed the "Internal Control System Statement" issued by the company.
- The resolution passed the revision of some of the provisions of the "Rules of Procedures for Shareholders' Meetings" of the company.
- The resolution passed the amendment to some of the provisions of the company's "Director Election Measures".

- The resolution passed the overall re-election of directors.
- The resolution passed the acceptance of the company's director candidate nomination period and premises.
- The resolution passed the proposal to lift the prohibition on competition for new directors and their representatives.
- The resolution passed the convening of the company's 2021 shareholders' meeting related matters.
- The resolution passed the extension and ratification of the company's bank guarantee line and working capital comprehensive line.
- The resolution passed the review of directors' remuneration and managers' remuneration. (Securities Law 14-3)  
Content: Regularly review the policies, systems, standards and structure of the remuneration of directors and managers, and approve the current remuneration items of the company's directors (including independent directors) and managers. (Adopted without objection after the chairman consulted all the directors present.)
- The resolution passed the company's regular assessment of the independence of visa accountants.
- The resolution passed the 2020 surplus distribution method.

1. Board of Directors, May 11, 2021 (the 26th, second time of Board , 2021)

- The resolution passed the 2020 surplus distribution proposal.  
Content: Cash dividend for surplus distribution: NT\$0.13 (yuan/share), stock dividend: NT\$1 (yuan/share).  
When the resolution of the proposal was made, the directors present voted, and six of the directors present approved it and one person held an objection. The resolution was passed by more than two-thirds of the directors present.  
The independent director Wang, chih- lung expressed his objection. He believes that the company's recent statement debt ratio is 33% and cash still has NT\$1.7 billion. After inquiring into the industry standards, the company's share capital is already too large. The allotment of stock dividends is a restraint on the cash policy. The interest cost of capital increase from shareholders' equity is relatively high. Looking at the company's inter-industry factors, the capital of Huangchang and Jianguo is lower than that of the company, but the turnover is higher than that of the company. Coupled with the shareholder's equity ratio and the status of the industry, the entire industry is basically profitable. In the case of low standards, using shareholder equity to expand equity is a costly behavior that is detrimental to shareholders.  
The company's handling of the opinions of independent directors: the opinions expressed by the independent directors shall be recorded in the minutes of the

board of directors, and important information shall be released in accordance with regulations.

- The resolution passed the surplus capital increase and the issuance of new shares.

Content: In order to have sufficient working capital and consider future business development needs, the company plans to allocate 447,527,420 yuan from the distributable surplus in 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 the capital increase is NT 4,922,801,550.

When the resolution of the proposal was made, the directors present voted, and six of the directors present approved it and one person held an objection. The resolution was passed by more than two-thirds of the directors present.

The independent director Wang, chih- lung expressed his objection. He believes that the company's recent statement debt ratio is 33% and cash still has NT\$1.7 billion. After inquiring into the industry standards, the company's share capital is already too large. The allotment of stock dividends is a restraint on the cash policy. The interest cost of capital increase from shareholders' equity is relatively high. Looking at the company's inter-industry factors, the capital of Huangchang and Jianguo is lower than that of the company, but the turnover is higher than that of the company. Coupled with the shareholder's equity ratio and the status of the industry, the entire industry is basically profitable. In the case of low standards, using shareholder equity to expand equity is a costly behavior that is detrimental to shareholders.

The company's handling of the opinions of independent directors: the opinions expressed by the independent directors shall be recorded in the minutes of the board of directors, and important information shall be released in accordance with regulations.

- The resolution passed the review of the qualifications of directors and independent directors. (Securities Law 14-3)

Contents: 1% of the shareholders nominated candidate list, which will be reviewed by the board of directors. (All nominated candidates are eligible. Independent director Mr. Chen, chin- yueh has stated the reasons for nomination for three consecutive terms at the time of nomination by the nominating shareholder, and will implement a major announcement of the renewal nomination after the board of directors. This case has been consulted by the chairman. The directors passed without objection.)

- Resolved to pass the proposal on the extension of the company's bank turnover fund comprehensive quota.
- The resolution passed the amendment to the agenda of the 2021 regular



shareholder meeting.

C. The results of the major resolutions of the Audit Committee and the handling of the situation:

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

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

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

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

● 2019 annual profit and loss account.

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

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

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

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

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

● The company regularly assesses the independence of visa accountants.

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

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

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

● Consolidated financial report for the first quarter of 2020.

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

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

c. Audit Committee, August 10, 2020(the 26th, eighth time of Board , 2020)

- Consolidated financial report for the second quarter of 2020. (Securities Law 14-5)  
Resolution result: After the chairman consulted all the members present, it was passed without objection.  
The company's handling situation: reported to the board of directors, the directors present have no objection, and report the second quarter financial report to the public information observation station after the meeting.
  - Revised the part of the operating provisions of the company's internal control system "Construction Management System-Project Project Closing Operations". (Securities Law 14-5)  
Resolution result: After the chairman consulted all the members present, it was passed without objection.  
The company's handling situation: reported to the board of directors, the directors present have no objections, and the relevant work shall be carried out in accordance with this operating provision.
  - Revised the "Management System for the Operation of the Board of Directors", "The Management System for the Operation of Audit Committee", and the "Management System for the Operation of the Salary and Compensation Committee" of the company's internal control system.  
Resolution result: After the chairman consulted all the members present, it was passed without objection.  
Handling situation of the company: Report to the board of directors. The directors present have no objection, and the system will be implemented in accordance with the passing of this case in the future.
  - The case concerning the sale of real estate. (Securities Law 14-5)  
Resolution result: After the chairman consulted all the members present, it was passed without objection.  
Handling situation of the company: It was submitted to the board of directors, and the directors present had no objection. Handle subsequent sales matters.
- d. Audit Committee, November 12, 2020(the 26th, ninth time of Board , 2020)
- Consolidated financial report for the third quarter of 2020.  
Resolution result: After the chairman consulted all the members present, it was passed without objection.  
The company's handling of the situation: reported to the board of directors, the directors present have no objection, and report the third quarter financial report to the public information observatory after the meeting.
  - Formulate the company's "Subsidiary Supervision Operation Method". (Securities Law 14-5)  
Resolution result: After the chairman consulted all the members present, it was

passed without objection.

Handling situation of the company: The proposal to the board of directors was approved by all the directors present without disagreement, and then implemented in accordance with this operating method.

●The case concerning the sale of real estate. (Securities Law 14-5)

Resolution result: After the chairman consulted all the members present, it was passed without objection.

Handling situation of the company: It was submitted to the board of directors, and the directors present had no objection. After the meeting, the public information observatory will report important information about related transactions and handle subsequent sales matters.

●Changed the name and business items of the subsidiary Chan Pang Construction Co., Ltd.

Resolution result: After the chairman consulted all the members present, it was passed without objection.

Handling situation of the company: It was submitted to the board of directors, and the directors present had no objection. According to the resolution of the board of directors, the chairman of the board was authorized to handle it with full authority, and the approval change notice was obtained on December 16, 2020.

e. Audit Committee, December 29, 2020(the 26th, tenth time of Board , 2020)

●Formulate the company's "Risk Management Policies and Procedures".

Resolution result: After the chairman consulted all the members present, it was passed without objection.

Handling situation of the company: Reported to the board of directors, the directors present have no objection, and will be implemented in accordance with this procedure in the future.

●Increased the case of buying shares of the subsidiary Industry and Information Development Co., Ltd.

Resolution result: After the chairman consulted all the members present, it was passed without objection.

Handling situation of the company: It was submitted to the board of directors, and the directors present had no objection. According to the resolution of the board of directors, the chairman of the board is authorized to deal with it with full authority and continue the follow-up matters.

f. Audit Committee, March 29, 2021 (the 26th, first time of Board , 2021)

●2020 business report and financial report. (Securities Law 14-5)

Resolution result: After the chairman consulted all the members present, it was passed without objection.

Handling situation of the company: The proposal to the board of directors was passed without objection by all the directors present, and it was reported to the public information observation station. The proposal is submitted to the regular shareholder meeting for approval.

- The company issued the "Internal Control System Declaration" case.

Resolution result: After the chairman consulted all the members present, it was passed without objection.

The company's handling situation: the proposal to the board of directors, passed by all the directors present without objection, upload the report to the public information observatory.

- The company regularly evaluates the independence of visa accountants.

Resolution result: After the chairman consulted all the members present, it was passed without objection.

Handling situation of the company: It was submitted to the board of directors and passed without objection by the present directors. In line with independence, continue to be appointed.

g. Audit Committee, May 11, 2021 (the 26th, second time of Board , 2021)

- Consolidated financial report for the first quarter of 2021.

Resolution result: After the chairman consulted all the members present, it was passed without objection.

Handling situation of the company: The report was submitted to the board of directors, and passed by all the directors present without objection, and the first quarter financial report was reported to the public information observatory after the meeting.

- The 2020 surplus distribution case.

Resolution result: this case was voted by the members present, independent director Tu,yi- yang and independent director Chen, chin- yuehe approved, and independent director Wang, chih- lung opposed it. It was passed by two-thirds of the members present.

The independent director Wang, chih- lung expressed his objection. He believes that the company's recent statement debt ratio is 33% and cash still has NT\$1.7 billion. After inquiring into the industry standards, the company's share capital is already too large. The allotment of stock dividends is a restraint on the cash policy. The interest cost of capital increase from shareholders' equity is relatively high. Looking at the company's inter-industry factors, the capital of Huangchang and Jianguo is lower than that of the company, but the turnover is higher than that of the company. Coupled with the shareholder's equity ratio and the status of the industry, the entire industry is basically profitable. In the case of low standards, using

shareholder equity to expand equity is a costly behavior that is detrimental to shareholders.

The company's handling of the opinions of independent directors: the opinions expressed by the independent directors shall be recorded in the minutes of the board of directors, and important information shall be released in accordance with regulations.

● Earnings transfer to capital increase and issuance of new shares.

Resolution result: this case was voted by the members present, independent director Tu, yi- yang and independent director Chen, chin- yuehe approved, and independent director Wang, chih- lung opposed it. It was passed by two-thirds of the members present.

The independent director Wang, chih- lung expressed his objection. He believes that the company's recent statement debt ratio is 33% and cash still has NT\$1.7 billion. After inquiring into the industry standards, the company's share capital is already too large. The allotment of stock dividends is a restraint on the cash policy. The interest cost of capital increase from shareholders' equity is relatively high. Looking at the company's inter-industry factors, the capital of Huangchang and Jianguo is lower than that of the company, but the turnover is higher than that of the company. Coupled with the shareholder's equity ratio and the status of the industry, the entire industry is basically profitable. In the case of low standards, using shareholder equity to expand equity is a costly behavior that is detrimental to shareholders.

The company's handling of the opinions of independent directors: the opinions expressed by the independent directors shall be recorded in the minutes of the board of directors, and important information shall be released in accordance with regulations.

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

Please refer to P93-94, Proposal 1 and Proposal 2 of the Board of Directors on May 11, 2021. Independent directors expressed objections.

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

None

### 3.4 Information Regarding the Company's Audit Fee and Independence

#### 3.4.1 Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
PWC Taiwan	Lin, Se-kai	2020.01.01~2020.12.31	None
	Wang, Fang-yu		

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

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000			275	275
2	NT\$2,000 ~ NT\$4,000				
3	NT\$4,000 ~ NT\$6,000		4,200		4,200
4	NT\$6,000 ~ NT\$8,000				
5	NT\$8,000 ~ NT\$10,000				
6	Over NT\$100,000				

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
PWC Taiwan	Lin, Se-kai	4200	0	45	0	230	275	2020/01/01~2020/12/31	
	Wang, Fang-yu								

#### 3.4.2 Replacement of CPA

**A. If the accounting firm is replaced and the public audit expenses incurred during the replacement year are less than the public audit expenses of the previous year, the amount and reasons for the public audit expenses before and after the replacement shall be disclosed: none**  
**B. Regarding the successor CPA**  
 None

**B. If the public audit expenses have been reduced by more than 10% compared**

**with the previous period, the amount, proportion and reason for the reduction in public audit expenses shall be disclosed:**

A reduction of NT\$ 760,000, totaling 15.32%. Due to the decrease in investment companies, the public audit expenses were reduced.

### **3.5 Change accountant information**

#### **A. Regarding the former CPA**

None

#### **B. Regarding the successor CPA**

None

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

None

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

#### Shareholders

Unit: Shares

Title	Name	2020		As of May 1, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman of the board	Ch'uan Fu Investment Co. Ltd.	0	0	0	0
Director Representative	Chen ,huang-ming	0	0	0	0
Director Representative	Chiang,chi-ching	0	0	0	0
Director	Ju hsiang Investment Co., Ltd	0	0	0	0
Director Representative	Chang, liang- ming	0	0	0	0
Director	Chia ho Investment Co. Ltd.	0	0	0	0
Director Representative	Tseng, mei- ling	0	0	0	0
Independent Directors	Tu,yi- yang	0	0	0	0
Independent Directors	Chen, chin- yueh	0	0	0	0
Independent Directors	Wang, chih- lung	0	0	0	0
General manager	Chiang,chi-ching	0	0	0	0
Vice- General Manager(20200301 resigns)	Tai, Yin-chou	0	0	0	0
Vice- General Manager (Inauguration 20200301)	Liu, Yung-ching	(79,000)	0	0	0
Financial Officer	Huang, li-wang	(9,000)	0	0	0
Accounting Supervisor	Wen, Shu Chiao	0	0	0	0
Corporate Governance Supervisor	Li, kuei- chung	(40,000)	0	0	0

#### 3.7.1 Shares Trading with Related Parties

None

#### 3.7.2 Shares Pledge with Related Parties

None



### 3.8 Relationship among the Top Ten Shareholders

As of 05/1/2021

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Pan, chun- jung	36,563,693	8.17	9,429,979	2.11	0	0	Li, kuei- mei	spouse	
							Ch'uan Fu Investment Co. Ltd person in charge : Pan, ying- hsun	Father and daughter	
							Honghui Development and Construction Co., Ltd. person in charge : Pan ying jiu an	Father and daughter	
							Hung yi Investment Co. Ltd person in charge : Pan chi ru	Father and daughter	
							Pan, kuan-ju	Father and son	
Pan, kuan-ju	24,636,330	5.50	0	0	0	0	Pan, chun- jung	Father and son	
							Li, kuei- mei	Mother and son	
							Ch'uan Fu Investment Co. Ltd person in charge : Pan, ying- hsun	Sister and brother	
							Honghui Development and Construction Co., Ltd. person in charge : Pan ying jiu an	Sister and brother	
							Hung yi Investment Co. Ltd person in charge : Pan chi ru	Sister and brother	
Li, kuei- mei	22,620,979	5.05	36,563,693	8.17	0	0	Pan, chun- jung	spouse	
							Ch'uan Fu Investment Co. Ltd person in charge : Pan, ying- hsun	Mother and daughter	
							Honghui Development and Construction Co., Ltd. person in charge : Pan ying jiu an	Mother and daughter	
							Hung yi Investment Co. Ltd person in charge : Pan chi ru	Mother and daughter	
							Pan, kuan-ju	Mother	

									and son	
Honghui Development and Construction Co., Ltd. person in charge : Pan ying jiu an	18,985,000	4.24	0	0	0	0	0	None	None	
	0	0.00	0	0	0	0	0	Pan, chun- jung	Father and daughter	
								Li, kuei- mei	Mother and daughter	
								Ch'uan Fu Investment Co. Ltd person in charge : Pan, ying- hsun	Sister	
								Hung yi Investment Co. Ltd person in charge : Pan chi ru	Sister	
								Pan, kuan-ju	Sister and brother	
Ch'uan Fu Investment Co. Ltd person in charge : Pan, ying- hsun	12,110,149	2.71	0	0	0	0	0	None	None	
	0	0	0	0	0	0	0	Pan, chun- jung	Father and daughter	
								Li, kuei- mei	Mother and daughter	
								Honghui Development and Construction Co., Ltd. person in charge : Pan ying jiu an	Sister	
								Hung yi Investment Co. Ltd person in charge : Pan chi ru	Sister	
								Pan, kuan-ju	Sister and brother	
The business department of Standard Chartered International Commercial Bank is entrusted with the custodial custodian of the Anglo-Rigid Fund Investment Account	10,700,951	2.39	0	0	0	0	0	None	None	
wang feng jen	7,400,000	1.65	0	0	0	0	0	None	None	
HSBC custody of Akadi Emerging Markets Small Capital Equity Fund	6,540,000	1.46	0	0	0	0	0	None	None	
Hung yi Investment Co. Ltd person in charge : Pan chi ru	6,189,861	1.38	0	0	0	0	0	None	None	
	5,426	0.00	0	0	0	0	0	Pan, chun- jung	Father and daughter	
								Li, kuei- mei	Mother and daughter	

							Ch'uan Fu Investment Co. Ltd person in charge : Pan, ying- hsun	Sister	
							Honghui Development and Construction Co., Ltd. person in charge : Pan ying jiu	Sister	
							Pan, kuan-ju	Sister and brother	
Hing hwa enterprise co., ltd.	5,509,000	1.23	0	0	0	0	None	None	

### 3.9 Ownership of Shares in Affiliated Enterprises

2020/12/31 Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Chan Pang Industrial Co., Ltd. .	59,000	100%	0	0	59,000	100%
Kung Sing International Holding Company Limited	42,000	60%	0	0	42,000	60%

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

## A. Issued Shares

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

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

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

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

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

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

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

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

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

Note 9: Approved by TaiTsaiCheng1Tze0940124898, Securites and Futures Bureau, Financial Supervisory Commission, June 22<sup>nd</sup>, 2005.

Note 10: Approved by TaiTsaiCheng1Tze0950132742, Securites and Futures Bureau, Financial Supervisory Commission, July 26<sup>th</sup>, 2006.

Note 11: Approved by TaiTsaiCheng1Tze0960031153, Securites and Futures Bureau, Financial Supervisory Commission, June 21<sup>st</sup>, 2007.

Note 12: Approved by TaiTsaiCheng1Tze0960030934, Securites and Futures Bureau, Financial Supervisory Commission, June 26<sup>th</sup>, 2007.

Note 13: Approved by TaiTsaiCheng1Tze0970033529, Securites and Futures Bureau, Financial Supervisory Commission, July 4<sup>th</sup>, 2008.

Note 14: Approved by TaiTsaiCheng1Tze1080326773, Securites and Futures Bureau,

B. Type of Stock

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

C. Information for Shelf Registration

None

4.1.2 Status of Shareholders

As of 05/1/2021

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	People's Investment in Mainland China	Domestic Natural Persons	Total
Number of Shareholders	0	0	255	98	1	39,244	39,598
Shareholding (shares)	0	0	58,510,894	38,390,849	1	350,625,669	447,527,413
Percentage	0.00%	0.00%	13.07%	8.58%	0.00%	78.35%	100%

4.1.3 Shareholding Distribution Status

A. Common Shares

As of 5/1/2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	22,833	1,196,695	0.27
1,000 ~ 5,000	10,401	24,251,948	5.42
5,001 ~ 10,000	2,750	22,508,549	5.03
10,001 ~ 15,000	940	12,031,982	2.69
15,001 ~ 20,000	714	13,566,376	3.03
20,001 ~ 30,000	608	15,888,595	3.55
30,001 ~ 40,000	285	10,332,566	2.31
40,001 ~ 50,000	254	11,973,528	2.68
50,001 ~ 100,000	423	31,460,309	7.03
100,001 ~ 200,000	209	30,728,010	6.87

200,001 ~ 400,000	86	23,462,405	5.24
400,001 ~ 600,000	24	12,218,724	2.73
600,001 ~ 800,000	19	12,829,487	2.87
800,001 ~ 1,000,000	11	9,884,931	2.21
1,000,001 or over	41	215,193,308	48.08
Total	39,598	447,527,413	100.00%

#### B. Preferred Shares

The company did not issue Preferred Shares.

#### 4.1.4 List of Major Shareholders

As of 05/1/2021

Shareholder's Name	Shareholding	
	Shares	Percentage
Pan, chun- jung	36,563,693	8.17
Pan, kuan-ju	24,636,330	5.50
Li, kuei- mei	22,620,979	5.05
Honghui Development and Construction Co., Ltd.	18,985,000	4.24
Ch'uan Fu Investment Co. Ltd	12,110,149	2.71
The business department of Standard Chartered International Commercial Bank is entrusted with the custodial custodian of the Anglo-Rigid Fund Investment Account	10,700,951	2.39
wang feng jen	7,400,000	1.65
HSBC custody of Akadi Emerging Markets Small Capital Equity Fund	6,540,000	1.46
Hung yi Investment Co. Ltd	6,189,861	1.38
Hing hwa enterprise co., ltd.	5,509,000	1.23

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

Unit: NT\$

Items	2019	2020	01/01/2021-03/31 /2021(Note 8)
<b>Market Price per Share(Note 1)</b>			
Highest Market Price	10.45	13.30	11.40
Lowest Market Price	6.80	5.31	9.08
Average Market Price	7.74	9.76	10.14
<b>Net Worth per Share(Note 2)</b>			
Before Distribution	9.54	12.46	12.50
After Distribution		(Note 9)	-
<b>Earnings per Share</b>			
Weighted Average Shares (thousand shares)	357,390,427	447,527,413	447,527,413
Adjusted Weighted Average Shares		(Note 9)	-
Diluted Earnings Per Share(Note 3)	(0.07)	2.26	0.05
Adjusted Diluted Earnings Per Share	(0.07)	(Note 9)	-
<b>Dividends per Share</b>			
Cash Dividends		(Note 9)	-
Stock Dividends			
• Dividends from Retained Earnings	-	(Note 9)	NA
• Dividends from Capital Surplus	-	(Note 9)	NA
Accumulated Undistributed Dividends(Note 4)	-	-	NA
<b>Return on Investment</b>			
Price / Earnings Ratio (Note 5)	(110.57)	4.32	NA
Price / Dividend Ratio (Note 6)	-	-	NA
Cash Dividend Yield Rate (Note 7)	-	-	NA

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

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

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

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

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

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

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

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

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

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

#### **4.1.6 Dividend Policy and Implementation Status**

##### **A. Dividend Policy**

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

1. Condition and timing of the dividend payout:

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

2. Payout ratios of cash dividend and stock dividend

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

##### **B. Proposed Distribution of Dividend**

(1) The company's 2020 dividend distribution, after the board of directors approved the surplus distribution on May 11, 2021, the cash dividend for the surplus distribution (yuan/share): NT\$0.13, the total amount of cash (dividends) distributed by shareholders (yuan): New Taiwan dollars 58,178,564, surplus transfer and capital increase allotment (yuan/share): NT 1.00, total number of shares allotted by shareholders (shares): 44,752,742.

(2) The case will be reported at the general meeting of shareholders on June 29, 2021.

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

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



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

#### **4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration**

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

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

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

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

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

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

C. Profit Distribution for Employee Bonus and Directors' and Supervisors' Remuneration for 2020 Approved in Board of Directors Meeting

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

Employee Bonus – in Cash	\$25,529,178
Employee Bonus – in Stock	0
Directors' and Supervisors' Remuneration	21,274,315
Total	\$46,803,493

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

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

D. Information of 2019 Earnings Set Aside for Employee Bonus and Directors' and Supervisors' Remuneration:

Distribution of 2019 Earnings (NT\$ thousands)	
Stock Dividends	\$ 0
Cash Dividends	\$ 0
Directors' Remuneration	\$0
Employee Bonus	\$0

The above-mentioned actual distribution of employee bonus and directors' remuneration was in line with the recommended resolution of the Board of Directors.

#### **4.1.9 Buyback of Treasury Stock**

None

#### **4.2 Bonds**

None

#### **4.3 Special stock handling situation**

None

#### **4.4 Global Depository Receipts**

None

#### **4.5 Employee Stock Options**

None

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

None

#### **4.7 Fund utilization plan execution situation**

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

## **V. Operational Highlights**

### **5.1 Business Activities**

#### **5.1.1 Business Scope**

##### **A. Main areas of business operations**

1. E101011 General Construction
2. E401010 Dredging
3. E599010 Plumbing
4. E801010 Interior Renovation
5. E801020 Doors and Windows Installation
6. E801030 Interior Light Steel Frame Engineering
7. E801040 Glass Installation
8. E801070 Kitchen and Bathroom Equipment Installation
9. E901010 Painting Works
10. E903010 Corrosion and Rust-Proof Works
11. EZ02010 Crane Engineering
12. EZ207010 Drilling Engineering
13. EZ99990 Other Engineering
14. C901040 Ready-Mix Concrete Manufacturing
15. C901050 Cement and Concrete Manufacturing
16. CD01020 Rail Vehicles and Parts Manufacturing
17. CD01990 Other Vehicles and Parts Manufacturing
18. F111090 Building Materials Wholesale
19. F113010 Machinery Wholesale
20. F401010 International Trade
21. F113030 Precision Instruments Wholesale
22. H701010 Residences and Buildings Development, Sale and Lease
23. H701020 Industrial Factory Buildings Development, Sale and Lease
24. H701040 Specialized Fields Construction and Development
25. H701050 Public Works Construction and Investment
26. H701060 New County and Community Development
27. H701070 Zone Expropriation and Urban Land Consolidation Agencies
28. H703090 Real Estate Trading
29. H703100 Real Estate Lease
30. H701080 Urban Renewal
31. J101040 Wastes Treatment
32. J101990 Other Sanitation and Pollution Protection Services
33. E501011 Water Supply Piping
34. E601010 Electrical Equipment Installation
35. E602011 Frozen and Air-conditioning Engineering
36. E603040 Fire Safety Equipment Installation Engineering
37. ZZ99999 In addition to licensed businesses, the company may operate those businesses that are not prohibited or restricted by law.

## Revenue distribution

Unit : NT\$ thousands

Major Divisions	Total Sales in Year 2020	(%) of Total Sales
public construction	3,096,919	43.25
Building	0	0
others	4,062,811	56.75
total	7,159,730	100.00

### B. Main products

1. Civil engineering: Special construction method bridge engineering such as railway reconstruction project, advanced support, cantilever block advancement, etc.
2. Maritime engineering : Taipei Port South Wharf S07, S08 Revetment and Rear Line Embankment Construction Project.
3. Bridge engineering : New Project of 5K+000~7K+035 of Tamkang Bridge and its Connected Roads
4. Construction works : Sin-Dian case construction project

### C. New products development

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

## 5.1.2 Industry Overview

### A. Current status and development of the industry:

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

After years of baptism in the construction industry, some poorly constructed factories have been eliminated by the market mechanism. According to the statistics of the Construction Department of the Ministry of the Interior, as of the end of 2020, there were 19,028 domestic construction plants, including 2,956 Class A construction plants. The construction industry is highly competitive in public works. In recent years, the Government has actively promoted the domestic public works standards to adopt "the lowest standard for heterogeneous procurement", "the most favorable standard" and "the most favorable standard for the turnkey package". One is to avoid the vicious competition in the domestic industry and affect the

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

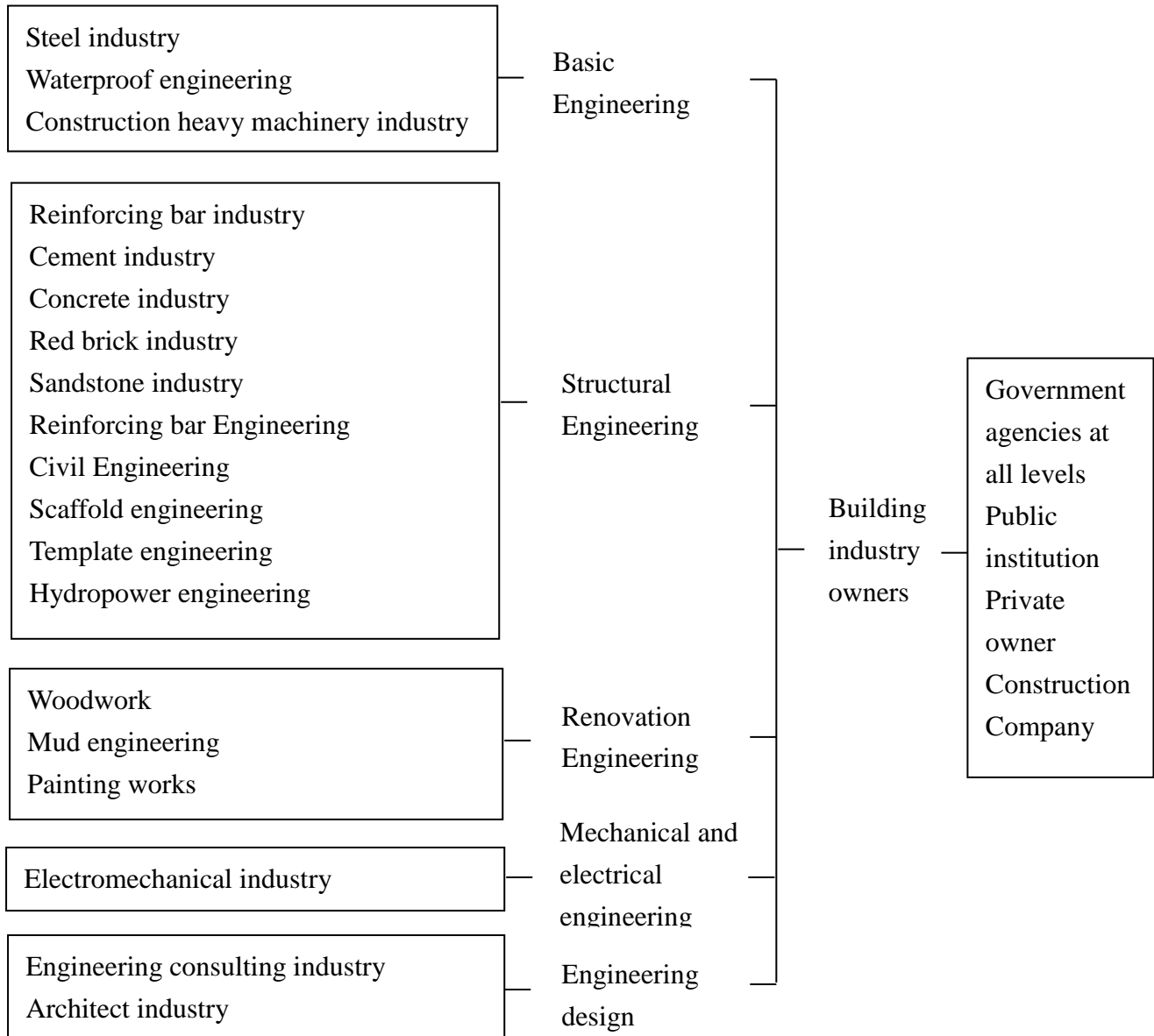
B. Industry, upper, middle and lower reaches:

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

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

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

### construct industry relationship chart



#### C. Various development trends and competition situations of products:

##### 1. Development trend

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

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

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

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

(2). Internationalization and liberalization of public works

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

(3). Building automation

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

(4). Technology research and development

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

(5). The formation of professional manufacturers

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

(6). Enterprise management

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

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

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

## 2. Competition situation

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

### 5.1.3 Research and Development

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

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

#### 2. Develop successful technologies or products:

Entry	category	Technical research project name	Implementation results
1	Management	Research on the practical application of BIM in construction engineering	Planning for the use of Tamkang Bridge and Taichung Power Plant.
2	design	Research on Anti-corrosion Construction Method of Spraying Polyurethane Concrete on Pier Column and Foundation of Danjiang Bridge	The trial spraying operation of concrete samples for the piers of the Tamkang Bridge has been completed.
3	Design + construction	Tamkang Bridge Water Steel Bridge	Processing of agglomerated steel plates for steel bridge structures is currently in progress
4	Design + construction	Cable-stayed steel cables of Tamkang Bridge	At present, wire rope inspection, inspection and processing operations are in progress.



Entry	category	Technical research project name	Implementation results
5	Design + construction	Research on the Climbing Formwork Construction Method for the Tower Column of Tamkang Bridge	Climbing mold construction method critical assessment submission work is currently in progress.
6	Design + construction	Research on Binding Steel Bars in Tower Columns of Tamkang Bridge.	At present, the critical assessment of steel lashing is being submitted for review.
7	Design + construction	Research on Self-balanced Load of Foundation Piles of Tamkang Bridge.	P100 foundation pile test of Tamkang Bridge has been completed.
8	Design + construction	Research on Concrete Temperature Control of Tamkang Bridge.	The temperature control construction of the foundation and pier column concrete of the land end of the Tamkang Bridge has been completed.
9	Design + construction	Research on the Steel Structure Retaining Support System of the Cofferdam for the Tower Column Foundation of Tamkang Bridge.	The steel structure of the retaining support system has been processed.
10	Design + construction	Research on Damping System of Tamkang Bridge.	The critical assessment of the damping system is currently being submitted for review.
11	Design + construction	Research on Ball Support System of Tamkang Bridge.	At present, the critical assessment of the spherical support system is in progress.
12	Design + construction	Research on Elevator in the Construction of Tamkang Bridge.	The critical assessment of construction elevators is currently being submitted for review.
13	Design + construction	Research on Transportation and Hoisting of Steel Bridge Segments of Tamkang Bridge.	At present, the critical assessment submission operation of steel bridge segment transportation and hoisting has been carried out.

Entry	category	Technical research project name	Implementation results
14	Design + construction	1,200T steel bridge to complete the side thrusting study within 12 hours.	The side push work of Fangliao Beishixi Bridge has been completed on 2021/04/24~25.

### 5.1.4 Long-term and Short-term Development

#### 1. Short-term Development

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

A. Establish project (internal and external) numbering system

B. Interface (internal and external) cutting and process establishment

C. Selection and application of geological improvement methods

D. Research on tunnel construction method and rock rock stability

E. Study on construction of earth excavation support

F. Research on the composite construction method of super high-rise residential buildings using PC

The use of G.BIM technology enables real-time monitoring of the establishment of the system.

H. Research on port dredging method and machine tool improvement.

I. Research on the sea connection and lifting of the rocks of the breakwater.

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

#### 2. Long-term Development

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

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### 1. Sales (Service) Region

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

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

Year	Turnover in the construction industry	Turnover of the company	Market share (%)
2019	2,480,631 millions	4,283 millions	0.17
2020	2,682,887 millions	7,160 millions	0.27

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

##### (1) Supply and demand situation

The Chief Accounting Office of the Executive Yuan predicted a GDP of 2.37% at the beginning of 2020. It announced on November 27, 2020 that the GDP for 2020 will be 2.54%, with an upward revision of 0.17%. However, the outbreak of the new coronavirus (COVID-19) at the beginning of the year has caused a multinational economy Paralysis, an unprecedented large-scale blockade, has brought great economic shocks; and the increasing friction in Sino-US trade disputes and geopolitical tensions may weaken the power of global economic growth, although it may go down; although The domestic epidemic is properly controlled, and then the impact on the domestic economy still requires special attention.

In 2021, in order to strengthen the momentum of economic recovery, promote industrial upgrading and transformation, revitalize the economy, and build "six core strategic industries", the government plans to continue to promote the third phase of forward-looking infrastructure construction in addition to the "five plus two" industrial innovation plan Plan, and optimize the domestic investment environment through the "Accelerated Investment Taiwan Project Conference", remove investment barriers, accelerate industrial innovation and structural transformation, and combine economic supply and demand to stimulate private consumption and

reward private participation in public construction, which will help Drive the growth of domestic investment next year and stabilize the momentum of economic growth.

In 2021, the government's public construction design drawings totaled NT\$534 billion, which is an increase of NT\$67 billion from the same basic budget of NT\$467 billion in 2020. Among them, the three sub-categories of "Transportation and Construction", "Environmental Resources" and "Urban and Regional Development" that fall within the contractual category of the construction industry total NT\$273.8 billion, and the most important category of transportation construction is NT\$196.4 billion. yuan.

In 2021, the company will continue to focus on public works such as roads, rail transportation, bridges, tunnels and ports as its main targets.

## (2) Growth

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Competitive niche:

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

#### 4. Favorable and Unfavorable Factors in the Long Term

##### 1. Favorable factors

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

##### 2. Unfavorable factors

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

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

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

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

## **5.2.2 Production Procedures of Main Products**

### **A. Major Products and Their Main Uses**

#### **(1) Civil engineering**

The second expressway, the North City MRT project, the Zhongshan high widening project, the Tamkang Bridge, the cantilever section to promote the new Austrian construction method and other special construction method bridges, tunnel projects and regional elevated express roads, Linkou power plant cylindrical coal bunker system projects. The purpose is to provide public facilities for public transportation and basic livelihood needs, and to improve the quality of life of the people.

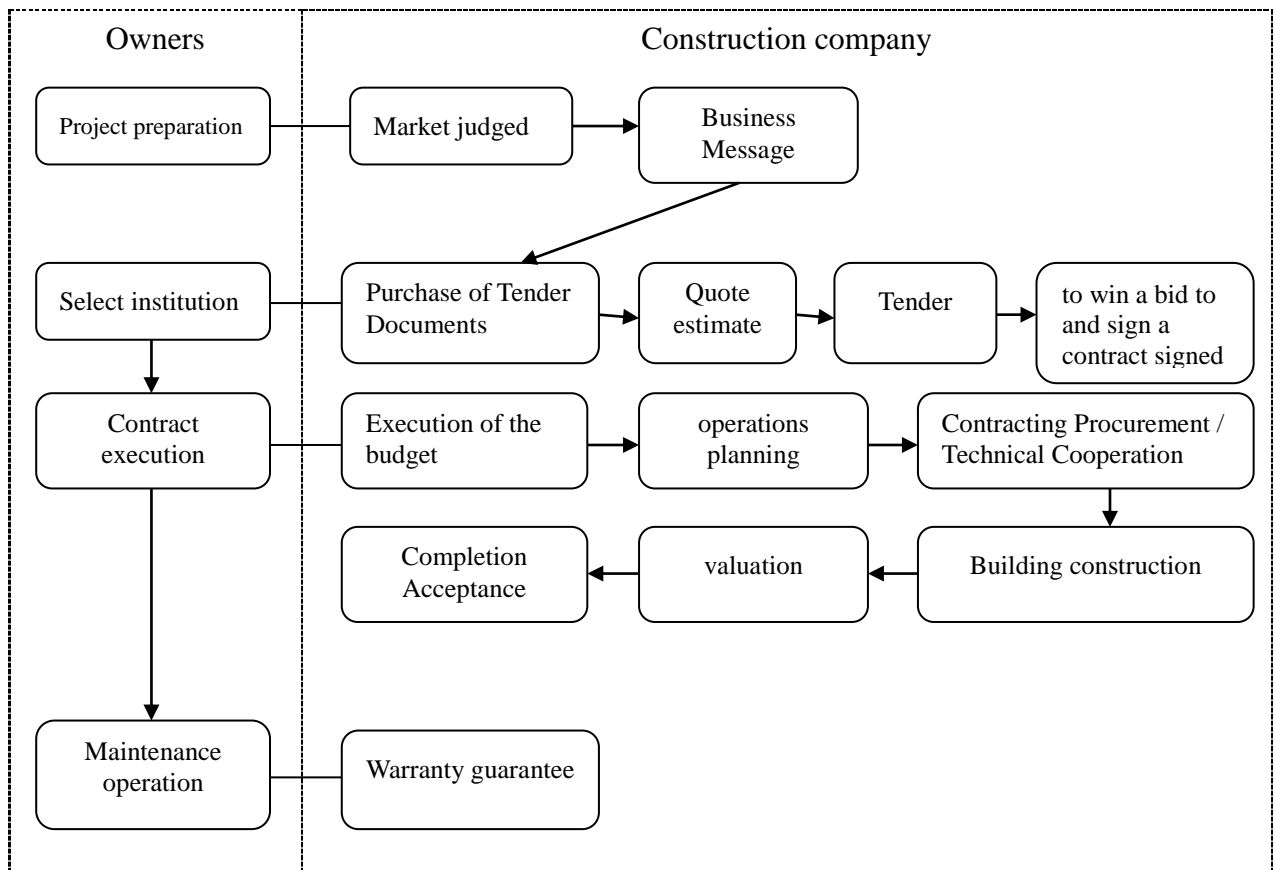
- (2) Marine works : Linkou power plant renewal and expansion project. Taichung harbor dock No.106 new construction project.

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

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

### **B. Major Products and Their Production Processes**





### 5.2.3 Supply Status of Main Materials

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

### 5.2.4 Major Suppliers and Clients

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

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

### A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2019				2020				2021 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Asia Cement	367,595	9.68%	None	Chao Shen company	375,243	16.95%	None	Chao Shen company	100,869	20.38%	None
2	Tung Ho Steel Enterprise Corp.	335,021	8.82%	None	Tung Ho Steel Enterprise Corp.	227,239	10.27%	None	Tung Ho Steel Enterprise Corp.	63,448	12.82%	None
3	Chen feng Construction company	234,766	6.18%	None	Ya t'ung energy company	189,942	8.58%	None	Jianshan Machinery	55,189	11.15%	None
4	Ya t'ung energy company	212,280	5.58%	None	Wei Chang company	102,050	4.61%	None	Shang Ting Construction company	17,131	3.46%	None
5	Wei Chang company	175,574	4.62%	None	Shang Ting Construction company	87,921	3.97%	None	Chen feng Construction company	15,268	3.08%	None
6	Chao Shen company	166,518	4.38%	None	Chen feng Construction company	58,675	2.65%	None	Asia Cement	0	0.00%	None
7	Shang Ting Construction company	140,550	3.70%	None	Asia Cement	21,979	0.99%	None	Taiwan Cement Corporation	0	0.00%	None
8	Taiwan Cement Corporation	6,189	0.16%	None	Jianshan Machinery	17,159	0.78%	None	Ya t'ung energy company	0	0.00%	
9	Jianshan Machinery	0	0.00%	None	Taiwan Cement Corporation	6,860	0.31%	None	Wei Chang company	0	0.00%	None
	Others	2,160,912	56.88%		Others	1,126,481	50.89%		Others	243,007	49.10%	
	Net Total Supplies	3,799,405	100.00%		Net Total Supplies	2,213,549	100.00%		Net Total Supplies	494,912	100.00%	

Note 1: The name of the supplier and the purchase amount and proportion of the purchase amount of more than 10% of the total purchase amount in the last two years are listed. However, the

contract name may not disclose the name of the supplier or the transaction object is an individual and is not related, and can be coded as .

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

## B. Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2019				2020				2021 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Directorate General of Highways	2,001,842	46.74%	None	Directorate General of Highways	2,191,645	70.77%	None	Directorate General of Highways	296,433	56.03%	None
2	Railway Bureau, MOTC	896,130	20.92%	None	Railway Bureau, MOTC	422,264	13.63%	None	Taiwan International Ports Corporation, Ltd.	128,469	24.28%	None
3	Taiwan Power Company	611,480	14.28%	None	Taiwan International Ports Corporation, Ltd.	258,434	8.34%	None	Railway Bureau, MOTC	57,443	10.86%	None
4	Taiwan International Ports Corporation, Ltd.	479,836	11.20%	None	Taiwan Power Company	224,577	7.25%	None	Taiwan Power Company	46,714	8.83%	None
	Others	293,616	6.86%		Others	-1	0.00%		Others	1	0.00%	
	Net Sales	4,282,904	100.00%		Net Sales	3,096,919	100.00%		Net Sales	529,060	100.00%	

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

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

### 5.2.5 Production in the Last Two Years

Unit: NT\$ thousands

Output Year	2020			2019		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products (or by department)						
Public construction		-	5,268,115	-	-	4,110,115
Total	-	-	5,268,115	-	-	4,110,115

### 5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Shipments & Sales Year	2020				2019			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Major Products (or by departments)								
Operating income	-	7,159,730	-	-	-	4,282,094	-	-
Total	-	7,159,730	-	-	-	4,282,094	-	-

### 5.3 Human Resources

Year		2019	2020	Data as of ending data in the current year 2021(As of March 31)
Number of Employees	Manager	8	8	8
	General staff	207	157	155
	Foreign labor	186	96	110
	Total	401	261	273
Average Age		48.09	49.06	49.24
Average Years of Service		10.54	12.63	12.92
Education	Ph.D.	0.93	1.21	1.23
	Masters	12.50	12.12	12.27

Bachelor's Degree	34.26	38.18	38.03
College	33.80	31.52	31.29
Senior High School	16.20	15.76	15.95
Below Senior High School	2.31	1.21	1.23

## 5.4 Environmental Protection Expenditure

### 5.4.1 Total Losses and Penalties

Unit: NT\$ thousands

	2019	2020(Note)	The current year as of March 31st, 2021
Pollution	Violations of environmental law	Violations of environmental law	Violations of environmental law
Amount of penalty	\$30	\$36	\$0

Note : Environmental fines for 2020 are as follows :

日期	字號	違反法規條文	違反法規內容	處分內容
2020/02/21	Environmental Audit No. 1090000021A	Article 36 Paragraph 1 of the Waste Disposal Act	The waste storage location is not clearly marked with the name of the waste in Chinese.	Fine of NT\$6,000
2020/02/21	Environmental Audit No. 1090000021B	Industrial waste storage, removal and treatment methods and facility standards Article 6, paragraph 1, paragraph 4, and Article 10, paragraph 1, paragraph 1.	There is no equipment or measures to prevent the inflow and penetration of rainwater in the construction site for mixed waste storage.	Fine of NT\$12,000
2020/12/30	Environmental Facility No. 1090035157	Article 52 of the Waste Disposal Law	The business waste declaration and management information system of the Environmental Protection Department of the Executive Yuan does not match the amount declared in the business waste plan.	Fine of NT\$6,000
2020/12/30	Environmental Facility No. 1090035157	Article 31, Paragraph 1, Paragraph 2 of the Waste Disposal Act	The business waste declaration and management information system of the	Fine of NT\$12,000

			Environmental Protection Agency of the Executive Yuan, the declared amount does not match the approved amount of the business waste plan.	
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**5.4.2 Future response measures (including improvement measures):**

The company has always attached importance to environmental protection. In addition to using low-noise equipment to perform work and laying related facilities to improve road pollution, the construction site also hires employees to strengthen cleaning to maintain a clean environment, continuous water spraying, and dust-proof nets and other measures to prevent air pollution. It works well. In 2019 and 2020, the new construction of the Suhuagai Gufeng Tunnel and the Guanyin Tunnel was punished by the Environmental Protection Bureau of Yilan County Government due to improper waste disposal. In the future, the storage of waste will be focused on compliance with relevant regulations to avoid Cause environmental pollution problems.

**5.4.3 Possible future expenditures:**

Based on the recent general awareness of environmental protection and the concept of sustainable management, the company has been regarded as the responsibility of business operations for the prevention and control of pollution and environmental protection. In the construction process of each project, it is in accordance with labor safety and health regulations, and strict requirements for contractors. Do a good job in environmental protection to reduce the penalty for pollution. At present, the environmental protection work of the existing construction sites has been implemented and won the praise of the surrounding residents, which has invisibly enhanced the corporate image of the company. And the company obtained the ISO 14001 international environmental management verification in March 2009, which shows that the company attaches great importance to the prevention and control of environmental pollution. Under the premise of the company's efforts to implement various pollution prevention and control work, there should be no environmental pollution in the future. Significant expenses incurred.

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

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

## 5.5 Labor Relations

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

### 1. Welfare measures:

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

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

### 2. Training

Education and training is one of the key points of the company's human resources management. The development of new employees from general education to professional technology is carried out according to the plan. Through on-the-job and extra-training to enhance their technical capabilities, leadership and career development. And there are incentives added by the license to encourage employees to actively pursue further studies, strengthen their management skills and cultivate their concentration and sincere work attitude. In the future, the company will continue to carry out personnel training programs, so that the career planning of employees can grow together with the overall interests of the company.

(1) The company's 2020 annual education and training statistics

project	Course Title	Number of people	Hours	Training cost(NT\$)
Engineering courses (quality control, labor safety and health, field directors	External training for each major	20	1,205	179,201



and other technical courses)				
Human Resources, Administration, Audit, Legal, Information Courses	External training for each major	26	138.5	60,577
Financial accounting, director education training course	Director training and staff training	9	66	27,000
Internal education training	Prevention of insider trading and integrity management education and business English and Japanese education and training, etc.	170	2	5,000
total		225	1,411.5	271,778

(2) The company and the financial information transparency related personnel obtained the training hours of the competent authority:

Date		Title/name	organizer	Course Title	Hours
Start	End				
2020/06/11	2020/06/11	Director, Auditing Office Liu, Te-chang	Financial assets of the corporation Futures Development Foundation	Practice Discussion on the Introduction of the Code of Integrity Management of Listed OTC Companies-ISO37001 Bribery Prevention Management System	6
2020/11/24	2020/11/24			Research and analysis of labor incident law practice and enterprise countermeasures	6
2020/10/07	2020/10/07	Accounting Supervisor Wen, Shu Chiao	Republic of China Accounting Research and Development Foundation	Competent authority's policy analysis and internal control management practices of "Assisting companies to improve their own financial reporting capabilities"	6
2020/11/04	2020/11/04			Consolidated Financial Statement Preparation Practice Seminar	6

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

Date		Title/name	organizer	Course Title	Hours
Start	End				
2020/10/21	2020/10/21	General manager Chiang, chi-ching	Securities and Futures Development Foundation	Discussion on Cases of Fraud in Enterprise Financial Statements	3
2020/11/03	2020/11/03			Discussion on Legal Risks and Responses of Directors and Supervisors from Major Enterprise Malpractice Cases	3
2020/02/07	2020/02/07	Corporate Governance Supervisor Li, kwei-chung	Chinese Corporate Governance Association	Corporate Governance Views of Corporate Governance and Board Operations Views	3
2020/03/10	2020/03/10			Coping strategies for company change	3
2020/03/17	2020/03/17			Viewing the battle for management rights from the perspective of corporate governance	3
2020/07/17	2020/07/17			The Function of Independent Directors and the Operational Practice of Audit Committee	3
2020/07/31	2020/07/31			Insight into the key messages hidden in financial statements	3
2020/11/03	2020/11/03			Civil Criminal Liability of Directors of Public Offering Companies	3

3. Retirement system and its implementation

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

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

handled in accordance with the provisions of the Labor Law.

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

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

4. The situation of the labor agreement:

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

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

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

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

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

(1) Strengthen the shaping of the ethical concept of large family-owned labor.

(2) Establish an interactive communication and appeals pipeline.

(3) Fully comply with labor laws and strengthen welfare measures.

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

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

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

is:

1. Employees shall accept the command and supervision of the superior supervisor and shall not arbitrarily defy.
2. Employees should abide by laws and regulations and company regulations, and should be honest, clean, cautious, and diligent. Colleagues should respect each other to ensure the company's reputation and to make progress in the company's business.
3. In addition to the regulations in accordance with the regulations, if there is no stipulation or ambiguity in the case of an employee, the employee shall consider the relevant provisions and their purposes, and shall not be afraid to evade or push the shackles.
4. Employees should respect the company's reputation and must not use the company's name except for the company's designated tasks. Anyone whose personal opinions involve the company may not be published without permission.
5. Employees are not allowed to use personal convenience to engage in malpractice.
6. Employees should be dedicated and keep all confidentiality in the business.
7. Employees should handle the business with the concept of cost, and cherish the public property, and must not arbitrarily waste, destroy, encroach or sell.
8. Employees in the office should abide by the order and must not talk about or hinder the work or other bad behavior of others.
9. Employees should cooperate with each other and cooperate with each other. There must be no quarrels, fiddling between right and wrong, and other situations that disturb the order and hinder the discipline.
10. Employees should be humble and sincere to customers and guests. There must be no arrogance, ignorance or rudeness that would damage the reputation of the company.
11. Employees should be honest and self-contained, must not be corrupt or corrupt, and must not borrow from the company's customers in the name of the company or position.
12. During the office hours, employees shall not leave their posts without the approval of the competent personnel.
13. Employees are not allowed to arbitrarily read account cards, lists, documents,

correspondence, etc. that are not their own duties. They may not bring the company's chapters, accounts, documents, etc. out of the office or for viewing.

14. Employees shall be responsible for stratification, and supervisors at all levels shall perform their duties as supervisors.

15. The employee leaves the company, except for the trial personnel, the company may issue a certificate of separation.

#### D. Work environment and employee personal safety protection measures

The company regularly and irregularly conducts security and propaganda, and has a working environment and employee personal safety protection measures on site construction safety protection. The main contents are as follows:

1. Self-management: Establish safety and health management plans, automatic inspection plans, emergency response plans, and fall disaster prevention plans. The mechanical equipment must have a certificate of inspection, the operator (including the commander) must have a certificate of conformity, and the supervisors of each sub-project must also obtain a license.

2. Second, there is a risk of falling during construction:

(1) In the edge and opening part of the workplace with a height difference of more than two meters, the guardrail and protection should be set up in accordance with the regulations.

Cover, safety net or protective measures for hanging seat belts.

(2) In workplaces with a height difference of more than 1.5 meters, safety equipment shall be provided in accordance with the regulations.

(3) When working on a roof constructed of easy-to-wear materials such as stone wool board, iron sheet, tile, and wood board, it should be in the house.

The rack is provided with a pedal that prevents stepping and width of more than 30 cm, a safety net or a safety belt.

3. In the construction, there is a risk of collapse or collapse:

(1) The vertical direction of the construction frame is 5.5 meters and the horizontal direction is 7.5 meters. It should be properly connected with the stable structure.

(2) When the excavation depth of the open excavation site is more than 1.5 meters, or there is a ground collapse and the earth and stone are falling, the facilities for retaining soil support, slope protection or fence

protection shall be provided.

4. there are people who have a sense of electricity during construction:

Wires should be elevated, use wire, wire covered insulation, and welding work in accordance with CNS standards. Workers should use protective gloves and goggles.

5. Other:

Workers entering the work area should wear safety helmets and reflective vests, and the exposed steel bars in the work area should be used for protection, limited space operation checkpoints, tunnel project access control, lighting and ventilation checkpoints.

## 5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Engineering contract	Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications	2011.11.01~ 2020.04.24	Construction of Tai-Chiu Line KuFeng Tunnel (project B3)	None
Engineering contract	Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications	2011.11.01~ 2019.07.20 2020.02.21 Acceptance qualified and start warranty	Construction of Tai-Chiu Line KuanYin Tunnel (project B2)	None
Engineering contract	North Project Office of Taiwan Power (shares) Nuclear Fire Department	2012.04.26~ 2020.09.24 Currently waiting for inspection and acceptance	Linkou power plant expansion plan, drum coal bunker system project in turn-key-basis	None
Engineering contract	Railway Bureau, MOTC South Engineering Office	The first stage 2016.09.06 ~ 2021-08-08 Second stage: +180 days after notification from Party A	Engineering project Railway Electrification for the chaofang section of SOUTH-LINK line, civil electrical & mechanical from CHAOZHOU to LINBIAN , LOT 811.	None

Engineering contract	Railway Bureau, MOTC East Engineering Office	2017.09.20~ 2021.12.04	C031 Hualien Township, Nanping to Wanrong railway line, double track civil work and tram system project.	None
Engineering contract	Taiwan Port Corporation Taichung Port Branch	2017.12.22~ 2020.04.18 Currently in the warranty stage	Taichung harbor dock No.106 new construction project.	None
Engineering contract	Temporary Engineering Office of the North District of Western Binhai Highway, General Administration of Highways, Ministry of Communications	2019.02.23~ 2024.09.23	Construction of Tamkang Bridge and Connecting Road Network 5K+000~7K+035	None
Engineering contract	Taiwan Ports Co., Ltd. Keelung Port Branch	2020.07.16~ 2022.07.27	Taipei Port South Wharf S07, S08 Revetment and Rear Line Embankment Construction Project	None
Engineering contract	Suhua Improvement Engineering Office, Directorate General of Highways, Ministry of Transportation and Communications	2020.12.02~ 2025.06.02	Taiwan Line 9 212K + 800~214K + 685 Papaya River Bridge Reconstruction Project	None

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet

#### Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of the printing date of this annual report (Note 3)	
	2016	2017	2018	2019	2020		
Current assets	7,027,855	7,183,756	8,592,678	8,506,827	7,231,639	7,376,800	
Property, Plant and Equipment (Note2)	817,407	735,543	647,203	521,495	445,732	444,097	
Intangible assets	-	-	-	5,822	4,147	3,624	
Other assets	628,077	630,748	612,593	483,160	645,995	483,923	
Total assets	8,473,339	8,550,047	9,852,474	9,517,304	8,327,513	8,308,444	
Current liabilities	Before distribution	3,827,940	4,087,838	5,232,035	4,630,827	2,489,135	2,424,130
	After distribution	3,897,445	4,296,355	5,232,035	4,630,827	(Note 6)	(Note 6)
Non-current liabilities	316,985	398,147	805,137	360,755	262,464	288,648	
Total liabilities	Before distribution	4,144,925	4,485,985	6,037,172	4,991,582	2,751,599	2,712,778
	After distribution	4,214,430	4,694,502	6,037,172	4,991,582	(Note 6)	(Note 6)
Equity attributable to shareholders of the parent	4,228,310	3,810,098	3,562,459	4,269,624	5,322,268	5,342,154	
Capital stock	3,475,274	3,475,274	3,475,274	4,475,274	4,475,274	4,475,274	
Capital surplus	310,362	310,362	18,545	519	519	519	
Retained earnings	Before distribution	338,692	(81,428)	55,253	(208,357)	799,673	823,032
	After distribution	269,187	(81,428)	55,253	(208,357)	(Note 6)	(Note 6)
Other equity interest	103,982	105,890	13,387	2,188	46,802	43,329	
Treasury stock	-	-	-	-	-	-	
Non-controlling interest	100,104	253,964	252,843	256,098	253,646	253,512	
Total equity	Before distribution	4,328,414	4,064,062	3,815,302	4,525,722	5,575,914	5,595,666
	After distribution	4,258,909	3,855,545	3,815,302	4,525,722	(Note 6)	(Note 6)

\* If the company has an individual financial report, it should prepare a concise balance sheet and a



consolidated income statement for the individual in the last five years.

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

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

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

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

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

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

**Consolidated Condensed Balance Sheet (parent company)**

**Unit: NT\$ thousands**

Item \ Year		Financial Summary for The Last Five Years(Note 1)				
		2016	2017	2018	2019	2020
Current assets		5,797,654	5,925,689	6,926,151	7,384,359	5,633,474
Property, Plant and Equipment (Note 2)		482,650	413,316	338,780	300,604	232,100
Intangible assets		-	-	-	5,822	4,147
Other assets		1,901,775	1,759,862	1,856,156	1,055,321	2,199,843
Total assets		8,182,079	8,098,867	9,121,087	8,746,106	8,069,564
Current liabilities	Before distribution	3,162,228	3,415,235	4,757,679	4,115,482	2,484,532
	After distribution	3,231,733	3,623,752	4,757,679	4,115,482	(Note 6)
Non-current liabilities		791,541	873,534	800,949	361,000	262,764
Total liabilities	Before distribution	3,953,769	4,288,769	5,558,628	4,476,482	2,747,296
	After distribution	4,023,274	4,497,286	5,558,628	4,476,482	(Note 6)
Equity attributable to shareholders of the parent		-	-	-	-	-
Capital stock		3,475,274	3,475,274	3,475,274	4,475,274	4,475,274
Capital surplus		310,362	310,362	18,545	519	519
Retained earnings	Before distribution	338,692	(81,428)	55,253	(208,357)	799,673
	After distribution	269,187	(81,428)	55,253	(208,357)	(Note 6)
Other equity interest		103,982	105,890	13,387	2,188	46,802
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	4,228,310	3,810,098	3,562,459	4,269,624	5,322,268
	After distribution	4,158,805	3,601,581	3,562,459	4,269,624	(Note 6)

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

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

Note 3: As of the date of publication of the annual report, companies that have been listed or whose

stocks have been traded in the securities firm's business premises should be disclosed if they have the latest financial information reviewed by the accountant or reviewed.

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

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

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

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

## 6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

### Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item	Year					As of the printing date of this annual report (Note 2)
	Financial Summary for The Last Five Years (Note 1)					
	2016	2017	2018	2019	2020	
Operating revenue	4,289,591	3,758,935	3,844,011	4,282,904	7,159,730	529,260
Gross profit	299,580	(244,452)	31,988	172,789	1,891,615	74,506
Income from operations	121,489	(399,202)	(133,819)	6,944	1,149,068	37,856
Non-operating income & expenses	(18,081)	(18,470)	27,484	(9,026)	(83,845)	716
Income before tax	103,408	(417,672)	(106,335)	(2,082)	1,065,223	38,572
Continuing business unit Current net profit	83,931	(355,334)	(70,071)	(20,759)	1,007,121	23,225
Stop business unit loss	-	-	-	-	-	-
Net income (Loss)	83,931	(355,334)	(70,071)	(20,759)	1,007,121	23,225
Other comprehensive income (income after tax)	37,749	1,666	25,380	80,140	43,071	(3,473)
Total comprehensive income	121,680	(353,668)	(44,691)	59,381	1,050,192	19,752
Net income attributable to shareholders of the parent	90,716	(350,373)	(68,950)	(24,014)	1,009,573	23,359
Net income attributable to non-controlling interest	(6,785)	(4,961)	(1,121)	3,255	(2,452)	(134)
Comprehensive income attributable to Shareholders of the parent	128,465	(348,707)	(43,570)	56,126	1,052,644	19,886
Comprehensive income attributable to non-controlling interest	(6,785)	(4,961)	(1,121)	3,255	(2,452)	(134)
Earnings per share	0.26	(1.01)	(0.20)	(0.07)	2.26	0.05

Note:

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

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

financial accounting standards

Financial information.

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

**Condensed statement of comprehensive income(parent company)**

**Unit: NT\$ thousands**

Year  Item	Financial Summary for The Last Five Years(Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	4,503,755	3,836,972	3,812,581	4,204,288	3,096,919
Gross profit	316,648	(232,694)	26,479	155,750	1,078,215
Income from operations	148,201	(365,364)	(102,635)	15,139	(1,806,849)
Non-operating income & expenses	(38,149)	(47,347)	(2,579)	(20,476)	2,819,375
Income before tax	110,052	(412,711)	(105,214)	(5,337)	1,012,526
Continuing business unit Current net profit	90,716	(350,373)	(68,950)	(24,014)	1,009,573
Stop business unit loss	-	-	-	-	-
Net income (Loss)	90,716	(350,373)	(68,950)	(24,014)	1,009,573
Other comprehensive income (income after tax)	37,749	1,666	25,380	80,140	43,071
Total comprehensive income	128,465	(348,707)	(43,570)	56,126	1,052,644
Net income attributable to shareholders of the parent	-	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent	-	-	-	-	-
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share	0.26	(1.01)	(0.20)	(0.07)	2.26

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

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

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

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

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

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

### 6.1.3 Auditors' Opinions from 2016 to 2020

Year	Accounting Firm	CPA	Audit Opinion
2016	PwC Taiwan	Chang ,Tso- ch'eng Wang, Fang-yu	No opinions after revisions were made
2017	PwC Taiwan	Wang, Fang-yu Hsiao,Chin-mu	Unreserved conclusions / opinions (emphasis or other matters)-other matters-use other accountants to check (check) the report and want to separate responsibilities
2018	PwC Taiwan	Wang, Fang-yu Hsiao,Chin-mu	Unreserved conclusions / opinions (emphasis or other matters)-other matters-use other accountants to check (check) the report and want to separate responsibilities
2019	PwC Taiwan	Lin, Se-kai Hsiao,Chin-mu	Unreserved conclusions / opinions (emphasis or other matters)-other matters-use other accountants to check (check) the report and want to separate responsibilities
2020	PwC Taiwan	Lin, Se-kai Wang, Fang-yu	Unreserved conclusions / opinions (emphasis or other matters)-other matters-use other accountants to check (check) the report and want to separate responsibilities

## 6.2 Five-Year Financial Analysis

### Consolidated Financial Analysis – Based on IFRS

Item		Year		Financial Analysis for the Last Five Years					As of the printing date of this annual report
		2016	2017	2018	2019	2020			
Financial structure (%)	Debt Ratio	48.92	52.47	61.28	52.45	33.04	32.65		
	Ratio of long-term capital to property, plant and equipment	568.31	606.66	713.91	937.01	1309.84	1325.01		
Solvency (%)	Current ratio	183.59	175.73	164.23	183.70	290.53	304.31		
	Quick ratio	92.40	88.22	72.43	98.04	269.80	282.79		
	Interest earned ratio (times)	4.36	(14.98)	(2.20)	0.94	27.62	48.04		
Operating performance	Accounts receivable turnover (times)	2.71	3.49	3.77	6.07	28.71	37.31		
	Average collection period	134.69	104.58	96.82	60.13	12.71	9.78		
	Inventory turnover (times)	1.26	1.16	0.94	0.98	11.17	0.98		
	Accounts payable turnover (times)	2.62	3.04	2.84	3.00	4.74	0.50		
	Average days in sales	289.68	314.66	388.30	372.45	32.68	372.45		
	Property, plant and equipment turnover (times)	5.00	4.84	5.56	7.33	14.80	1.19		
	Total assets turnover (times)	0.51	0.44	0.39	0.45	0.86	0.06		
Profitability	Return on total assets (%)	1.26	(3.92)	(0.47)	0.10	11.65	0.29		
	Return on stockholders' equity (%)	1.98	(8.47)	(1.78)	(0.5)	19.94	0.42		
	Pre-tax income to paid-in capital (%)	2.98	(12.02)	(3.06)	(0.05)	23.80	0.86		
	Profit ratio (%)	1.96	(9.45)	(1.82)	(0.48)	14.07	4.39		
	Earnings per share (NT\$)	0.26	(1.01)	(0.20)	(0.07)	2.26	0.05		
Cash flow	Cash flow ratio (%)	12.42	(1.65)	(14.73)	(0.98)	144.80	(9.88)		
	Cash flow adequacy ratio (%)	(23.33)	(39.74)	(47.84)	(56.61)	135.99	130.93		
	Cash reinvestment ratio (%)	9.92	(2.89)	(20.28)	(0.94)	61.37	(4.03)		
Leverage	Operating leverage	1.00	1.00	1.00	1.00	1.00	1.00		
	Financial leverage	1.34	0.94	0.80	(0.23)	1.04	1.02		



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

1. The debt-to-asset ratio decreased, and the current ratio and quick ratio increased: the main reason was the profit from the sale of construction land inventories.
2. The increase in the ratio of long-term funds to fixed assets: the main reason is the profit from the sale of land.
3. The increase in interest protection multiples: Mainly due to the profit from the sale of construction land inventories.
4. Increase in accounts receivable turnover rate and decrease in average cash collection days: Mainly due to the sale of construction land inventory.
5. Increase in inventory turnover rate, account payable turnover rate and decrease in average sales days: mainly due to the sale of construction land inventory and adjustment of the cost of goods sold.
6. Increase in turnover rate and total asset turnover rate of real estate, plant and equipment: the main reason is the increase in turnover rate of real property, plant and equipment and total asset turnover rate caused by the sale of construction land.
7. Increase in return on assets, increase in return on equity, increase in the ratio of pre-tax net profit to paid-in capital, increase in net profit ratio and increase in earnings per share: Mainly due to the increase in profit from the sale of construction land.
8. Increase in cash flow ratio, cash flow fair ratio, and cash reinvestment ratio: mainly because of the increase in cash flow ratio, cash flow fair ratio and cash reinvestment ratio due to the sale of construction land to obtain cash and repayment of loans.
9. Increase in financial leverage: Increase in financial leverage due to increased interest.

### Financial Analysis(parent company)

Item		Financial Analysis for the Last Five Years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt Ratio	48.32	52.96	60.94	51.18	34.05
	Ratio of long-term capital to property, plant and equipment	1040.06	1133.18	1287.98	1540.44	2406.30
Solvency (%)	Current ratio	183.34	173.51	145.58	179.43	226.74
	Quick ratio	105.70	102.24	75.99	176.16	225.95
	Interest earned ratio (times)	4.58	(14.79)	(2.23)	0.86	39.06
Operating performance	Accounts receivable turnover (times)	2.45	3.03	3.65	5.85	12.42
	Average collection period	148.98	120.46	100.00	62.39	29.39
	Inventory turnover (times)	1.85	1.71	1.36	2.56	
	Accounts payable turnover (times)	2.76	3.11	2.84	2.99	3.77
	Average days in sales	197.30	213.45	268.38	142.58	
	Property, plant and equipment turnover (times)	9.33	9.28	11.25	13.99	13.34
	Total assets turnover (times)	0.55	0.47	0.42	0.48	0.38
Profitability	Return on total assets (%)	1.38	(4.04)	(0.50)	0.06	12.26
	Return on stockholders' equity (%)	2.18	(8.72)	(1.87)	(0.61)	21.05
	Pre-tax income to paid-in capital (%)	3.17	(11.88)	(3.03)	(0.12)	22.62
	Profit ratio (%)	2.01	(9.13)	(1.81)	(0.57)	32.60
	Earnings per share (NT\$)	0.26	(1.01)	(0.20)	(0.07)	2.26
Cash flow	Cash flow ratio (%)	18.10	11.59	(7.93)	(1.37)	(10.44)
	Cash flow adequacy ratio (%)	(33.35)	(19.12)	(15.53)	(28.64)	14.32
	Cash reinvestment ratio (%)	10.79	6.60	(12.93)	(1.24)	(4.64)
Leverage	Operating leverage	1.09	0.99	1.08	0.82	1.00
	Financial leverage	1.26	0.93	0.76	(0.69)	0.99

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

- 1 The debt-to-asset ratio decreased, and the current ratio and quick ratio increased: the main reason was that the subsidiary made a profit from the sale of land.
2. Increase in the ratio of long-term funds to fixed assets: This was mainly due to the increase in profits of subsidiaries this year.
3. Increased interest coverage: Mainly due to the profit of the subsidiary this year.
4. Increase in the turnover rate of accounts receivable and decrease in average cash collection days: mainly due to the relative decrease in accounts receivable due to the slow progress of the early stage of the project.
5. Increase in the turnover rate of accounts payable: mainly due to the relative decrease of accounts payable due to the slow progress of the early stage of the project.
6. Decrease in turnover rate of total assets: Mainly due to the slower progress in the initial stage of the project, which resulted in a decrease in operating income.
7. Decrease in inventory turnover rate and average sales days: the main reason is that there is no inventory to account for this year.
8. Increase in return on assets, increase in return on equity, increase in the ratio of pre-tax net profit to paid-in capital, increase in net profit ratio and increase in earnings per share: the main reason is the increase in the profits of subsidiaries this year.
9. Decrease in cash flow ratio and cash reinvestment ratio: Mainly because of the high pre-cost of initial investment in some projects, the decrease in net cash inflow from operating activities has led to a decrease in cash flow ratio.
10. Increase in allowable cash flow ratio: Mainly due to the gradual recovery of completed project payments, which increased the five-year average net cash flow from operating activities.
11. Increase in operating leverage: the main factor is due to the company's profit from selling construction land.
12. Increase in financial leverage: The main reason is that the decrease in operating profits has led to an increase in financial leverage.

### 6.3 Audit Committee's Report for the Most Recent Year

#### **Review Report of Audit Committee**

The Board of Directors has submitted the 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 29th, 2021

## **Review Report of Audit Committee**

The Board of Directors has submitted the 2020 profit and loss appropriation, verified by the Audit Committee, was found complied with related provisions of Company Act, in accordance with requirement in Article 219, reported as above.

For your honor's approval

Sincerely,

The 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 11th, 2021

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

Please refer to page 169-238

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

Please refer to page 239-303

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

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

### Management

#### 7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2020	2019	Difference	
			Amount	%
Current Assets	7,231,639	8,506,827	(1,275,188)	(14.99)
Fixed Assets	445,732	521,496	(75,764)	(14.53)
Other Assets	650,142	488,981	161,161	32.96
<b>Total Assets</b>	<b>8,327,513</b>	<b>9,517,304</b>	<b>(1,189,791)</b>	<b>(12.50)</b>
Current Liabilities	2,489,135	4,630,827	(2,141,692)	(46.25)
Long-term Liabilities	262,464	360,755	(98,291)	(27.25)
<b>Total Liabilities</b>	<b>2,751,599</b>	<b>4,991,582</b>	<b>(2,239,983)</b>	<b>(44.88)</b>
Capital stock	4,475,274	4,475,274	0	0.00
Capital surplus	519	519	0	0.00
Retained Earnings	799,673	(208,357)	1,008,030	483.80
Other Adjustments	46,802	2,188	44,614	2039.03
Attributable to the owners of the parent company	5,322,268	4,269,624	1,052,644	24.65
<b>Total Stockholders' Equity</b>	<b>5,575,914</b>	<b>4,525,722</b>	<b>1,050,192</b>	<b>23.20</b>
Analysis of changes in financial ratios:				
1. Increase in other assets: Mainly due to the deposit of engineering deposits.				
2. Decrease in current liabilities, non-current liabilities and total liabilities: mainly due to the repayment of long-term and short-term loans this year.				
3. Increase in retained earnings, equity attributable to owners of the parent company, and total shareholder equity: the main reason was the increase in profits this year.				
4. Increase in other equity: Mainly due to the increase in the appraised market value of financial assets which led to an increase in other equity.				

## 7.2 Analysis of Financial Performance

### A. Business results comparison analysis table

Unit: NT\$ thousands

Item	Year		Difference	
	2020	2019	Amount	%
Gross Sales	7,159,730	4,282,904	2,876,826	67.17
Operating cost	(5,268,115)	(4,110,115)	(1,158,000)	28.17
Operating margin	1,891,615	172,789	1,718,826	994.75
Operating expenses	(742,547)	(165,845)	(576,702)	347.74
Operating profit	1,149,068	6,944	1,142,124	16,447.64
Operating income and expenses	(83,845)	(9,026)	(74,819)	(828.93)
Pre-tax net profit	1,065,223	(2,082)	1,067,305	51,263.45
Income tax expense	(58,102)	(18,677)	(39,425)	211.09
The current net profit	1,007,121	(20,759)	1,027,880	4,951.49
This issue other comprehensive income net of tax	43,071	80,140	(37,069)	(46.26)
Issue comprehensive income	1,050,192	59,381	990,811	1,668.57
Net profit attributable to owners of the parent company	1,009,573	(24,014)	1,033,587	4,304.10
Comprehensive profit attributable to owners of the parent company	1,052,644	56,126	996,518	1,775.50

Analysis of changes in financial ratios:

- Operating income, operating costs, operating gross profit, operating net profit, net profit before tax, current net profit, current comprehensive loss  
Profit, net profit attributable to the owners of the parent company and comprehensive profit and loss attributable to the owners of the parent company increased:  
The main reason is that this year's subsidiary sold land inventory, which resulted in operating income, operating costs, operating gross profit, Operating net profit, net profit before tax, net profit for the current period, comprehensive profit and loss for the current period, net profit attributable to the owners of the parent company and comprehensive profit and loss attributable to the owners of the parent company all increased.
- Increase in operating expenses: mainly due to the profit distribution of employee bonuses and remuneration of directors and supervisors, and a measure of the possibility of project recovery Caused by impairment.
- Decrease in non-operating income and expenses: mainly due to impairment of asset



evaluation.

4. The net after-tax amount of other comprehensive gains and losses in the current period decreased: mainly because the increase in financial asset prices was lower than that of the previous year.
5. Increase in income tax expense: Mainly due to the increase in land tax on the sale of land inventory by the subsidiary.

**B. Analysis of changes in operating gross profit:**

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

### 7.3 Analysis of Cash Flow

#### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

1. Operating activities: inflow \$3,604,202
2. Investing activities: inflow \$43,255
3. Financing activities: outflow \$ 2,132,054

Description:

1. Net cash inflow from operating activities this year: The main reason was that the subsidiary sold land inventory, which led to an increase in capital inflow.
2. Net cash inflow from investment activities in the current year: The main project guarantees the return of the deposited funds, resulting in an increase in capital inflow.
3. Net cash outflow from financing activities this year: Mainly due to repayment of bank loans.

#### 7.3.2 Remedy for Cash Deficit and Liquidity Analysis

Item	Year		
	2020	2019	Variance (%)
Cash Flow Ratio (%)	144.8%	(0.98%)	148.76%
Cash Flow Adequacy Ratio (%)	135.99%	(56.61%)	3.40%
Cash Reinvestment Ratio (%)	61.37%	(0.94%)	66.29%
Analysis of the change in increase and decrease ratio: Cash flow ratio/cash flow permissible ratio/cash reinvestment ratio: The main factor is that the company's sale of land inventory increases, and the cash flow ratio, cash flow permissible ratio and cash reinvestment ratio all increase.			

#### 7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
1,924,771	(358,476)	882,991	683,304	-	-

##### 1. Analysis of expected cash flow changes in 2021:

- (1) Business activities:

It is expected that the net cash outflow from operating activities is mainly due to the payment of the final payment for completed projects, which will result in an increase in cash outflow.

(2) Investment and financing activities:

Mainly because of the guaranteed return of deposits for new engineering cases, and the increase in dividends, bonuses and remuneration made in the previous year, resulting in net cash outflows from investment and financing activities.

#### **7.4 Major Capital Expenditure Items**

None.

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

1. Reinvestment policy:

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

2. The profit generated from the reinvestment:

The investment loss recognized by the company in the 2020 equity method evaluation is NT\$0 thousand.

3. Investment plans in the coming one year:

In the coming year, the company will continue to develop the Daxin Store project and engage in investment projects such as the reconstruction of dangerous old buildings and urban renewal plans.

#### **7.6 Analysis of Risk Management**

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

###### **(1) Interest rate**

In 2020, the interest expenses of the Company represented 0.56% of annual revenue. Going forward, the Company will continue to carefully monitor interest rate movements, adopt proper hedging strategies, and make use of capital markets financing instruments to ensure that our financing costs are at a comparatively low level.

###### **(2) Foreign exchange rates**

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

###### **(3) Inflation**

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

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

The company is committed to the development of the industry and is not engaged in high-risk, high-leverage investment and derivative commodity transactions. Fund loans and affiliated companies are required for operation. The endorsement guarantee is mainly required for the factors of the joint ownership of the land and is handled in accordance with relevant regulations and management methods, and it will not cause losses due to the endorsement guarantee. The company's fund loans to others and endorsement guarantees are all handled in accordance with the company's policies and corresponding measures stipulated in the "Operation Measures for Funds Loans to Others" and the "Implementation Measures for Endorsement Guarantees", and the relevant operations have been carefully implemented in consideration of risk conditions and related regulations. .

### 7.6.3 Future Research & Development Projects and Corresponding Budget

The company's relevant construction technology is independently developed by the Ministry of Works and various construction sites or imported from abroad by professional third-party manufacturers. There is no special R&D department set up, and no R&D expenses are incurred.

This year, the company undertook the Tamkang Bridge project located at the mouth of the Danshui River under the jurisdiction of the General Administration of Highways of the Ministry of Transport. This bridge is an asymmetrical single-span oblique-tensioned steel bridge design. In addition to the complex and uncertain geological topography of the riverbed, it still needs to face the northeast monsoon and typhoon for half a year. Severe weather impacts such as rising and falling tides. In addition to the design study of cable-stayed steel cables, steel bridges and 200M-high main tower columns, the construction adopts PDCA (plan, do, check, action), step by step is the camp cycle operation, and cooperates with BIM (build information model) information estimation and inspection , Committed to the integration and research of construction methods, and more advanced special construction methods.

In addition, since 2000, Taiwan's industrial structure has changed, which has led to rapid changes in the distribution of human resources throughout Taiwan.

As a result, the manpower demand of the construction industry is obviously insufficient. In view of this, how to guide the construction industry to automation, Systematization, modularization, shortening the construction period, reducing manpower, and improving efficiency; at the same time, in order to improve Management efficiency, how to digitize and informatize construction industry site management are all topics for future development.

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

item	category	Technology Research Project
1	management	Research on the practical application of BIM 4D and 5D measurement in construction engineering
2	management	Research on the Application of Large Quantity Material Management Module in the Construction of Public Works System
3	design	Research on Construction Method of Steel Pipe Pile Cofferdam in Water
4	construction	Research on the Construction Method of Filling and Forming Platform Used in the

		Construction of Foundation Piles of Piers in Water
5	design	Research on using IP cement in concrete
6	design	Analysis of Optimizing the Number of Steel Formwork Sets of Bridge Pier Columns
7	construction	A Study on the Shipping and Offshore Hoisting Methods of Steel Bridge Segments
8	design	Research on Hot Dip Galvanizing Process of Galvanized Steel Bar
9	design	Research on the Construction Tower Crane of Tamkang Bridge
10	construction	Tamkang Bridge Water Steel Bridge
11	Design+ construction	Cable-stayed steel cables of Tamkang Bridge

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

The company's operations follow the relevant current laws and regulations of domestic and foreign reinvestment countries. The relevant personnel usually maintain a high degree of attention to the development of domestic and foreign political and economic situations and legal changes, and the ability to respond appropriately, and should not have a significant impact on the company's financial business. The impact.

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

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

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

Since its inception, the Company has consistently maintained an ethical business philosophy and fulfilled its social responsibilities. Aside from working to strengthen internal management and

conforming to all relevant corporate governance requirements, the Company has also organized numerous public welfare activities.

#### **7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

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

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

NA

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

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

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

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

None

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

The company does not have operate the situation changed

### 7.6.12 Litigation or Non-litigation Matters

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

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

### 7.6.13 Other Major Risks

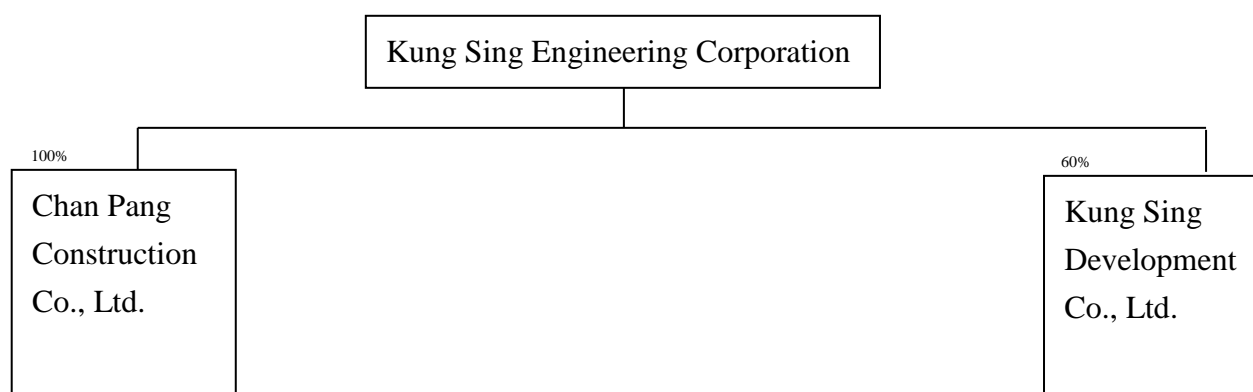
None

## VIII. Special Disclosure

### 8.1 Summary of Affiliated Companies

#### 8.1.1 Relationship business merger report

A. Relationship organization chart:



#### B. Basic information of each relationship company:

2020.12.31 ; Unit: NT\$ thousands

Company Name (Note 1)	Date of establishment	Area	Paid-up capital	Main business or Production project
Chan Pang industrial co., ltd.	2006.10.14	Taipei	\$ 590,000	Construction and development of buildings and houses
Kung Sing Development Co., Ltd.	2010.08.25	Taipei	\$ 420,000	Construction and development of buildings and houses

Note 1: The above-mentioned affiliated companies do not hold shares of the company.



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

Company Name	job title	Name or representative	Holding shares	
			Number of shares	Shareholding ratio
Chan Pang industrial co., ltd.	Chairman	Kung Sing Engineering Corporation representative : Chiang,chi-ching	59,000,000	100.00
	General manager	Chiang,chi-ching	0	0.00
Kung Sing Development Co., Ltd.	Chairman	Kung Sing Engineering Corporation representative : Chiang,chi-ching-	42,000,000	60.00
	Director	pan-i-chen	1,000,000	1.43
	Director	Lin Kuan Pei	2,740,000	3.91
	Supervisor	Kung Sing Engineering Corporation representative : Chu, wei- kuo	42,000,000	60.00
	General manager	Chiang,chi-ching	0	0.00

D. Overview of the operations of various related companies:

2020.12.31 : Unit: NT\$ thousands

Company Name	Paid-up capital	Total assets	Total liabilities	Net value	Operating income	Operating profit	Current profit and loss (after tax)	Earnings per share (yuan) (after tax) (Note 1)
Chan Pang Construction Co., Ltd.	590,000	984,796	171	984,625	4,062,013	2,438,959	2,438,959	41.34
Kung Sing Development Co., Ltd.	420,000	638,547	4,432	634,115	798	(6,132)	(6,132)	(0.15)

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

8.1.2 Relational financial statements of the business combination: The consolidated financial statements of the Company are consistent with the consolidated financial statements of the parent and subsidiary companies, as detailed on page 169.

**8.2 Private Placement Securities in the Most Recent Years: None**

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

**8.4 Other necessary supplementary notes: None**

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

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

**Kung Sing Engineering Corporation**  
**Declaration of Affiliates Consolidated Financial Statements**

For the year ended December 31, 2020, the companies required to be included in the consolidated financial statements in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies, as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the above-mentioned consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2020.

Hereby certify

Company: Kung Sing Engineering Corporation

Principal: Chen, huang-ming

March 30, 2021

## 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:

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 (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:

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 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:

1. 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.

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 Group'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 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.
5. 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.
6. 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	-
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	Common stock	Capital surplus			Retained earnings		Other equities		Total	Non-controlling equity	Total equity	
		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	-	-	-	-	-	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	1,000,000	( 18,545)	( 2,145)	-	-	( 330,935)	-	-	648,375	-	648,375
	Employee stock option of cash capital increase	-	-	2,664	-	-	-	-	-	2,664	-	2,664
	Expired employee stock option	-	-	( 519)	519	-	-	-	-	-	-	-
	Disposal of equity instrument at fair value through other comprehensive income	-	-	-	-	-	96,613	-	( 96,613)	-	-	-
	Subsidiaries' disposal of equity instrument at fair value through other comprehensive income	-	-	-	-	( 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	-	-	-	-	-	( 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	-	-	-	-	( 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	<u>For the years ended December 31</u>	
		<u>2020</u>	<u>2019</u>
<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.

Kung Sing Engineering Corporation and Subsidiaries  
Notes to the Consolidated Financial Statements  
December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. History of the Company

- (1) Kung Sing Engineering Corporation (the "Company") was established in February 1947. The main business activities of the Company and its subsidiaries (the "Group") are the construction and repairing of roads and bridges as well as development of house and building.
- (2) The Company's shares had been listed and traded on Taipei Exchange since November 18, 1999 and was officially terminated on December 18, 2012 then have been listed and traded on the Taiwan Stock Exchange.

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

The consolidated financial statements were reported to and issued by the Board of Directors on March 29, 2021.

3. Application of New Standards, Amendments and Interpretations

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, "Disclosure Initiative—Definition of Material"	January 1, 2020
Amendments to IFRS 3, "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IFRS 16, "Covid-19-Related Rent Concessions"	June 1, 2020*

\* FSC allow enterprises to choose to apply this amendment in advance from January 1, 2020.

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



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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, "Extension of the Temporary Exemption from Applying IFRS 9"	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Interest Rate Benchmark Reform-Phase 2"	January 1, 2021

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, "References to the Conceptual Framework"	January 1, 2022
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	To be determined by International Accounting Standards Board
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IAS 1, "Classification of Current or Non-current Liabilities"	January 1, 2023
Amendments to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37, "Onerous Contracts-Cost of Fulfilling a Contract"	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	January 1, 2022

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

#### 4. Summary of Significant Accounting Policies

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

##### (1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

##### (2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
  - a. Financial assets at fair value through other comprehensive income.
  - b. Defined benefit liabilities recognized based on the net amount of pension plan assets deduct present value of defined benefit obligation
- B. The preparation of financial statements in conformity with IFRSs, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Basis of consolidation

- A. Basis for preparation of the consolidated financial statements
  - a. All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - b. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - c. Components of profit and loss and other comprehensive income are attributable to the parent company’s owners and non-controlling equity; the total comprehensive income is also attributable to the parent company’s owners and non-controlling equity, even if it leads to a loss balance of non-controlling equity.
  - d. When the Group loses the control of the subsidiary, the remaining investment in the previous subsidiary is remeasured at fair value and recognized in the fair value of the originally recognized financial assets or the cost of the originally recognized investment affiliate or joint venture. The difference between fair value and book value is recognized in current profit

and loss. For all amounts previously recognized in other comprehensive income related to the subsidiary, the accounting treatment is the same as the basis for the Group to directly dispose of the related assets or liabilities, that is, if the profits or losses previously recognized in other comprehensive income will be reclassified as profit or loss when the related assets or liabilities are disposed of. When the Group loses the control of the subsidiary, the Group will reclassify the profit or loss from equity to profits or losses.

B. Subsidiaries included in the consolidated financial statements

Investor	Subsidiary	Business nature	Ownership (%)		Note
			December 31, 2020	December 31, 2019	
The Company	Chan Pang Industrial Co., Ltd.	Houses and buildings development, leasing and investment	100	100	
As above	Kung Sing Development Co., Ltd.	Houses and buildings development, leasing and investment	60	60	Note 1

Note 1: Based on the financial statements audited by other accountants during the same period, they are included in this consolidated financial statement.

C. Subsidiaries not included in the consolidated financial statements

None.

D. Adjustments for subsidiaries with different balance sheet dates

None.

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

None.

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

None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

a. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

b. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon retranslation at the balance sheet date are recognized in profit or loss.

c. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are retranslated at the exchange rates

prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- d. All foreign exchange gains and losses are presented in the comprehensive income statement within "other gains and losses".

B. Translation of foreign operations

- a. The operating results and financial position of all the Group's entities and affiliates have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - (b) Income and expenses for each statements of comprehensive income are translated at average exchange rates of that period; and
  - (c) All resulting exchange differences are recognized in other comprehensive income.
- b. When a foreign operating agency sold or disposed of is a subsidiary, the accumulated exchange differences recognized in other comprehensive income reattributed to the foreign operating agency's non-controlling equity proportionately. When the Group retains part of equity in former subsidiary but losses the control of foreign operating agency, the Group takes "disposal of all equity of foreign operating agencies" procedure to dispose of it.

(5) Classification of current and non-current items

As the operating cycle for construction contracts usually exceeds one year, the Group uses the operating cycle as its criteria for classifying current and non-current assets and liabilities related to construction contracts. For other assets and liabilities, the criterion is one year:

- A. Assets that meet one of the following criteria are classified as current assets:
  - a. Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - b. Assets held mainly for trading purposes;
  - c. Assets that are expected to be realized within twelve months from the balance sheet date;
  - d. Cash, excluding restricted cash that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.Those that do not meet the above-mentioned criteria are classified as non-current assets.
- B. Liabilities that meet one of the following criteria are classified as current liabilities:
  - a. Liabilities that are expected to be settled within the normal operating cycle;
  - b. Liabilities arising mainly from trading purposes;
  - c. Liabilities that are to be settled within twelve months from the balance sheet date;

- d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

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

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

(7) Accounts and notes receivable

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Leasing arrangements (lessor)-operating lease

During the lease term, the gains of operating lease deduct incentives given to lessee is recognized in current income on a straight-line basis over the lease term.

(11) Inventory

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

(12) Non-current assets for sale (or disposal groups)

Non-current assets for sale (or disposal groups) are classified as assets for sale when the carrying amount is mainly recovered through sales transactions rather than continuously use and highly likely to be sold, and is decided by the amount of book value or fair value deducts cost of sale.

(13) Joint operation

- A. Investments in joint agreements are classified as joint operations based on the contractual rights and obligations.
- B. For the equity in joint operations, the Group recognizes its direct rights (and its share) in joint operating assets, liabilities, income and expenses, and has been included in the applicable items of financial statements.

(14) Property, plant and equipment

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

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

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

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

- A. Lease assets are recognized in a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized in expense on a straight-line basis over the lease term.
- B. Lease liabilities are recognized at present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments conclude:
- (a) Fixed payments deducts any lease incentives receivable.
  - (b) Variable lease payments depend on an index or a rate.

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

- C. At the commencement date, the right-of-use asset is stated at cost, including the amount of the initial measurement of lease liability and any initial direct costs incurred by the lessee.
- The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset’s useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized in an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(16) Investment property

The investment property is stated initially at cost and measured subsequently by cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10 or 53 years.

(17) Intangible assets

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

(18) Impairment of non-financial assets

The Group assesses the recoverable amounts of those assets where there is an indication that they are impaired at each balance sheet date. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its

recoverable amount. The recoverable amount is the higher of an asset's fair value deducts costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(19) Borrowings

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

(20) Notes and accounts payable

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

(21) Derecognition of financial liabilities

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

(22) Provisions for liabilities

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

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized in expense in that period when the employees render service.

B. Pensions

a. Defined contribution plans

The contributions are recognized in pension expense when they are due on an accrual basis. Prepaid contributions are recognized in an asset to the extent of a cash refund or a reduction in the future payments.

b. Defined benefit plans



- (a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date deducts the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the consolidated balance sheet date).
- (b) Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- (c) Prior period service costs are recognized immediately in profit or loss.

C. Employees', directors' and supervisors' remuneration

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

(24) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in

accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. The deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(26) Common stock capital

Common stocks are classified as equity and directly attributable to incremental costs of issuing of new shares. The net amount after deducting income tax is recognized in the equity as a proceeds deduction.

(27) Revenue recognition

- A. Project revenue from construction contracts
  - a. The Group is engaged in civil projects construction. As the assets have been controlled by customers, the income is recognized gradually on the basis of the proportion of the engineering valuation and estimation progress to the total contract proceeds or contract milestones. When the completion of the contract performance obligations cannot be reasonably measured, contract revenue is only recognized within the scope of predictably recoverable cost.
  - b. Contract is composed of fixed price and variable consideration. Variable consideration (such as contract change order, subsidy or incentive calculated by the days of construction period extension) is estimated by the expected value or the most likely amount based on the past experience. The Group only recognizes the contract revenue when the amount is highly likely not to

be material reversal. The customers pay the contract proceed according to the agreed payment schedule, when the service provided by the Group exceeds the payables, the Group recognizes the contract revenue. When the payables exceed the service provided by the Group, the Group recognizes the contract revenue liabilities.

c. The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

d. Cost of customer contract

When the cost and contract generated from fulfilling the customer contract, or the identifiable, and predictably recoverable resources can be expected to satisfy performance obligations in the future, the Group recognizes the cost of fulfilling the contract as assets

B. Land development and sale

a. The Group operates land development and recognizes profit when the control of real estate is transferred to customers. As for the sale contract, until the transfer of the legal ownership of the real estate to the customer, the Group has an enforceable right to the contract payment. Therefore, profit is recognized at the timing when the legal ownership is transferred to the customer.

b. Profit is measured by the amount agreed in the contract. The customer pays the contract proceed when the legal ownership of the real estate is transferred. In rare cases, the Group has agreed with customers to defer the payment time, but the deferred repayment period does not exceed 12 months. Judging that the contract does not have a significant financial component, so the consideration amount will not be adjusted.

## (28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

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

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

### (1) Construction contract

The management assesses and judges estimated total cost and contract items by the characteristics of different projects, the estimated procurement amount, the

construction period and the construction method. In case of changes in contract work, subsidies and incentives for construction period extension, the recognized construction revenue may be affected. The transaction proceeds of unfulfilled obligation of the Group's construction contract are described in Note 6 (21).

(2) The achievability of deferred income tax assets

Deferred tax asset is recognized only if it is likely to be sufficient taxable income used to deduct temporary differences. The assumptions about expected future revenue growth, profit margin and available income tax credits used to assess the achievability of deferred tax assets involved subjective judgment of the management. Any change regarding economic environment and law may cause significant adjustments to deferred income tax assets.

As at December 31, 2020, the deferred income tax assets recognized by the Group amounted to NT\$121,616.

6. Details of Significant Accounts

(1) Cash

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Check deposits and demand deposits	\$ 1,921,081	\$ 390,573
Cash on hand and revolving funds	<u>3,690</u>	<u>4,300</u>
	<u>\$ 1,924,771</u>	<u>\$ 394,873</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. There has no cash pledged to others.

(2) Accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Construction receivables	<u>\$ -</u>	<u>\$ 498,804</u>

- A. The debtors of Group's construction receivables are government and public enterprises, etc. and there is no overdue or impairment. The credit risk related information of the accounts receivables is described in Note 12 (2).
- B. All accounts receivables are generated by customers' contracts at December 31, 2020 and 2019. The total amount of the accounts receivables generated by customers' contracts were \$912,160 at January 1, 2019.

(3) Inventory

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Buildings and land held for sale	\$ 398,046	\$ 398,046
Construction in progress	<u>65,320</u>	<u>81,916</u>
	<u>\$ 463,366</u>	<u>\$ 479,962</u>

- A. Upon the resolution of the Board of Directors on April 9, 2020, the Group's subsidiary, Chan Pang Construction Co., Ltd., jointly sold the land in 2nd

subsection, Yucheng section, Nangang Dist., Taipei City with other landowners by open tendering. The tender opened at May 7, 2020 and the successful tenderer is Fubon Life Assurance Co., Ltd. We completed the ownership transfer procedure at June 4, 2020 and received the total charge.

- B. The inventory cost recognized as expense for the years ended December 31, 2020 and 2019 were NT\$1,092,981 and NT\$253,859, respectively.
- C. The capitalized amount of inventory interest for the year ended December 31, 2020 was NT\$9,572. Please refer to Note 6 (11) for the information on the capitalization of interest for the year ended December 31, 2019.
- D. Please refer to Note 8 for the information on the Group's collateral provided by inventory.

(4) Other current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other financial assets	\$ 1,924,288	\$ 2,106,341
Construction refundable deposits	48,516	47,355
	<u>\$ 1,972,804</u>	<u>\$ 2,153,696</u>

Please refer to Note 8 for the information on the Group's collateral provided by other current assets.

(5) Cost of fulfilling contracts

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Prepayment for materials and construction	\$ 437,896	\$ 59,727
Prepayment for construction insurance	106,863	58,799
	<u>\$ 544,759</u>	<u>\$ 118,526</u>

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Equity instruments		
Non-listed stocks	\$ 66,496	\$ 66,496
Valuation adjustments	46,802	2,188
	<u>\$ 113,298</u>	<u>\$ 68,684</u>

- A. The Group chooses to classify the equity instruments of strategic investment as financial assets at fair value through other comprehensive income. The fair value of the investments at December 31, 2020 and 2019 were NT\$113,298 and NT\$68,684, respectively.
- B. The Group sold the stock of Taiwan High Speed Rail Corporation at fair value NT\$197,053 due to operation plan and the recognized accumulated gains on disposal was NT\$96,613.
- C. The details of equity instruments at fair value through other comprehensive income are as follows:

	For the year ended December 31	
	2020	2019
Fair value change recognized in other comprehensive income	\$ 44,614	\$ 64,343
Cumulative gains or losses reclassified to retained earnings due to derecognition	\$ -	\$ 96,613
Dividend profit recognized in profit or loss held at end of period	\$ 4,971	\$ 138

D. The credit risk related information of the financial assets at fair value through other comprehensive income is described in Note 12 (2).

(7) Property, plant and equipment

	2020				
	Land	Buildings and structures	Machinery equipment	Others	Total
January 1					
Cost	\$ 342,826	\$ 245,307	\$ 37,553	\$ 21,229	\$ 646,915
Accumulated depreciation and impairment	( 15,945)	( 63,446)	( 31,566)	( 14,463)	( 125,420)
	<u>\$ 326,881</u>	<u>\$ 181,861</u>	<u>\$ 5,987</u>	<u>\$ 6,766</u>	<u>\$ 521,495</u>
January 1	\$ 326,881	\$ 181,861	\$ 5,987	\$ 6,766	\$ 521,495
Additions	-	-	3,800	3,872	7,672
Disposals-cost	-	-	( 16,500)	-	( 16,500)
Depreciation expense	-	( 9,405)	( 2,720)	( 2,627)	( 14,752)
Disposals-accumulated depreciation	-	-	12,539	-	12,539
Impairment losses	( 52,672)	( 12,050)	-	-	( 64,722)
December 31	<u>\$ 274,209</u>	<u>\$ 160,406</u>	<u>\$ 3,106</u>	<u>\$ 8,011</u>	<u>\$ 445,732</u>
December 31					
Cost	\$ 342,826	\$ 245,307	\$ 24,853	\$ 25,101	\$ 638,087
Accumulated depreciation and impairment	( 68,617)	( 84,901)	( 21,747)	( 17,090)	( 192,355)
	<u>\$ 274,209</u>	<u>\$ 160,406</u>	<u>\$ 3,106</u>	<u>\$ 8,011</u>	<u>\$ 445,732</u>

	2019				
	Land	Buildings and structures	Machinery equipment	Others	Total
January 1					
Cost	\$ 342,826	\$ 345,881	\$ 276,491	\$ 20,661	\$ 985,859
Accumulated depreciation and impairment	( 19,767)	( 75,742)	( 230,432)	( 12,715)	( 338,656)
	<u>\$ 323,059</u>	<u>\$ 270,139</u>	<u>\$ 46,059</u>	<u>\$ 7,946</u>	<u>\$ 647,203</u>
January 1	\$ 323,059	\$ 270,139	\$ 46,059	\$ 7,946	\$ 647,203
Additions	-	-	-	2,195	2,195
Disposals-cost	-	( 100,578)	( 238,938)	( 1,627)	( 341,143)
Depreciation expense	-	( 13,783)	( 27,964)	( 3,286)	( 45,033)
Disposals-accumulated depreciation	-	24,681	226,830	1,538	253,049
Reversal of impairment losses	3,822	1,399	-	-	5,221
Exchange difference, net	-	3	-	-	3
December 31	<u>\$ 326,881</u>	<u>\$ 181,861</u>	<u>\$ 5,987</u>	<u>\$ 6,766</u>	<u>\$ 521,495</u>
December 31					
Cost	\$ 342,826	\$ 245,307	\$ 37,553	\$ 21,229	\$ 646,915
Accumulated depreciation and impairment	( 15,945)	( 63,446)	( 31,566)	( 14,463)	( 125,420)
	<u>\$ 326,881</u>	<u>\$ 181,861</u>	<u>\$ 5,987</u>	<u>\$ 6,766</u>	<u>\$ 521,495</u>

A. The Group uses fair value as the recoverable amount for impairment testing. The Group refers to the neighboring real estate transaction prices and the evaluation results of independent evaluation experts, the estimated recoverable amount of land, housing and structure is less than the book amount for the year ended December 31, 2020. Therefore, the Group recognized impairment losses amounted to NT\$64,722. For the housing and structure still used for operating activities, the Group refers to the evaluation results of independent evaluation experts, and recognized gains on reversal of impairment amounted to NT\$5,221.

B. The property, plant and equipment held by the Group were the evaluation results of independent evaluation experts. The evaluation was calculated by comparative method, cost method or income method and classified as the level 3 fair value. The main assumption of the income approach is as follows:

	December 31, 2020	December 31, 2019
Income capitalization rate	0.94%-1.37%	1.61%

C. Please refer to Note 8 for the information on the Group's collateral provided by property, plant and equipment.

(8) Leasing arrangements – lessee

- A. The Group leases various assets, including lands, buildings and transportation equipment. Lease contracts are typically made for periods of 2-9 years. Lease terms are negotiated on an individual basis and contain a wide range of different clauses and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The lease period of the machinery equipment and transportation equipment leased by the Group does not over 12 months. Some of the leased assets that are low-value targets, including machinery equipment, transportation equipment and multi-function office machines.
- C. The changes of right-of-use assets are as follows:

	2020			
	Land	Buildings	Transportation equipment	Total
January 1	\$ 35,493	\$ 895	\$ 3,927	\$ 40,315
Additions	13,629	908	1,392	15,929
Lease modification	( 8,973)	( 54)	-	( 9,027)
Depreciation expense	( 7,406)	( 866)	( 2,507)	( 10,779)
December 31	<u>\$ 32,743</u>	<u>\$ 883</u>	<u>\$ 2,812</u>	<u>\$ 36,438</u>

	2019			
	Land	Buildings	Transportation equipment	Total
January 1	\$ 16,553	\$ 2,965	\$ 1,533	\$ 21,051
Additions	26,469	489	5,080	32,038
Depreciation expense	( 7,529)	( 2,559)	( 2,686)	( 12,774)
December 31	<u>\$ 35,493</u>	<u>\$ 895</u>	<u>\$ 3,927</u>	<u>\$ 40,315</u>

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
<u>Items affect profit or loss for the period</u>		
Interest expense on lease liabilities	\$ 658	\$ 558
Expense on short-term and low-value assets lease contracts	6,035	12,520
Gains on lease contract terminated in advance	75	-

- F. The Group's total lease cash outflows for the years ended December 31, 2020 and 2019 were NT\$16,682 and NT\$25,602, respectively.
- G. The Group adopts practical expedient of "Covid-19-Related Rent Concessions". Gains on lease payment modification generated from rent concessions recognized as other income was NT\$107 for the year ended December 31, 2020.



(9) Investment property

	2020		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 127,734	\$ 128,355	\$ 256,089
Accumulated depreciation and impairment	-	( 70,443)	( 70,443)
	<u>\$ 127,734</u>	<u>\$ 57,912</u>	<u>\$ 185,646</u>
January 1	\$ 127,734	\$ 57,912	\$ 185,646
Depreciation expense	-	( 2,372)	( 2,372)
December 31	<u>\$ 127,734</u>	<u>\$ 55,540</u>	<u>\$ 183,274</u>
December 31			
Cost	\$ 127,734	\$ 128,355	\$ 256,089
Accumulated depreciation and impairment	-	( 72,815)	( 72,815)
	<u>\$ 127,734</u>	<u>\$ 55,540</u>	<u>\$ 183,274</u>
	2019		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 128,312	\$ 128,355	\$ 256,667
Accumulated depreciation and impairment	-	( 76,365)	( 76,365)
	<u>\$ 128,312</u>	<u>\$ 51,990</u>	<u>\$ 180,302</u>
January 1	\$ 128,312	\$ 51,990	\$ 180,302
Disposal	( 578)	-	( 578)
Depreciation expense	-	( 2,373)	( 2,373)
Impairment loss reversal	-	8,295	8,295
December 31	<u>\$ 127,734</u>	<u>\$ 57,912</u>	<u>\$ 185,646</u>
December 31			
Cost	\$ 127,734	\$ 128,355	\$ 256,089
Accumulated depreciation and impairment	-	( 70,443)	( 70,443)
	<u>\$ 127,734</u>	<u>\$ 57,912</u>	<u>\$ 185,646</u>

- A. Rental income and direct operating expense from the investment property are shown below:

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Rental income from investment property	\$ <u>2,648</u>	\$ <u>2,970</u>
Direct operating expense arising from the investment property that generated rental income in the period	\$ <u>2,149</u>	\$ <u>2,337</u>
Direct operating expense arising from the investment property that did not generate rental income in the period	\$ <u>1,021</u>	\$ <u>926</u>

- B. The fair value of the investment property held by the Group at December 31, 2020 and 2019 were NT\$317,252 and NT\$303,138, respectively, based on the evaluation results of independent evaluation experts. The evaluation was calculated by comparative method, cost method, land development analysis method and income method and classified as the level 3 fair value. The main assumption of the income method is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Income capitalization rate	1.37%-1.70%	1.61%-2.20%

- C. The Group uses fair value as the recoverable amount for impairment testing. The Group refers to the neighboring real estate transaction prices and the evaluation results of independent evaluation experts. The estimated recoverable amount of housing and structure is greater than the book amount for the year ended December 31, 2019. Therefore, the Group recognized gains on reversal of impairment amounted at NT\$8,295.
- D. Please refer to Note 8 for the information on the Group's collateral provided by investment property.

(10) Other non-current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Refundable deposits	\$ 184,634	\$ 32,067
Restricted assets	6,512	28,620
Prepayment and administrative fee of syndicated loans guarantees	-	2,003
Others	223	436
	<u>\$ 191,369</u>	<u>\$ 63,126</u>

Please refer to Note 8 for the information on the Group's collateral provided by restricted cash.

(11) Non-current assets for sale (none on December 31, 2020)

The Company decided to sell 100% equity of Chan Pang Construction Co., Ltd. by the resolution of the Board of Directors on November 29, 2019. And the assets and liabilities related to Chan Pang Construction Co., Ltd. were transferred as disposal group for sale. The assets and liabilities of the disposal group at December 31, 2019 were NT\$990,912 and NT\$914,580, respectively. The Company decided to stop open tendering 100% equity of Chan Pang Construction Co., Ltd. by the resolution of the Board of Directors on April 9, 2020. And the assets and liabilities related to Chan Pang Construction Co., Ltd. were not transferred as disposal group for sale.

A. Assets of disposal group for sale

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

The above-mentioned amount of inventory including interest capitalization was NT\$24,588.

B. Liabilities directly related to disposal group for sale

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

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

(12) Short-term borrowings

<u>Type</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Secured borrowings	\$ 65,000	\$ 772,720
Unsecured borrowings	-	<u>139,000</u>
	<u>\$ 65,000</u>	<u>\$ 911,720</u>
Interest rate range	1.36%	1.40%-1.76%

A. The Group recognized interest expense as profit and loss for the years ended December 31, 2020 and 2019 amounted to NT\$10,781 and NT\$24,134, respectively.

B. Please refer to Note 8 for details of the pledge collateral of short-term borrowings.

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Repayment period</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	Amortized from		
Medium-term secured borrowings	2015 to 2022	\$ 77,166	\$ 81,692
	Amortized from		
Medium-term secured borrowings	2018 to 2020	-	260,904
	Amortized from		
Medium-term unsecured borrowings	2018 to 2020	-	25,000
Medium-term secured borrowings	Due within 2022	-	100,000
Subtotal		77,166	467,596
Deduct: due within one year (recognized in "Other current liabilities")		( 4,596)	( 290,464)
		<u>\$ 72,570</u>	<u>\$ 177,132</u>
Interest rate range		1.8%	1.81%-2.61%

A. The Company signed a syndicated loan contract in regards to medium-term unsecured syndicated loan, project performance bond and project prepayment guarantee with Taipei Fubon Commercial Bank Co., etc. The material restriction terms are maintaining the financial ratios of the consolidated financial statement as follows:

- (a) Current ratio (current assets/ current liabilities) shall not be less than 100%.
- (b) Liabilities ratio (total liabilities/ tangible net worth) shall not be greater than 200%.
- (c) Interest protection multiples [(income before tax+ interest expense+ depreciation and amortization)/ interest expense paid in the period] shall not be less than 200%.
- (d) Tangible net worth (net value-intangible assets) shall not be less than NT\$3,500,000

As of December 31, 2020, the Company has not used the borrowing quota.

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

C. Please refer to Note 8 for details of the pledge collateral of long-term borrowings.

(14) Provisions for liabilities

	2020		
	<u>Warranty</u>	<u>Litigation loss</u>	<u>Total</u>
January 1	\$ 81,797	\$ 30,800	\$ 112,597
Additions in the period	78,898	-	78,898
Used and reversed in the period	( 5,874)	-	( 5,874)
December 31	<u>\$ 154,821</u>	<u>\$ 30,800</u>	<u>\$ 185,621</u>
Recognized as:			
Provisions for liabilities-current	<u>\$ 73,578</u>	<u>\$ 21,699</u>	<u>\$ 95,277</u>
Provisions for liabilities-non-current	<u>\$ 81,243</u>	<u>\$ 9,101</u>	<u>\$ 90,344</u>

	2019		
	Warranty	Litigation loss	Total
January 1	\$ 81,173	\$ 30,800	\$ 111,973
Additions in the period	970	-	970
Used in the period	( 346)	-	( 346)
December 31	<u>\$ 81,797</u>	<u>\$ 30,800</u>	<u>\$ 112,597</u>
Recognized as:			
Provisions for liabilities-current	<u>\$ 12,261</u>	<u>\$ -</u>	<u>\$ 12,261</u>
Provisions for liabilities-non-current	<u>\$ 69,536</u>	<u>\$ 30,800</u>	<u>\$ 100,336</u>

A. Warranty

The Group's warranty provision of liabilities is mainly related to the construction contracts, and is estimated upon historical warranty data. The warranty provision of liabilities is expected to expire from 2020 to 2025.

B. Litigation loss

The Group's provision of litigation loss is mainly related to the lawsuits arising from construction-related events between subcontractors and work safety incidents. The most likely litigation loss is recognized after the management assessing and referring to legal opinions. The Company reclassified provisions for litigation loss to current amount based on the conviction affirmed by the Supreme court for the year ended December 31, 2020. Please refer to Note 9 (3) for details.

(15) Net defined benefit liability

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

(a) Recognized amount in the balance sheet

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	(\$ 68,129)	(\$ 66,312)
Fair value of plan assets	57,285	53,893
Net defined benefit liability	<u>(\$ 10,844)</u>	<u>(\$ 12,419)</u>

## (b) Changes in net defined benefit liability

	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance, January 1	(\$ 66,312)	\$ 53,893	(\$ 12,419)
Service cost for the period	( 347)	-	( 347)
Interest income (expense)	( 459)	375	( 84)
Prior period service cost	359	-	359
	<u>( 66,759)</u>	<u>54,268</u>	<u>( 12,491)</u>
Remeasurements:			
Return on plan assets	-	1,750	1,750
Changes in demographic assumptions	( 40)	-	( 40)
Changes in financial assumptions	( 2,299)	-	( 2,299)
Experience adjustments	( 1,340)	-	( 1,340)
	<u>( 3,679)</u>	<u>1,750</u>	<u>( 1,929)</u>
Pension fund contribution	-	3,576	3,576
Paid pension	2,309	( 2,309)	-
Balance, December 31	<u>(\$ 68,129)</u>	<u>\$ 57,285</u>	<u>(\$ 10,844)</u>
	2019		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance, January 1	(\$ 69,129)	\$ 51,853	(\$ 17,276)
Service cost for the period	( 343)	-	( 343)
Interest income (expense)	( 495)	369	( 126)
Prior period service cost	114	-	114
	<u>( 69,853)</u>	<u>52,222</u>	<u>( 17,631)</u>
Remeasurements:			
Return on plan assets	-	2,009	2,009
Changes in demographic assumptions	( 161)	-	( 161)
Changes in financial assumptions	( 306)	-	( 306)
Experience adjustments	( 1,243)	-	( 1,243)
	<u>( 1,710)</u>	<u>2,009</u>	<u>299</u>
Pension fund contribution	-	4,227	4,227
Paid pension	5,251	( 4,565)	686
Balance, December 31	<u>(\$ 66,312)</u>	<u>\$ 53,893</u>	<u>(\$ 12,419)</u>

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to

the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(d) The principal actuarial assumptions used are as follows:

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Discount rate	<u>0.3%</u>	<u>0.7%</u>
Future salary increase rate	<u>2.0%</u>	<u>2.0%</u>

- I. Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.
- II. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,442)</u>	<u>\$ 1,448</u>	<u>\$ 1,460</u>	<u>(\$ 1,422)</u>
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,512)</u>	<u>\$ 1,563</u>	<u>\$ 1,538</u>	<u>(\$ 1,497)</u>

- i. The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.
- ii. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contribution to the pension plans of the Group for the year ending December 31, 2021 is NT\$925.

(f) As of December 31, 2020, the weighted average duration of the pension plan is six years. The analysis of pension paid expired date is as follows:

Less than 1 year	\$	1,595
1-2 years		2,297
2-5 years		18,884
Beyond 5 years		46,848
	\$	<u>69,624</u>

- B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were NT\$8,246 and NT\$9,981, respectively

(16) Share-based payment

- A. For the years ended December 31, 2019, the Company’s equity-settled share-based payment arrangements are as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock option of cash capital increase	2019.10.07	6,095 thousand units	NA	Vested immediately

- B. The details of above share-based payment arrangements are set forth below:

	<u>For the year ended December 31, 2019</u>	
	<u>No. of units</u> <u>(shares in thousand)</u>	<u>Exercise price</u> <u>(in dollars)</u>
Options outstanding at beginning of year	-	\$ -
Options granted in the period	6,095	6.50
Options exercised in the period	( 4,908)	6.50
Options waived in the period	( 1,187)	6.50
Options outstanding at end of year	<u>-</u>	-
Options exercisable at end of year	<u>-</u>	-

- C. The weighted average stock price of stock options at exercise dates exercised for the year ended December 31, 2019 was NT\$6.88.



- D. The fair value of stock options is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility(*)	Expected option life	Expected dividends	Risk free interest rate	Fair value per unit (in dollars)
Employee stock option of cash capital increase	2019.10.07	\$ 6.88	\$ 6.50	24.1%	0.08	-	0.59%	\$ 0.437

\* Expected price volatility is estimated by the standard deviation of return on stock. And the sample interval is the duration equivalents from the expected option life to the latest period.

- E. The expenses incurred in the share-based payment transaction are as follows:

	For the year ended December 31, 2019
Employee options compensation cost	\$ 2,664

(17) Common stock

- A. As of December 31, 2020, the Company's authorized capital was NT\$6,000,000, divided into 600,000 thousand shares. The paid-up capital was NT\$4,475,274. The par value per share is NT\$10. The payment of issued shares of the Company has been received.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2020 (thousand shares)	2019 (thousand shares)
January 1	447,527	347,527
Cash capital increase	-	100,000
December 31	447,527	447,527

- B. On June 14, 2019, the Board of Directors of the Company determined that issued 100,000 thousand shares for cash capital increase. And the par value per share was NT\$10. On September 19, 2019, the Board of Directors decided that the base date for the capital increase and issuance of new shares would be October 12, 2019, and the subscription price per share was NT\$6.5 at a discount. The payment period was October 21, 2019 to November 21, 2019. The rights and obligations of the new issuance of common stocks are the same as issued common stocks. The total cash capital increase amount was NT\$650,000, and after deducting the relevant costs, the actual net cash capital increase amount was NT\$648,375. The base date of capital increase was November 26, 2019. Change registration was completed.

(18) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-up capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no

accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-up capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(19) Retained earnings

- A. The Company's Articles of Incorporation stipulates that if there is a surplus in the annual final accounts, the tax should be paid first to make up for the previous year's losses, and 10% of the remaining amount shall be set aside as legal reserve. If there is still a surplus plus beginning distributable surplus, the Board of Directors will propose some resolution and decide by Board of Shareholders. The shareholder dividends are distributed in two ways: stock dividends and cash dividends. The proportion of cash dividends is not less than 10% of the total shareholder dividends. When necessary, the surplus distribution could be set aside as special reserve before the dividend distribution.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. According to the special surplus reserve mentioned in the letter of the financial management certificate issued on April 6, 2012. When adopting IFRSs for the first time, the Company shall set aside the special reserve. The Company could use the reversal of the special reserve when the Company uses, disposes or reclassifies the relevant assets.
- D. The Board of Directors of the Company on June 17, 2020 resolved a 2019 loss replenishment. After making up for losses, there was no surplus available for distribution. And after the Company disposed of foreign subsidiaries, the Board of Shareholders decided to recognize NT\$1,872 for reversing special reserve of IFRSs transition date.
- E. The Company's Board of Shareholders on June 27, 2019 resolved that there was no surplus distribution in 2018.

Information of the surplus distribution approved by the Board of Directors and the Board of Shareholders can be obtained from the "Market Observation Post System".

(20) Other equity items

	2020		
	Foreign currency translation	Unrealized income of equity instrument investments measured by fair value through other comprehensive income	
January 1	\$ -	\$ 2,188	\$ 2,188
Revaluation-the Group	-	44,614	44,614
December 31	<u>\$ -</u>	<u>\$ 46,802</u>	<u>\$ 46,802</u>

	2019		
	Foreign currency translation	Unrealized income of equity instrument investments measured by fair value through other comprehensive income	
January 1	(\$ 15,558)	\$ 28,945	\$ 13,387
Revaluation-the Group	-	64,306	64,306
Revaluation transferred out to retained earnings-the Company	-	( 96,613)	( 96,613)
Revaluation-subsiidiaries	-	37	37
Revaluation transferred out to retained earnings- subsidiaries	-	5,513	5,513
Foreign currency translation differences-the Group	15,558	-	15,558
December 31	<u>\$ -</u>	<u>\$ 2,188</u>	<u>\$ 2,188</u>

(21) Operating revenue

A. Details of customer contract revenue

The Group derives revenue from the transfer of construction controls over time and at a point in time in goods controls. And the reportable segments also derive related revenue:

Timing of revenue recognition

	For the year ended December 31, 2020	For the year ended December 31, 2019
Over time	\$ 3,097,717	\$ 3,989,288
At a point time	4,062,013	293,616
	<u>\$ 7,159,730</u>	<u>\$ 4,282,904</u>

B. Contract assets and liabilities

The Group recognized the following customer contract revenue-related contract assets and liabilities:

	December 31, 2020	December 31, 2019
Contract assets:		
Engineering construction contract	\$ 2,505,432	\$ 3,327,437
Project retention receivables	185,884	321,432
Deduct: allowance for loss	( 517,121)	-
	<u>\$ 2,174,195</u>	<u>\$ 3,648,869</u>
Contract liabilities :		
Construction contract	<u>\$ 1,259,905</u>	<u>(\$ 1,192,034)</u>

- (a) The expected recovery situation of project retention derives from construction contracts at December 31, 2020 and 2019 is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
2020	\$ -	\$ 211,563
2021	76,014	97,367
2022	63,120	12,502
After 2023 (inclusive)	<u>46,750</u>	<u>-</u>
	<u>\$ 185,884</u>	<u>\$ 321,432</u>

- (b) The Group's contract assets and liabilities change over time with the contraction performance obligations and timing of customer payment. The Group remeasured the recoverability of the committed cost due to Court's judgment and recognized expected credit loss NT\$517,121. Therefore, the contract assets changed. Please refer to Note 12 (2) and Note 9 for details.
- (c) We recognized revenue of contract liabilities at the beginning of the period of NT\$1,192,034 and NT\$1,058,707 for the years ended December 31, 2020 and 2019, respectively.
- (d) Transaction price to non-performance obligation  
As of December 31, 2020, the total amount of the transaction price to non-performance obligation was NT\$12,937,394. The Company will gradually recognize revenue as the completion of the construction projects. The projects will be completed from 2021 to 2025.
- (e) Please refer to Note 12 (2) for details of the contract assets credit risk.

(22) Interest income

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Interest income from bank deposits	\$ 1,982	\$ 2,611
Other interest income	<u>18,388</u>	<u>16</u>
	<u>\$ 20,370</u>	<u>\$ 2,627</u>

(23) Other income

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Dividend income	\$ 4,971	\$ 138
Rental income	3,219	3,621
Gains on rent concessions	107	-
Others	<u>1,487</u>	<u>4,244</u>
	<u>\$ 9,784</u>	<u>\$ 8,003</u>

(24) Other gains and losses

	<u>For the year ended December 31 , 2020</u>	<u>For the year ended December 31 , 2019</u>
Gains on reversal of impairment (loss)	(\$ 64,722)	\$ 13,516
Gains (Losses) on disposal of property, plant and equipment	( 3,190)	20,144
Investment property depreciation expense	( 2,372)	( 2,373)
Gains (Losses) on foreign exchange, net	775	( 2,375)
Gains on disposal of investment property	-	2,995
Losses on disposal of investment property	-	( 9,077)
Others	<u>59</u>	<u>( 314)</u>
	<u>(\$ 69,450)</u>	<u>\$ 22,516</u>

(25) Financial cost

	<u>For the year ended December 31 , 2020</u>	<u>For the year ended December 31 , 2019</u>
Interest expense:		
Bank loan	\$ 24,996	\$ 36,148
Others	15,024	1,497
Syndicated loans expense	2,003	2,304
Other financial expenses	<u>2,526</u>	<u>2,211</u>
	<u>\$ 44,549</u>	<u>\$ 42,160</u>

(26) Additional information on the nature of expenses

	<u>For the year ended December 31 , 2020</u>	<u>For the year ended December 31 , 2019</u>
Employee benefit expense	<u>\$ 323,177</u>	<u>\$ 384,727</u>
Depreciation of property, plant and equipment	<u>\$ 14,752</u>	<u>\$ 45,033</u>
Depreciation expense of right-of-use assets	<u>\$ 10,779</u>	<u>\$ 12,774</u>
Amortization expense	<u>\$ 2,165</u>	<u>\$ 1,567</u>

(27) Employee benefit expense

	For the year ended December 31, 2020		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 185,103	\$ 71,703	\$ 256,806
Labor and health insurance fees	16,620	3,544	20,164
Pension costs	6,238	2,080	8,318
Directors' remunerations	-	23,904	23,904
Other personnel expenses	10,921	3,064	13,985
	<u>\$ 218,882</u>	<u>\$ 104,295</u>	<u>\$ 323,177</u>

	For the year ended December 31, 2019		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 268,565	\$ 50,555	\$ 319,120
Labor and health insurance fees	24,522	4,317	28,839
Pension costs	7,877	2,459	10,336
Director's remunerations	-	2,610	2,610
Other personnel expenses	17,460	6,362	23,822
	<u>\$ 318,424</u>	<u>\$ 66,303</u>	<u>\$ 384,727</u>

- A. In accordance with the Company's Articles of Incorporation, if there is a balance after deducting accumulated deficits from profit, the Company shall distribute bonus to the employees and pay remuneration to the directors that should be 3%-5% and not be higher than 3%, respectively, of the total distributed amount.
- B. The estimation amount of the employees' compensation for the years ended December 31, 2020 and 2019 were NT\$25,529 and NT\$0, respectively; the estimation amount of the directors' remuneration were NT\$21,274 and NT\$0, respectively. The above-mentioned amount are recognized in wages and salaries. The employees' compensation and directors' remuneration were estimated and accrued based on an amount of 3% and 2.5% of distributable profit of current period for the year ended December 31, 2020. Employees' compensation and directors' remuneration for 2019 was NT\$0 as resolved at the meeting of Board of Directors and in agreement with those amounts recognized in the 2019 financial statements. Information of the remuneration of employees and directors approved by the Board of Directors of the Company can be obtained from the "Market Observation Post System".

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Current tax:		
Current tax on profits for the year	\$ -	\$ 13,770
Surtax on undistributed retained earnings	-	1,359
Land value increment tax recognized in current tax	55,149	17,249
Prior year income tax over estimation	<u>( 1,361)</u>	<u>-</u>
	<u>53,788</u>	<u>32,378</u>
Deferred tax:		
Origination and reversal of temporary differences	4,314	( 14,009)
Tax losses	-	308
	<u>4,314</u>	<u>( 13,701)</u>
Income tax expense	<u>\$ 58,102</u>	<u>\$ 18,677</u>

(b) Income tax amount relating to other comprehensive income:

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Remeasurement of defined benefit obligation	<u>(\$ 386)</u>	<u>\$ 60</u>

B. Reconciliation between income tax expense and accounting profit:

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Income tax calculated by applying statutory rate to the net loss before tax	\$ 700,100	\$ 158
Tax-free income and excluded expense in accordance with tax regulation	( 1,081,564)	( 4,868)
Taxable loss not recognized as deferred tax assets	251,591	-
Temporary differences not recognized as deferred tax assets	130,973	-
Changes of deferred tax realizability evaluation	3,214	( 1,628)
Prior year income tax over estimation	( 1,361)	-
Effect from alternative minimum tax	-	6,407
Effect from modification of tax regulation	-	-
Surtax on undistributed retained earnings	-	1,359
Land value increment tax recognized in current tax	<u>55,149</u>	<u>17,249</u>
Income tax expense	<u>\$ 58,102</u>	<u>\$ 18,677</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Warranty liabilities	\$ 16,360	\$ -	\$ -	\$ 16,360
Unrealized litigation loss	6,160	-	-	6,160
Unrealized gross profit	3,943	-	-	3,943
Property, plant and equipment impairment losses	3,189	-	-	3,189
Net defined benefit liabilities	2,483	( 701)	386	2,168
Investment property impairment losses	1,232	-	-	1,232
Others	1,618	( 239)	-	1,379
-Tax losses	90,404	( 3,219)	-	87,185
Subtotal	<u>\$ 125,389</u>	<u>(\$ 4,159)</u>	<u>\$ 386</u>	<u>\$ 121,616</u>
Deferred tax liabilities:				
-Temporary differences:				
Unrealized exchange profit	\$ -	(\$ 155)	\$ -	(\$ 155)
Total	<u>\$ 125,389</u>	<u>(\$ 4,314)</u>	<u>\$ 386</u>	<u>\$ 121,461</u>
2019				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Warranty liabilities	\$ 16,235	\$ 125	\$ -	\$ 16,360
Unrealized litigation loss	6,160	-	-	6,160
Unrealized gross profit	4,488	( 545)	-	3,943
Property, plant and equipment impairment losses	4,233	( 1,044)	-	3,189
Net defined benefit liabilities	3,455	( 912)	( 60)	2,483
Investment property impairment losses	2,891	( 1,659)	-	1,232
Others	1,640	( 22)	-	1,618
-Tax losses	90,712	( 308)	-	90,404
Subtotal	<u>\$ 129,814</u>	<u>(\$ 4,365)</u>	<u>(\$ 60)</u>	<u>\$ 125,389</u>
Deferred tax liabilities:				
-Temporary differences:				
Foreign long-term investments income	(\$ 18,066)	\$ 18,066	\$ -	\$ -
Total	<u>\$ 111,748</u>	<u>\$ 13,701</u>	<u>(\$ 60)</u>	<u>\$ 125,389</u>



- D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2020				
	Amount	Unused	Unrecognized	
<u>Year incurred</u>	<u>filed/assessed</u>	<u>amount</u>	<u>deferred</u>	<u>Expiry year</u>
2011-2020	\$ 1,753,238	\$ 1,740,274	\$ 1,304,348	2021-2030

December 31, 2019				
	Amount	Unused	Unrecognized	
<u>Year incurred</u>	<u>filed/assessed</u>	<u>amount</u>	<u>deferred</u>	<u>Expiry year</u>
2010-2019	\$ 506,382	\$ 497,926	\$ 62,000	2020-2029

- E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	\$ 130,973	\$ -

- F. The Group's profit-seeking enterprise income tax has been approved by the tax collection authorities:

	<u>Income tax approved year</u>
The Company	2018
Kung Sing Development Co., Ltd.	2018
Chan Pang Construction Co., Ltd.	2019

(29) Earnings (Losses) per share

	<u>For the year ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of</u>	<u>Earnings per share</u>
		<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders of the parent company for the period	\$ 1,009,573	447,527	\$ 2.26
<u>Diluted earnings per share</u>			
Effect from dilutive potential ordinary shares-employees' compensation	-	2,431	
Profit attributable to ordinary shareholders of the parent plus potential ordinary shares	\$ 1,009,573	449,958	\$ 2.24
	<u>For the year ended December 31, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of</u>	<u>Losses per share</u>
		<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted losses per share</u>			
Net loss attributable to ordinary shareholders of the parent company for the period	(\$ 24,014)	357,390	(\$ 0.07)

(30) Supplemental cash flow information

- A. The Group sold the 100% equity of the subsidiary, Jiangsu Kung Sing Engineering Consulting Co., Ltd. on November 14, 2019. The Group loses the control of it. The transaction price received (including cash and cash equivalents) and the information of relating assets and liabilities of the subsidiary is as follows:

	<u>November 14, 2019</u>	
Book value of assets and liabilities		
Cash	\$	1,315
Net account of property, plant and equipment		73,891
Other payables	(	493)
Book value of disposal of subsidiary		<u>74,713</u>
Losses on disposal of subsidiary	(	11,506)
Cumulative translation adjustments of disposal of subsidiary		<u>11,523</u>
Total transaction price received from disposal of subsidiary		74,730
Cash of disposal of subsidiary	(	1,315)
Net cash changes in disposal of subsidiary	\$	<u><u>73,415</u></u>

- B. The Group sold the 100% equity of the subsidiary, Kung Sing International (Hong Kong) Co., Ltd. on June 13, 2019. The Group loses the control of it. The transaction price received (including cash and cash equivalents) and the information of relating assets and liabilities of the subsidiary is as follows:

	<u>June 13, 2019</u>	
Book value of assets and liabilities		
Cash	\$	671
Investment using equity method		<u>37,387</u>
Book value of disposal of subsidiary		38,058
Profits on disposal of subsidiary		1,362
Cumulative translation adjustments of disposal of subsidiary		<u>6,082</u>
Total transaction price received from disposal of subsidiary		45,502
Cash of disposal of subsidiary	(	671)
Net cash changes in disposal of subsidiary	\$	<u><u>44,831</u></u>

(31) Changes in liabilities from financing activities

	<u>2020</u>				
	<u>Short-term</u>	<u>Long-term</u>	<u>Lease liabilities</u>	<u>Deposits</u>	<u>Total liabilities</u>
	<u>borrowings</u>	<u>borrowings</u>		<u>received</u>	<u>from financing</u>
					<u>activities</u>
January 1	\$ 911,720	\$ 467,596	\$ 40,565	\$ 49,290	\$ 1,469,171
Changes in cash flow from financing activities	( 1,474,620)	( 662,531)	( 10,647)	15,744	( 2,132,054)
Changes in other non-cash items	<u>627,900</u>	<u>272,101</u>	<u>6,921</u>	<u>-</u>	<u>906,922</u>
December 31	<u>\$ 65,000</u>	<u>\$ 77,166</u>	<u>\$ 36,839</u>	<u>\$ 65,034</u>	<u>\$ 244,039</u>

	Short-term borrowings	Long-term borrowings	Lease liabilities	Deposits received	Total liabilities from financing activities
January 1	\$ 2,507,002	\$ 770,230	\$ 21,524	\$ 35,596	\$ 3,334,352
Changes in cash flow from financing activities	( 968,003)	( 35,270)	( 13,082)	13,694	( 1,002,661)
Changes in other non-cash items	( 627,279)	( 267,364)	32,123	-	( 862,520)
December 31	<u>\$ 911,720</u>	<u>\$ 467,596</u>	<u>\$ 40,565</u>	<u>\$ 49,290</u>	<u>\$ 1,469,171</u>

### (32) Joint operation

The joint control agreement signed by the Group for joint operation is as follows:

Name	Co-builder	Site	Construction nature
Great Nangang	Chan pang Construction Co., Ltd. and six other companies	2 <sup>nd</sup> subsection, Yucheng section, Nangang Dist., Taipei City	Joint investment and construction

- A. On March 26, 2020, the Company's Board of Directors authorized the President of Chan Pang Construction Co., Ltd. to sell the land of Great Nangang with other landowners jointly. Upon the resolution of the third landowners' conference on April 9, 2020, they decided to jointly sell the land of Great Nangang by open tendering. The tender opened at May 7, 2020 and the successful tenderer is Fubon Life Assurance Co., Ltd. The Group completed the ownership transfer procedure and received the total charge.
- B. The Group held 12.5% shares of the Great Nangang. The shares of current assets and liabilities held by the Group at December 31, 2020 were NT\$1,060,062 and NT\$866,791, respectively. The shares of profits (losses) for the years ended December 31, 2020 and 2019 were NT\$1,837,422 and (NT\$1,634), respectively and recognized in consolidated balance sheets and consolidated comprehensive income statements.

## 7. Related Party Transactions

### (1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Chen, huang-ming	Key member of the management
Chiang, chi-ching	Key member of the management
Pan, jun-rong	Other related party

### (2) Significant transactions with related parties

#### A. Endorsement and guarantees

- Part of the borrowings amount of the Group was endorsement guarantee provided by the Group's key members of management and other related parties.
- The borrowings amount of mutual endorsement guarantee provided by the Group and other related parties in accordance with the borrowings contract

was NT\$236,000 and the actual used amount was NT\$173,936, respectively at December 31, 2020 and 2019.

B. Joint construction and separate sale

The Group signed a joint construction contract with other related parties. By means of joint construction and separate sale, the land of Daihudi subsection, Ankeng section, Sindian Dist. is provided by other related parties, and the houses are constructed by the Group. The construction project was completed in 2018. At December 31, 2020 and 2019, the Group paid the joint construction cost NT\$81,225 and NT\$79,685 on other related parties behalf and recognized in other receivables.

(3) The compensation of key member of the management

	For the year ended December 31, 2020	For the year ended December 31, 2019
Short-term employee benefits	\$ 32,928	\$ 14,100
Post-employment benefits	198	192
	<u>\$ 33,126</u>	<u>\$ 14,292</u>

8. Pledged Assets

The details of the pledged assets are as follows:

Items	Book value		Purpose
	December 31, 2020	December 31, 2019	
Other current assets			Provided to owners as a guarantee of project performance, short-term borrowings and litigation
-other financial assets	\$ 1,924,288	\$ 2,106,341	Provided to owners as a guarantee of tender bond
-refundable deposits	48,147	47,355	Provided to owners as a guarantee of warranty bond and litigation
Other non-current assets			Long-term borrowings guarantee
-restricted assets	6,512	28,620	Short-term borrowings guarantee
Inventory (including non-current assets for sale)	-	1,444,476	Long-term and short-term borrowings guarantee
Property, plant and equipment	331,757	339,763	
Investment property	108,192	109,655	
	<u>\$ 2,418,896</u>	<u>\$ 4,076,210</u>	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

- (1) As of December 31, 2020, the amount issued but not used for purchasing goods by the Group was NT\$110,493, and the amount of the guarantee issued by the bank for the performance, advance construction receipts and warranty was NT\$3,419,264.
- (2) As of December 31, 2020, the amount of notes issued by the Group due to the lease contracts was NT\$2,753.

- (3) The CT206A project of the MRT Tamsui Line contracted by the Company was officially opened to traffic in March 1997. However, the worker who set up soundproof walls of the outsourcers of Taipei MRT was injured in September 2010. They filed a lawsuit in District Court on March 21, 2013 and the Company was asked to be liable for damages compensation. On March 2, 2016, the District Court judged that the Company shall compensate NT\$27,027 and plus the interest accruing thereon. The Company appealed it. On April 2, 2019, the Taiwan High Court judged that the Company shall compensate NT\$22,058 and plus the interest until discharged day. The suit was transferred to the Supreme Court of Taiwan. On December 10, 2020, the Supreme Court of Taiwan judged that the Company shall compensate NT\$15,546 and plus the interest and remanded the rest NT\$6,512 dispute. The Company has accrued relevant compensation losses and interest expenses NT\$30,800 and reclassified NT\$21,699 in “Provisions for liabilities-current” upon the above judgment.
- (4) The engineering litigation judgment and status as of December 31, 2020:
- A. The Company won the tender for the Muzha Extension (Neihu line) CB410 Section Project put out by the Eastern District Project Office (First District Project Office for now), Department of Rapid Transit Systems, Taipei City Government. Both sides signed the project procurement contract on June 12, 2003. The Company has completed all projects and received the qualification approval from the Eastern District Project Office in December 2012. However, after the commencement of construction on June 16, 2003, various factors that are not attributable to the Company have affected the implementation of the aforementioned projects. The Eastern District Project Office approved 278 and 122 days extensions of time with the total number of 400 days. The related costs and expense increased due to the extensions of time. According to the contract, it should be adjusted to increase the project payment to indemnify. In December 2010, the Company filed a lawsuit with the Taipei District Court to the Eastern District Project Office for payment of indemnification of extensions of time and the prejudgment interest. The related judgments are as follows:
- (a) The trial court judged that the First District Project Office shall pay the Company NT\$17,723 and 386 thousand US dollars and the prejudgment interest and dismissed other suits.
- (b) Both the Company and the First District Project Office appealed against the judgment. The court of second instance has not yet rendered a judgment.
- B. The Company won the tender for the Taoyuan International Airport Access MRT System Construction Project CE02 Project put out by the Bureau of High Speed Rail, MOTC. The Company has completed all projects and received the qualification approval from the Bureau of High Speed Rail in May 2017. During the construction period, various factors that are not attributable to the Company have affected the implementation of the aforementioned projects. The Bureau of High Speed Rail approved 788 days extensions of time. But the two parties cannot reach neither an agreement nor a bargain price about the expense adjustment of work item, quantity and price. The Company filed a lawsuit with the Taipei District Court to the Bureau of High Speed Rail for payment of indemnification of extensions of time. On May 27, 2020, the Court judged that the Bureau of High

Speed Rail shall compensate part of indemnification of extensions of time, the Company appealed against the judgment. The court of second instance has not yet rendered a judgment.

- C. The Company won the tender for the Linkou Thermal Power Plant Refurbishment and Expansion Project-Diversion Dike of Water Outlet, Northern Jetty, Coal Unloading Pier, Connection Bridge and Other Associated Facilities Construction Project put out by the Northern Construction Office, Department of Nuclear and Fossil Power Projects, Taiwan Power Company ( the “Taipower” ). Both sides signed the project procurement contract on June 3, 2010. The Company has completed all projects and received the qualification approval from the Northern Construction Office. However, after the commencement of construction on June 14, 2010, various factors such as adverse weather conditions, rough sea, obstruction from fishermen, typhoon, the Chinese New Year and design modification that are not attributable to the Company have affected the implementation of the critical path of the project. The Northern Construction Office approved 19 times extensions of time with the total number of 568.5 days and the Company early completed the project at August 17, 2017. Therefore, the actual extensions of time is 561 days. Besides, after the commencement of construction, fishermen had repeatedly protested against Taipower from April 2011 to February 2013 and thus the Company changed the construction methods, resulted in increase of performance cost of construction ships halt and rubble land transportation. The related costs and expense increased due to the extensions of time and fishermen protest. According to the contract, it should be adjusted to increase the project payment to indemnify. In February 2020, the Company filed a lawsuit with the New Taipei District Court to the Northern Construction Office for payment of indemnification of extensions of time, fishermen protest and the prejudgment interest. The District Court dismissed the claim in November 2020. The Company appealed against the judgment. The court of second instance has not yet rendered a judgment.
- D. The Company won the tender for the Taiwan Route 9 Suhua Highway Guanying Tunnel Construction Project (the “Guanying Tunnel”) and Taiwan Route 9 Suhua Highway Gufong Tunnel Construction Project (the “Gufong Tunnel”) put out by Suhua Highway Improvement Project Office, Directorate General of Highways, Ministry of Transportation and Communications (the “Directorate General of Highways”). Both sides signed the project contract on October 18, 2011. The construction cost increased rapidly due to the owners’ instruction about clapboard thickening and interval shortening. In addition, the cost also increased due to the geological differences. The Company filed a lawsuit with the Yilan District Court to the Directorate General of Highways for increasing engineering payment on July and November, 2020, respectively. The court of first instance has not yet rendered a judgment.
- E. The Company won the tender for the Guanying Tunnel and the Gufong Tunnel put out by the Directorate General of Highways. The Company completed part of projects and received the qualification approval in February and August, 2020,

respectively. After the commencement of construction in November 1, 2011, various factors such as typhoon, collapse, regulation modification and design modification that are not attributable to the Company have affected the implementation of the critical path of the project. The Directorate General of Highways approved extensions of time with the total number of 1,141 and 1,363 days, respectively. The related costs and expense increased due to the extensions of time. The Company filed a lawsuit with the Yilan District Court to the Directorate General of Highways for payment of indemnification of extensions of time in November, 2020. The court of first instance has not yet rendered a judgment.

The Company measured the recoverable amount of contract assets and recognized the difference in impairment loss. Please refer to Note 12 (2) for details.

The Company measures assets impairment amount during the financial reporting periods according to litigation progress, possible request amount and materiality, but the final amount will be determined after the conclusion of the relevant cases. The Company will actively defend the aforementioned litigation cases that are still in progress. Due to the unpredictable nature of legal cases, there is currently no accurate estimate of possible losses (in case). And the Company has made necessary adjustments in appropriate ways. The Company wouldn't rule out the possibility of inability to win in all related cases. Although the judgment amount will affect the recoverability of the contract assets, it wouldn't affect the normal operation of the Company.

10. Significant Losses from Natural Disaster

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the debt-to-capital ratio. This ratio is calculated as net debt divided by total capital. The net debt is calculated as total borrowings include "current and non-current borrowings" as shown in the consolidated balance sheet deduct cash. Total capital is calculated as "equity" as shown in the consolidated balance sheet add net debt.

The Group's strategy in 2020 remains the same as in 2019, and the Group is committed to maintaining the debt-to-capital ratio under 50%. The Group's debt-to-capital ratio is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total borrowing	\$ 142,166	\$ 2,276,170
Deduct: Cash	( 1,924,771)	( 394,873)
Net debt (A)	<u>\$ -</u>	<u>\$ 1,881,297</u>
Total equity(B)	<u>\$ 5,322,268</u>	<u>\$ 4,525,722</u>
Total capital (C=A+B)	<u>\$ 5,322,268</u>	<u>\$ 6,407,019</u>
Debt-to-capital ratio (A/C)	-	29.36%

(2) Financial risk of financial instruments

A. Category of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument investment	<u>\$ 113,298</u>	<u>\$ 68,684</u>
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,924,771	\$ 394,873
Accounts receivable	-	498,804
Contract assets (construction retention)	185,884	321,432
Other receivables	95,403	180,102
Other current assets	1,972,435	2,153,696
Other non-current assets	191,146	60,687
	<u>\$ 4,369,639</u>	<u>\$ 3,609,594</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 65,000	\$ 1,538,999
Notes payable	329,871	598,218
Accounts payable	642,444	650,811
Other payables	77,923	26,064
Lease liabilities	36,839	40,565
Other current liabilities	3,453	9,745
Long-term borrowings (including due within one year)	77,166	737,171
Other non-current liabilities	61,311	39,276
	<u>\$ 1,294,007</u>	<u>\$ 3,640,849</u>

B. Risk management policies

The Group's daily operations expose it to a variety of financial risks including market risk, credit risk and liquidity risk. Risk management is performed by the finance department of the Group under policies approved by the Board of Directors.



C. Nature and degrees of significant financial risks

a. Market risk:

Foreign exchange rate risk

- (a) The business of the Group involves a number of non-functional currencies, and is affected by foreign exchange rate fluctuations. Information of foreign currency assets and liabilities affected by significant exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2020		
	Amount ( in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
CNY : TWD	\$ 11,353	4.38	\$ 49,692
USD : TWD	267	28.48	7,590

(Foreign currency: functional currency)	December 31, 2019		
	Amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
CNY : TWD	\$ 11,125	4.31	\$ 47,892
USD : TWD	270	29.98	8,085

- (b) The realized and unrealized exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to NT\$775 and (NT\$2,375), respectively.
- (c) The appreciation or depreciation of major foreign currency monetary items impacted the Group's profit and loss at the end of the financial statements period. When the New Taiwan dollar appreciates or depreciates by 1%, the Group's income will decrease or increase by NT\$573 and NT\$560, respectively for the years ended December 31, 2020 and 2019.

Price risk

- (a) The Group's equity instruments exposed to price risk are recognized in financial assets at fair value through other comprehensive income.
- (b) The Group primarily invests in equity instruments issued by domestic companies and the investment target's price would be affected by the uncertainty of the future value. If the price rises or falls by 1%, while all other factors remain unchanged, the other comprehensive income for the years ended December 31, 2020 and 2019 will decrease or increase by NT\$1,133 and NT\$687, respectively.

### Cash flow and fair value interest rate risk

The long-term and short-term borrowings borrowed by the Group are floating-rate debts and are not expected to generate significant interest rate risk. Changes in market interest rate will cause the effective interest rate of borrowing to change, which will cause fluctuations in future cash flows. Calculated based on the Group's borrowings balance at December 31, 2020 and 2019, if the market interest rate increases or decreases by 0.25%, the Group's cash outflow will increase or decrease by NT\$284 and NT\$2,237, respectively.

#### b. Credit risk

(a) Credit risk refers the risk of financial loss to the Group arising from default by the customers or counterparties of financial instruments on the contract obligations. The risk mainly comes from the inability of the counterparty to pay accounts receivable, contract retention receivables and the financial assets measured at amortized cost.

(b) The Group adopts the assumptions under IFRS 9, that is, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. And the default occurs when the contract payments are past due over 30 days after final acceptance by owners.

(c) The debtors of the Group's accounts receivable and contract assets are mainly government units or state-owned enterprises, etc. The Group applies the simplified approach to estimate expected credit loss under the loss rate methodology basis. The loss rate methodology at December 31, 2020 is as follows:

	<u>Accounts receivable</u>	<u>Contract retention</u>	<u>Contract assets</u>	<u>Total</u>
Expected loss rate	0%	0%	20.6%	
Total book value	<u>\$ -</u>	<u>\$ 185,884</u>	<u>\$ 2,505,432</u>	<u>\$ 2,691,316</u>
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 517,121</u>	<u>\$ 517,121</u>

(\*)The Group's credit loss rate of accounts receivables and contract assets is extremely low at December 31, 2019. It is assessed that the impairment loss is not significant.

(d) The statement of changes in loss allowance for contract assets used simplified approach is as follows:

	<u>2020</u>
January 1	\$ -
Provision for impairment loss	<u>517,121</u>
December 31	<u>\$ 517,121</u>

c. Liquidity risk

- (a) Cash flow forecasting is performed in the operating entities of the Group and aggregated by the financial department. The Group's financial department monitors rolling forecasts of the Group's liquidity requirements to ensure that has sufficient cash to support operating requirements. The detail of unused borrowing amount is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Floating rate		
Due within one year	\$ 1,150,000	\$ 153,280
Due beyond one year	<u>455,000</u>	<u>-</u>
	<u>\$ 1,605,000</u>	<u>\$ 153,280</u>

- (b) The Group's non-derivative financial liabilities are analyzed by the remaining period at the balance sheet date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Beyond 3 years</u>
Short-term borrowings	\$ 65,442	\$ -	\$ -	\$ -
Notes payable	329,844	27	-	-
Accounts payable	502,846	105,140	-	34,458
Other payables	77,923	-	-	-
Lease liabilities	10,136	8,190	6,857	13,109
Long-term borrowings (including due within one year)	6,183	83,699	-	-

Non-derivative financial liabilities:

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Beyond 3 years</u>
Short-term borrowings	\$ 1,564,533	\$ -	\$ -	\$ -
Notes payable	598,218	-	-	-
Accounts payable	586,504	57,938	-	6,369
Other payables	26,064	-	-	-
Lease liabilities	8,553	7,640	6,364	18,940
Long-term borrowings (including due within one year)	305,191	15,391	190,813	272,877

(3) Fair value information

- A. The different levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market refers to a market where asset or liability transactions occur with sufficient frequency and quantity to provide pricing information on a continuous basis. The fair value of the Group's investment in financial assets at fair value through other comprehensive income is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data. Part of the fair value of the Group's investment in financial assets at fair value through other comprehensive income is included in Level 3.

B. Financial instruments not measured at fair value

The book value, of the Group's cash, accounts receivable, other receivables, other current assets, other non-current assets (excluding prepaid house, land and equipment, prepaid mortgage guarantee and management fees), long-term and short-term borrowings, notes payable, accounts payable, other payables, other current liabilities (excluding long-term borrowings due within one year) and other non-current liabilities (excluding net defined benefit liabilities), is the reasonable approximation of fair value.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through other comprehensive income-equity securities	\$ -	\$ -	\$ 113,298	\$ 113,298
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through other comprehensive income-equity securities	\$ -	\$ -	\$ 68,684	\$ 68,684

D. The methods and assumptions the Group used to measure fair value are as follows:

- a. The Group used market quotation (closing price) as the inputs of fair values (that is, Level 1).
- b. Except for the above-mentioned financial instruments with active markets, the fair value of the other financial instruments (that is, Level 3) is evaluated according to the evaluation model.

The output of the evaluation model is estimated value, and the evaluation technique may not reflect all the factors in financial instruments that the Group holds. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to additional parameters, such as liquidity risk. According to the Group's fair value evaluation model management policy and related control procedures, the management holds that it is appropriate and necessary to present the fair value of the financial instruments fairly in the balance sheet. The price information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted to current market conditions.

- c. The Group's fair value of equity securities classified as Level 3 are regularly evaluated by the financial department of the Group or evaluated by an external appraiser. The information of evaluation models is as follows:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable inputs	Discount rate	Relationship of inputs to fair value
Unlisted shares	\$ 104,458	Comparable publicly traded / OTC company method	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
	<u>8,840</u>	Net assets value method	NA	NA	NA
	<u>\$ 113,298</u>				

	Fair value at December 31, 2019	Valuation technique	Significant unobservable inputs	Discount rate	Relationship of inputs to fair value
Unlisted shares	\$ 59,528	Comparable publicly traded / OTC company method	Discount for lack of marketability	40%	The higher the discount for lack of marketability, the lower the fair value.
	<u>9,156</u>	Net assets value method	NA	NA	NA
	<u>\$ 68,684</u>				

- E. The Group's investment property measured by cost is regularly evaluated by external financial experts. The fair value information is described in Note 6 (9).
- F. There was no transfer between level 1 and level 2 for the years ended December 31, 2020 and 2019.
- G. The table below shows the changes in level 3 for the years ended December 31, 2020 and 2019:

	2020	2019
January 1	\$ 68,684	\$ 69,418
Acquired in the period	-	37
Recognized in unrealized investment gains and losses of equity instruments measured by fair value through other comprehensive income	<u>44,614</u>	<u>( 771)</u>
December 31	<u>\$ 113,298</u>	<u>\$ 68,684</u>

- H. There was no transfer into or out from the level 3 for the years ended December 31, 2020 and 2019.

13. Supplementary Disclosure
- (1) Significant transactions information
- A. Loans to others: Please refer to Table 1.
  - B. Endorsement and guarantee for others: Please refer to Table 2.
  - C. Holding of marketable securities at the end of the period (investment in subsidiaries and affiliates excluded): Please refer to Table 3.
  - D. Accumulated acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of paid-up capital: None.
  - E. Acquisition of real estate exceeding NT\$300 million or 20% of paid-up capital: None.
  - F. Disposal of real estate exceeding NT\$300 million or 20% of paid-up capital: Please refer to Table 4.
  - G. Purchases or sales of goods from related parties exceeding NT\$100 million or 20% of paid-up capital: None.
  - H. Receivables from related parties exceeding NT\$100 million or 20% of paid-up capital: None.
  - I. Derivative instruments transaction: None.
  - J. The statement and amount of significant inter-company transactions and business relationship: Please refer to Table 5.
- (2) Information of reinvestment business  
Names, locations and other information of investee companies (investees in Mainland China excluded): Please refer to Table 6.
- (3) Information of investments in Mainland China
- A. Basic information of investing in Mainland companies: None.
  - B. Significant transactions, either directly or indirectly through a third area business, with reinvesting investee companies in the Mainland: None.
- (4) Information of major shareholders  
Information of major shareholders: Please refer to Table 7.

14. Segments Information

(1) General information

- A. The management of the Group has identified which segments should be reported based on the information used by the operating decision makers.  
 B. The Group's operating decision makers operate and manage from a company perspective.

(2) Segments information

The Group's operating decision makers assess the performance of the operating segments based on the segmental income. The segmental income refers to the profits earned by the operating segments to be provided to the chief operating decision makers to allocate resources to the segments and assess performance.

The information of the reportable segments provided to the chief operating decision maker is as follows:

- A. For the year ended December 31, 2020:

	<u>Kung Sing</u>	<u>Chan Pang</u>	<u>Kung Sing Development</u>	<u>Adjustment and charge off</u>	<u>Total</u>
External income	\$ 3,096,919	\$ 4,062,013	\$ 798	\$ -	\$ 7,159,730
Internal segmental income	-	-	-	-	-
Segmental income	<u>\$ 3,096,919</u>	<u>\$ 4,062,013</u>	<u>\$ 798</u>	<u>\$ -</u>	<u>\$ 7,159,730</u>
Segments after-tax income	<u>(\$ 1,425,706)</u>	<u>\$ 2,438,959</u>	<u>(\$ 6,132)</u>	<u>\$ -</u>	<u>\$ 1,007,121</u>
Depreciation, impairment and amortization	<u>\$ 616,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 616,440</u>
Interest income	<u>\$ 6,198</u>	<u>\$ 14,115</u>	<u>\$ 2,907</u>	<u>(\$ 2,850)</u>	<u>\$ 20,370</u>
Interest expense	<u>\$ 26,605</u>	<u>\$ 12,513</u>	<u>\$ 3,752</u>	<u>(\$ 2,850)</u>	<u>\$ 40,020</u>
Segments assets	<u>\$ 6,729,349</u>	<u>\$ 984,796</u>	<u>\$ 638,547</u>	<u>(\$ 25,179)</u>	<u>\$ 8,327,513</u>

B. For the year ended December 31, 2019:

	Kung Sing	Chan Pang	Kung Sing Development	Jiangsu Kung Sing	Kung Sing International Holding Company Limited	Kung Sing Biomedical	Adjustment and charge off	Total
External income	\$ 4,204,288	\$ -	\$ 78,616	\$ -	\$ -	\$ -	\$ -	\$ 4,282,904
Internal segmental income	-	-	-	-	-	-	-	-
Segmental income	<u>\$ 4,204,288</u>	<u>\$ -</u>	<u>\$ 78,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,282,904</u>
Segments after-tax income	<u>(\$ 21,190)</u>	<u>(\$ 2,013)</u>	<u>\$ 8,138</u>	<u>(\$ 7,146)</u>	<u>\$ 1,124</u>	<u>(\$ 386)</u>	<u>\$ 714</u>	<u>(\$ 20,759)</u>
Depreciation, impairment and amortization	<u>\$ 48,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,746</u>
Interest income	<u>\$ 2,426</u>	<u>\$ 12</u>	<u>\$ 5,423</u>	<u>\$ 57</u>	<u>\$ 50</u>	<u>\$ 15</u>	<u>(\$ 5,356)</u>	<u>\$ 2,627</u>
Interest expense	<u>\$ 37,235</u>	<u>\$ -</u>	<u>\$ 5,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 5,356)</u>	<u>\$ 37,645</u>
Profit (Loss) on investment using equity method	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 12)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 12)</u>
Segments assets	<u>\$ 7,835,171</u>	<u>\$ 1,466,245</u>	<u>\$ 916,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 700,880)</u>	<u>\$ 9,517,304</u>

(3) Adjustment information of segmental income

- A. The external income reported to the chief operating decision maker is measured in consistent with the income in the income statements.
- B. The reportable segments' performance is assessed by after-tax income. The total income is consistent with the after-tax income of the company's continuing operations, so no adjustment is required.
- C. The total amount of assets provided to the chief operating decision makers is consistent with the measurement of the assets in the financial statements. The adjustment and charge off of the assets of the reportable segments in the period, please refer to Note 14 (2) for details.



(4) Information on products and services

The Group's revenue is mainly generated from construction income and property sale income. Component of revenue is as follows:

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Construction site sale income	\$ 4,062,013	\$ 215,000
Construction contract income	3,096,919	3,989,288
Property developments sale income	-	68,616
Others	<u>798</u>	<u>10,000</u>
	<u>\$ 7,159,730</u>	<u>\$ 4,282,904</u>

(5) Geographical information

The geographical information on income from external consumers and non-current assets is as follows:

	<u>For the year ended December 31, 2020</u>		<u>For the year ended December 31, 2019</u>	
	<u>Income</u>	<u>Non-current assets</u>	<u>Income</u>	<u>Non-current assets</u>
Taiwan	<u>\$ 7,159,730</u>	<u>\$ 669,814</u>	<u>\$ 4,282,904</u>	<u>\$ 755,717</u>

(6) Major customer information

Information on major customers of the Group for the years ended December 31, 2020 and 2019 is as follows:

	<u>For the year ended December 31, 2020</u>		<u>For the year ended December 31, 2019</u>	
	<u>Income</u>	<u>Segment</u>	<u>Income</u>	<u>Segment</u>
Fubon Life Assurance Co., Ltd West Coast Expressway Northern Region Temporary Engineering Office, MOTC Directorate General of Highways, MOTC Railway Reconstruction Bureau, MOTC Taiwan International Ports Co., Ltd	\$ 4,062,013	Chan Pang	\$ -	Chan Pang
Taiwan Power Company	1,463,639	Kung Sing	239,650	Kung Sing
	728,005	As above	1,762,192	As above
	422,153	As above	896,130	As above
	258,434	As above	479,836	As above
	224,688	As above	611,480	As above

Kung Sing Engineering Corporation and Subsidiaries  
Loans to Others  
For the Year Ended December 31, 2020  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 1

No.	Creditor	Borrower	Item	Related party	Maximum amount for the period	Ending balance	Used amount	Interest rate	Nature of loan	Transactions amount with the borrower	Reason for short-term financing	Provision for loan loss	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)
													Item	Value		
1	Kung Sing Development	The Company	Other receivables	Yes	\$ 200,000	\$ -	\$ -	Benchmark interest rate+1.6%	Short-term financing	\$ -	For operating	\$ -	NA	\$ -	\$ 253,646	\$ 253,646

Note 1: The Kung Sing Development's maximum amount loan to other is 40% of its net value.

Kung Sing Engineering Corporation and Subsidiaries  
Endorsements and Guarantees for Others  
For the Year Ended December 31, 2020  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 2

No.	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 4)	Maximum endorsements/ guarantees amount for the period	Endorsements/ guarantees balance amount at December 31, 2020	Used amount	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China
			Relationship with the endorser/ guarantor	Relationship with the endorser/ guarantor										
1	Chan Pang Industrial	Note 1	Note 5	\$ 8,950,548	\$ 5,322,300	\$ -	\$ -	\$ -	-	\$ 17,901,096	N	N	N	
1	Chan Pang Industrial	Note 2	Note 5	8,950,548	1,056,750	-	-	-	-	17,901,096	N	N	N	
2	Kung Sing Development	Note 3	Note 5	8,950,548	236,000	173,936	173,936	173,936	0.03	17,901,096	N	N	N	

Note 1: Guo Yang Industrial Co., Ltd., He Xin Cheng Co., Ltd., Chan Pang Industrial Co., Ltd., Hong Hui Development Co., Ltd., Ding Li Development Co., Ltd., Wei Li International Development Co., Ltd. and Yu Sheng Development Co., Ltd.

Note 2: Wei Li International Development Co., Ltd., Hong Hui Development Co., Ltd. and Chan Pang Industrial Co., Ltd.

Note 3: Kung Sing Development Co., Ltd. and the landowners of the joint construction and separate sale (other related parties-Pan, Jun-rong).

Note 4: According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the Company shall not exceed octuple paid-up capital of the Company and the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed quadruple paid-up capital of the Company. According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the subsidiary shall not exceed octuple paid-up capital of the parent company and the amount of endorsements/guarantees provided by the subsidiary for any single entity shall not exceed quadruple paid-up capital of the parent company.

Note 5: Inter-insurance companies based on contractual requirements for inter-departmental or co-creation between contractors.

Kung Sing Engineering Corporation and Subsidiaries  
Holding of Marketable Securities at December 31, 2020 (Investment in Subsidiaries, Affiliates and Joint Ventures Excluded)  
December 31, 2020  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 3

Securities held by	Types and names of securities	Relationship with the securities issuer	Account title	At December 31, 2020				Footnote
				Number of shares (thousand shares)	Book value	Ownership (%)	Fair value	
The Company	Kung Ting Steel Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	3,240	\$ 104,458	18.00	\$ 104,458	Note 1
As above	Chieh Pang Management Consultant Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	300	3,390	6.00	3,390	Note 1
As above	Cross-Strait Business Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	1,000	5,450	10.00	5,450	Note 1
As above	Chien Ping Technology Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	370	-	14.23	-	Note 1 and Note 2

Note 1: No pledge guarantee.

Note 2: The Company has fully recognized the losses due to operating losses.

Kung Sing Engineering Corporation and Subsidiaries  
 Disposal of Real Estate Exceeding NT\$300 Million or 20% of Paid-up Capital  
 December 31, 2020  
 (Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 4

The company disposed of real estate	Property name	Date of occurrence of the fact	Initial acquisition date	Book value	Transaction amount	Proceeds collection	Disposal of profit and loss	Transaction counterpart	Relationship	Purpose of disposal	Reference for price determination	Other agreed matters
Chan Pang Industrial	Inventory -construction in progress	May 7, 2020	2006 and 2015	\$ 1,568,314 book cost from Chan Pang	\$ 4,062,013	\$ 4,062,013 acquired by contract	\$ 2,438,549	Fubon Life Assurance Co., Ltd.	None	Gain profit	Appraisal report of Zhan-Mao Real Estate Appraisers Firm and Hong-Bang Real Estate Appraisers Firm	NA

Kung Sing Engineering Corporation and Subsidiaries  
The Statement and Amount of Significant Inter-company Transactions and Business Relationship  
December 31, 2020  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 5

No.	Trader	Trade counterpart	Relationship with trader	Transaction statement			
				Accounts	Amount	Transaction terms	The proportion of the amount to consolidated total revenue or total assets
0	The Company	Chan Pang Industrial Co., Ltd.	Parent company to subsidiary	Gains on disposals of property, plant and equipment	\$ 475,333	Note 2	7
0	As above	Kung Sing Development Co., Ltd.	As above	Interest expense	2,850	Note 1	-
0	As above	As above	As above	Rent income	1,884	Note 1	-
1	Chan Pang Industrial Co., Ltd.	The Company	Subsidiary to parent company	Cost of sales	475,333	Note 2	7
3	Kung Sing Development Co., Ltd.	As above	As above	Rent expense	1,884	Note 1	-
2	As above	As above	As above	Other interest income	2,850	Note 1	-

Note 1: Received and paid according to contract.

Note 2: Realized gains and losses from selling land to affiliates.

Kung Sing Engineering Corporation and Subsidiaries  
Names, Locations and Other Information of Investees Companies (Investees in Mainland China Excluded)  
December 31, 2020  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 6

Investor	Investee	Location	Main business activities	Initial investment amount		Hold at the end of the period			Profit and loss of the investee for the period	Investment gains and losses recognized for the period	Footnote
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares (thousand shares)	Ownership (%)	Book value			
The Company	Chan Pang Industrial Co., Ltd. (Chan Pang Construction Co., Ltd. before)	Taiwan	Construction and development of buildings and houses and general investment	\$ 590,000	\$ 590,000	59,000	100	\$ 984,625	\$ 2,438,959	\$ 2,438,959	Subsidiary (Note 1)
As above	Kung Sing Development Co., Ltd.	Taiwan	Construction and development of buildings and houses	420,000	420,000	42,000	60	355,591	( 6,132)	( 3,678)	Subsidiary

Note 1: Chan Pang Construction Co., Ltd. changed the name to Chan Pang Industrial Co., Ltd. in December, 2020.

Kung Sing Engineering Corporation and Subsidiaries  
Information of Major Shareholder  
December 31, 2020

Table 7

Name of major shareholder	Shares	
	Holding shares amount (thousand shares)	Ownership(%)
Pan, jun-rong	36,564	8.17
Pan, guan-ru	24,636	5.50



## 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		( 14,979)	( 19,857)
Net cash outflows from operating activities		( 259,331)	( 65,081)

(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	<u>For the years ended December 31</u>	
		<u>2020</u>	<u>2019</u>
<b><u>Cash Flows From Investing Activities</u></b>			
Decrease (Increase) in other current assets		\$ 157,796	(\$ 264,393)
Investments using equity method-subsi-diary 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>
<b><u>Cash Flows From Financing Activities</u></b>			
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		<u>296,209</u>	<u>638,354</u>
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.

Kung Sing Engineering Corporation  
Notes to the Parent Company Only Financial Statements  
December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. History of the Company

- (1) Kung Sing Engineering Corporation (the "Company") was established in February 1947. The main business activities of the Company are the construction and repairing of roads and bridges.
- (2) The Company's shares had been listed and traded on Taipei Exchange since November 18, 1999 and was officially terminated on December 18, 2012 then have been listed and traded on the Taiwan Stock Exchange.

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

The parent company only financial statements were reported to and issued by the Board of Directors on March 29, 2021.

3. Application of New Standards, Amendments and Interpretations

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, "Disclosure Initiative-Definition of Material"	January 1, 2020
Amendments to IFRS 3, "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IFRS 16, "Covid-19-Related Rent Concessions"	June 1, 2020*

\* FSC allow enterprises to choose to apply this amendment in advance from January 1, 2020.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, "Extension of the Temporary Exemption from Applying IFRS 9"	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Interest Rate Benchmark Reform-Phase 2"	January 1, 2021

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, "References to the Conceptual Framework"	January 1, 2022
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	To be determined by International Accounting Standards Board
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IAS 1, "Classification of Current or Non-current Liabilities"	January 1, 2023
Amendments to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37, "Onerous Contracts-Cost of Fulfilling a Contract"	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	January 1, 2022

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

#### 4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

The parent company only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

##### (2) Basis of preparation

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

##### (3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars.

##### A. Foreign currency transactions and balances

- a. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- b. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon retranslation at the balance sheet date are recognized in profit or loss.
- c. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income.

However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- d. All foreign exchange gains and losses are presented in the comprehensive income statement within "Other gains and losses".

B. Translation of foreign operations

The operating results and financial position of all the Group's entities and affiliates have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- b. Income and expenses for each statements of comprehensive income are translated at average exchange rates of that period; and
- c. All resulting exchange differences are recognized in other comprehensive income.

(4) Classification of current and non-current items

As the operating cycle for construction contracts usually exceeds one year, the Company uses the operating cycle as its criteria for classifying current and non-current assets and liabilities related to construction contracts. For other assets and liabilities the criterion is as follows:

A. Assets that meet one of the following criteria are classified as current assets:

- a. Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- b. Assets held mainly for trading purposes;
- c. Assets that are expected to be realized within twelve months from the balance sheet date;
- d. Cash, excluding restricted cash that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

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

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

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has



made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

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

(6) Accounts and notes receivable

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

(7) Impairment of financial assets

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

(8) Derecognition of financial assets

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

(9) Leasing arrangements (lessor)-operating lease

During the lease term, the gains of operating lease deduct incentives given to lessee is recognized in current income on a straight-line basis over the lease term.

(10) Inventory

- A. The land held for construction site and the construction in progress are initially recorded at cost. The land held for construction site is transferred to the construction in progress when it is actively developed, and the interest is capitalized during the period from the time of active development or construction work to the completion date.
- B. At the end of the period, we adopt the item-by-item comparison method to compare the cost to the net realizable value. The net realizable value is the

balance, under normal circumstances, the estimated selling price deducts the costs and the sales expenses still required to complete the construction.

(11) Non-current assets for sale (or disposal groups)

Non-current assets for sale (or disposal groups) are classified as assets for sale when the carrying amount is mainly recovered through sales transactions rather than continuously use and highly likely to be sold. And is decided by the amount of book value or fair value deducts cost of sale.

(12) Investment or subsidiary using equity method

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses on transactions between the Company and subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in current profit or loss, and its share of post-acquisition movements in other comprehensive income is recognize in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize the losses in proportion to the ownership.
- D. When the Company loses the control of the subsidiary, the remaining investment in the previous subsidiary is remeasured at fair value. The difference between fair value and book value is recognized in current profit and loss. For all amounts previously recognized in other comprehensive income related to the subsidiary, the accounting treatment is the same as the basis for the Company to directly dispose of the related assets or liabilities, that is, if the profits or losses previously recognized in other comprehensive income will be reclassified as profit or loss when the related assets or liabilities are disposed of. When the Company loses the control of the subsidiary, the Company will reclassify to profits or losses from equity.
- E. Pursuant to the Rules Governing the Preparation of Financial Statements by Securities Issuers, profit or loss of the current period and other comprehensive income in the parent company only financial statements shall equal to current profit or loss and the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. The interest incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized in a separate, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All

other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Except for land, property, plant and equipment apply cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

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

- A. Lease assets are recognized in a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognized in expense on a straight-line basis over the lease term.
- B. Lease liabilities are recognized at present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments conclude:
  - (a) Fixed payments deducts any lease incentives receivable.
  - (b) Variable lease payments depend on an index or a rate.The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost, including the amount of the initial measurement of lease liability and any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized in an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(15) Investment property

The investment property is stated initially at cost and measured subsequently by cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10 or 53 years.

(16) Intangible assets

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

(17) Impairment of non-financial assets

The Company assesses the recoverable amounts of those assets where there is an indication that they are impaired at each balance sheet date. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value deducts costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

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

(19) Accounts and notes payable

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

(20) Derecognition of financial liabilities

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

(21) Provisions for liabilities

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

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized in expense in that period when the employees render service.

B. Pensions

a. Defined contribution plans

The contributions are recognized in pension expense when they are due on an accrual basis. Prepaid contributions are recognized in an asset to the extent of a cash refund or a reduction in the future payments.

b. Defined benefit plans

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

(b) Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(c) Prior period service costs are recognized immediately in profit or loss.

C. Employees', directors' and supervisors' remuneration

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

(23) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of

compensation cost recognized is based on the number of equity instruments that eventually vest.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. The deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(25) Common stock capital

Common stocks are classified as equity and directly attributable to incremental costs of issuing of new shares. The net amount after deducting income tax is recognized in the equity as a proceeds deduction.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(27) Revenue recognition

A. Project revenue from construction contracts

- a. The Company is engaged in civil projects construction. As the assets have been controlled by customers, the income is recognized gradually on the basis of the proportion of the engineering valuation and estimation progress to the total contract proceeds or contract milestones. When the completion of the contract performance obligations cannot be reasonably measured, contract revenue is only recognized within the scope of predictably recoverable cost.
- b. Contract is composed of fixed price and variable consideration. Variable consideration (such as contract change order, subsidy or incentive calculated by the days of construction period extension) is estimated by the expected value or the most likely amount based on the past experience. The Company only recognizes the contract revenue when the amount is highly likely not to be material reversal. The customers pay the contract proceed according to the agreed payment schedule, when the service provided by the Company exceeds the payables, the Company recognizes the contract revenue. When the payables exceed the service provided by the Company, the Company recognizes the contract revenue liabilities.
- c. The Company's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.
- d. Cost of customer contract  
When the cost and contract generated from fulfilling the customer contract, or the identifiable, and predictably recoverable resources can be expected to satisfy performance obligations in the future, the Company recognizes the cost of fulfilling the contract as assets

B. Land development and sale

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

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

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

(1) Construction contract

The management assesses and judges estimated total cost and contract items by the characteristics of different projects, the estimated procurement amount, the construction period and the construction method. In case of changes in contract work, subsidies and incentives for construction period extension, the recognized construction revenue may be affected. The transaction proceeds of unfulfilled obligation of the Company's construction contract are described in Note 6 (22).

(2) The achievability of deferred income tax assets

Deferred tax asset is recognized only if it is likely to be sufficient taxable income used to deduct temporary differences. The assumptions about expected future revenue growth, profit margin and available income tax credits used to assess the achievability of deferred tax assets involved subjective judgment of the management. Any change regarding economic environment and law, may cause significant adjustments to deferred income tax assets.

As at December 31, 2020, the deferred income tax assets recognized by the Company was NT\$121,616.

6. Details of Significant Accounts

(1) Cash

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Check deposits and demand deposits	\$ 900,925	\$ 292,009
Cash on hand and revolving funds	3,590	4,200
	<u>\$ 904,515</u>	<u>\$ 296,209</u>

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

B. There has no cash pledged to others.

(2) Accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Construction receivables	<u>\$ -</u>	<u>\$ 498,804</u>

A. The debtors of Company's construction receivables are government and public enterprises, etc. and there is no overdue or impairment. The credit risk related



information of the accounts receivables is described in Note 12 (2).

- B. All accounts receivables are generated by customers' contracts at December 31, 2020 and 2019. The total amount of the accounts receivables generated by customers' contracts was \$912,160 at January 1, 2019.

(3) Inventory (none on December 31, 2019)

The inventory cost of selling construction site recognized as expense for the year ended December 31, 2019 was NT\$203,396.

(4) Other current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other financial assets	\$ 1,924,288	\$ 2,106,342
Construction refundable deposits	48,516	47,355
	<u>\$ 1,972,804</u>	<u>\$ 2,153,697</u>

Please refer to Note 8 for the information on the Company's collateral provided by other current assets.

(5) Cost of fulfilling contracts

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Prepayment for materials and construction	\$ 437,896	\$ 59,727
Prepayment for construction insurance	106,863	58,799
	<u>\$ 544,759</u>	<u>\$ 118,526</u>

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Equity instruments		
Non-listed stocks	\$ 66,496	\$ 66,496
Valuation adjustments	46,802	2,188
	<u>\$ 113,298</u>	<u>\$ 68,684</u>

- A. The Company chooses to classify the equity instruments of strategic investment as financial assets at fair value through other comprehensive income. The fair value of the investments at December 31, 2020 and 2019 were NT\$113,298 and NT\$68,684, respectively.
- B. The Company sold the stock of Taiwan High Speed Rail Corporation at fair value NT\$197,053 due to operation plan and the recognized accumulated gains on disposal was NT\$96,613.
- C. The details of other equity instruments at fair value through other comprehensive income are as follows:

	For the year ended December 31	
	2020	2019
Fair value change recognized in other comprehensive income	\$ 44,614	\$ 64,306
Cumulative gains or losses reclassified to retained earnings due to derecognition	\$ -	\$ 96,613
Dividend profit recognized in profit or loss held at end of period	\$ 4,971	\$ 138

D. The credit risk related information of the financial assets at fair value through other comprehensive income is described in Note 12 (2).

(7) Investment using equity method

Name of investee	December 31, 2020	December 31, 2019
Chan Pang Construction Co., Ltd. (Changed the name to Chan Pang Industrial Co., Ltd. in December, 2020)	\$ 984,625	\$ -
Kung Sing Development Co., Ltd	355,591	359,270
	<u>\$ 1,340,216</u>	<u>359,270</u>

A. Please refers to the Company's consolidated financial statements for the year ended December 31, 2020 Note 4 (3) for the information of subsidiary.

B. The above-mentioned investment using equity method is calculated by the investee's financial statements audited by independent accountants in the same period. The Company recognized the shares of income using equity method were NT\$2,435,281 and (NT\$2,824). The details of account changing are as follows:

	2020	2019
Balance at January 1	\$ 359,270	\$ 1,060,751
Shares of gains (losses) on investment using equity method	2,435,281	( 2,824)
Surplus distribution of investment using equity method	( 2,006,000)	( 24,844)
Reversed (Transferred) to non-current assets for sale	551,665	( 551,665)
Proceed of disposal of investment using equity method	-	( 130,031)
Losses on disposal of investment using equity method	-	( 10,439)
Realized gross profit	-	2,727
Other equity changing	-	15,595
Balance at December 31	<u>\$ 1,340,216</u>	<u>\$ 359,270</u>

C. For the years ended December 31, 2020 and 2019, the Company's (un)realized profits arising from the downstream transaction of contracting a subsidiary project were NT\$ 0 and NT\$2,727, respectively. And the deduction as "investment using equity method" has been eliminated.

D. The subsidiary of the Company, Kung Sing International Holding Company Limited has been liquidated in September 2019. The Company received the refunded shares of liquidation NT\$51,488, and recognized profit on disposal of investment NT\$1,088.

- E. The subsidiary of the Company, Kung Sing Biomedical Engineering Co., Ltd., has been liquidated in November 2019. The Company received the refunded shares of liquidation NT\$3,813, and recognized loss on disposal of investment NT\$21.
- F. The Company sold the subsidiary, Jiangsu Kung Sing Engineering Consulting Co., Ltd. in November 2019. The selling proceed was NT\$74,730 and recognized loss in disposal of investment NT\$11,506.

(8) Non-current assets for sale (none on December 31, 2019)

- A. The Company decided to sell 100% equity of Chan Pang Construction Co., Ltd. by the resolution of the Board of Directors on November 29, 2019. And the assets and liabilities related to Chan Pang Construction Co., Ltd. were transferred as disposal group for sale. The assets and liabilities of the disposal group at December 31, 2019 were NT\$551,665 and NT\$475,333, respectively. The Company decided to stop open tendering 100% equity of Chan Pang Construction Co., Ltd. by the resolution of the Board of Directors on April 9, 2020. And the assets and liabilities related to Chan Pang Construction Co., Ltd. were not transferred as disposal group for sale.
- B. The disposal group for sale was remeasured by its book value or fair value deducts selling cost, and no impairment loss was incurred.

(9) Property, plant and equipment

	2020				
	Land	Buildings and structures	Machinery equipment	Others	Total
January 1					
Cost	\$ 261,340	\$ 78,696	\$ 37,553	\$ 21,229	\$ 398,818
Accumulated depreciation and impairment	( 15,945)	( 36,240)	( 31,566)	( 14,463)	( 98,214)
	<u>\$ 245,395</u>	<u>\$ 42,456</u>	<u>\$ 5,987</u>	<u>\$ 6,766</u>	<u>\$ 300,604</u>
January 1	\$ 245,395	\$ 42,456	\$ 5,987	\$ 6,766	\$ 300,604
Additions	-	-	3,800	3,872	7,672
Disposals-cost reduction	-	-	( 16,500)	-	( 16,500)
Depreciation expense	-	( 2,146)	( 2,720)	( 2,627)	( 7,493)
Disposals-accumulated depreciation reduction	-	-	12,539	-	12,539
Impairment losses	( 52,672)	( 12,050)	-	-	( 64,722)
December 31	<u>\$ 192,723</u>	<u>\$ 28,260</u>	<u>\$ 3,106</u>	<u>\$ 8,011</u>	<u>\$ 232,100</u>
December 31					
Cost	\$ 261,340	\$ 78,696	\$ 24,853	\$ 25,101	\$ 389,990
Accumulated depreciation and impairment	( 68,617)	( 50,436)	( 21,747)	( 17,090)	( 157,890)
	<u>\$ 192,723</u>	<u>\$ 28,260</u>	<u>\$ 3,106</u>	<u>\$ 8,011</u>	<u>\$ 232,100</u>

	2019				
	Land	Buildings and structures	Machinery equipment	Others	Total
January 1					
Cost	\$ 261,340	\$ 78,696	\$ 276,491	\$ 20,611	\$ 637,138
Accumulated depreciation and impairment	( 19,767)	( 35,492)	( 230,432)	( 12,667)	( 298,358)
	<u>\$ 241,573</u>	<u>\$ 43,204</u>	<u>\$ 46,059</u>	<u>\$ 7,944</u>	<u>\$ 338,780</u>
January 1	\$ 241,573	\$ 43,204	\$ 46,059	\$ 7,944	\$ 338,780
Additions	-	-	-	2,195	2,195
Disposals-cost reduction	-	-	( 238,938)	( 1,577)	( 240,515)
Depreciation expense	-	( 2,147)	( 27,964)	( 3,286)	( 33,397)
Disposals-accumulated depreciation reduction	-	-	226,830	1,490	228,320
Reversal of impairment losses	3,822	1,399	-	-	5,221
December 31	<u>\$ 245,395</u>	<u>\$ 42,456</u>	<u>\$ 5,987</u>	<u>\$ 6,766</u>	<u>\$ 300,604</u>
December 31					
Cost	\$ 261,340	\$ 78,696	\$ 37,553	\$ 21,229	\$ 398,818
Accumulated depreciation and impairment	( 15,945)	( 36,240)	( 31,566)	( 14,463)	( 98,214)
	<u>\$ 245,395</u>	<u>\$ 42,456</u>	<u>\$ 5,987</u>	<u>\$ 6,766</u>	<u>\$ 300,604</u>

A. The Company uses fair value as the recoverable amount for impairment testing. The Company refers to the neighboring real estate transaction prices and the evaluation results of independent evaluation experts, the estimated recoverable amount of land, housing and structure is less than the book value. The Company recognized impairment losses amounted at NT\$64,722. The housing and structure still used for operating activities in 2019, and the Company refers to the evaluation results of independent evaluation experts, recognized gains on reversal of impairment NT\$5,221.

B. The property, plant and equipment held by the Company were the evaluation results of independent evaluation experts. The evaluation was calculated by comparative method, cost method or income method and classified as the level 3 fair value. The main assumption of the income method is as follows:

	December 31, 2020	December 31, 2019
Income capitalization rate	0.94%-1.37%	1.61%

C. Please refer to Note 8 for the information on the Company's collateral provided by property, plant and equipment.

(10) Leasing arrangements-lessee

- A. The Company leases various assets, including lands, buildings and transportation equipment. Lease contracts are typically made for periods of 2-9 years. Lease terms are negotiated on an individual basis and contain a wide range of different clauses and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The lease period of some machinery equipment and transportation equipment leased by the Company does not over 12 months. Some of the leased assets that are low-value targets, including machinery equipment, transportation equipment and multi-function office machines.
- C. The changes of right-of-use assets are as follows:

	2020			
	Land	Buildings	Transportation equipment	Total
January 1	\$ 35,493	\$ 895	\$ 3,927	\$ 40,315
Additions	13,629	908	1,392	15,929
Lease modification	( 8,973)	( 54)	-	( 9,027)
Depreciation expense	( 7,406)	( 866)	( 2,507)	( 10,779)
December 31	<u>\$ 32,743</u>	<u>\$ 883</u>	<u>\$ 2,812</u>	<u>\$ 36,438</u>

	2019			
	Land	Buildings	Transportation equipment	Total
January 1	\$ 16,553	\$ 2,965	\$ 1,533	\$ 21,051
Additions	26,469	489	5,080	32,038
Depreciation expense	( 7,529)	( 2,559)	( 2,686)	( 12,774)
December 31	<u>\$ 35,493</u>	<u>\$ 895</u>	<u>\$ 3,927</u>	<u>\$ 40,315</u>

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

<u>Items affect profit or loss for the period</u>	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Interest expense on lease liabilities	\$ 658	\$ 558
Expense on short-term and low-value assets lease contracts	5,878	12,152
Gains on lease contract terminated in advance	75	-

- F. The Company's total lease cash outflows for the years ended December 31, 2020 and 2019 were NT\$16,525 and NT\$25,234, respectively.
- G. The Company adopts practical expedient of "Covid-19-Related Rent Concessions". Gains on lease payment modification generated from rent concessions recognized as other income were NT\$107 for the year ended December 31, 2020.

(11) Investment property

	2020		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 209,220	\$ 294,730	\$ 503,950
Accumulated depreciation and impairment	-	( 97,413)	( 97,413)
	<u>\$ 209,220</u>	<u>\$ 197,317</u>	<u>\$ 406,537</u>
January 1	\$ 209,220	\$ 197,317	\$ 406,537
Depreciation expense	-	( 9,631)	( 9,631)
December 31	<u>\$ 209,220</u>	<u>\$ 187,686</u>	<u>\$ 396,906</u>
December 31			
Cost	\$ 209,220	\$ 294,730	\$ 503,950
Accumulated depreciation and impairment	-	( 107,044)	( 107,044)
	<u>\$ 209,220</u>	<u>\$ 187,686</u>	<u>\$ 396,906</u>
	2019		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 209,798	\$ 294,730	\$ 504,528
Accumulated depreciation and impairment	-	( 96,078)	( 96,078)
	<u>\$ 209,798</u>	<u>\$ 198,652</u>	<u>\$ 408,450</u>
January 1	\$ 209,798	\$ 198,652	\$ 408,450
Disposal	( 578)	-	( 578)
Depreciation expense	-	( 9,630)	( 9,630)
Impairment loss reversal	-	8,295	8,295
December 31	<u>\$ 209,220</u>	<u>\$ 197,317</u>	<u>\$ 406,537</u>
December 31			
Cost	\$ 209,220	\$ 294,730	\$ 503,950
Accumulated depreciation and impairment	-	( 97,413)	( 97,413)
	<u>\$ 209,220</u>	<u>\$ 197,317</u>	<u>\$ 406,537</u>

- A. Rental income and direct operating expense from the investment property are shown below:

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Rental income from investment property	\$ <u>4,166</u>	\$ <u>4,569</u>
Direct operating expense arising from the investment property that generated rental income in the period	\$ <u>9,407</u>	\$ <u>9,595</u>
Direct operating expense arising from the investment property that did not generate rental income in the period	\$ <u>1,021</u>	\$ <u>926</u>

- B. The fair value of the investment property held by the Company at December 31, 2020 and 2019 were NT\$540,005 and NT\$531,567, respectively, based on the evaluation results of independent evaluation experts. The evaluation was calculated by comparative method, land development analysis method and income method and classified as the level 3 fair value. The main assumption of the income method is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Income capitalization rate	0.96%-1.70%	1.61%-2.20%

- C. The Company uses fair value as the recoverable amount for impairment testing. The Company refers to the neighboring real estate transaction prices and the evaluation results of independent evaluation experts. The estimated recoverable amount of housing and structure is greater than the book value for the year ended December 31, 2019. Therefore, the Company recognized gains on reversal of impairment NT\$8,295.
- D. Please refer to Note 8 for the information on the Company's collateral provided by investment property.

(12) Other non-current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Refundable deposits	\$ 184,634	\$ 24,068
Restricted assets	6,512	28,620
Prepayment and administrative fee of syndicated loans guarantees	-	2,003
Others	223	435
	<u>\$ 191,369</u>	<u>\$ 55,126</u>

Please refer to Note 8 for the information on the Company's collateral provided by restricted cash.

(13) Short-term borrowings

Type	December 31, 2020	December 31, 2019
Secured borrowings	\$ 65,000	\$ 772,720
Unsecured borrowings	-	139,000
	\$ 65,000	\$ 911,720
Interest rate range	1.36%	1.40%-1.76%

A. The Company recognized interest expense as profit and loss for the years ended December 31, 2020 and 2019 were NT\$10,781 and NT\$24,134, respectively.

B. Please refer to Note 8 for details of the pledge collateral of short-term borrowings.

(14) Long-term borrowings

Type of borrowings	Repayment period	December 31, 2020	December 31, 2019
	Amortized from		
Medium-term secured borrowings	2015 to 2022	\$ 77,166	\$ 81,692
	Amortized from		
Medium-term unsecured borrowings	2018 to 2020	-	25,000
Medium-term secured borrowings	Due within 2022	-	100,000
Subtotal		77,166	206,692
Deduct: due within one year (recognized in "Other current liabilities")		( 4,596)	( 29,560)
		\$ 72,570	\$ 177,132
Interest rate range		1.8%	1.81%-2.61%

A. The Company signed a syndicated loan contract in regards to medium-term unsecured syndicated loan, project performance bond and project prepayment guarantee with Taipei Fubon Commercial Bank Co., etc. The material restriction terms are maintaining the financial ratios of the consolidated financial statement as follows:

- (a) Current ratio (current assets/ current liabilities) shall not be less than 100%.
- (b) Liabilities ratio (total liabilities/ tangible net worth) shall not be greater than 200%.
- (c) Interest protection multiples [(income before tax+ interest expense+ depreciation and amortization)/ interest expense paid in the period] shall not be less than 200%.
- (d) Tangible net worth (net value-intangible assets) shall not be less than NT\$3,500,000

As of December 31, 2020, the Company has not used the borrowing quota.

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

C. Please refer to Note 8 for details of the pledge collateral of long-term borrowings.



(15) Provisions for liabilities

	2020		
	Warranty	Litigation loss	Total
January 1	\$ 81,797	\$ 30,800	\$ 112,597
Additions in the period	78,898	-	78,898
Used and transferred in the period	( 5,874)	-	( 5,874)
December 31	<u>\$ 154,821</u>	<u>\$ 30,800</u>	<u>\$ 185,621</u>
Recognized as:			
Provisions for liabilities-current	<u>\$ 73,578</u>	<u>\$ 21,699</u>	<u>\$ 95,277</u>
Provisions for liabilities-non-current	<u>\$ 81,243</u>	<u>\$ 9,101</u>	<u>\$ 90,344</u>
	2019		
	Warranty	Litigation loss	Total
January 1	\$ 81,173	\$ 30,800	\$ 111,973
Additions in the period	970	-	970
Used in the period	( 346)	-	( 346)
December 31	<u>\$ 81,797</u>	<u>\$ 30,800</u>	<u>\$ 112,597</u>
Recognized as:			
Provisions for liabilities-current	<u>\$ 12,261</u>	<u>\$ -</u>	<u>\$ 12,261</u>
Provisions for liabilities-non-current	<u>\$ 69,536</u>	<u>\$ 30,800</u>	<u>\$ 100,336</u>

A. Warranty

The Company's warranty provision of liabilities is mainly related to the construction contracts, and is estimated upon historical warranty data. The warranty provision of liabilities is expected to expire from 2020 to 2025.

B. Litigation loss

The Company's provision of litigation loss is mainly related to the lawsuits arising from construction-related events between subcontractors and work safety incidents. The most likely litigation loss is recognized after the management assessing and referring to legal opinions. The Company reclassified provisions for litigation loss to current amount based on the conviction affirmed by the Supreme court for the year ended December 31, 2020. Please refer to Note 9 (3) for details.

(16) Net defined benefit liability

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

insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(a) Recognized amount in the balance sheet

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	(\$ 68,129)	(\$ 66,312)
Fair value of plan assets	<u>57,285</u>	<u>53,893</u>
Net defined benefit liability	<u>(\$ 10,844)</u>	<u>(\$ 12,419)</u>

(b) Changes in net defined benefit liability

	<u>2020</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance, January 1	(\$ 66,312)	\$ 53,893	(\$ 12,419)
Service cost for the period	( 347)	-	( 347)
Interest income (expense)	( 459)	375	( 84)
Prior period service cost	<u>359</u>	<u>-</u>	<u>359</u>
	<u>( 66,759)</u>	<u>54,268</u>	<u>( 12,491)</u>
Remeasurements:			
Return on plan assets	-	1,750	1,750
Changes in demographic assumptions	( 40)	-	( 40)
Changes in financial assumptions	( 2,299)	-	( 2,299)
Experience adjustments	<u>( 1,340)</u>	<u>-</u>	<u>( 1,340)</u>
	<u>( 3,679)</u>	<u>1,750</u>	<u>( 1,929)</u>
Pension fund contribution	<u>-</u>	<u>3,576</u>	<u>3,576</u>
Paid pension	<u>2,309</u>	<u>( 2,309)</u>	<u>-</u>
Balance, December 31	<u>(\$ 68,129)</u>	<u>\$ 57,285</u>	<u>(\$ 10,844)</u>
	<u>2019</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance, January 1	(\$ 69,129)	\$ 51,853	(\$ 17,276)
Service cost for the period	( 343)	-	( 343)
Interest income (expense)	( 495)	369	( 126)
Prior period service cost	<u>114</u>	<u>-</u>	<u>114</u>
	<u>( 69,853)</u>	<u>52,222</u>	<u>( 17,631)</u>
Remeasurements:			
Return on plan assets	-	2,009	2,009
Changes in demographic assumptions	( 161)	-	( 161)
Changes in financial assumptions	( 306)	-	( 306)
Experience adjustments	<u>( 1,243)</u>	<u>-</u>	<u>( 1,243)</u>
	<u>( 1,710)</u>	<u>2,009</u>	<u>299</u>
Pension fund contribution	<u>-</u>	<u>4,227</u>	<u>4,227</u>
Paid pension	<u>5,251</u>	<u>( 4,565)</u>	<u>686</u>
Balance, December 31	<u>(\$ 66,312)</u>	<u>\$ 53,893</u>	<u>(\$ 12,419)</u>

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Discount rate	0.3%	0.7%
Future salary increase rate	2.0%	2.0%

- I. Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.
- II. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,442)</u>	<u>\$ 1,448</u>	<u>\$ 1,460</u>	<u>(\$ 1,422)</u>
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	<u>(\$ 1,512)</u>	<u>\$ 1,563</u>	<u>\$ 1,538</u>	<u>(\$ 1,497)</u>

- i. The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and

the method of calculating net pension liability in the balance sheet are the same.

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

(e) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 is \$925.

(f) As of December 31, 2020, the weighted average duration of the pension plan is six years. The analysis of pension paid expired date is as follows:

Less than 1 year	\$	1,595
1-2 years		2,297
2-5 years		18,884
Beyond 5 years		46,848
	\$	<u>69,624</u>

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were NT\$8,130 and NT\$9,865, respectively.

(17) Share-based payment

A. For the year ended December 31, 2019, the Company’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock option of cash capital increase	2019.10.07	6,095 thousand units	NA	Vested immediately

B. The details of above share-based payment arrangements are set forth below:

	<u>For the year ended December 31, 2019</u>	
	<u>No. of units (shares in thousand)</u>	<u>Exercise price (in dollars)</u>
Options outstanding at beginning of year	-	\$ -
Options granted	6,095	6.50
Options exercised	( 4,908)	6.50
Options waived	<u>( 1,187)</u>	6.50
Options outstanding at end of year	-	-
Options exercisable at end of year	<u>-</u>	-

- C. The weighted average stock price of stock options at exercise dates for the year ended December 31, 2019 was NT\$6.88.
- D. The fair value of stock options is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility(*)	Expected option life	Expected dividends	Risk free interest rate	Fair value per unit (in dollars)
Employee stock option of cash capital increase	2019.10.07	\$ 6.88	\$ 6.50	24.10%	0.08	-	0.59%	\$ 0.437

\* Expected price volatility is estimated by the standard deviation of return on stock. And the sample interval is the duration equivalents from the expected option life to the latest period.

- E. The expenses incurred in the share-based payment transaction are as follows:

	For the year ended December 31, 2019
Employee options compensation cost	\$ 2,664

(18) Common stock

- A. As at December 31, 2020, the Company's authorized capital is NT\$6,000,000, divided into 600,000 thousand shares. The paid-up capital was NT\$4,475,274. The par value per share is NT\$10. The payment of issued shares of the Company has been received.

Movements in the number of the Company's ordinary shares outstanding at the beginning and the end of the period are as follows:

	2020 (thousand shares)	2019 (thousand shares)
January 1	447,527	347,527
Cash capital increase	-	100,000
December 31	<u>447,527</u>	<u>447,527</u>

- B. On June 14, 2019, the Board of Directors of the Company determined that issued 100,000 thousand shares for cash capital increase. And the par value per share was NT\$10. On September 19, 2019, the Board of Directors decided that the base date for the capital increase and issuance of new shares would be October 12, 2019, and the subscription price per share was NT\$6.5 at a discount. The payment period was October 21, 2019 to November 21, 2019. The rights and obligations of the new issuance of common stocks are the same as issued common stocks. The total cash capital increase was NT\$650,000, and after deducting the relevant costs, the actual net cash capital increase was NT\$648,375. The base date of capital increase is November 26, 2019. Change registration was completed.

(19) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-up capital in excess of par value on issuance of common stocks and donations can be used to

cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-up capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) Retained earnings

- A. The Company's Articles of Incorporation stipulates that if there is a surplus in the annual final accounts, the tax should be paid first to make up for the previous year's losses, and 10% of the remaining amount shall be set aside as legal reserve. If there is still a surplus plus beginning distributable surplus, the Board of Directors will propose some resolution and decide by Board of Shareholders. The shareholder dividends are distributed in two ways: stock dividends and cash dividends. The proportion of cash dividends is not less than 10% of the total shareholder dividends. When necessary, the surplus distribution could be set aside as special reserve before the dividend distribution.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. According to the special surplus reserve mentioned in the letter of the financial management certificate issued on April 6, 2012. When adopting IFRSs for the first time, the Company shall set aside the special reserve. The Company could use the reversal of the special reserve when the Company uses, disposes or reclassifies the relevant assets.
- D. The Board of Directors of the Company on June 17, 2020 resolved a 2019 loss replenishment. After making up for losses, there was no surplus available for distribution. And after the Company disposed of foreign subsidiaries in 2019, the Board of Shareholders decided to recognize NT\$1,872 for reversing special reserve of IFRSs transition date.
- E. The Company's Board of Shareholders on June 27, 2019 resolved that there was no surplus distribution in 2018.

Information of the surplus distribution approved by the Board of Directors and the Board of Shareholders can be obtained from the "Market Observation Post System".

(21) Other equity items

	2020		
	Foreign currency translation	Unrealized income of equity instrument investments measured by fair value through other comprehensive income	
Balance, January 1	\$ -	\$ 2,188	\$ 2,188
Revaluation-the Company	-	44,614	44,614
Balance, December 31	<u>\$ -</u>	<u>\$ 46,802</u>	<u>\$ 46,802</u>

	2019		
	Foreign currency translation	Unrealized income of equity instrument investments measured by fair value through other comprehensive income	
Balance, January 1	(\$ 15,558)	\$ 28,945	\$ 13,387
Revaluation-the Company	-	64,306	64,306
Revaluation transferred out to retained earnings-the Company	-	( 96,613)	( 96,613)
Revaluation-subsiidiaries	-	37	37
Revaluation transferred out to retained earnings- subsidiaries	-	5,513	5,513
Foreign currency translation differences-the Company	15,558	-	15,558
Balance, December 31	<u>\$ -</u>	<u>\$ 2,188</u>	<u>\$ 2,188</u>

(22) Operating revenue

A. Details of customer contract revenue

The Company derives revenue from the transfer of construction controls over time and at a point in time in goods controls. And the reportable segments also derive related revenue:

Timing of revenue recognition

	For the year ended December 31, 2020	For the year ended December 31, 2019
Over time	\$ 3,096,919	\$ 3,989,288
At a point time	-	215,000
	<u>\$ 3,096,919</u>	<u>\$ 4,204,288</u>

B. Contract assets and liabilities

The Company recognized the following customer contract revenue-related contract assets and liabilities:

	December 31, 2020	December 31, 2019
Contract assets:		
Engineering construction contract	\$ 2,505,432	\$ 3,327,437
Project retention receivables	185,884	321,432
Deduct: allowance for loss	( 517,121)	-
	<u>\$ 2,174,195</u>	<u>\$ 3,648,869</u>
Contract liabilities :		
Construction contract	<u>(\$ 1,259,905)</u>	<u>(\$ 1,192,034)</u>

- (a) The expected recovery situation of project retention derives from construction contracts at December 31, 2020 and 2019 is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
2020	\$ -	\$ 211,563
2021	76,014	97,367
2022	63,120	12,502
After 2023 (inclusive)	46,750	-
	<u>\$ 185,884</u>	<u>\$ 321,432</u>

- (b) The Company's contract assets and liabilities change over time with the contraction performance obligations and timing of customer payment. The Company remeasured the recoverability of the committed cost due to Court's judgment and recognized assets impairment loss amounted to NT\$517,121. Therefore, the contract assets changed. Please refer to Note 12 (2) and Note 9 for details.
- (c) We recognized revenue of contract liabilities at the beginning of the period amounted to NT\$1,192,034 and NT\$1,058,707 in 2020 and 2019, respectively.
- (d) Transaction price to non-performance obligation  
As of December 31, 2020, the total amount of the transaction price to non-performance obligation was NT\$12,937,394. The Company will gradually recognize revenue as the completion of the construction projects. The projects will be completed from 2021 to 2025.
- (e) Please refer to Note 12 (2) for details of the contract assets credit risk.

(23) Interest income

	<u>For the year ended December 31 , 2020</u>	<u>For the year ended December 31 , 2019</u>
Interest income from bank deposits	\$ 1,640	\$ 2,410
Other interest income	4,558	16
	<u>\$ 6,198</u>	<u>\$ 2,426</u>

(24) Other income

	<u>For the year ended December 31 , 2020</u>	<u>For the year ended December 31 , 2019</u>
Dividend income	\$ 4,971	\$ 138
Rental income	4,246	4,649
Gains on rent concessions	107	-
Others	1,082	2,899
	<u>\$ 10,406</u>	<u>\$ 7,686</u>



(25) Other gains and losses

	<u>For the year ended December 31 , 2020</u>	<u>For the year ended December 31 , 2019</u>
Gains on disposal of property, plant and equipment	\$ 472,143	\$ 20,144
Gains on reversal of impairment (loss)	( 64,722)	13,516
Investment property depreciation expense	( 9,631)	( 9,630)
Gains (Losses) on foreign exchange, net	775	( 2,375)
Losses on disposal of investment	-	( 10,439)
Gains on disposal of investment property	-	2,995
Others	<u>59</u>	<u>( 225)</u>
	<u>\$ 398,624</u>	<u>\$ 13,986</u>

(26) Financial cost

	<u>For the year ended December 31 , 2020</u>	<u>For the year ended December 31 , 2019</u>
Interest expense:		
Bank loan	\$ 21,244	\$ 30,390
Others	5,361	6,845
Syndicated loans expense	2,003	2,304
Other financial expenses	<u>2,526</u>	<u>2,211</u>
	<u>\$ 31,134</u>	<u>\$ 41,750</u>

(27) Additional information on the nature of expenses

	<u>For the year ended December 31 , 2020</u>	<u>For the year ended December 31 , 2019</u>
Employee benefit expense	<u>\$ 320,892</u>	<u>\$ 380,017</u>
Depreciation expense of property, plant and equipment	<u>\$ 7,493</u>	<u>\$ 33,397</u>
Depreciation expense of right-of-use assets	<u>\$ 10,779</u>	<u>\$ 12,774</u>
Amortization expense	<u>\$ 2,165</u>	<u>\$ 1,567</u>

(28) Employee benefit expense

	For the year ended December 31, 2020		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 185,103	\$ 69,845	\$ 254,948
Labor and health insurance fees	16,620	3,309	19,929
Pension costs	6,238	1,964	8,202
Directors' remunerations	-	23,904	23,904
Other personnel expenses	<u>10,921</u>	<u>2,988</u>	<u>13,909</u>
	<u>\$ 218,882</u>	<u>\$ 102,010</u>	<u>\$ 320,892</u>

	For the year ended December 31, 2019		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 268,565	\$ 48,508	\$ 317,073
Labor and health insurance fees	24,522	4,090	28,612
Pension costs	7,877	2,343	10,220
Director's remunerations	-	2,610	2,610
Other personnel expenses	<u>17,460</u>	<u>4,042</u>	<u>21,502</u>
	<u>\$ 318,424</u>	<u>\$ 61,593</u>	<u>\$ 380,017</u>

- A. In accordance with the Company's Articles of Incorporation, if there is a balance after deducting accumulated deficits from profit, the Company shall distribute bonus to the employees and pay remuneration to the directors that should be 3%-5% and not be higher than 3%, respectively, of the total distributed amount.
- B. The estimation amount of the employees' compensation for the years ended December 31, 2020 and 2019 were NT\$25,529 and NT\$0, respectively; the estimation amount of the directors' remuneration were NT\$21,274 and NT\$0, respectively. The above-mentioned amount are recognized in wages and salaries. The employees' compensation and directors' remuneration were estimated and accrued based on an amount of 3% and 2.5% of distributable profit of current period for the year ended December 31, 2020. Employees' compensation and directors' remuneration for 2019 as resolved at the meeting of Board of Directors were NT\$0 in agreement with those amounts recognized in the 2019 financial statements. Information of the remuneration of employees and directors approved by the Board of Directors of the Company can be obtained from the "Market Observation Post System".

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Current tax:		
Current tax on profits for the year	\$ -	\$ 13,770
Surtax on undistributed retained earnings	-	1,359
Land value increment tax recognized in current tax	-	17,249
Prior year income tax over estimation	<u>( 1,361)</u>	<u>-</u>
	<u>(\$ 1,361)</u>	<u>\$ 32,378</u>
Deferred tax:		
Origination and reversal of temporary differences	\$ 4,314	(\$ 14,009)
Tax losses	-	308
	<u>4,314</u>	<u>( 13,701)</u>
Income tax expense	<u>\$ 2,953</u>	<u>\$ 18,677</u>

(b) Income tax amount relating to other comprehensive income:

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Remeasurement of defined benefit obligation	<u>(\$ 386)</u>	<u>\$ 60</u>

B. Reconciliation between income tax expense and accounting profit:

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Income tax calculated by applying statutory rate to the net loss before tax	\$ 202,505	(\$ 1,067)
Tax-free income and excluded expense in accordance with tax regulation	( 582,751)	( 4,868)
Taxable loss not recognized as deferred tax assets	250,368	-
Temporary differences not recognized as deferred tax assets	130,973	-
Changes of deferred tax realizability evaluation	3,219	( 402)
Prior year income tax over estimation	( 1,361)	-
Effect from alternative minimum tax	-	6,407
Effect from modification of tax regulation	-	-
Surtax on undistributed retained earnings	-	1,358
Land value increment tax recognized in current tax	-	17,249
Income tax expense	<u>\$ 2,953</u>	<u>\$ 18,677</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Warranty liabilities	\$ 16,360	\$ -	\$ -	\$ 16,360
Unrealized litigation loss	6,160	-	-	6,160
Unrealized gross profit	3,943	-	-	3,943
Property, plant and equipment impairment losses	3,189	-	-	3,189
Net defined benefit liabilities	2,483	( 701)	386	2,168
Investment property impairment losses	1,232	-	-	1,232
Others	1,618	( 239)	-	1,379
-Tax losses	90,404	( 3,219)	-	87,185
Subtotal	<u>\$ 125,389</u>	<u>(\$ 4,159)</u>	<u>\$ 386</u>	<u>\$ 121,616</u>
Deferred tax liabilities:				
-Temporary differences:				
Unrealized exchange profit	\$ -	(\$ 155)	\$ -	(\$ 155)
Total	<u>\$ 125,389</u>	<u>(\$ 4,314)</u>	<u>\$ 386</u>	<u>\$ 121,461</u>
2019				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Warranty liabilities	\$ 16,235	\$ 125	\$ -	\$ 16,360
Unrealized litigation loss	6,160	-	-	6,160
Unrealized gross profit	4,488	( 545)	-	3,943
Property, plant and equipment impairment losses	4,233	( 1,044)	-	3,189
Net defined benefit liabilities	3,455	( 912)	( 60)	2,483
Investment property impairment losses	2,891	( 1,659)	-	1,232
Others	1,640	( 22)	-	1,618
-Tax losses	90,712	( 308)	-	90,404
Subtotal	<u>\$ 129,814</u>	<u>(\$ 4,365)</u>	<u>(\$ 60)</u>	<u>\$ 125,389</u>
Deferred tax liabilities:				
-Temporary differences:				
Foreign long-term investments income	( 18,066)	18,066	-	-
Total	<u>\$ 111,748</u>	<u>\$ 13,701</u>	<u>(\$ 60)</u>	<u>\$ 125,389</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2020				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2017(Filed amount)	\$ 310,913	\$ 307,351	\$ -	2027
2018(Filed amount)	128,575	128,575	-	2028
2020(Assessed amount)	1,246,871	1,246,871	1,246,871	2030

December 31, 2019				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2017(Filed amount)	\$ 320,063	\$ 316,511	\$ -	2027
2018(Assessed amount)	135,508	135,508	-	2028

E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	\$ 130,973	\$ -

F. The Company's profit-seeking enterprise income tax through 2018 has been approved by the Tax Authority.

(30) Earnings (Losses) per share

	For the year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders for the period	\$ 1,009,573	\$ 447,527	\$ 2.26
<u>Diluted earnings per share</u>			
Effect from dilutive potential ordinary shares-employees' compensation	-	2,431	
Net profit attributable to ordinary shareholders for the period plus effect from potential ordinary shares	\$ 1,009,573	449,958	\$ 2.24
	For the year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic and diluted losses per share</u>			
Net loss attributable to ordinary shareholders for the period	(\$ 24,014)	357,390	(\$ 0.07)

(31) Changes in liabilities from financing activities

	2020				
	Short-term borrowings	Long-term borrowings	Lease liabilities	Deposits received	Total liabilities from financing activities
January 1	\$ 911,720	\$ 206,692	\$ 40,565	\$ 49,265	\$ 1,208,242
Changes in cash flow from financing activities	( 846,720)	( 132,052)	( 10,647)	15,798	( 973,621)
Changes in other non-cash items	-	2,526	6,921	-	9,447
December 31	<u>\$ 65,000</u>	<u>\$ 77,166</u>	<u>\$ 36,839</u>	<u>\$ 65,063</u>	<u>\$ 244,068</u>

	2019				
	Short-term borrowings	Long-term borrowings	Lease liabilities	Deposits received	Total liabilities from financing activities
January 1	\$ 1,875,000	\$ 280,655	\$ 21,524	\$ 35,380	\$ 2,212,559
Changes in cash flow from financing activities	( 963,280)	( 76,174)	( 13,082)	13,885	( 1,038,651)
Changes in other non-cash items	-	2,211	32,123	-	34,334
December 31	<u>\$ 911,720</u>	<u>\$ 206,692</u>	<u>\$ 40,565</u>	<u>\$ 49,265</u>	<u>\$ 1,208,242</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Kung Sing Development Co., Ltd. (Kung Sing Development)	Subsidiary
Chan Pang Industrial Co., Ltd. (Chan Pang Industrial, Chan Pang Construction Co., Ltd. before )	Subsidiary
Chen, huang-ming	Key member of the management
Chiang, chi-ching	Key member of the management
Pan, jun-rong	Other related party

(2) Significant transactions with related parties

A. Rental income (recognized in "Other income")

	For the year ended December 31, 2020	For the year ended December 31, 2019
Kung Sing Development Subsidiary	\$ 1,884 57	\$ 1,542 57
	<u>\$ 1,941</u>	<u>\$ 1,599</u>

The Company leased part of workplace to related party and the collection term is open account 30 days.

B. Capital financing-other payables

	<u>December 31, 2019</u>	
Kung Sing Development	<u>\$</u>	<u>200,368</u>

- a. The Company raised a financing of NT\$200,000 from Kung Sing Development and the condition is repaying within 1 year. The Company repaid in July 2020.
- b. The above-mentioned financing is calculated interest at an annual interest rate of 2.689%. The interest were NT\$2,850 and NT\$5,356, respectively in 2020 and 2019. As of December 31, 2020 and 2019, unpaid amount were amounted to NT\$0 and NT\$368, respectively.

C. Land selling

- a. The Company sold the land of Nangang Yucheng section on October 21, 2006. Some ownership portion was sold to Chan Pang Industrial and charged off unrealized gains as NT\$475,333 and then transferred as deferred income recognized in "Liabilities directly related to non-current assets for sale" as at December 31, 2019.
- b. In June 2020, Chan Pang Industrial sold the land of Nangang Yucheng section, the Company recognized gains on disposal of property, plant and equipment amounted to NT\$475,333.

D. Endorsement and guarantees

As of December 31, 2020 and 2019, part of the borrowings amount were endorsed by the Company's key members of management and other related parties.

- E. Please refer to Note 13 for the Company loans to others and endorsements and guarantees for subsidiary.

(3) The compensation of key member of the management

	<u>For the year ended</u> <u>December 31, 2020</u>	<u>For the year ended</u> <u>December 31, 2019</u>
Short-term employee benefits	\$ 32,928	\$ 14,100
Post-employment benefits	198	192
	<u>\$ 33,126</u>	<u>\$ 14,292</u>

## 8. Pledged Assets

The details of the pledged assets are as follows:

Items	Book value		Purpose
	December 31, 2020	December 31, 2019	
Other current assets			Provided to owners as a guarantee of project performance, short-term borrowings and litigation
-other financial assets	\$ 1,924,288	\$ 2,106,342	Provided to owners as a guarantee of tender bond
-refundable deposits	48,147	47,355	Provided to owners as a guarantee of warranty bond and litigation
Other non-current assets			Short-term borrowings guarantee
-restricted assets	6,512	28,620	Long-term and short-term borrowings guarantee
Property, plant and equipment	118,125	118,873	
Investment property	321,824	330,545	
	<u>\$ 2,418,896</u>	<u>\$ 2,631,735</u>	

## 9. Significant Contingent Liabilities and Unrecognized Contract Commitments

- (1) As of December 31, 2020, the amount issued but not used for purchasing goods by the Company was NT\$110,493, and the amount of the guarantee issued by the bank for the performance guarantee, advance construction receipts and warranty guarantee was NT\$3,419,264.
- (2) As of December 31, 2020, the amount of notes issued by the Company due to the lease contracts was NT\$2,753.
- (3) The CT206A project of the MRT Tamsui Line contracted by the Company was officially opened to traffic in March 1997. However, the worker who set up soundproof walls of the outsourcers of Taipei MRT was injured in September 2010. They filed a lawsuit in District Court on March 21, 2013 and the Company was asked to be liable for damages compensation. On March 2, 2016, the District Court judged that the Company shall compensate NT\$27,027 and plus the interest accruing thereon. The Company appealed it. On April 2, 2019, the Taiwan High Court judged that the Company shall compensate NT\$22,058 and plus the interest until discharged day. The suit was transferred to the Supreme Court of Taiwan. On December 10, 2020, the Supreme Court of Taiwan judged that the Company shall compensate NT\$15,546 and plus the interest and remanded the rest NT\$6,512 dispute. The Company has accrued relevant compensation losses and interest expenses NT\$30,800 and reclassified NT\$21,699 in "Provisions for liabilities-current" upon the above judgment.
- (4) The engineering litigation judgment and status as of December 31, 2020:
  - A. The Company won the tender for the Muzha Extension (Neihu line) CB410 Section Project put out by the Eastern District Project Office (First District Project Office for now), Department of Rapid Transit Systems, Taipei City Government. Both sides signed the project procurement contract on June 12, 2003. The Company has completed all projects and received the qualification approval from the Eastern District Project Office in December 2012. However, after the commencement of construction on June 16, 2003, various factors that are not



attributable to the Company have affected the implementation of the aforementioned projects. The Eastern District Project Office approved 278 and 122 days extensions of time with the total number of 400 days. The related costs and expense increased due to the extensions of time. According to the contract, it should be adjusted to increase the project payment to indemnify. In December 2010, the Company filed a lawsuit with the Taipei District Court to the Eastern District Project Office for payment of indemnification of extensions of time and the prejudgment interest. The related judgments are as follows:

- (a) The trial court judged that the First District Project Office shall pay the Company NT\$17,723 and 386 thousand US dollars and the prejudgment interest and dismissed other suits.
  - (b) Both the Company and the First District Project Office appealed against the judgment. The court of second instance has not yet rendered a judgment.
- B. The Company won the tender for the Taoyuan International Airport Access MRT System Construction Project CE02 Project put out by the Bureau of High Speed Rail, MOTC. The Company has completed all projects and received the qualification approval from the Bureau of High Speed Rail in May 2017. During the construction period, various factors that are not attributable to the Company have affected the implementation of the aforementioned projects. The Bureau of High Speed Rail approved 788 days extensions of time. But the two parties cannot reach neither an agreement nor a bargain price about the expense adjustment of work item, quantity and price. The Company filed a lawsuit with the Taipei District Court to the Bureau of High Speed Rail for payment of indemnification of extensions of time. On May 27, 2020, the Court judged that the Bureau of High Speed Rail shall compensate part of indemnification of extensions of time, the Company appealed against the judgment. The court of second instance has not yet rendered a judgment.
- C. The Company won the tender for the Linkou Thermal Power Plant Refurbishment and Expansion Project-Diversion Dike of Water Outlet, Northern Jetty, Coal Unloading Pier, Connection Bridge and Other Associated Facilities Construction Project put out by the Northern Construction Office, Department of Nuclear and Fossil Power Projects, Taiwan Power Company ( the "Taipower" ). Both sides signed the project procurement contract on June 3, 2010. The Company has completed all projects and received the qualification approval from the Northern Construction Office. However, after the commencement of construction on June 14, 2010, various factors such as adverse weather conditions, rough sea, obstruction from fishermen, typhoon, the Chinese New Year and design modification that are not attributable to the Company have affected the implementation of the critical path of the project. The Northern Construction Office approved 19 times extensions of time with the total number of 568.5 days and the Company early completed the project at August 17, 2017. Therefore, the actual extensions of time is 561 days. Besides, after the commencement of construction, fishermen had repeatedly protested against Taipower from April 2011 to February 2013 and thus the Company changed the construction methods, resulted in increase of performance cost of construction ships halt and rubble land transportation. The related costs and expense increased due to the extensions of

time and fishermen protest. According to the contract, it should be adjusted to increase the project payment to indemnify. In February 2020, the Company filed a lawsuit with the New Taipei District Court to the Northern Construction Office for payment of indemnification of extensions of time, fishermen protest and the prejudgment interest. The District Court dismissed the claim in November 2020. The Company appealed against the judgment. The court of second instance has not yet rendered a judgment.

- D. The Company won the tender for the Taiwan Route 9 Suhua Highway Guanying Tunnel Construction Project (the “Guanying Tunnel”) and Taiwan Route 9 Suhua Highway Gufong Tunnel Construction Project (the “Gufong Tunnel”) put out by Suhua Highway Improvement Project Office, Directorate General of Highways, Ministry of Transportation and Communications (the “Directorate General of Highways”). Both sides signed the project contract on October 18, 2011. The construction cost increased rapidly due to the owners’ instruction about clapboard thickening and interval shortening. In addition, the cost also increased due to the geological differences. The Company filed a lawsuit with the Yilan District Court to the Directorate General of Highways for increasing engineering payment on July and November, 2020, respectively. The court of first instance has not yet rendered a judgment.
- E. The Company won the tender for the Guanying Tunnel and the Gufong Tunnel put out by the Directorate General of Highways. The Company completed part of projects and received the qualification approval in February and August, 2020, respectively. After the commencement of construction in November 1, 2011, various factors such as typhoon, collapse, regulation modification and design modification that are not attributable to the Company have affected the implementation of the critical path of the project. The Directorate General of Highways approved extensions of time with the total number of 1,141 and 1,363 days, respectively. The related costs and expense increased due to the extensions of time. The Company filed a lawsuit with the Yilan District Court to the Directorate General of Highways for payment of indemnification of extensions of time in November, 2020. The court of first instance has not yet rendered a judgment.

The Company measured the recoverable amount of contract assets and recognized the difference in impairment loss. Please refer to Note 12 (2) for details.

The Company measures assets impairment amount during the financial reporting periods according to litigation progress, possible request amount and materiality, but the final amount will be determined after the conclusion of the relevant cases. The Company will actively defend the aforementioned litigation cases that are still in progress. Due to the unpredictable nature of legal cases, there is currently no accurate estimate of possible losses (in case). And the Company has made necessary adjustments in appropriate ways. The Company wouldn't rule out the possibility of inability to win in all related cases. Although the judgment amount will affect the recoverability of the contract assets, it wouldn't affect the normal operation of the Company.

10. Significant Losses from Natural Disaster

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the debt-to-capital ratio. This ratio is calculated as net debt divided by total capital. The net debt is calculated as total borrowings include "current and non-current borrowings" as shown in the consolidated balance sheet deduct cash. Total capital is calculated as "equity" as shown in the consolidated balance sheet add net debt.

The Company's strategy in 2020 remains the same as in 2019, and the Company is committed to maintaining the debt-to-capital ratio under 50%. The Company's debt-to-capital ratio is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total borrowing	\$ 142,166	\$ 2,276,170
Deduct: Cash	( 904,515)	( 394,873)
Net debt (A)	<u>\$ -</u>	<u>\$ 1,881,297</u>
Total equity(B)	<u>\$ 5,322,268</u>	<u>\$ 4,525,722</u>
Total capital (C=A+B)	<u>\$ 5,322,268</u>	<u>\$ 6,407,019</u>
Debt-to-capital ratio (A/C)	-	29.36%

(2) Financial risk of financial instruments

A. Category of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument investment	<u>\$ 113,298</u>	<u>\$ 68,684</u>
Financial assets at amortized cost		
Cash	\$ 904,515	\$ 296,209
Accounts receivable	-	498,804
Contract assets (construction retention)	185,884	321,432
Other receivables	13,634	100,416
Other current assets	1,972,804	2,153,697
Other non-current assets	191,146	52,688
	<u>\$ 3,267,983</u>	<u>\$ 3,423,246</u>

## Financial liabilities

### Financial liabilities at amortized cost

Short-term borrowings	\$	65,000	\$	911,720
Notes payable		329,622		592,242
Accounts payable		639,654		639,681
Other payables (including related party)		76,432		228,049
Lease liabilities		36,839		40,565
Other current liabilities		3,453		9,745
Long-term borrowings (including due within one year)		77,166		206,692
Other non-current liabilities		61,611		39,520
	\$	<u>1,289,777</u>	\$	<u>2,668,214</u>

## B. Risk management policies

The Company's daily operations expose it to a variety of financial risks including market risk, credit risk and liquidity risk. Risk management is performed by the finance department of the Company under policies approved by the Board of Directors.

## C. Nature and degrees of significant financial risks

### a. Market risk:

#### Foreign exchange rate risk

(a) The business of the Company involves a number of non-functional currencies, and is affected by foreign exchange rate fluctuations. Information of foreign currency assets and liabilities affected by significant exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2020		
	Amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
CNY : TWD	\$ 11,353	4.38	\$ 49,692
USD : TWD	267	28.48	7,590
(Foreign currency: functional currency)	December 31, 2019		
	Amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
CNY : TWD	\$ 11,125	4.31	\$ 47,892
USD : TWD	270	29.98	8,085

(b) The realized and unrealized exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 were NT\$775 and (NT\$2,375), respectively.

- (c) The appreciation or depreciation of major foreign currency monetary items impacted the Company's profit and loss at the end of the financial statements period. When the New Taiwan dollar appreciates or depreciates by 1%, the Company's income will decrease or increase by NT\$573 and NT\$560, respectively for the years ended December 31, 2020 and 2019.

#### Price risk

- (a) The Company's equity instruments exposed to price risk are recognized in financial assets at fair value through other comprehensive income.
- (b) The Company primarily invests in equity instruments issued by domestic companies and the investment target's price would be affected by the uncertainty of the future value. If the price rises or falls by 1%, while all other factors remain unchanged, the other comprehensive income for the years ended December 31, 2020 and 2019 will decrease or increase by NT\$1,133 and NT\$687, respectively.

#### Cash flow and fair value interest rate risk

The long-term and short-term borrowings borrowed by the Company are floating-rate debts and are not expected to generate significant interest rate risk. Changes in market interest rate will cause the effective interest rate of borrowing to change, which will cause fluctuations in future cash flows. Calculated based on the Company's borrowings balance at December 31, 2020 and 2019, if the market interest rate increases or decreases by 0.25%, the Company's cash outflow will increase or decrease by NT\$284 and NT\$2,237, respectively.

#### b. Credit risk

- (a) Credit risk refers the risk of financial loss to the Company arising from default by the customers or counterparties of financial instruments on the contract obligations. The risk mainly comes from the inability of the counterparty to pay accounts receivables, retention receivables from projects and the financial assets measured at amortized cost.
- (b) The Company adopts the assumptions under IFRS 9, that is, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. And the default occurs when the customers' contract payments are past due over 30 days after final acceptance.
- (c) The debtors of the Company's receivables and contract assets are mainly government units or state-owned enterprises, etc. The Company applies the simplified approach to estimate expected credit loss under the loss rate methodology basis. The loss rate methodology at December 31, 2020 is as follows:

	<u>Accounts receivable</u>	<u>Contract retention</u>	<u>Contract assets</u>	<u>Total</u>
Expected loss rate	0%	0%	20.6%	
Total book value	\$ -	\$ 185,884	\$ 2,505,432	\$ 2,691,316
Loss allowance	\$ -	\$ -	\$ 517,121	\$ 517,121

(\*)The Company's credit loss rate of accounts receivables and contract assets is extremely low at December 31, 2019. It is assessed that the impairment loss is not significant.

- (d) The statement of changes in loss allowance for contract assets used simplified approach is as follows:

	<u>2020</u>
January 1	\$ -
Provision for impairment loss	517,121
December 31	<u>\$ 517,121</u>

c. Liquidity risk

- (a) Cash flow forecasting is performed in the operating entities of the Company and aggregated by the financial department. The Company's financial department monitors rolling forecasts of the Company's liquidity requirements to ensure that has sufficient cash to support operating requirements. The detail of unused borrowing amount is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Floating rate		
Due within one year	\$ 1,150,000	\$ 153,280
Due beyond one year	455,000	-
	<u>\$ 1,605,000</u>	<u>\$ 153,280</u>

- (b) The Company's non-derivative financial liabilities are analyzed by the remaining period at the balance sheet date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Beyond 3 years</u>
Short-term borrowings	\$ 65,442	\$ -	\$ -	\$ -
Notes payable	329,595	27	-	-
Accounts payable	500,056	105,140	-	34,458
Other payables	76,432	-	-	-
Lease liabilities	10,136	8,190	6,857	13,109
Long-term borrowings (including due within one year)	6,183	83,699	-	-

Non-derivative financial liabilities:

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Beyond 3 years</u>
Short-term borrowings	\$ 922,005	\$ -	\$ -	\$ -
Notes payable	592,242	-	-	-
Accounts payable	587,381	57,938	-	6,369
Other payables(including related party)	228,049	-	-	-
Lease liabilities	8,553	7,640	6,364	18,940
Long-term borrowings (including due within one year)	34,024	8,732	184,155	-

(3) Fair value information

- A. The different levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market refers to a market where asset or liability transactions occur with sufficient frequency and quantity to provide pricing information on a continuous basis. The fair value of the Company's investment in financial assets at fair value through other comprehensive income is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data. Part of the fair value of the Company's investment in financial assets at fair value through other comprehensive income is included in Level 3.

- B. Financial instruments not measured at fair value

The book value, of the Company's cash, accounts receivable, other receivables, other current assets, other non-current assets (excluding prepaid house, land and equipment, prepaid mortgage guarantee and management fees), long-term and short-term borrowings, notes payable, accounts payable, other payables(including related party), other current liabilities (excluding long-term borrowings due within one year) and other non-current liabilities (excluding net defined benefit liabilities), is the reasonable approximation of fair value.

- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through other comprehensive income-equity securities	\$ -	\$ -	\$ 113,298	\$ 113,298
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through other comprehensive income-equity securities	\$ -	\$ -	\$ 68,684	\$ 68,684

- D. The methods and assumptions the Company used to measure fair value are as follows:
- a. The Company used market quotation (closing price) as the inputs of fair values (that is, Level 1).
  - b. Except for the above-mentioned financial instruments with active markets, the fair value of the other financial instruments (that is, Level 3) is evaluated according to the evaluation model.  
The output of the evaluation model is estimated value, and the evaluation technique may not reflect all the factors in financial instruments that the Company holds. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to additional parameters, such as liquidity risk. According to the Company's fair value evaluation model management policy and related control procedures, the management holds that it is appropriate and necessary to evaluate the fair value of the financial instruments in the balance sheet. The price information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted to current market conditions.
  - c. The Company's equity securities classified as Level 3 fair value are regularly evaluated by the financial department of the Company or evaluated by an external appraiser. The information of evaluation models is as follows:



	Fair value at December 31, 2020	Valuation technique	Significant unobservable inputs	Discount rate	Relationship of inputs to fair value
Unlisted shares	\$ 104,458	Comparable publicly traded / OTC company method	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
	8,840	Net assets value method	NA	NA	NA
	<u>\$ 113,298</u>				

	Fair value at December 31, 2019	Valuation technique	Significant unobservable inputs	Discount rate	Relationship of inputs to fair value
Unlisted shares	\$ 59,528	Comparable publicly traded / OTC company method	Discount for lack of marketability	40%	The higher the discount for lack of marketability, the lower the fair value.
	9,156	Net assets value method	NA	NA	NA
	<u>\$ 68,684</u>				

E. The Company's investment property measured by cost is regularly evaluated by external financial experts. The fair value information is described in Note 6 (11).

F. There was no transfer between level 1 and level 2 for the years ended December 31, 2020 and 2019.

G. The table below shows the changes in level 3 for the years ended December 31, 2020 and 2019:

	2020	2019
January 1	\$ 68,684	\$ 69,418
Acquired in the period	-	37
Recognized in unrealized investment gains and losses of equity instruments measured by fair value through other comprehensive income	44,614	( 771)
December 31	<u>\$ 113,298</u>	<u>\$ 68,684</u>

H. There was no transfer into or out from the level 3 for the years ended December 31, 2020 and 2019.

### 13. Supplementary Disclosure

#### (1) Significant transactions information

A. Loans to others: Please refer to Table 1.

B. Endorsement and guarantee for others: Please refer to Table 2.

C. Holding of marketable securities at the end of the period (investment in subsidiaries and affiliates excluded): Please refer to Table 3.

- D. Accumulated acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of paid-up capital: None.
- E. Acquisition of real estate exceeding NT\$300 million or 20% of paid-up capital: None.
- F. Disposal of real estate exceeding NT\$300 million or 20% of paid-up capital: Please refer to Table 4.
- G. Purchases or sales of goods from related parties exceeding NT\$100 million or 20% of paid-up capital: None.
- H. Receivables from related parties exceeding NT\$100 million or 20% of paid-up capital or: None.
- I. Derivative instruments transaction: None.
- J. The statement and amount of significant inter-company transactions and business relationship: Please refer to Table 5.

(2) Information of reinvestment business

Names, locations and other information of investee companies (investees in Mainland China excluded): Please refer to Table 6.

(3) Information of investments in Mainland China

- A. Basic information of investing in Mainland companies: None.
- B. Significant transactions, either directly or indirectly through a third area business, with reinvesting investee companies in the Mainland: None.

(4) Information of major shareholders

Information of major shareholders: Please refer to Table 7.

14. Segments Information

NA

Kung Sing Engineering Corporation  
Loans to Others  
For the Year Ended December 31, 2020  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 1

No.	Creditor	Borrower	Item	Related party	Maximum amount for the period	Ending balance	Used amount	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Provision for loan loss	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)
													Item	Value		
1	Kung Sing Development	The Company	Other receivables	Yes	\$ 200,000	\$ -	\$ -	Benchmark interest rate+1.6%	Short-term financing	\$ -	For operating	\$ -	NA	\$ -	\$ 253,646	\$ 253,646

Note 1: The Kung Sing Development's maximum amount loan to other is 40% of its net value.

Kung Sing Engineering Corporation  
Endorsements and Guarantees for Others  
For the Year Ended December 31, 2020  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 2

No.	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 4)	Maximum endorsements/ guarantees amount for the period	Endorsements/ guarantees balance amount at December 31, 2020	Used amount	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsement s/guarantees to the party in Mainland China
			Relationship with the endorser/ guarantor	Relationship with the endorser/ guarantor										
1	Chan Pang Industrial	Note 1	Note 5	\$ 8,950,548	\$ 5,322,300	\$ -	\$ -	\$ -	-	\$ 17,901,096	N	N	N	
1	Chan Pang Industrial	Note 2	Note 5	8,950,548	1,056,750	-	-	-	-	17,901,096	N	N	N	
2	Kung Sing Development	Note 3	Note 5	8,950,548	236,000	173,936	173,936	173,936	0.03	17,901,096	N	N	N	

Note 1: Guo Yang Industrial Co., Ltd., He Xin Cheng Co., Ltd., Chan Pang Industrial Co., Ltd., Hong Hui Development Co., Ltd., Ding Li Development Co., Ltd., Wei Li International Development Co., Ltd. and Yu Sheng Development Co., Ltd.

Note 2: Wei Li International Development Co., Ltd., Hong Hui Development Co., Ltd. and Chan Pang Industrial Co., Ltd.

Note 3: Kung Sing Development Co., Ltd. and the landowners of the joint construction (other related parties-Pan, jun-rong).

Note 4: According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the Company shall not exceed octuple paid-up capital of the Company and the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed quadruple paid-up capital of the Company. According to "Regulations of Endorsement Guarantee Implementation", the aggregate amount of endorsements/guarantees provided by the subsidiary shall not exceed octuple paid-up capital of the parent company and the amount of endorsements/guarantees provided by the subsidiary for any single entity shall not exceed quadruple paid-up capital of the parent company.

Note 5: Inter-insurance companies based on contractual requirements for inter-departmental or co-creation between contractors.

Kung Sing Engineering Corporation  
Holding of Marketable Securities at December 31, 2020 (Investment in Subsidiaries, Affiliates and Joint Ventures Excluded)  
December 31, 2020  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 3

Securities held by	Types and names of securities	Relationship with the securities issuer	Account title	At December 31, 2020				Footnote
				Number of shares (thousand shares)	Book value	Ownership (%)	Fair value	
The Company	Kung Ting Steel Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	3,240	\$ 104,458	18.00	\$ 104,458	Note 1
As above	Chieh Pang Management Consultant Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	300	3,390	6.00	3,390	Note 1
As above	Cross-Strait Business Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	1,000	5,450	10.00	5,450	Note 1
As above	Chien Ping Technology Co., Ltd.	As above	Financial assets at fair value through other comprehensive income - non-current	370	-	14.23	-	Note 1 and Note 2

Note 1: No pledge guarantee.

Note 2: The Company has fully recognized the losses due to operating losses.

Kung Sing Engineering Corporation  
Disposal of Real Estate Exceeding NT\$300 Million or 20% of Paid-up Capital  
December 31, 2020  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 4

The company disposed of real estate	Property name	Date of occurrence of the fact	Initial acquisition date	Book value	Transaction amount	Proceeds collection	Disposal of profit and loss	Transaction counterpart	Relationship	Purpose of disposal	Reference for price determination	Other agreed matters
Chan Pang Industrial Co., Ltd.	Inventory -construction in progress	May 7, 2020	2006 and 2015	\$ 1,568,314	\$ 4,062,013	\$ 4,062,013	\$ 2,438,549	Fubon Life Assurance Co., Ltd	None	Gain profit	Appraisal report of Zhan-Mao Real Estate Appraisers Firm and Hong-Bang Real Estate Appraisers Firm	NA

Kung Sing Engineering Corporation  
The Statement and Amount of Significant Inter-company Transactions and Business Relationship  
December 31, 2020  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 5

No.	Trader	Trade counterpart	Relationship with trader	Transaction circumstances			
				Accounts	Amount	Transaction terms	The proportion of the amount to consolidated total revenue or total assets
0	The Company	Chan Pang Industrial Co., Ltd.	Parent company to subsidiary	Gains on disposal of property, plant and equipment	\$ 475,333	Note 2	7
0	As above	Kung Sing Development Co., Ltd.	As above	Interest expense	2,850	Note 1	-
0	As above	As above	As above	Rent income	1,884	Note 1	-
1	Chan Pang Industrial Co., Ltd.	The Company	Subsidiary to parent company	Cost of sales	475,333	Note 2	7
3	Kung Sing Development Co., Ltd.	As above	As above	Rent expense	1,884	Note 1	-
2	As above	As above	As above	Other interest income	2,850	Note 1	-

Note 1: Received and paid according to contract.

Note 2: Realized gains and losses from selling land to affiliates.

Kung Sing Engineering Corporation  
Information of Investees (Investees in Mainland China Excluded)  
December 31, 2020  
(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

Table 6

Investor	Investee	Location	Main business activities	Initial investment amount		Hold at the end of the period			Profit and loss of the investee for the period	Investment gains and losses recognized for the period	Footnote
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares (thousand shares)	Ownership (%)	Book value			
The Company	Chan Pang Industrial Co., Ltd. (Chan Pang Construction Co., Ltd. before)	Taiwan	Construction and development of buildings and houses and general investment	\$ 590,000	\$ 590,000	59,000	100	\$ 984,625	\$ 2,438,959	\$ 2,438,959	Subsidiary (Note 1)
As above	Kung Sing Development Co., Ltd.	Taiwan	Construction and development of buildings and houses	420,000	420,000	42,000	60	355,591	( 6,132)	( 3,678)	Subsidiary

Note 1: Chan Pang Construction Co., Ltd. changed the name to Chan Pang Industrial Co., Ltd. in December, 2020.



Kung Sing Engineering Corporation  
Information of Major Shareholder  
December 31, 2020

Table 7

Name of major shareholder	Shares	
	Holding shares amount (thousand shares)	Ownership (%)
Pan, jun-rong	36,564	8.17
Pan, guan-ru	24,636	5.50