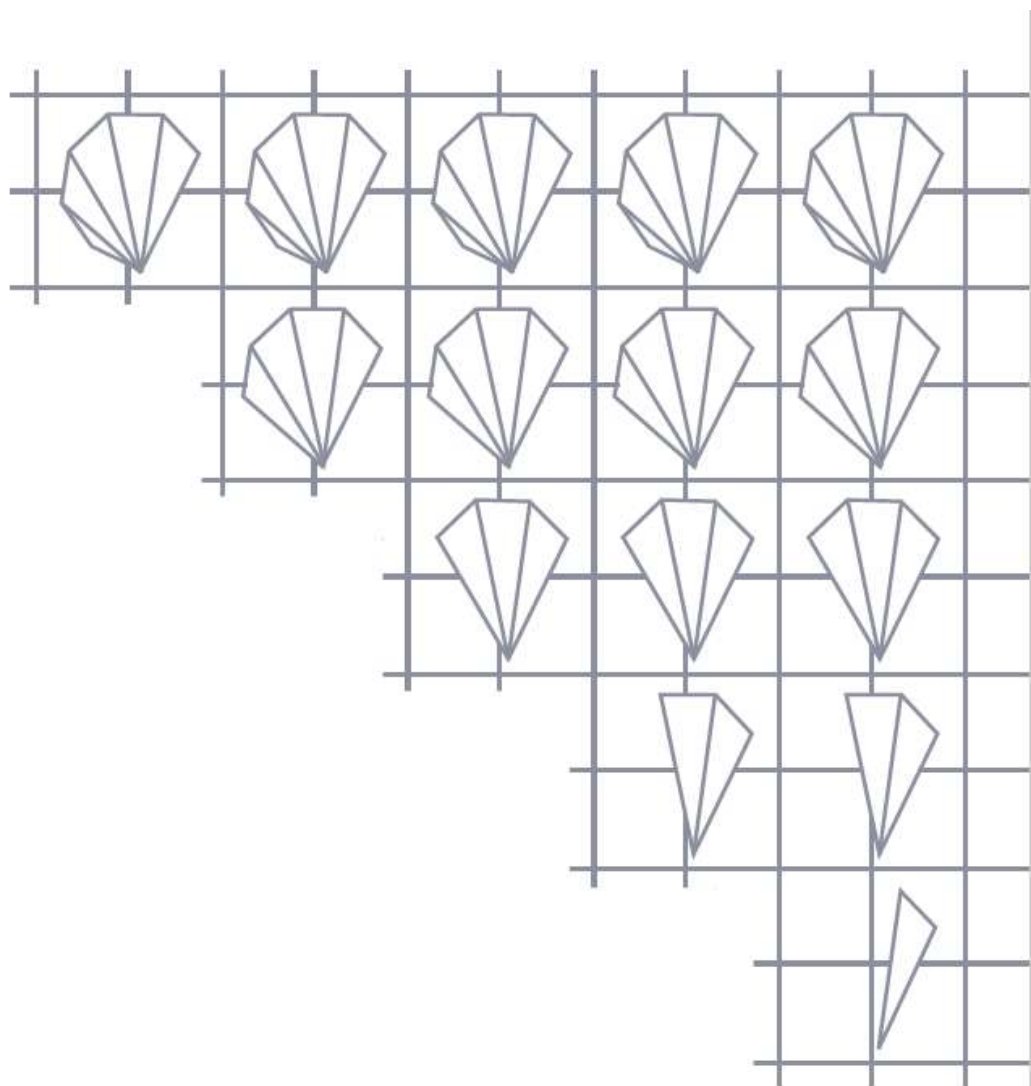


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# Delpha Construction



## 2020 Annual Report

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# **【Letter to Shareholders】**

## **1. Preface:**

Dear Shareholders,

2020 was a year of active evolution and expansion for Delpha. The Company has focused on identifying suitable land for new construction projects and actively participated in public construction and urban renewal projects with the aim of achieving outstanding business performance for the Company and creating investment returns for shareholders.

Delpha's construction on undeveloped land - Delpha has purchased five plots of land (located in areas near the A7, A10, and A18 stations along Taoyuan City Airport MRT line) and will proceed with planning, design, and application for the construction license. In response to market changes and to differentiate product positioning, we target first-time buyers and those who seek to change their residence for the first time, and commence construction and sales in a timely manner.

Delpha's urban renewal projects - The Company has submitted the business plan and rights transfer plan of the two urban renewal projects on "Huaisheng Section" in Da'an District and "Taiyuan Road" in Datong District, Taipei City for review in the second quarter of 2021. Due to corrections of the product and requests of owners of adjacent land for participating in the project, we plan to submit another application for review this year.

In addition, Delpha is also committed to healthy corporate governance and seeks growth in profits while maintaining the balance between the environment, society, and the interests of all stakeholders. We uphold the principles of "integrity" and "sustainability", and we continue to make steady progress in the "integration of corporate resources", "healthy corporate governance", and "social welfare". In response to the continuous expansion of Delpha's operations, we have taken steps to strengthen internal control, budget management, and corporate governance to ensure that the Company continues to grow its business and improve operational efficiency. We also actively pass on our experience for talent development. Through comprehensive internal and external training, collaboration with a diverse range of industries, and giving back to society, we hope to establish a positive corporate culture and achieve sustainable development. We aim to take care of employees and their families, fulfill our responsibilities to the shareholders and the society, and create a better future.

Chairman : Cheng, Ssu-Tsung

## 2. 2020 Operating Performance of Delpha Construction

### (1) Implementation status of the operation plan in 2020:

1 . Implementation status of the operation plan in 2020

#### Parent company

Unit: NT\$1,000

Item	2020	2019	Difference compared to the previous year	Remarks
Operating revenue	79,624	3,069	76,555	Growth rate 2494.46.74%
Pre-tax net profit(loss)	(88,637)	(68,696)	(19,941)	

#### Consolidated

Unit: NT\$1,000

Item	2020	2019	Difference compared to the previous year	Remarks
Operating revenue	87,377	10,170	77,207	Growth rate 759.16%
Profit(Loss) before tax	(94,660)	(73,849)	(20,811)	

### (2) 2020 Annual Operating Revenue

#### Parent company

Unit: NT\$1,000

Individual Case	Amount	Remarks
Shitan Section case A (Huyue Tianqin)	78,804	Housing and land Income
Terminal Case	91	Rental income
Rongxing Section Case	31	Rental income
Reading the European Case	36	Rental income
Shulin Case	34	Rental income
Huaisheng Section Case	601	Rental income
Shitan Section case A (Huyue Tianqin)	27	Rental income
Total	79,624	

#### Consolidated

Unit: NTD \$ 1,000

Individual Case	Amount	Remarks
Shitan Section case A (Huyue Tianqin)	78,804	Housing and land Income
Terminal Case	91	Rental income
Rongxing Section Case	31	Rental income
Reading the European Case	7	Rental income
Shulin Case	34	Rental income
Huaisheng Section Case	601	Rental income

Shitan Section case A (Huyue Tianqin)	27	Rental income
Taiyuan Road Case	7,782	Rental income
Total	87,377	

### (3)Implementation of budget:

According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company doesn't need to publish its 2020 financial forecast.

### (4) Financial revenue & expenditure, and profitability analysis

#### Parent company

Item		2020	2019
Financial structure %	Debt to assets ratio (%)	19.69	25.34
	Long-term funds to property, plant and equipment ratio (%)	10,776.19	5,440.05
Solvency %	Current ratio	479.14	355.44
	Quick ratio	139.32	44.62
	Times interest earned ratio (times)	(5.63)	(4.26)
Profitability %	Return on Assets	(1.45)	(1.49)
	Return on equity	(1.94)	(2.16)
	Ratio of pre-tax net profit to paid-in capital(%)	(1.70)	(2.54)
	Net profit (loss) rate	(112.59)	(2,238.38)
	Earnings per share (NT\$)	(0.32)	(0.25)

This year's operating income is higher than last year, but operating costs and other losses are higher than last year as well. Therefore, earnings per share is lower.

#### Consolidated

Item		2020	2019
Financial structure %	Debt to assets ratio (%)	25.84	34.53
	Long-term funds to property, plant and equipment ratio (%)	5,438.74	2,853.47
Solvency %	Current ratio	379.90	282.31
	Quick ratio	94.45	28.30
	Times interest earned ratio (times)	(2.73)	(1.77)
Profitability %	Return on Assets	(1.18)	(1.11)
	Return on equity	(1.96)	(2.19)
	Ratio of pre-tax net profit to paid-in capital(%)	(1.82)	(2.73)
	Net profit (loss) rate	(109.49)	(740.35)
	Earnings per share (NT\$)	(0.32)	(0.25)

This year's operating income is higher than last year, but operating costs and other losses are higher than last year as well. Therefore, earnings per share is lower.

**(5) Research and development situation:** Please refer to Page 99 of this Annual Report.

This year's operating income is lower than last year's, so both the net profit margin and earnings per share are also lower.

### **3. 2021 Business Plan**

#### **(1) Business Strategy**

From land development to design and construction, the Company has constantly been upholding the spirit of "cultivating spaces and caring for the land" and has always been pursuing the goals of "providing high-quality and diversified construction and living spaces, caring about the social environment, and helping to create a gorgeously neat dwelling and urban life landscape". We also take an honest and responsible attitude to meet the public's and house buyers' needs toward the living environment and space.

In order to enhance our competitive and operating advantages, we strive to achieve the following four goals:

- A. To enhance corporate governance, and strengthen the operation structure
- B. To participate in public construction, and develop high-quality land
- C. To grasp market trends and formulate strategies and responding measures accordingly.
- D. To effectively integrate resources and improve competitiveness.

#### **(2) Business Goals**

- A. Applying for the six building permits for "Taoyuan Xi-Bi Section", "Taoyuan Qing-Xi Section", "Taoyuan Le-Je Section", "Xi-Zhan Section Taichung Sha-Lu Station" and planning for commissioning and sales onsite.
- B. Committing on the construction of the projects "The Urban Green" and "Wuchang Street-Central One" that are completely sold out.

#### **(3) Important Production and Sale Policies**

Production Strategies:

Our Company is committed to the construction of high-quality and intelligent houses and business buildings.

The production strategies are:

(1) Operating areas: The prime districts of Greater Taipei.

(2) Development methods:

- a. We are going to keep developing and rolling out new projects of the lands with well-developed infrastructure in Taiwan by means of joint construction or purchase.
- b. During the period that the government is striving to promote urban renewals, we will actively participate in the lucrative urban renewal and reconstruction cases of perilous or old buildings in Greater Taipei.

(3) Product type: high-tech business buildings and high-class residential



buildings.

Sale strategies:

(1) Commissioned sale:

We will choose excellent sales agencies to cooperate with, so as to allow the Company to focus on development, planning and construction.

(2) Sale by the Company itself:

Regardless of cooperating with distributors, agencies, or selling on our own, in the circumstances of buyer's market, we will actively take the initiative to take the lead and strive to make a satisfactory deal.

#### **4. Company's Future Development Strategies, and the Impact of the External Competitive Circumstances, Regulatory Circumstances, and Overall Operation Circumstances:**

1. The acquisition and integration of the lands in Greater Taipei areas have become increasingly difficult, and the costs of lands and construction have also risen, plus the lack of labors, all of which have obstructed the promotion and development of the construction projects.
2. The government has indeed been vigorously promoting urban renewal cases, but our development schedules have always been delayed for lack of supporting regulations.
3. The government has successively implemented such policies as "actual-price registration 2.0", "raising the standard price of house", "restricting mortgage" and "combining real-estate taxes on house and land". Although it narrows down the development of construction investors, it brings a positive impact on industrial development and trading order.
4. The Covid-19 severely affected the economy in almost all countries in 2020. Many indexes suffered from economic slump. However, the Federal Reserve System of Governors in the United States promotes unlimited QE. While countries are eager to decrease interest rates, the performance of the stock market and housing market are outstanding. The expectation on economic growth is at 2.38% in Taiwan. Taiwan, one of the few to have positive economic growth, is only 0.58% less compared to 2.96% in 2019. Even so, Taiwan still has declining economic growth for three consecutive years in 2020. It is expected that economic growth will be back to 4.3% in 2021. Although the prospect seems positive, the industry is wary about the government's interference as the policy is going to cool off the housing market. Regarding registering the actual selling price of actual-price registration 2.0 approved on Dec 30<sup>th</sup>, 2020, the prepaid houses, the same as existing houses, are requested to be registered in the actual selling price of the real estate system 30 days after signing the contract. With this, investors will not be interested in buying, but self-occupation customers will be the target customers of the housing market in 2021.

## 【Company Profile】

**1. Date of Incorporation:** December, 1960

**2. Company History:**

**(1) Delpha Construction Co., Ltd:**

Year	Milestone
1960	“Taiwan Shoelace Factory Corp.”, the predecessor of Delpha Construction, was established by Mr. Lin Deng, the former president of Goldsun Group. The factory was located in Shilin and engaged in the production and sales of shoelace.
1964	In order to expand production scale, the factory was moved to Beitou and renamed as “Delpha Canvas Co., Ltd.”, which was engaged in the production and sales of canvas and related products.
1978	With the rapid development of Taiwan's economy and the dramatic increase of urban population, in order to provide a good living space for the mass public, the management of the Company re-constructed “Delpha Canvas Co., Ltd.” Into “Delpha Industries Co., Ltd”, with the main businesses of construction of residential buildings, rental and sale of office buildings.
1984	The case “Kanalín Garden Building” located in Anhe Road of Taipei City won the Beautiful House Award in 1984.
1985	It was renamed as “Delpha Construction Co., Ltd.”, with the business philosophy of providing a good living environment and quality service for the mass public.
1991	The Company increased capital to NT\$373,750,000, and submit the application of supplemental public issuance to Securities and Exchange Commission (SEC).
1992	The Company issued the shares publicly upon the approval of SEC, and increased capital of NT\$37,375,000 by earnings, increased capital of NT\$11,212,000 by capital reserve, and increased capital of NT\$120,000,000 by cash, with the amount of paid-in capital reaching NT\$542,337,000.
1993	The case “Athens Era” located in Kangning Street, Xizhi District won the award of “Golden Quality of Construction”.
1993	The Company increased capital of NT\$ 65,921,000 by earnings and employee bonus, and increased capital of NT\$16,270,000 by capital reserve, with the amount of paid-in capital reaching NT\$624,528,000.
1994	The Company increased capital of NT\$124,906,000 by earnings, and increased capital of NT\$100,000,000 by cash, with the amount of paid-in capital reaching NT\$849,434,000.
1995	The shares of the Company were listed in the exchange market of TWSE on October 12 <sup>th</sup> , 1995.
1996	The Company increased capital of NT\$101,932,000 by earnings, increased capital of NT\$2,292,000 by employee bonus and increased capital of NT\$200,000,000 by

	cash, with the amount of paid-in capital reaching NT\$1,153,658,000.
1996	The case “Delpha Villa” located in Neihu won the award “Golden Quality of Construction” in the category of planning and design in 1996.
1996	The Company increased capital of NT\$115,365,000 by earnings, and increased capital of NT\$430,000,000 by cash, with the amount of paid-in capital reaching NT\$1,699,023,000.
1997	The Company issued the first domestic unsecured convertible corporate bond NT\$800,000,000.
1997	The Company increased capital of NT\$135,922,000 by earnings, increased capital of NT\$ 169,902,000 by capital reserve, increased capital of NT\$400,000,000 by cash and converted the certificate of entitlement to new shares form convertible bond (Huachien A) into common shares of NT\$47,602,000, with the amount of paid-in capital reaching NT\$2,452,450,000.
1998	The Company converted the certificate of entitlement to new shares form convertible bond (Huachien B) into common shares of NT\$124,385,000, with the amount of paid-in capital reaching NT\$2,576,835,000.
1998	The Company issued the second domestic unsecured convertible corporate bond NT\$1,000,000,000. The Company increased capital of NT\$397,102,000 by earnings, increased capital of NT\$257,684,000 by capital reserve, and converted the certificate of entitlement to new shares form convertible bond (Huachien C) into common shares of NT\$37,399,000, and increased capital NT\$300,000,000 by cash, with the amount of paid-in capital reaching NT\$3,569,020,000.
1999	The Company increased capital of NT\$ 356,902,000 by earnings, and increased capital of NT\$ 16,019,000 by employee bonus, with the amount of paid-in capital reaching NT\$3,941,941,000.
2000	The Company increased capital of NT\$197,097,000 by earnings, and increased capital of NT\$197,097,000 by capital reserve, with the amount of paid-in capital reaching NT\$4,336,136,000.
2001	The Company repurchased 13,385,000 shares, with the amount of paid-in capital changed to NT\$4,202,286,000.
2004	The Company reduced capital by NT\$1,517,945,000, with the amount of paid-in capital changed to NT\$2,684,341,000.
2004	The Company conducted private placement to increase capital of NT\$411,370,000 by cash, with the amount of paid-in capital changed to NT\$3,095,711,000.
2007	The Company conducted private placement to increase capital of NT\$187,500,000 by cash, with the amount of paid-in capital changed to NT\$3,283,211,000.
2009	The Company reduce capital by NT\$744,296,000, with the amount of paid-in capital changed to NT\$2,538,915,000.
2010	The Company increased capital of NT\$50,778,000 by earnings, with the amount of paid-in capital changed to NT\$2,589,693,000.

2011	The Company increased capital of NT\$64,742,000 by earnings, with the amount of paid-in capital changed to NT\$2,654,436,000.
2012	The Company increased capital of NT\$53,089,000 by earnings, with the amount of paid-in capital changed to NT\$2,707,524,660.
2020	The Company increased capital of NT\$2,500,000,000 by cash, with the amount of paid-in capital changed to NT\$5,207,524,660.

**The Company is engaged in the real estate business since the re-construction, with the achievements listed as below in the past years:**

Year	Milestone
1979	(1) “Rongxing Jiayuan” located in Wuchang Street of Taipei City, with 50 apartments at 5 floors in total.
1980	(2) “Jinhua Building” located in section 5 of Nanjing E. Rd., with 47 residential-commercial units at 12 floors.
1981	(1) “Delpha Liyuan” located in Fuxing N. Rd. of Taipei City, with 81 residential-commercial units at 7 floors. (2) “Chunhua Building” located in Fuxing N. Rd. of Taipei City, with 69 residential-commercial units at 12 floors.
1982	(1) “Luofu Palace” located in Songjiang Rd. of Taipei City, with 101 residential-commercial units at 12 floors. (2) “Kanalín Garden Building” located in Anhe Rd. of Taipei City, with 62 residential houses at 12 floors in total.
1984	(1) “Zhongxiao Yayuan” aside CTS in Guangfu S. Rd. of Taipei City, with 31 residential-commercial units at 6 floors.
1985	(1) “Luxury House of Art” in Longjiang Rd. of Taipei City, with 30 residential houses at 5 floors in total. (2) “Delpha Mingsha” in the entrance of Wenchang Street and Guangku S. Rd., Taipei City, with 60 residential-commercial units at 12 floors.
1986	(1) “Delpha Dalinyuan” located in Huangxi Street, Tianmu, with 120 residential units at 5 floors in total.
1987	(2) “Yangming Quanyuan Villa” located in Quanyuan Rd., Beitou, with 90 units including 19 villas and 11-storey residential building.
1988	(1) “Cuiti Shuangxing” located in Chenggong S. Rd., Zhonghe, with two 16-storey residential-commercial buildings, holding a total of 104 units based on open space design. (2) “Delpha Yuanzhongyuan” located aside Xianfu Road, Taoyuan City, with 15 townhouse villas based on open space design, 30 residential-commercial units of 5 blocks, and 189 units of five 14-storey blocks.
1989	(1) “Athens Era” located in Kangning Street, Xizhi District, which was built on the base of 6,900m <sup>3</sup> based on open space design, holding a total of 322 residential houses at 16~23 floors.

1990	<p>(1) “Delpha Shanshui” located in Kangle Street, Donghu, with 11 residential houses at 6 floors.</p> <p>(2) “Chienfu Building” located in Section 2, Jinshan S. Rd., Taipei City, with 12-storey office building holding 13 units in total, which was released for sale in 1993.</p>
1991	<p>(1) “Mengdi Kaluo” located in Daoxiao Rd., Beitou, with 4 villas and a 8-storey building holding 17 residential houses, which was completed and delivered in 1995.</p> <p>(2) “Delpha Dream House A, B and C” located in Dalong Street, Taipei City, with 7-storey and 8-storey buildings holding commercial-residential 149 units, which was completed and delivered in 1994.</p>
1992	<p>(1) “Delpha Dream House D” located in Dalong Street, Taipei City, with 3-storey underground/14-storey aboveground, 1-storey underground/6-storey aboveground residential building holding a total of 109 units, which was completed and delivered in 1995.</p> <p>(2) “Delpha Zunjue” located in Zhengyi S. Rd., Sanchong, with 3-storey underground/14-storey aboveground commercial and residential building holding a total of 83 units, which was completed and delivered in 1995.</p> <p>(3) “Delpha Living’s Home” located in Xingguang Rd., Wenshan District, with 5-storey residential building, which was completed and delivered in 1994. Another 2-storey underground/12-storey aboveground residential building was completed and delivered in 1995.</p>
1993	<p>(1) “Taiwan Shijia” located in Shuangshi Rd., Banqiao, with 5-storey underground/26-storey aboveground commercial-residential building holding a total of 285 units, which was completed and delivered in 1997.</p> <p>(2) “Fubishi Plaza” located in Songren Rd., Taipei City, with 3-storey underground/16-storey aboveground commercial-residential building holding a total of 70 units, which was completed and delivered in 1996.</p>
1994	<p>(1) “Meili Dahu A” located in Dahu Shanzhuang Street, Taipei City, with 2-storey underground/4-storey aboveground residential building holding a total of 65 units, which was completed and delivered in 1996.</p>
1995	<p>(1) “Meili Dahu B” located in Neihsu, with 1-storey underground/5-storey aboveground residential building holding a total of 34 units, which was completed and delivered in 1997.</p> <p>(2) “Delpha Villa A” located in Neihsu, with 1-storey underground/4-storey aboveground villas holding a total of 49 units, which was completed and delivered in 1997.</p> <p>(3) “Delpha Villa B” located in Neihsu, with 1-storey underground/4-storey aboveground villas holding a total of 37 units, which was completed and delivered in 1996.</p>
1997	<p>(1) “Gongyuanlu” located in Section 5, Chenggong Rd., Neihsu, with 2-storey</p>

	<p>underground/14-storey aboveground residential building holding a total of 195 units, which was completed and delivered in 1999.</p> <p>(2) “Xingguang Nanjing Technological Building” located in the entrance of Jianguo N. Rd. and Nanjing E. Rd., with 5-storey underground/11-storey aboveground office building, which was completed and delivered in 1999.</p> <p>(3) “Xinji Building” located in Section 4, Xinyi Rd. near the entrance of Keelung Rd., with 5-storey underground/27-storey aboveground office building (5 units distributed for the Company), which was completed and delivered in 1997.</p>
1998	<p>(1) “Delpha Junzhi” located in Section 2, Neihu Rd., Neihu, with 1-storey underground/11-storey aboveground residential building holding a total of 17 units, which was completed and delivered in 2000.</p> <p>(2) “Reading Europe” located in Section 5, Chenggong Rd., Neihu, with 2-storey underground/14-storey aboveground commercial-residential building holding a total of 237 units, which was completed and delivered in 2001.</p>
1999	<p>(1) “Shijie Zhiding”(The Top of the World) located in Dehui Street, with 6-storey underground/10-storey aboveground office building holding a total of 69 units.</p>
2000, 2001	<p>(1) “Hangxia” located in the entrance of Dunhua N. Rd. and Minquan E. Rd., with 6-storey underground/15-storey aboveground office building.</p> <p>(2) “Shiji Luofu” in the entrance of Boai Rd. and Hengyang Rd., with 6-storey underground/14-storey aboveground office building.</p>
2002	<p>(1) “Hangxia” was completed and delivered.</p>
2003	<p>(1) “Meiyanjia” located in Section 2, Zhongshan N. Rd., with residential building under joint construction.</p> <p>(2) “Shijie Zhiding” and “Shiji Luofu” were completed and delivered.</p>
2005	<p>(1) “Xinyi Xiangxie” in the entrance of Songde Rd. and Xinyi Rd.,with residential building under joint construction.</p> <p>(2) “Meiyanjia” was completed and delivered.</p>
2006	<p>(1) “Xinyi Xiangxie” was completed and delivered.</p>
2008	<p>(1) “Jiuyang” located in Zhulun Street, Zhongshan Strict, Taipei City, with 4-storey underground/14-storey aboveground office building.</p> <p>(2) “Xinyi Jiuwu” located in Fude Street, Xinyi District, Taipei City, with 3-storey underground/14-storey aboveground commercial-residential building.</p>
2010	<p>(1) “Jiuge” located in Section 1, Xingguang Rd., Wenshan District, Taipei City, with 2-storey underground/10-storey aboveground residential building.</p>
2011	<p>(1) “Jiuyang” was completed and delivered.</p> <p>(2) “Xinyi Jiuwu” was delivered with ready house.</p>
2012	<p>(1) “Delpha Reading Green Life” located in Section 2, Chenggong Rd., Taipei</p>

	City, with 4-storey underground/14-storey aboveground commercial-residential building.
2013	(1) “Jiuge” was completed and delivered.
2015	(1) “Delpha Reading Green Life” was completed and delivered.
2019	(1) “The urban green” located in Yunhe Street, Da’an District, Taipei City, with 3-storey underground/12-storey aboveground residential building
2020	(1) “Central One” joint construction project located in Wuchang Street, Zhongshan District, Taipei City, with 2-storey underground/7-storey aboveground residential building
2021	(1) Joint construction of retail/residential building project located in Xinbi Section, Luzhu District, Taoyuan City, with 3-storey underground/11-storey aboveground. (2) Joint construction of a retail/residential building project located in Lejie Section A, Guishan District, Taoyuan City with 4-storey underground/15-storey aboveground. (3) Construction of a retail/residential building project located in Qingxi Section A, Zhongli District, Taoyuan City with 3-storey underground/14-storey aboveground.

**(2) Huachien Development Co., Ltd.:**

Year	Milestone
1998	Date of incorporation: June, 1998. The predecessor of Huachien Development Co., Ltd. was Huachien Investment Corp. , with the major businesses of general investments, and the amount of paid-in capital of NT\$ 500,000,000.
2003	It was renamed as Huachien Development Co., Ltd., and changed the businesses as development, lease and sale of residences and buildings, development in specific regions, interior decoration, development, lease and rental of industrial plants. “Dazhi Jingdian” was released, which was located in Wenhui Street, Neihu District, Taipei City, with 8-storey residential building holding a total of 40 units.
2004	The Company reduced capital by NT\$267,450,000 to make up the loss, with the amount of paid-in capital changed to NT\$ 232,550,000.
2005	The Company decreased the capital by NT\$92,322,000 to make up the loss, with the amount of paid-in capital changed to NT\$140,228,000.
2006	“Dazhi Jingdian” was completed and delivered.
2009	The Company increased capital of NT\$50,000,000 by cash of, with the amount of paid-in capital reaching NT\$ 190,228,000.
2010	The Company increased the capital of NT\$30,000,000 by cash, with the amount of paid-in capital reaching NT\$220,228,000.
2013	The Company increased the capital of NT\$12,500,000 and of NT\$25,000,000 by cash, with the amount of paid-in capital reaching NT\$257,728,000.

2015	The Company increased the capital of NT\$54,287,000 by cash, with the amount of paid-in capital reaching NT\$312,015,000.
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**(3) Dahyoung Real Estate Development Co., Ltd:**

Year	Milestone
1997	Date of incorporation: August, 1997. The predecessor of Dahyoung Real Estate Development Co., Ltd. was Dahyoung Investment Corp., with the major businesses of general investments and the investment into the construction of commercial building and residential building, and the amount of paid-in capital of NT\$190,000,000.
2005	It was renamed as Dahyoung Real Estate Development Co., Ltd., and changed the businesses as development, rental and sales of residence and building, wholesale of building materials, retail of building materials, international trade, amusement park industry, development of specific regions, interior decoration, development, lease and sales of industrial plant, block section of the collection development projects and agency of urban land re-planning.
2005	The Company decreased the capital by NT\$95,920,000 to make up loss, with the amount of paid-in capital changed to NT\$94,080,000.
2010	The Company decreased the capital by NT\$55,000,000 to make up loss, with the amount of paid-in capital changed to NT\$39,080,000.
2019	An interim shareholders' meeting was held on December 23 <sup>rd</sup> , 2019 to set December 25 <sup>th</sup> , 2019 as the dissolution date. It is still in the process of liquidation.

**(4)Huajian Construction Co.,Ltd**

Year	Milestone
2021	<p>(1) Date of incorporation: The predecessor of the Company "Chuan Feng Construction Co., Ltd." was established on January 12<sup>th</sup>, 1982 with a paid-in capital of NT\$22,500,000.</p> <p>(2) Delpha Construction Co., Ltd. signed a capital contribution transfer agreement with all shareholders of Chuan Feng Construction Co., Ltd. on February 3<sup>rd</sup>, 2021. Chuan Feng became a wholly-owned subsidiary of Delpha Construction Co., Ltd. and was reorganized and renamed as "Huajian Construction Co., Ltd.". Its main business is general construction.</p> <p>(3)The Company increased capital of NT\$100,000,000 by cash, with the amount of paid-in capital reaching NT\$122,500,000.</p>

**3. Events Showing Substantial Impact on the Shareholder's Equity or the Securities Price in the Current Year and As of the Annual Report**



## **Publication Date:**

### **(1) Acquisition, re-investment into related parties, reconstruction, change of operation right, substantial change of operation means or businesses, and other important matters showing substantial impact on the shareholder's equity and the Company in the current year and as of the annual report publication date :**

The Company organized an election of all Directors in the shareholders' meeting on June 23<sup>rd</sup>, 2020 which changed the managerial control. The newly appointed management team has several years of experience in related industries and has strong professional experience. They actively develop business operations has led the Company's employees in the developing projects in Taoyuan and Taichung that benefit the Company. They ensured effective allocation of resources and positive effects for the operations of the Company and subsidiaries.

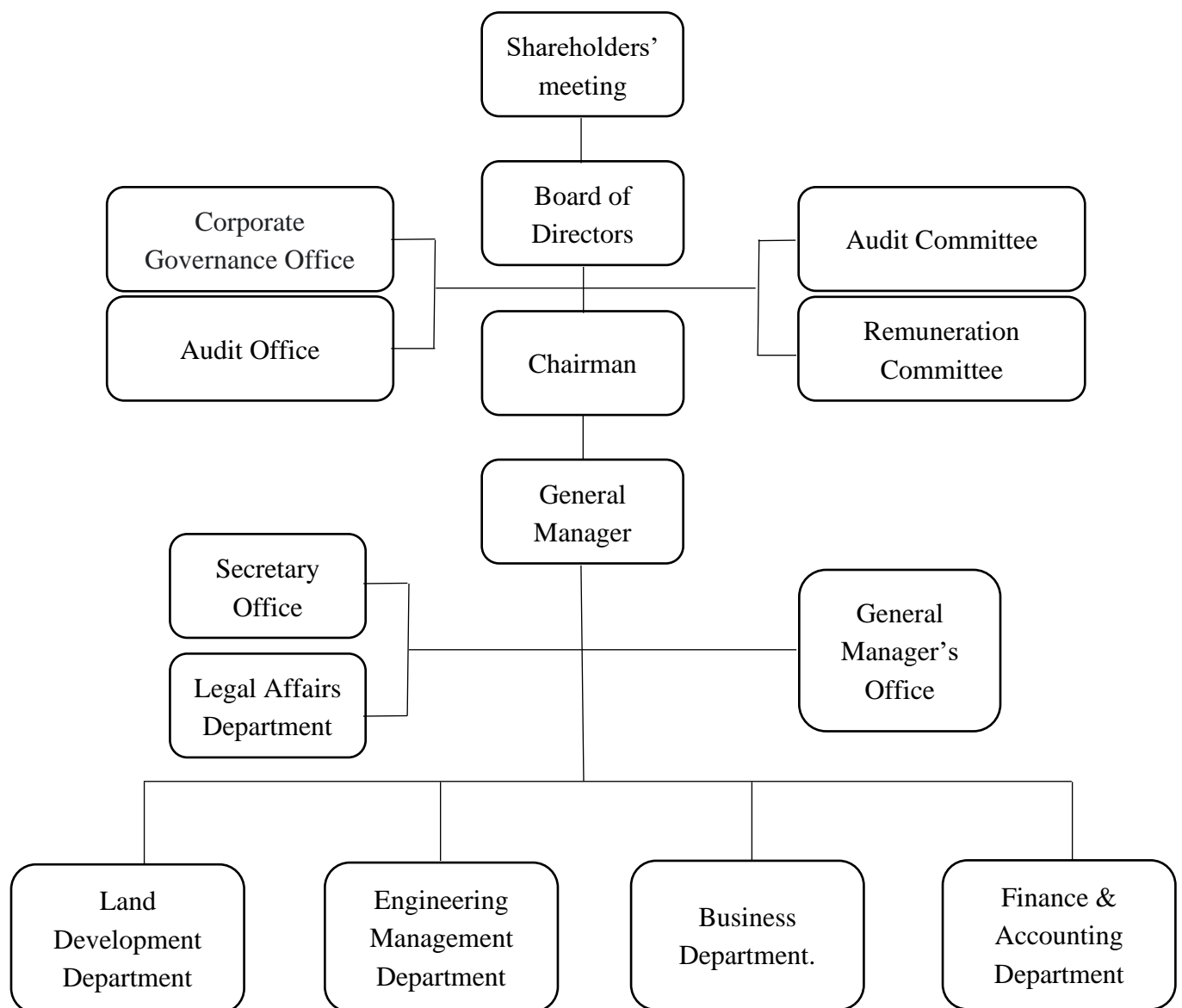
### **(2) Large amount of equity transfer for the director or shareholder with the shareholding more than 10% in the current year and as of the annual report publication date:**

1. The major shareholder Chang Sheng International Investment Co., Ltd. decreased its shareholding to less than 10% on November 3<sup>rd</sup>, 2020 and was no longer included as an insider.
2. The major shareholder Tung Tai Investment Co., Ltd. decreased its shareholding to less than 10% on November 4<sup>th</sup>, 2020 and was no longer included as an insider.
3. The major shareholder Ta Shuo Investment Co., Ltd. decreased its shareholding to less than 10% on December 8<sup>th</sup>, 2020 and was no longer included as an insider.

# 【Corporate Governance Report】

## 1. Organizational System

### (1) Organizational Chart



## (2) Department functions

Land Development Department	Survey, analysis, evaluation, and development of land resources.
Engineering Management Department	It conducts the pre-planning and analysis for each individual case, so as to plan perfect architecture based on the local characteristics and market demands. It focuses on inspection of engineering quality, progress control, cost analysis, purchasing contracting, and architecture acceptance inspection. Moreover, it has established the “Professional Management Plan for Construction” to intensify the strict audit control.
Business Department	It should maximize the sales in an innovative way based on the release of various products, with the best service and efficiency. Moreover, it has developed the “Customer Service System” for the purpose of controlling each Operation Procedures from contract signing, engineering period to house delivery. Moreover, it also compiles the “Housing Tips” for the individual case, and prints the “Living Handbooks for Residents” to implement the customer’s engineering change affairs and provide after-sale service for customer, so as to achieve customer satisfaction.
Finance & Accounting Department	Accounting procedures for finance, taxation, and accounts, preparation of budgets, cashier, fundraising, consulting with financing banks, investments, organization of shareholders' meetings, and shareholder services.
General Manager’s Office	Development and management of human resources, including talent selection and appointment, planning and implementation of training programs, formulation and implementation of welfare programs, procurement and management of administrative assets, establishment and maintenance of computer software and hardware systems, and information security and maintenance.
Corporate Governance Office	Handling matters related to board meetings shareholders' meeting and assisting the Directors in taking office, continuing education, business operations, and compliance with laws and regulations.
Audit Office	It assists in the design and integration of the Company's internal control system, performs audit operation based on the annual report, prepares the audit report and follows up the

	improvement of the deficiency and abnormality items found during the internal control. Moreover, it supervises and double-checks the self-inspection operation performed by each department as required by the internal control, regularly presents audit reports and explains implementation results to the board of directors and the independent directors.
Secretariat	Board meeting affairs, tasks assigned by the Board of Directors, tasks assigned by the Chairman and General Manager.
Legal Affairs Department	It provides legal consultations for various departments, drafts various agreements, finishes litigation documents and reviews the contracts. Moreover, it works with the Company's lawyer and legal consultant to deal with the legal cases for the Company.

## 2. Information on the Directors, General Manager, Deputy General Manager, Department Heads and Branch Officers

### (1) Information on the Directors

April 25<sup>th</sup>, 2020 Unit: Share

Title (Note 1)	Nationality/ Place of Incorporation	Name	Gender	Date Elected (Employed)	Term	Initial Elected Date (Note 2)	Holding at Election		Present Holding		Current Shares of Spouse and Minors		Holding Shares in Other Names		Education & Experience (Note 3)	Concurrent Positions at Other Companies	Managers, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Cheng, Ssu-Tsung	Male	2020.06.23	3 years	2020.06.23	--	--	--	--	--	--	3,980,000	0.76%	Education: Department of Finance and International Business, Fu Jen Catholic University  Experience: Director, China Bills Finance Corporation	Director, China Bills Finance Corporation Chairman, Huajian Construction Co., Ltd. Representative, Hung Yi Investment Co., Ltd. Chairman, Yuan Tung Investment Co., Ltd. Chairman, Jui Cheng Hao Investment Co., Ltd.	--	--	--	
Director	R.O.C.	Lee, Chin-Yi	Male	2020.06.23	3 years	2006.06.15	257	--	434	--	33	--	--	--	Education: Architecture Department, Chinese Culture University  Experience: General Manager, Delpha Construction Co., Ltd	-	--	--	--	
Director	R.O.C.	Yan, Ming-Hung	Male	2020.06.23	3 years	2020.06.23	--	--	400,000	0.08%	--	--	--	--	Education: M.A. in Finance, National Taiwan University  Experience: Executive Vice President, Wealth Management Department, Taipei Branch, UBS Taiwan	Chairman, Taiwan Calsonic Co., Ltd.	--	--	--	

Representative of Director	R.O.C.	Dajie Investment Co., Ltd.	Male	2020.06.23	3 years	2017.05.31	16,898,773	6.24%	16,888,773	3.24%	--	--	--	--	Education: Master from Management Institute of National Taiwan University of Science and Technology	-	--	--	--	
		Representative: Tseng, Ping-Joung					--	--	80,000	0.02%	--	--	--	--	Experience: General Manager, Radium Kagaya International Hotel					
Independent director	R.O.C.	Wang, Mu-Fan	Male	2020.06.23	3 years	2020.06.23	--	--	--	--	--	--	--	--	Education: Master in Accounting, National Chung Cheng University  Experience: Assistant Professor, Feng Chia University Lecturer of Taiwan Corporate Governance Association and Internal Audit Association Director of Uniplus Electronics Co., Ltd. Supervisor of Taiwan Calsonic Co., Ltd. Independent Director of Quaser Machine Tools, Inc.	CPA, BDO Taiwan	--	--	--	
Independent director	R.O.C.	Yeh, Chien-Wei	Male	2020.06.23	3 years	2020.06.23	--	--	100,000	--	--	--	--	--	Education: Bachelor of Law, Ming Chuan University  Experience: Integration Law Group Attorney, Y.R Lee & Partners Attorneys-at-Law	Attorney, Galaxy Attorneys-at-Law	--	--	--	

Independent director	R.O.C.	Huang, Chih-Chen (Resigned on March 26 <sup>th</sup> , 2021)	Male	2020.06.23	3 years	2020.06.23	--	--	--	--	--	--	--	--	Education: Master's degree, Department of Water Resources and Environmental Engineering Tamkang University  Experience: Director, Hong-Cheng Construction Co., Ltd.	Director, Hong-Cheng Construction Co., Ltd.	--	--	--	
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Note 1: As for the institutional shareholders, it should list the name of shareholder and its representative (For the representative of institutional shareholder, it should list the name of institutional shareholder as well), and fill out Table 1 as below.

Note 2: It should fill out the first time when he was appointed as the director or supervisor of the Company. In case of interruption, it should add remarks.

Note 3: It refers to the experience related to the current position. If he worked in the accounting firm or its related party during the last disclosure period, it should specify his title and the responsibilities.

Note 4: If the general manager or the equivalent (top management) are the chairman are the same person or spouses or the relative within the first degree of kinship, it shall disclosure the related information such as the cause, rationality, necessity and measures taken (such as adding seats of independent directors or requiring more than half of the directors not working as the employee or managers concurrently).

## 1. Major shareholders of institutional shareholders

Dajie Investment Co., Ltd. Major shareholders and shareholding ratio

Major shareholders of institutional shareholders	Shareholding ratio
Weng, Chu-Chih	17.86%
Lin, Hsing-Hsiung	14.56%
Su, Pei-Ti	14.47%
Lin, Chao-Hsiang	10.71%
Lin, Hui-Chuan	9.59%
Lu, Chiao-E	6.93%
Lin, Chien-Liang	6.61%
Lin, Wan-Shan	6.10%
Lin, Wan-Hsin	6.10%
Lin, Wei-Pang	1.70%

Note 1: If the director or supervisor is the representative of institutional shareholder, it should specify the name of the institutional shareholder.

Note 2: It should specify the major shareholders (with the top 10 shareholdings) of the institutional shareholder and the shareholding rate. If the major shareholder is a corporation, it should fill out Table 2 as below.

Note 3: For the institutional shareholder not a company, it shall disclose the name and shareholding rate, namely, the name of funder or contributor, and the funding rate of contributing rate.

## 2. Major Shareholders of the corporations listed as major shareholders: None.

Note 1: If the major shareholder listed in Table 1 is a corporation, it should specify the name of that corporation.

Note 2: It should specify the major shareholders (with the top 10 shareholdings) of the corporation and the shareholding rate.

Note 3: For the institutional shareholder not a company, it shall disclose the name and shareholding rate, namely, the name of funder or contributor, and the funding rate of contributing rate.



3. The Directors have Working Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company, and Meet the Criteria as Below:

April 25<sup>th</sup>, 2020

Criteria Name (Note 1)	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Working Experience			Independence Attribute (Note 2)												Number of Holding Concurrent Independent Director Position in Other Public Companies
	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 Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Working Experience in the Area of Commerce, Law, Finance, Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Cheng, Ssu-Tsung			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lee, Chin-Yi			✓	✓		✓	✓	✓	✓		✓	✓	✓	✓	✓	0
Yan, Ming-Hung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Dajie Investment Co., Ltd. Representative: Tseng, Ping-Joung			✓	✓	✓	✓			✓	✓	✓	✓	✓	✓		0
Wang, Mu-Fan		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yeh, Chien-Wei		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Huang, Chih-Chen (Resigned on March 26, 2021)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: The fields are adjusted based on the actual number.

Note 2: Directors and supervisors, during the two years before being elected and during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or Supervisor of the Company or its affiliates. (However, this does not apply, in cases where the person is an Independent Director of the company or its parent company, subsidiary or the subsidiary under the same company that are set up according to this Act or local country ordinances).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employees of an institutional shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings, or assigns representative as the director or supervisor pursuant to Article 27-1 or 27-2 of the Company Act (However, this does not apply, in cases where the person is an Independent Director of the company or its parent company, subsidiary or the subsidiary under the same company that are set up according to this Act or local country ordinances).
- (6) Not a director, supervisor, or employee of another company that is controlled by the same person as the company with the director seat or more than half of the voting shares of the company (However, this does not apply, in cases where the person is an Independent Director of the company or its parent company, subsidiary or the subsidiary under the same company that are set up according to this Act or local country ordinances).
- (7) Not a director, supervisor, or employee of another company or institution that the chairman, the general manager or the equivalents are the same person or the spouse of these positions of the company (However, this does not apply, in cases where the person is an Independent Director of the company or its parent company, subsidiary or the subsidiary under the same company that are set up according to this Act or local country ordinances).
- (8) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company (However, this does not apply, in cases where the company or institution holds more than twenty percent but less than fifty percent of the total number of outstanding shares of the Company, and the person is an Independent Director of the company or its parent company,

subsidiary or the subsidiary under the same company that are set up according to this Act or local country ordinances).

- (9) Not a professional individual nor an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution, or a spouse thereof, who, provides audit to the company or to any affiliate of the company, or obtains the remuneration less than NT\$500,000 in the most recent two years by providing commercial, legal, financial, accounting services or consultation services, provided that this restriction does not apply to any member of the compensation committee, the takeover board or the M&A special committee who exercises powers pursuant to Securities Exchange Law or the Corporate M & A Law.
- (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 Act; and
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

## (2) Information on the General Manager, Deputy General Manager, Department Heads and Branch Officers

April 25<sup>th</sup>, 2020 Unit: Share

Title	Nationality	Name	Gender	Date elected (employed)	Shareholding		Current Shares of Spouse and Minors		Holding Shares in Other Names		Experience (Education)	Concurrent Positions at Other Companies	Managers who are spouses or within two degrees of kinship			Note Note3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	R.O.C.	Wu,Yu-Guo	Male	2021.06.29	--	--	3,067,700	0.59%	--	--	Education: Department of Civil and Construction Engineering, National Taiwan University of Science and Technology  Experience: General Manager, Hong-Zhu Construction Co., Ltd.	General Manager, Hong-Zhu Construction Co., Ltd. General Manager, Huajian Construction Co., Ltd.	-	-	-	
Vice president	R.O.C	Lee Jun-Xian,	Male	2016.08.09	3,136	--	--	--	--	--	Education: Department of Land Economics, National Chung Hsing University Experience: Associate VP, Huyi Construction Co., Ltd	Supervisor, Huajian Construction Co., Ltd.	-	-	-	
Section Chief of Finance & Accounting Dept. (Accounting Manager)	R.O.C.	Wu Sing-Suei,	Female	2007.03.15	150,328	0.03 %	--	--	--	--	Education: Accounting Dept., Ming Chuan University Experience: Chief Accountant, Delpha Construction Co., Ltd	-	-	-	-	

Deputy Manager, Finance and Accounting Department (Finance Manager)	R.O.C.	Chien Lin-Chin	Female	2020.08.01	215,000	0.04 %	--	--	--	--	Education: Department of Accounting, Soochow University  Experience: Deputy Manager of Finance, Delpha Construction Co., Ltd.	Accounting Manager, Huajian Construction Co., Ltd.	—	—	—	
Corporate Governance Officer	R.O.C.	Wang Chen Kang	Male	2021.03.30	--	--	--	--	--	--	Education: Department of Law, Fu Jen Catholic University  Experience: Qualified in the high-level Bar Examination	—	—	—		

Note 1: It shall include the information of the General Manager, Deputy General Manager, Associates, Department Heads and Branch Officers, as well as those on the equivalent posits regardless of the titles, which shall be all disclosed.

Note 2: It refers to the experience related to the current position. If he worked in the accounting firm or its related party during the last disclosure period, it should specify his title and the responsibilities.

Note 3: If the general manager or the equivalent (top management) are the chairman are the same person or spouses or the relative within the first degree of kinship, it shall disclosure the related information such as the cause, rationality, necessity and measures taken (such as adding seats of independent directors, or requiring more than half of the directors not working as the employee or managers concurrently).

### 3. Remuneration Paid to Directors (Including the Independent Directors), General Manager and Deputy General Manager during the Most Recent Year

#### (1) Remuneration Paid to Directors and the Independent Directors (Name and Remuneration of Individual Personnel Disclosed):

Unit: NT1,000

Title	Name	Remuneration Paid to Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (Note 10)		Relevant Remuneration Received by Directors Who Are Also Employ								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (Note 10)		Compensation Paid to Directors by Nonconsolidated Affiliates
		Base Compensation(A) (Note 2)		Severance Pay (B)		Directors Compensation(C) (Note 3)		Allowance (D)(Note 4)				Salary, Bonuses and Allowance (E) (Note 5)		Severance Pay(F)		Employee Compensation(G) (Note 6)						
		The company	Consolidated Entities (Note 7)	The company	Consolidated Entities (Note 7)	The company	Consolidated Entities (Note 7)	The company	Consolidated Entities (Note 7)	The company	Consolidated Entities (Note 7)	The company	Consolidated Entities (Note 7)	The company	Consolidated Entities (Note 7)	The company		Consolidated Entities		The company	Consolidated Entities (Note 7)	
Term of the previous Board of Directors: May 31, 2017 to June 22, 2020																						
Chairman	Lee, Chin-Yi	1,627	1,627	-	-	-	-	39	111	-1.86%	-1.94%	-	-	-	-	-	-	-	-	-1.86%	-1.94%	None
Director	Lin, Wen-Liang	1,035	1,035	-	-	-	-	39	398	-1.20%	-1.60%	-	-	-	-	-	-	-	-	-1.20%	-1.60%	None
	Lin, Po-Fong	-	-	-	-	-	-	39	39	-0.04%	-0.04%	-	-	-	-	-	-	-	-	-0.04%	-0.04%	None
	Rongzhi Investment Lin, Hao-Jung	-	-	-	-	-	-	20	20	-0.02%	-0.02%	-	-	-	-	-	-	-	-	-0.02%	-0.02%	None
Independent director	Jhan, Zong-Ren	143	143	-	-	-	-	59	59	-0.23%	-0.23%	-	-	-	-	-	-	-	-	-0.23%	-0.23%	None
	Tseng, Ping-Joung	143	143	-	-	-	-	59	59	-0.23%	-0.23%	-	-	-	-	-	-	-	-	-0.23%	-0.23%	None
	Chang, Chang-Ter	143	143	-	-	-	-	49	49	-0.21%	-0.21%	-	-	-	-	-	-	-	-	-0.21%	-0.21%	None
Term of this Board of Directors: June 23, 2020 to June 22, 2023																						
Chairman	Cheng, Ssu-Tsung	485	485	-	-	-	-	30	35	-0.57%	-0.58%	-	-	-	-	-	-	-	-	-0.57%	-0.58%	None
Director	Lee, Chin-Yi	-	-	-	-	-	-	30	30	-0.91%	-0.91%	-	-	-	-	-	-	-	-	-0.91%	-0.91%	None
Director	Yan, Ming-Hung	-	-	-	-	-	-	30	30	-0.03%	-0.03%	-	-	-	-	-	-	-	-	-0.03%	-0.03%	None

Director	Dajie Investment Co., Ltd.	-	-	-	-	-	-	30	30	-0.03%	-0.03%	-	-	-	-	-	-	-	-	-0.03%	-0.03%	None
	Representative: Tseng, Ping-Joung																					
Independent director	Wang, Mu-Fan	157	157	-	-	-	-	70	70	-0.25%	-0.25%	-	-	-	-	-	-	-	-	-0.25%	-0.25%	None
	Huang, Chih Chen	157	157	-	-	-	-	70	70	-0.25%	-0.25%	-	-	-	-	-	-	-	-	-0.25%	-0.25%	None
	Yeh, Chien-Wei	157	157	-	-	-	-	70	70	-0.25%	-0.25%	-	-	-	-	-	-	-	-	-0.25%	-0.25%	None

1. Please explain the policy, system, criteria and structure of remuneration paid to independent directors, and describe the correlation with the amount of remuneration based on the factors such as responsibilities, risks, and time spent:  
The remuneration paid to the independent directors of the Company includes the transportation fee, attendance fees and monthly compensation of fixed amount, which was passed by the first remuneration committee meeting of the third session on July 16<sup>th</sup>, 2020 and the resolution of the board meeting held on July 16<sup>th</sup>, 2020. In addition to referring to the industrial level, the above remuneration also considers the factors such as the Company's operating conditions, contributions to the Company and future risks, which are taken as the basis for remuneration payment.
2. Except the sheet disclosed above, the remuneration to all the directors served for all the companies within the consolidated financial statement (such as a consultant not an employee) in the most recent year:  
The Company's Board of Directors passed a resolution on July 16<sup>th</sup>, 2020 to appoint the Director Li, Chin-Yi as the Company's consultant with a consulting fee of NT\$130,000 per month.

Note 1: The names of directors should be listed respectively (For the institutional shareholder, it should list its name and representative respectively), and the general directors and independent directors should be listed separately. The total amount paid in each item should be disclosed. If the director concurrently holds the position of general manager or deputy general manager, it should fill out this table and the table below (3-1) or (3-2-1) and (3-2-2).

Note 2: It refers to the compensation of directors in the most recent year (including the salary, pay rise, severance allowance, various bonuses and dividends).

Note 3: It refers to the amount of remuneration distributed to the directors upon the resolution of the board meeting in the most recent year.

Note 4: It refers to the allowance related to business of the directors in the most recent year (including the transportation expense, special subsidiary, various allowances, dormitory, vehicle, and other materialistic provisions). If the director is provided with house, automobile or other vehicle or exclusive expenditures, it should disclose the nature and cost of the capital, rental paid actually or estimated based on the fair price in the market, fuel expense or other payments. If a driver is assigned, it should also specify the salary paid by the Company, which should be excluded from the remuneration.

Note 5: It refers to the amount received by the directors by holding the concurrent position in the most recent year (including general manager, deputy general manager, other managerial officer or employee), which includes the salary, pay rise, severance allowance, various bonuses and dividends, as well as transportation expense, special subsidiary, various allowances, dormitory, vehicle, and other materialistic provisions. If the director is provided with house, automobile or other vehicle or exclusive expenditures, it should disclose the nature and cost of the capital, rental paid actually or estimated based on the fair price in the market, fuel expense or other payments. If a driver is assigned, it should also specify the salary paid by the Company, which should be excluded from the remuneration. In addition, the remuneration expense recognized based on IFRS 2 [Stock-based Payment], including the stock option certificate, the restricted new shares and the shares subscribed through capital increase by cash, should be included in the remuneration.

Note 6: It refers to the amount (including cash and stock) received by the directors by holding the concurrent position in the most recent year (including general manager, deputy general manager, other managerial officer or employee). It should disclose the amount distributed to the employees upon the resolution of the board meeting in the most recent year. If it can't be estimated, it should calculate the amount to be distributed based on the amount and percent actually distributed in the last year, and fill out the Table 1-3 in the Appendix.

Note 7: It should disclose the total amount of various compensations paid to the directors by all companies in the consolidated financial statement (including the Company).

Note 8: For the total amount of various remunerations paid to each director by the Company, it should disclose the director name under that range.

Note 9: It should disclose the total amount of various remunerations paid to each director by all companies in the consolidated financial statements (including the Company) and disclose the director's name under that range.

Note 10: The after-tax net profit refers to the amount of net profit after tax specified in the individual financial report in the most recent year.

Note 11: a. The field should list the amount received by the director from any re-invested company other than the subsidiaries or the parent company (If no such amount is received, please fill in "None").

b. If the director of the Company has received the payment from the re-invested company other than the subsidiaries or the parent company, it should include the said payment in Column I in the table of remuneration range. Moreover, the column name should be changed into "The Parent Company and All Re-investment Companies".

c. The remuneration refers to the compensations, remunerations (including the remuneration paid to the employees, directors and supervisors), and the allowances received by the director of the Company by serving as the director, supervisor or managerial officer of the re-invested company other than the subsidiaries or the parent company.

\* The remuneration disclosed in this table is different from the concept of income defined in the Income Tax Act. Thus, this table is for information disclosure only, which can't be used for tax collection.

## Remuneration Paid to General Directors, Independent Directors, Supervisors, General Manager and Deputy General Manager

1. Under any of the following circumstances, it should disclose the name of each individual director or supervisor and the corresponding remuneration amount, or opt to disclose aggregate remuneration information, with the name(s) indicated for each remuneration range, or to disclose the name of each individual and the corresponding remuneration amount (If it adopts disclosure by individual, please fill in the title, name and amount without listing the remuneration range):

- (1) A company that has posted after-tax deficits in the financial reports for the recent three fiscal years, shall disclose the name and remuneration paid to individual directors and supervisors. However, it doesn't apply if there is any profit after-tax in the financial report of the most recent year that is sufficient to make up the accumulated loss.
- (2) A company that has had an insufficient director shareholding percentage for 3 consecutive months or longer during the most recent fiscal year shall disclose the remuneration of individual directors; one that has had an insufficient supervisor shareholding percentage for 3 consecutive months or longer during the most recent fiscal year shall disclose the remuneration of individual supervisors [Note 2].
- (3) A company that has had an average ratio of share pledging by directors or supervisors in excess of 50 percent in any 3 months during the most recent fiscal year shall disclose the remuneration paid to each individual director or supervisor having a ratio of pledged shares in excess of 50 percent for each such month [Note 3].
- (4) If the remuneration received by all directors and supervisors exceeds 2% of the after-tax net profit of the remuneration paid for the directors and supervisors of all companies in the financial statement, and the amount of remuneration paid for individual director or supervisor exceeds NT\$15 million, it should disclose the remuneration of individual directors or supervisors. (Remarks: The remuneration of directors and supervisors is calculated based on the "director's remuneration" plus the "supervisor's remuneration" in the table attached, which doesn't include the related remuneration received by serving as employees concurrently.)
- (5) A listed company that is ranked in the last range according to the corporate governance assessment result in the most recent year, or is involved in changes in trading methods, suspension of trading, termination of listing on the counter in the most recent year and as of the date of publication of the annual report or is in other conditions that the corporate governance assessment committee approves exclusion from the assessment.
- (6) The average annual remuneration of a full-time employee of a listed company who doesn't hold a manager position has not reached NT \$ 500,000 in the most recent year.

2. Under the circumstance 1 or 5 listed above, the remuneration information of the top five paid remuneration executives (such as general manager, deputy general manager, CEO or CFO) should be disclosed individually.

[Note 1] For example: When preparing the 2019 Annual Report during the 2020 shareholders' meeting, it should disclose the information of individual ones if the Company was in after-tax loss as specified in Individual Financial Statement for any year between 2017~2019. However, disclosure of individual directors may not be adopted if the after-tax net profit specified in 2019 Individual Financial Statement was sufficient to make up the accumulated loss even if it was in after-tax loss as specified in 2017/2018 Individual Financial Statement.

[Note 2] For example: When preparing the 2009 Annual Report during the 2010 shareholders' meeting, it should disclose the information of individual ones if the Company has had an insufficient director/supervisor shareholding percentage for 3 consecutive months or longer during January, 2009~December, 2009. In addition, it should disclose the information of individual ones if the Company has had an insufficient director/supervisor shareholding percentage for 3 consecutive months or longer in January, 2009 (namely, November and December, 2008 and January, 2009).

[Note 3] For example: When preparing the 2009 Annual Report during the 2010 shareholders' meeting, it should disclose the remuneration paid to each individual director having a ratio of pledged shares in excess of 50 percent for each of the three month if the company has had an average ratio of share pledging by directors in excess of 50 percent in February, May and August, 2009. In addition, it should disclose remuneration paid to each individual supervisor having a ratio of pledged shares in excess of 50 percent for each of the three month if the company has had an average ratio of share pledging by supervisors in excess of 50 percent in three months.

※ Monthly pledge ratio of all directors: Shares pledged by all directors/shares held by all directors (including the No. of shares under trust with discretion reserved); Monthly pledge ratio of all supervisors: Shares pledged by all supervisors/shares held by all supervisors (including the No. of shares under trust with discretion reserved).

## (2) Remuneration paid to the General Manager and the Deputy General Manager Name and Remuneration of Individual Ones Disclosed

Unit: NT\$1,000

Title	Name	Base Remuneration (A) (Note 2)		Severance Pay (B)		Bonus and Allowance(C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 8)		Compensation paid to General Manager and Deputy General Manager from a reinvested company other than the subsidiary or the parent company (Note 9)
		The Company	All companies in the consolidated financial statement (Note 5)	The Company	All companies in the consolidated financial statement (Note 5)	The Company	All companies in the consolidated financial statement (Note 5)	The Company		All companies in the consolidated financial statement (Note 5)		The Company	All companies in the consolidated financial statement (Note 5)	
								Cash	Stock	Cash	Stock			
General Manager	Wu, Yu-Guo	845	845	-	-	-	5	-	-	-	-	-0.94%	-0.95%	None
General Manager (Outgoing)	Lee, Chin-Yi (Note A)	-	-	-	-	-	-	-	-	-	-	-	-	
VP of Finance & Accounting Dept. (Financial Manager)	Yeh, Cheng- Hsiung (Note B)	858	858	5,621	5,621	49	49					-7.28%	-7.28%	
VP of Business Dept. & Engineering Management Dept.	Lee, Jun-Xian	1,892	1,892	-	-	75	75	-	-	-	-	-2.19%	-2.19%	

Note A: Li, Chin-Yi was the former Chairman and General Manager and did not receive remuneration for General Manager during the period of his concurrent services.

Note B: The Vice President of the Finance and Accounting Department Yeh, Cheng-Hsiung applied for retirement on July 16<sup>th</sup>, 2020 and his resignation became effective on August 1<sup>st</sup>, 2020.

Note 1: The names of general managers and deputy general managers should be listed respectively. The total amount paid in each item should be disclosed. If the director concurrently holds the position of general manager or deputy general manager, it should fill out this table and the table above (1-1) or (1-2-1)(1-2-2).

Note 2: It refers to the salary, pay rise, and severance allowance of general manager and deputy general manager in the most recent year.

Note 3: It refers to the various bonuses and dividends, as well as transportation expense, special subsidiary, various allowances, dormitory, vehicle, other materialistic provisions, and other compensations received by the general manager and deputy general manager in the most recent year. If he is provided with house, automobile or other vehicle or exclusive expenditures, it should disclose the nature and cost of the capital, rental paid actually or estimated based on the fair price in the market, fuel expense or other payments. If a driver is assigned, it should also specify the salary paid by the Company, which should be excluded from the remuneration. In addition, the remuneration expense recognized based on IFRS 2[ Stock-based Payment], including the stock option certificate, the restricted new shares and the shares subscribed through capital increase by cash, should be included in the remuneration.

Note 4: It refers to the amount (including cash and stock) distributed to the employees received by the general manager and the deputy general manager upon the resolution of the board meeting in the most recent year. If it can't be estimated, it should calculate the amount to be distributed based on the amount and percent actually distributed in the last year and fill out the Table 1-3 in the Appendix. The after-tax net profit refers to the amount of net profit after tax in the most recent year. For those that adopt IFRS, the after-tax net profit refers to the amount listed in the individual financial statement in the most recent year.

Note 5: It should disclose the total amount of various compensations paid to the general manager and the deputy general manager by all companies in the consolidated financial statement (including the Company).

Note 6: For the total amount of various remunerations paid to each general manager and deputy general manager by the Company, it should disclose the name of general manager and deputy general manager under that range.

Note 7: It should disclose the total amount of various remunerations paid to each general manager and deputy general manager by all companies in the consolidated financial statements (including the Company), and disclose the name of general manager and deputy general manager under that range.

Note 8: The after-tax net profit refers to the amount of net profit after tax in the most recent year. For those that adopt IFRS, the after-tax net profit refers to the amount listed in the individual financial statement in the most recent year.

- Note 9: a. The field should list the amount received by the general manager and deputy general manager from any re-invested company other than the subsidiaries or the parent company (If no such amount is received, please fill in “None”).
- b. If the general manager and deputy general manager of the Company has received the payment from the re-invested company other than the subsidiaries or the parent company, it should include the said payment in Column E in the table of remuneration range. Moreover, the column name should be changed into “The Parent Company and All Re-investment Companies”.
- c. The remuneration refers to the compensations, remunerations (including the remuneration paid to the employees, directors and supervisors), and the allowances received by the general manager and deputy general manager of the Company by serving as the director, supervisor or managerial officer of the re-invested company other than the subsidiaries or the parent company.
- \* The remuneration disclosed in this table is different from the concept of income defined in the Income Tax Act. Thus, this table is for information disclosure only, which can’t be used for tax collection.

### (3) The remunerations of the top five paid executives (Name of individuals and remuneration methods disclosed)

Title	Name	Base Remuneration (A) (Note 2)		Severance Pay (B)		Bonus and Allowance (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 6)		Compensation paid to the top five paid executives from a reinvested company other than the subsidiary or the parent company (Note 7)
		The Company	All companies in the consolidated financial statement (Note 5)	The Company	All companies in the consolidated financial statement (Note 5)	The Company	All companies in the consolidated financial statement (Note 5)	The Company		All companies in the consolidated financial statement (Note 5)		All companies in the consolidated financial statement	All companies in the consolidated financial statement	
								Cash	Stock	Cash	Stock			
General Manager	Wu, Yu-Guo	845	845	-	-	-	5	-	-	-	-	-0.94%	-0.95%	None
VP	Lee, Jun-Xian	1,892	1,892	-	-	75	75	-	-	-	-	-2.19%	-2.19%	None
VP of Finance & Accounting Dept. (Financial Manager)	Yeh, Cheng-Hsiung (Note A)	858	858	5,621	5,621	49	49	-	-	-	-	-7.28%	-7.28%	None
Section Chief of Finance & Accounting Dept. (Accounting Manager)	Wu, Sing-Suei	1,060	1,180	-	-	229	229	-	-	-	-	-1.44%	-1.57%	None
Deputy Manager, Finance and Accounting Department (Finance Manager)	Chien, Lin-Chin	986	1,106	-	-	304	304	-	-	-	-	-1.44%	-1.57%	None

Note A: The Vice President of the Finance and Accounting Department Yeh, Cheng-Hsiung applied for retirement on July 16<sup>th</sup>, 2020 and his resignation became effective on August 1<sup>st</sup>, 2020.



#### (4) Name of Managerial officers Distributed with Employee Dividend and Distribution Situation:

Unit: NT\$1,000; March 30<sup>th</sup>, 2021

	Title (Note 1)	Name (Note 1)	Amount of stock dividend	Amount of cash dividend	Total	Percent of sum in the after-tax net profit (%)
Managerial Officers	General Manager	Wu, Yu-Guo	—	—	—	—
	VP of Business Dept. & Engineering Management Dept.	Lee, Jun-Xian				
	Deputy Manager, Finance and Accounting Department (Finance Manager)	Chien, Lin-Chin				
	Section Chief of Finance & Accounting Dept. (Accounting Manager)	Wu, Sing-Suei				

Note 1: It should disclose names and title of individuals, but it may disclose the profit distribution situation in summary.

Note 2: It refers to the amount (including cash and stock) distributed to the employees received by the managerial officers upon the resolution of the board meeting in the most recent year. If it can't be estimated, it should calculate the amount to be distributed based on the amount and percent actually distributed in the last year. The after-tax net profit refers to the amount of net profit after tax in the most recent year. For those that adopt IFRS, the after-tax net profit refers to the amount listed in the individual financial statement in the most recent year.

Note 3: If application scope of the managerial officers, according to the official document Tai Zheng III No. 0920001301 released by the Association on March 27<sup>th</sup>, 2003, includes the following:

- (1) General Manager and the equivalents.
- (2) Vice general manager and the equivalents.
- (3) Associates and the equivalents.
- (4) Manager of Finance Dept.
- (5) Manager of Accounting Dept.
- (6) Others authorized to manage the affairs of the Company and sign on behalf of the Company

Note 4: If the remuneration distributed to the employees is received by the directors, general manager and deputy general manager (including stock and cash), it should fill in this table in addition to the Table 1-2 in the appendix.

**(5) Analysis of the proportion of the total remuneration of directors, supervisors, general managers, and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to the net profit after tax in individual financial statements of the recent two years. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:**

1. Analysis of the proportion of the total remuneration paid to directors, supervisors, general manager and deputy general managers of the Company to the net profit after tax of the individual financial statement of the recent two fiscal years:

Year	2020				2019			
	Individual		Consolidated		Individual		Consolidated	
	Total amount (NT\$1,000)	Percent (%) in the net profit after tax	Total amount (NT\$1,000)	Percent (%) in the net profit after tax	Total amount (NT\$1,000)	Percent (%) in the net profit after tax	Total amount (NT\$1,000)	Percent (%) in the net profit after tax
Directors (including independent directors)	4,679	-5.22%	5,116	-5.71%	8,363	-12.17%	9,083	-13.22%
General Manager and Deputy General Manager	9,339	-10.42%	9,344	-0.42%	11,628	-16.93%	11,748	-17.10%

2. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance:

- (1) Directors – The Company's remuneration paid to Directors include fixed monthly remuneration, business execution fees, and remuneration, which are analyzed as follows:
  - A. The independent directors of the Company receive business execution fees and fixed monthly remuneration, while the remaining directors only received business execution fees.
  - B. In addition to the fixed monthly salary and business execution fees, if the Company makes a profit in the year, the remuneration for Directors shall also be allocated in accordance with Article 28 of the Articles of Incorporation and paid in accordance with each Director's participation in the Company's operations (such as attendance in board meetings and special committees) and performance appraisal. However, as the Company did not make a profit in 2020, only the fixed remuneration is distributed, and no other remuneration was distributed to Directors. Therefore, the remuneration collected by Directors and Independent Directors in 2020 was unrelated to the performance of the Company's Board of Directors.
- (2) Managers– The Company's remuneration paid to managers include the salary, bonuses, and remuneration, which are analyzed as follows:
  - A. The salary is paid in accordance with the Company's "Employee Salary/Position Management Regulations" as well as industry standards, job titles, ranking, academic background and experience, professional competence, and duties.
  - B. The bonuses are paid in accordance with the Company's incentive schemes as well as the performance and contribution (e.g., completion of land development and sales) of the projects the managers are responsible for.
  - C. The remuneration is determined in accordance with the Company's "Employee Bonus Distribution Regulations". In addition to referencing the actual salary and reviewing the Company's core values in practical and operational management capabilities, financial and operational performance indicators, comprehensive management indicators, continuing education, and participation in sustainable development, the Company also evaluates other special contributions for the Chairman to determine the payment.

#### 4. Implementation of Corporate Governance

##### (1) The operations of the Board of Directors:

The Board of Directors held 8 (A) meetings in the most recent year (2020). The attendance of the directors is as follows:

1. The previous Board of Directors (term of office from May 31<sup>st</sup>, 2017 to June 22<sup>nd</sup>, 2020) convened 2 board meetings

(A) in the most recent year (2020). The attendance of Directors was as follows:

Title	Name (Note 1)	Attendance (Presence) in Person (B)	Attendance by Proxy	Attendance (Presence) Rate (%) 【B/A】 (Note 2)	Remarks
Director	Lee, Chin-Yi	2	0	100.00%	—
Director	Lin, Wen-Liang	2	0	100.00%	—
Director	Lin, Po-Fong	2	0	100.00%	—
Director	Rongzhi Investment Representative: LIN, Chao-Jung	0	1	0.00%	The Company's institutional director Jung Chih Investment Co., Ltd. resigned on April 20 <sup>th</sup> , 2020 and attended <u>1</u> board meeting (A).
Independent Director	Jhan, Zong-Ren	2	0	100.00%	—
Independent Director	Tseng, Ping-Joung	2	0	100.00%	—
Independent Director	Chang, Chang-Ter	2	0	100.00%	—

2. The current Board of Directors (term of office from June 23<sup>rd</sup>, 2020 to June 22<sup>nd</sup>, 2023) convened 6 board meetings (A) in the current year (2020).

The attendance of Directors was as follows:

Title	Name (Note 1)	Attendance (Presence) in Person B	Attendance by Proxy	Attendance (Presence) Rate (%) 【B/A】 (Note 2)	Remarks
Director	Cheng, Ssu-Tsung	6	0	100.00%	—
Director	Lee, Chin-Yi	6	0	100.00%	—
Director	Dajie Investment Co., Ltd. Representative: Tseng, Ping-Joung	6	0	100.00%	—
Director	Yan, Ming-Hung	6	0	100.00%	—
Independent Director	Yeh, Chien-Wei	6	0	100.00%	—
Independent Director	Wang, Mu-Fan	6	0	100.00%	—
Independent Director	Huang, Chih Chen	6	0	100.00%	Resigned on March 26 <sup>th</sup> , 2021

Other Noticeable Particulars:

1. Should any of the following circumstances occur at the Board of Directors meeting, the date of the board meeting, term, proposal content, opinions of all independent directors and the Company's handling of such opinions, should be specified:

(1) Matters specified in Article 14-3 of the Taiwan Securities and Exchange Act:

**The previous Board of Directors (term of office from May 31<sup>st</sup>, 2017 to June 22<sup>nd</sup>, 2020)**

Date of board meeting	Proposal content	Opinions of all independent directors and the Company's handling of opinions
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109.03.27 2020 1 <sup>st</sup> Meeting	1. Proposal of urban renewal business plans and right transfer plans on 19 land lots such as Huai Sheng Section project—subsection lot No. 121-4 in Da'an District, Taipei City	Approved by all independent directors
	2. 2019 Operation Reports and Financial Statements of the Company	Independent director Jhan, Zong-Ren shows qualified opinion, The rest two independent directors agree on this proposal. The Company announced major information after the board meeting as required.
	3. 2019 profit distribution plan of the Company	Independent director Jhan, Zong-Ren waives in voting. The rest two independent directors agree on this proposal.
	4. Signed 2020 CPA fees with ShineWing CPAs (Taiwan)	Approved by all independent directors
	5. Proposal of increasing capitals by cash for Huachien Development Co., Ltd.	Independent director Jhan, Zong-Ren shows dissenting opinion towards the premium issuance price and the necessity to increase capitals by cash as the net value of the subsidiary Huachien Development Co., Ltd. is NT\$19 but the issuance price per share is NT\$80. The Company announced major information after the board meeting as required.
	6. Proposal of capital increase by cash and issuance of new shares	Independent director Jhan, Zong-Ren shows dissenting opinion towards the proportion of capital increase by cash reaching as high as 57% of the current stock capital, and suggests the board re-elected by the shareholders' meeting this year should fulfill the decision-making right. He also shows dissenting opinion towards the necessity to increase capital by issuing new shares. The Company announced major information after the board meeting as required.
	7. Proposal of re-electing directors	Independent director Jhan, Zong-Ren shows dissenting opinion towards the appointment time of directors newly elected during the director reelection proposal. The current board should relieve after the tenure is expired on May 30 <sup>th</sup> , 2020. He suggests that the general shareholders' meeting in 2020 should be held before May 30 <sup>th</sup> , 2020, and the new board should be appointed on May 31 <sup>st</sup> , 2020. The Company announced major information after the board meeting as required.
	8. Date and reason for holding the 2020 general shareholders' meeting	Independent director Jhan, Zong-Ren shows dissenting opinion towards the date for holding the general shareholders' meeting. The Company announced major information after the board meeting as required.
	9. The nomination period of candidates for directors (including independent directors), the number persons to be elected and the handling	Independent director Jhan, Zong-Ren shows dissenting opinion towards the date for holding the general shareholders' meeting.

	premises.	The Company announced major information after the board meeting as required.
	10. 2019 Statement of Internal Control System of the Company	Approved by all independent directors.
109.05.08 2020 2 <sup>nd</sup> meeting	1. Assessment of the independence of the Company's CPAs.	Approved by all independent directors.
	2. The list of candidates for Directors (including Independent Directors) nominated by the Board for Directors.	
	3. The list of candidates for Directors (including Independent Directors) nominated by the Board for Directors and shareholders.	
	4. Amendment of the Company's "Audit Committee Organizational Rules".	
	5. Amendment of the Company's "Rules Governing the Duties of Independent Directors".	
	6. Discussion of the bonus for Dragon Boat Festival for managers and general directors of the Company with fixed monthly salary.	

**The current Board of Directors (term of office from June 23<sup>rd</sup>, 2020 to June 22<sup>nd</sup>, 2023)**

Date of board meeting	Proposal content	Opinions of all independent directors and the Company's handling of opinions
2020.06.29 3 <sup>rd</sup> meeting in 2020	<ol style="list-style-type: none"> <li>1. Election of the Chairman by the new Board of Directors.</li> <li>2. Appointment of the members of the Company's fourth Remuneration Committee.</li> <li>3. Appointment of the Director Li, Chin-Yi as the Company's consultant.</li> <li>4. Appointment of Mr. Lin, Wen-Liang as the Company's Honorary Chairman.</li> <li>5. Appointment of the Company's General Manager.</li> <li>6. Removal of non-compete clause for the Company's new General Manager.</li> </ol>	Approved by all independent directors.
2020.07.16 4 <sup>th</sup> meeting in 2020	<ol style="list-style-type: none"> <li>1. Establishment of the ex-dividend date for the distribution of 2019 cash dividends.</li> <li>2. Proposal for the salary of the Company's new Chairman and General Manager.</li> <li>3. Monthly consulting fees for the newly appointed consultant.</li> <li>4. Monthly salary of the Independent Directors.</li> <li>5. Attendance fees for Directors and members of the Audit Committee.</li> <li>6. Salary and the standards for the distribution of 2020 Mid-Autumn Festival bonus for employed managers.</li> <li>7. Application of the Company's Chief Financial Officer for retirement.</li> </ol>	Approved by all independent directors.
2020.08.13 5 <sup>th</sup> meeting in 2020	<ol style="list-style-type: none"> <li>1. Purchase of land plots No. 233 and 235 on Xinbi Section, Luzhu District, Taoyuan City, and joint construction on plot No. 237 of the same section.</li> <li>2. Purchase of 5 land plots including No. 182 and 177 on Lejie Section, and No. 583 on Gonghua Section (held by separate parties), plot No. 984 on Dagang Section (held by separate parties), and plot No. 793 on Xinghua Section, Guishan District, Taoyuan City, and joint construction of land on plot No. 174 on Lejie Section.</li> <li>3. Proposal for the purchase of land on plot No. 488 and 489, Qingxi Section, Zhongli District, Taoyuan City.</li> <li>4. Purchase of 1 plot of land on No. 226 on Qingxi Section, Zhongli District, Taoyuan City. (The Project was canceled)</li> <li>5. Purchase of 4 plots of land including No. 41, Xinzhan Section, Shalu District, Taichung City. (The Project was canceled)</li> <li>6. Purchase of 4 plot of land including No. 208 on Lejie Section, Guishan District, Taoyuan City. (The Project was canceled)</li> <li>7. Amendment of the issuance of new shares for cash capital increase in 2020.</li> <li>8. Official appointment of the Acting Chief Financial Officer, Acting Accounting Manager, and Acting Chief Auditor.</li> <li>9. Payment of the pension for the Vice President of the Finance Department.</li> <li>10. Salary adjustments and the standards for the distribution bonuses for the three traditional holidays for employed managers and Chief Auditor.</li> </ol>	Approved by all independent directors.
2020.10.05 6 <sup>th</sup> meeting in	<ol style="list-style-type: none"> <li>1. Proposal for a new supplementary contract to supplement the original contract for the purchase of land plots No. 233 and 235 on Xinbi Section, Luzhu District,</li> </ol>	Approved by all independent directors.

2020	Taoyuan City, and joint construction and transfer of rights on plot No. 237 of the same section with the related party Lin, Chia-Hung and Hong-Zhu Construction Co., Ltd.	
2020.11.11 7 <sup>th</sup> meeting in 2020	<ol style="list-style-type: none"> <li>1. Tender for urban renewal implementers for land on No. 2, 3, 5, and 6, Pingshih Section, East District, Tainan City.</li> <li>2. Establishment of the Company's 2021 internal audit plan.</li> <li>3. Discussion and amendment of the Company's "Corporate Governance Best Practice Principles".</li> <li>4. Discussion and amendment of the Company's "Rules of Procedure for Board of Directors Meetings".</li> <li>5. Discussion and amendment of the Company's "Regulations Governing the Evaluation of the Performance of the Board of Directors and Functional Committees".</li> <li>6. Discussion and amendment of the Company's "Rules Governing the Duties of Independent Directors".</li> <li>7. Discussion and amendment of the Company's "Remuneration Committee Organizational Rules".</li> <li>8. Establishment of the share subscription plan for managers in the Company's 2020 cash capital increase.</li> <li>9. Proposal for the distribution of the 2020 year-end bonus for managers.</li> <li>10. Donation for the "Taipei City Fire Department Association".</li> </ol>	Approved by all independent directors.
2020.12.17 8 <sup>th</sup> meeting in 2020	<ol style="list-style-type: none"> <li>1. Signature of the supplementary agreement for the transaction of land on Qingxi Section, Zhongli District, Taoyuan City, Lejie Section, Gonghua Section, Dagang Section, and Xinghua Section, Guishan District, Taoyuan City, and Xinbi Section, Luzhu District, Taoyuan City.</li> </ol>	Approved by all independent directors.
2020.02.22 1 <sup>st</sup> meeting in 2021	<ol style="list-style-type: none"> <li>1. Cash capital increase of the subsidiary Huajian Construction Co., Ltd.</li> <li>2. Agreement on audit fees for 2021 signed by the Company and Shine-Wing Taiwan.</li> <li>3. Amendment of the Company's "Delegation of Authority Table".</li> <li>4. Amendment of the Company's "EPC Project Procurement Regulations" and the establishment of the "Subcontracting Construction and Procurement Regulations".</li> <li>5. Amendment of the Company's "Employee Leave Regulations".</li> <li>6. Purchase of land on plot No. 124 on Lejie Section, Guishan District, Taoyuan City.</li> <li>7. Purchase of 5 plots of land on No. 226 on Qingxi Section, Zhongli District, Taoyuan City.</li> <li>8. Purchase of 8 plots of land including No. 41, Xinzhan Section, Shalu District, Taichung City.</li> <li>9. Distribution of sales bonus to the Company's managers and Chief Auditor.</li> <li>10. Promotion of the Company's Chief Financial Officer.</li> </ol>	Approved by all independent directors.
2020.03.30 3 <sup>rd</sup> meeting in 2021	<ol style="list-style-type: none"> <li>1. Proposal for participating in the tender for 4 plots of land including No. 79 and 80 on Wenshang Section, Xitun District, Taichung City and No. 28 and 31, Xingaojie Section, Wurih District.</li> <li>2. Proposal for the purchase of 2 plots of land including plot No. 414 and 415, Qingshan Section, Dayuan District, Taoyuan City.</li> <li>3. Proposal for the purchase of 5 plots of land including No. 29 on Shanjie Section, Guishan District, Taoyuan City.</li> <li>4. The Company's 2020 business report and financial statements.</li> <li>5. The Company's 2020 loss makeup proposal.</li> <li>6. Discussion and amendment of the Company's "Articles of Incorporation".</li> <li>7. Discussion and amendment of the Company's "Procedures for Acquisition or Disposal of Assets".</li> <li>8. Discussion and amendment of the Company's "Accounting System".</li> <li>9. Discussion and amendment of the Company's "Financial Statements Formulation Procedures and Management Regulations".</li> <li>10. Submission of the Company's 2020 "Statement of Internal Control System".</li> <li>11. The date and agenda for the Company's 2021 general shareholders' meeting.</li> <li>12. Appointment of the "Corporate Governance Officer".</li> <li>13. Removal of restriction on concurrent posts and non-compete clause for the Company's General Manager and Chief Financial Officer.</li> </ol>	Approved by all independent directors.
2020.04.15 4 <sup>th</sup> meeting in 2021	<ol style="list-style-type: none"> <li>1. The Company's proposal for the issuance of ordinary shares through private placement.</li> <li>2. By-election of one Independent Director.</li> </ol>	Approved by all independent directors.

	3. The period for accepting nomination of Independent Directors, number of seats to be elected, and the venue for accepting nomination. 4. The list of candidates for independent directors nominated by the Board for Directors. 5. The date and agenda for the Company's 2021 general shareholders' meeting (added new agenda). 6. Amendment of the Company's "Organizational Structure". 7. Establishment of the Company's "Corporate Social Responsibility Best Practice Principles" and establishment of a unit responsible for promoting corporate social responsibility. 8. Establishment of the Company's "Ethical Corporate Management Best Practice Principles" and creation of the Ethical Corporate Management Team. 9. The Company's plan for signing a construction project contract with the subsidiary Huajian Construction Co., Ltd. for the residential complexes on "Xinbi Section", "Lejie Section A", and "Qingxi Section A".	
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(2) Unless otherwise stated, other independent directors who expressed dissenting or qualified opinions that were recorded or declared in writing: None

2. As for the execution situation that directors avoid the proposal for conflict of interest, items like director name, proposal content, reason for avoiding conflict of interest and participation in the voting process shall be detailed:

Date of Board of Directors' meeting	Name of Directors	Agenda	Reason for recusal	Participation in voting
2020.05.08	Li, Chin-Yi, Lin, Wen-Liang	Discussion of the bonus for Dragon Boat Festival for managers and general directors of the Company with fixed monthly salary	The Directors Li, Chin-Yi and Lin, Wen-Liang were subjects of the discussion.	The Board of Directors' meeting was attended by six Directors. Except for the two Directors who may not exercise voting rights, the proposal was approved by the other four Directors in attendance and passed as proposed.
2020.06.29	Wang, Mu-Fan, Huang, Chih-Chen, Yeh, Chien-Wei	1. Appointment of the members of the Company's fourth Remuneration Committee.	The Independent Directors Wang, Mu-Fan, Huang, Chih-Chen, and Yeh, Chien-Wei were subjects of the discussion.	The Board of Directors' meeting was attended by seven Directors. Except for the three Directors who may not exercise voting rights, the proposal was approved by the other four Directors in attendance and passed as proposed.
	Li, Chin-Yi	2. Appointment of the Director Li, Chin-Yi as the Company's consultant.	The Director Li, Chin-Yi was a subject of the discussion.	The Board of Directors' meeting was attended by seven Directors. Except for the Director who may not exercise voting rights, the proposal was approved by the other six Directors in attendance and passed as proposed.
2020.07.16	Cheng, Ssu-Tsung	1. Proposal for the salary of the Company's new Chairman and General Manager.	The Chairman Cheng, Ssu-Tsung was a subject of the discussion.	The Board of Directors' meeting was attended by seven Directors. Except for the Director who may not exercise voting rights, the proposal was approved by the other six Directors in attendance and passed as proposed.
	Li, Chin-Yi	2. Monthly consulting fees for the newly appointed consultant.	The Director Li, Chin-Yi was a subject of the discussion.	The Board of Directors' meeting was attended by seven Directors. Except for the Director who may not exercise voting rights, the proposal was approved by the other six Directors in attendance and passed as proposed.
	Wang, Mu-Fan, Huang, Chih-Chen, Yeh, Chien-Wei	3. Monthly salary of the Independent Directors.	The Independent Directors Wang, Mu-Fan, Huang, Chih-Chen, and Yeh, Chien-Wei were subjects of the discussion.	The Board of Directors' meeting was attended by seven Directors. Except for the three Directors who may not exercise voting rights, the proposal was approved by the other four Directors in attendance and passed as proposed.

3. The public companies shall disclose the evaluation cycle, period, scope, method and content for the self (peer) evaluation of the directors and fill out Table 2 Board Evaluation Implementation Situation.

(1) The Company's Board of Directors passed the amendment of the "Regulations Governing the Evaluation of the Performance of the Board of Directors and Functional Committees" and related self-evaluation surveys on November 12<sup>th</sup>, 2019 and submitted the 2020 evaluation results to the Remuneration Committee and Board of Directors on February 22<sup>th</sup>, 2021.

(2) The contents of the evaluation report were as follows:

● **Evaluation cycle: Once every year** (if an election is implemented in the same year, the performance of the previous term and the current term shall be completed before the election and at the end of the year)

● **Evaluation period: January 1<sup>st</sup> to December 31<sup>st</sup>, 2020**

● **Evaluation scope and method**

Scope of the evaluation: The performance evaluation of the board as a whole, individual Directors, and functional committees.

Evaluation methods: Self-evaluation of the Board of Directors, self-evaluation of the Directors, appointment of external professional institutions or experts, or other appropriate methods for performance evaluation.

● **Evaluation procedures**

The units responsible for the evaluation shall collect information about the activities of the Board of Directors and distribute the "Self-Evaluation Questionnaire on the Performance of the Board of Directors", "Self-Evaluation Questionnaire on the Performance of the Director", "Self-Evaluation Questionnaire on the Performance of the Audit Committee", and "Self-Evaluation Questionnaire on the Performance of the Remuneration Committee" for the performance evaluation of the Board of Directors. After the data are recovered, the Company records the evaluation results in accordance with the scoring standards for evaluation indicators in the Regulations, and reports to the Board of Directors for review and improvements.

#### ●2020 evaluation indicators and options

Board performance evaluation	Self-evaluation of the performance of Directors	Performance evaluation of functional committees	
		Audit Committee	Remuneration Committee
Level of participation in the Company's operations Improvement of the quality of the Board of Directors' decision making Board composition and structure Election and continuing education of Directors Internal control	Familiarity with the goals and missions of the Company Awareness of the duties of Directors Level of participation in the Company's operations Management of internal relations and communication Directors' professional and continuing education and training Internal control	Level of participation in the Company's operations Understanding of duties of the Audit Committee Improvement of the quality of the Audit Committee' decision making Composition of the Audit Committee and selection of committee members Internal control	Level of participation in the Company's operations Understanding of duties of the Remuneration Committee Improvement of the quality of the Remuneration Committee ' decision making Composition of the Remuneration Committee and selection of Remuneration Committee Internal control
25 evaluation indicators	20 evaluation indicators	20 evaluation indicators	25 evaluation indicators

Excellent (5.00 to 4.01 points), good (4.00 to 3.01 points), and improvements required (less than 3 points)

#### ●2020 evaluation results

Board performance evaluation	Self-evaluation of the performance of Directors	Performance evaluation of functional committees	
		Audit Committee	Remuneration Committee
Evaluation results: Excellent	Evaluation results: Excellent	Evaluation results: Excellent	Evaluation results: Excellent

4. Strengthening the functions of the Board in the current and recent years (such as setting up the Audit Committee, promoting information transparency, etc.) and conducting performance assessment:

(I) The 2020 directors' liability insurance was purchased on December 2<sup>nd</sup>, 2020.



- (II) The Company established the Audit Committee on May 31<sup>st</sup>, 2017 to replace Supervisors. The Committee convened eight meetings in 2020 to strengthen internal monitoring and control mechanisms and help the Board of Directors implement decisions.
- (III) The Company strengthens the new Directors' awareness of laws and regulations and holds at least one meeting of the Board of Directors each quarter. The Company also rigorously abide by the recusal system for conflicts of interest involving Directors and related parties in the "Rules of Procedure for Board of Directors Meetings", "Related Party Transaction Management Regulations".
- (IV) The Company's Board of Directors passed the amendment of the "Regulations Governing the Evaluation of the Performance of the Board of Directors and Functional Committees" and related self-evaluation surveys on November 12<sup>th</sup>, 2019 and disclosed the evaluation results in 2021.

**5. Board of Directors diversity policy and implementation status:**

According to Article 20 of the "Corporate Governance Best Practice Principles" of the Company's, the composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that Directors concurrently serving as the Company's managers do not exceed one third of the total number of the Board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development must be formulated. The members of the current Company's Board of Directors, including Independent Directors, can make decisions using operating judgment capabilities, accounting and financial analyst ability, operating management capabilities, crisis management capabilities, knowledge of the industry, global marketing perspective, leadership, decision-making and overall capabilities with professional background including law, accounting, finance or technology, professional skills and business experience in the industry.

Members have extensive experience and professional knowledge in finance, construction, management, law, and accounting. The Company also pays close attention to gender equality for the composition of the Board of Directors and plans to add one female Director in the next election of the Board of Directors. The relevant implementation status is as follows:

Name of Directors	Basic composition						Industry experience		Professional skills			
	Gender	Background	Age		Years of Independent Directors		Construction	Finance	Accounting	Law	Management	Risk Management
			40 to 50	Above 60	3 years and below	3-9 years						
Cheng, Ssu-Tsung	Male	Management /finance	V					V			V	V
Lee, Chin-Yi	Male	Management /construction		V			V				V	V
Yan, Ming-Hung	Male	Management /finance	V					V			V	V
Tseng, Ping-Joung	Male	Management /hotel		V			V				V	V
Wang, Mu-Fan	Male	Accounting	V		V				V			V
Yeh, Chien-Wei	Male	Law	V		V					V		V
Huang, Chih Chen (Resigned on March 26 <sup>th</sup> , 2021)	Male	Management /construction	V		V		V				V	V

Note 1: If the director or supervisor is a company, it should disclose the names of its shareholders and the name of its representative.

Note 2: (1) If any director/supervisor resigns before the end of the year, it shall specify the resignation date in the Remarks field. As for the attendance rate (%), it shall be calculated based on the board meetings held during his service period and the times that he attended such meeting in person.

(2) If any director/supervisor is re-elected before the end of the year, it shall specify both the old and the new director/supervisor and add comments in the Remarks field to distinguish the old and new ones and the re-election date. As for the attendance rate (%), it shall be calculated based on the board meetings held during his service period and the times that he attended such meeting in person.

## (2) The operations of the Audit Committee:

A total of 7 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

1. The previous Audit Committee (term of office from May 31<sup>st</sup>, 2017 to June 22<sup>nd</sup>, 2020) convened 2 meetings of the Audit Committee (A) in the most recent year (2020). The attendance of Directors was as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance ratio (%) (B/A)(Note)	Remarks
Independent director	Jhan, Zong-Ren	2	0	100.00%	
Independent director	Tseng, Ping-Joung	2	0	100.00%	
Independent director	Chang, Chang-Ter	1	0	50.00%	

2. The current Board of Directors (term of office from June 23<sup>rd</sup>, 2020 to June 22<sup>nd</sup>, 2023) convened 5 meetings of the Audit Committee (A)

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance ratio (%) (B/A)(Note)	Remarks
Independent director	Wang, Mu-Fan	5	0	100%	
Independent director	Yeh, Chien-Wei	5	0	100%	
Independent director	Huang, Chih Chen	5	0	100%	

### ● Summary of key work items of the year:

The Audit Committee assists the Board of Directors in its supervisory duties its responsibilities for tasks specified in the Company Act, Securities and Exchange Act, and other related regulations. The Company established the Audit Committee on May 31<sup>st</sup>, 2017. It consists of all three Independent Directors. Committee meetings are convened at least once each quarter, and a total of 7 meetings were convened in 2020. The Committee reviewed the following items:

1. Review of financial statements:

The Board of Directors has prepared the 2020 business report, financial statements, and earnings distribution proposal, of which the financial statements have been audited by ShineWing Taiwan, which has submitted an audit report. The aforementioned business report, financial statements, and earnings distribution proposal have been reviewed by the Audit Committee and deemed as correctly portraying the Company's business activities.

2. Evaluation of the effectiveness of internal control system:

The Audit Committee evaluates the effectiveness of the policies and procedures of the Company's internal control system.

3. Major asset transactions

4. Private placement or issuance of securities

5. Related-party transactions

6. Assessment of independence of the CPAs

7. Appointment and removal of the financial, accounting, or internal auditing officers

8. Audit Committee performance self-evaluation questionnaire

### Other Noticeable Particulars:

1. Should any of the following circumstances occur at the operations of Audit Committee, the date of the board meeting, term, proposal content, opinions of all independent directors and the Audit Committee's handling of such opinions, should be specified:

(1) Matters specified in Article 14-5 of the Taiwan Securities and Exchange Act

**The previous Board of Directors (term of office from May 31<sup>st</sup>, 2017 to June 22<sup>nd</sup>, 2020)**

<b>Date of board meeting</b>	<b>Proposal content</b>	<b>Opinions of all independent directors and the Company's handling of opinions</b>
109.03.27 2020 1 <sup>st</sup> Meeting	1. Proposal of urban renewal business plans and right transfer plans on 19 land lots such as Huai Sheng Section project—subsection lot No. 121-4 in Da'an District, Taipei City	Approved by all independent directors
	2. 2019 Operation Reports and Financial Statements of the Company	Independent director Jhan, Zong-Ren shows qualified opinion, The rest two independent directors agree on this proposal. The Company announced major information after the board meeting as required.
	3. 2019 profit distribution plan of the Company	Independent director Jhan, Zong-Ren waives in voting. The rest two independent directors agree on this proposal.
	4. Signed 2020 CPA fees with ShineWing CPAs (Taiwan)	Approved by all independent directors
	5. Proposal of increasing capitals by cash for Huachien Development Co., Ltd.	Independent director Jhan, Zong-Ren shows dissenting opinion towards the premium issuance price and the necessity to increase capitals by cash as the net value of the subsidiary Huachien Development Co., Ltd. is NT\$19 but the issuance price per share is NT\$80. The Company announced major information after the board meeting as required.
	6. Proposal of capital increase by cash and issuance of new shares	Independent director Jhan, Zong-Ren shows dissenting opinion towards the proportion of capital increase by cash reaching as high as 57% of the current stock capital, and suggests the board re-elected by the shareholders' meeting this year should fulfill the decision-making right. He also shows dissenting opinion towards the necessity to increase capital by issuing new shares. The Company announced major information after the board meeting as required.
	7. Proposal of re-electing directors	Independent director Jhan, Zong-Ren shows dissenting opinion towards the appointment time of directors newly elected during the director reelection proposal. The current board should relieve after the tenure is expired on May 30 <sup>th</sup> , 2020. He suggests that the general shareholders' meeting in 2020 should be held before May 30 <sup>th</sup> , 2020, and the new board should be appointed on May 31 <sup>st</sup> , 2020. The Company announced major information after the board meeting as required.
	8. Date and reason for holding the 2020 general shareholders' meeting	Independent director Jhan, Zong-Ren shows dissenting opinion towards the date for holding the general shareholders' meeting. The Company announced major information after the board meeting as required.

	9. The nomination period of candidates for directors (including independent directors), the number persons to be elected and the handling premises.	Independent director Jhan, Zong-Ren shows dissenting opinion towards the date for holding the general shareholders' meeting. The Company announced major information after the board meeting as required.
	10. 2019 Statement of Internal Control System of the Company	Approved by all independent directors.
109.05.08 2020 2 <sup>nd</sup> meeting	1. Assessment of the independence of the Company's CPAs.	Approved by all independent directors.
	2. The list of candidates for Directors (including Independent Directors) nominated by the Board for Directors.	
	3. The list of candidates for Directors (including Independent Directors) nominated by the Board for Directors and shareholders.	
	4. Amendment of the Company's "Audit Committee Organizational Rules".	
	5. Amendment of the Company's "Rules Governing the Duties of Independent Directors".	
	6. Discussion of the bonus for Dragon Boat Festival for managers and general directors of the Company with fixed monthly salary.	

**The current Board of Directors (term of office from June 23<sup>rd</sup>, 2020 to June 22<sup>nd</sup>, 2023)**

Date of board meeting	Proposal content	Opinions of all independent directors and the Company's handling of opinions
2020.06.29 3 <sup>rd</sup> meeting in 2020	<ol style="list-style-type: none"> <li>1. Election of the Chairman by the new Board of Directors.</li> <li>2. Appointment of the members of the Company's fourth Remuneration Committee.</li> <li>3. Appointment of the Director Li, Chin-Yi as the Company's consultant.</li> <li>4. Appointment of Mr. Lin, Wen-Liang as the Company's Honorary Chairman.</li> <li>5. Appointment of the Company's General Manager.</li> <li>6. Removal of non-compete clause for the Company's new General Manager.</li> </ol>	Approved by all independent directors.
2020.07.16 4 <sup>th</sup> meeting in 2020	<ol style="list-style-type: none"> <li>1. Establishment of the ex-dividend date for the distribution of 2019 cash dividends.</li> <li>2. Proposal for the salary of the Company's new Chairman and General Manager.</li> <li>3. Monthly consulting fees for the newly appointed consultant.</li> <li>4. Monthly salary of the Independent Directors.</li> <li>5. Attendance fees for Directors and members of the Audit Committee.</li> <li>6. Salary and the standards for the distribution of 2020 Mid-Autumn Festival bonus for employed managers.</li> <li>7. Application of the Company's Chief Financial Officer for retirement.</li> </ol>	Approved by all independent directors.
2020.08.13 5 <sup>th</sup> meeting in 2020	<ol style="list-style-type: none"> <li>1. Purchase of land plots No. 233 and 235 on Xinbi Section, Luzhu District, Taoyuan City, and joint construction on plot No. 237 of the same section.</li> <li>2. Purchase of 5 land plots including No. 182 and 177 on Lejie Section, and No. 583 on Gonghua Section (held by separate parties), plot No. 984 on Dagang Section (held by separate parties), and plot No. 793 on Xinghua Section, Guishan District, Taoyuan City, and joint construction of land on plot No. 174 on Lejie Section.</li> <li>3. Proposal for the purchase of land on plot No. 488 and 489, Qingxi Section, Zhongli District, Taoyuan City.</li> <li>4. Purchase of 1 plot of land on No. 226 on Qingxi Section, Zhongli District, Taoyuan City. (The Project was canceled)</li> <li>5. Purchase of 4 plots of land including No. 41, Xinzhan Section, Shalu District, Taichung City. (The Project was canceled)</li> <li>6. Purchase of 4 plot of land including No. 208 on Lejie Section, Guishan District, Taoyuan City. (The Project was canceled)</li> <li>7. Amendment of the issuance of new shares for cash capital increase in 2020.</li> </ol>	Approved by all independent directors.

	<ol style="list-style-type: none"> <li>Official appointment of the Acting Chief Financial Officer, Acting Accounting Manager, and Acting Chief Auditor.</li> <li>Payment of the pension for the Vice President of the Finance Department.</li> <li>Salary adjustments and the standards for the distribution bonuses for the three traditional holidays for employed managers and Chief Auditor.</li> </ol>	
2020.10.05 6 <sup>th</sup> meeting in 2020	<ol style="list-style-type: none"> <li>Proposal for a new supplementary contract to supplement the original contract for the purchase of land plots No. 233 and 235 on Xinbi Section, Luzhu District, Taoyuan City, and joint construction and transfer of rights on plot No. 237 of the same section with the related party Lin, Chia-Hung and Hong-Zhu Construction Co., Ltd.</li> </ol>	Approved by all independent directors.
2020.11.11 7 <sup>th</sup> meeting in 2020	<ol style="list-style-type: none"> <li>Tender for urban renewal implementers for land on No. 2, 3, 5, and 6, Pingshih Section, East District, Tainan City.</li> <li>Establishment of the Company's 2021 internal audit plan.</li> <li>Discussion and amendment of the Company's "Corporate Governance Best Practice Principles".</li> <li>Discussion and amendment of the Company's "Rules of Procedure for Board of Directors Meetings".</li> <li>Discussion and amendment of the Company's "Regulations Governing the Evaluation of the Performance of the Board of Directors and Functional Committees".</li> <li>Discussion and amendment of the Company's "Rules Governing the Duties of Independent Directors".</li> <li>Discussion and amendment of the Company's "Remuneration Committee Organizational Rules".</li> <li>Establishment of the share subscription plan for managers in the Company's 2020 cash capital increase.</li> <li>Proposal for the distribution of the 2020 year-end bonus for managers.</li> <li>Donation for the "Taipei City Fire Department Association".</li> </ol>	Approved by all independent directors.
2020.12.17 8 <sup>th</sup> meeting in 2020	<ol style="list-style-type: none"> <li>Signature of the supplementary agreement for the transaction of land on Qingxi Section, Zhongli District, Taoyuan City, Lejie Section, Gonghua Section, Dagang Section, and Xinghua Section, Guishan District, Taoyuan City, and Xinbi Section, Luzhu District, Taoyuan City.</li> </ol>	Approved by all independent directors.
2020.02.22 1 <sup>st</sup> meeting in 2021	<ol style="list-style-type: none"> <li>Cash capital increase of the subsidiary Huajian Construction Co., Ltd.</li> <li>Agreement on audit fees for 2021 signed by the Company and Shine-Wing Taiwan.</li> <li>Amendment of the Company's "Delegation of Authority Table".</li> <li>Amendment of the Company's "EPC Project Procurement Regulations" and the establishment of the "Subcontracting Construction and Procurement Regulations".</li> <li>Amendment of the Company's "Employee Leave Regulations".</li> <li>Purchase of land on plot No. 124 on Lejie Section, Guishan District, Taoyuan City.</li> <li>Purchase of 5 plots of land on No. 226 on Qingxi Section, Zhongli District, Taoyuan City.</li> <li>Purchase of 8 plots of land including No. 41, Xinzhan Section, Shalu District, Taichung City.</li> <li>Distribution of sales bonus to the Company's managers and Chief Auditor.</li> <li>Promotion of the Company's Chief Financial Officer.</li> </ol>	Approved by all independent directors.
2020.03.30 3 <sup>rd</sup> meeting in 2021	<ol style="list-style-type: none"> <li>Proposal for participating in the tender for 4 plots of land including No. 79 and 80 on Wenshang Section, Xitun District, Taichung City and No. 28 and 31, Xingtao Section, Wurih District.</li> <li>Proposal for the purchase of 2 plots of land including plot No. 414 and 415, Qingshan Section, Dayuan District, Taoyuan City.</li> <li>Proposal for the purchase of 5 plots of land including No. 29 on Shanjie Section, Guishan District, Taoyuan City.</li> <li>The Company's 2020 business report and financial statements.</li> <li>The Company's 2020 loss makeup proposal.</li> <li>Discussion and amendment of the Company's "Articles of Incorporation".</li> <li>Discussion and amendment of the Company's "Procedures for Acquisition or Disposal of Assets".</li> <li>Discussion and amendment of the Company's "Accounting System".</li> <li>Discussion and amendment of the Company's "Financial Statements Formulation</li> </ol>	Approved by all independent directors.

	<p>Procedures and Management Regulations".</p> <p>10. Submission of the Company's 2020 "Statement of Internal Control System".</p> <p>11. The date and agenda for the Company's 2021 general shareholders' meeting.</p> <p>12. Appointment of the "Corporate Governance Officer".</p> <p>13. Removal of restriction on concurrent posts and non-compete clause for the Company's General Manager and Chief Financial Officer.</p>	
2020.04.15 4 <sup>th</sup> meeting in 2021	<p>1. The Company's proposal for the issuance of ordinary shares through private placement.</p> <p>2. By-election of one Independent Director.</p> <p>3. The period for accepting nomination of Independent Directors, number of seats to be elected, and the venue for accepting nomination.</p> <p>4. The list of candidates for independent directors nominated by the Board for Directors.</p> <p>5. The date and agenda for the Company's 2021 general shareholders' meeting (added new agenda).</p> <p>6. Amendment of the Company's "Organizational Structure".</p> <p>7. Establishment of the Company's "Corporate Social Responsibility Best Practice Principles" and establishment of a unit responsible for promoting corporate social responsibility.</p> <p>8. Establishment of the Company's "Ethical Corporate Management Best Practice Principles" and creation of the Ethical Corporate Management Team.</p> <p>9. The Company's plan for signing a construction project contract with the subsidiary Huajian Construction Co., Ltd. for the residential complexes on "Xinbi Section", "Lejie Section A", and "Qingxi Section A".</p>	Approved by all independent directors.

(2) Except for the matters stated above, any resolution rejected by the Audit Committee but approved by more than two thirds of the directors: None

**2. As for execution, in the event of independent directors' avoidance of the proposal due to conflict of interest, the name of the director, proposal content, reason for conflict of interest and participation in the voting process shall be specified:**

Date of Board of Directors' meeting	Name of Independent Director	Agenda	Reason for recusal	Participation in voting
109.06.29	Wang, Mu-Fan, Huang, Chih-Chen, Yeh, Chien-Wei	Appointment of the members of the Company's fourth Remuneration Committee.	The Independent Directors Wang, Mu-Fan, Huang, Chih-Chen, and Yeh, Chien-Wei were subjects of the discussion.	The Board of Directors' meeting was attended by seven Directors. Except for the three Directors who may not exercise voting rights, the proposal was approved by the other four Directors in attendance and passed as proposed.
109.07.16	Wang, Mu-Fan, Huang, Chih-Chen, Yeh, Chien-Wei	Monthly salary of the Independent Directors.	The Independent Directors Wang, Mu-Fan, Huang, Chih-Chen, and Yeh, Chien-Wei were subjects of the discussion.	The Board of Directors' meeting was attended by seven Directors. Except for the three Directors who may not exercise voting rights, the proposal was approved by the other four Directors in attendance and passed as proposed.

**3. Communication between independent directors, Internal Chief Audit Executive and CPA (which should include materials, methods and results pertaining to corporate finance and business conditions):**

(1) Communication between independent directors and Internal Chief Audit Executive:

- The Chief Auditor organizes at least one meeting of the Audit Committee or a seminar each year to independently communicate with the Independent Directors regarding the internal audit items and follow up on the implementation of the Audit Report.

2. The main communication items with the Chief Auditor in 2020 are summarized in the table below:

Date	Communication content	Opinion of independent directors
2020.03.27 Audit Committee	Evaluation of the effectiveness of the internal control system in 2019.	Approved

2020.12.17 Audit Committee	Report on the implementation status of internal audits in 2020.	Disclaimer of opinion
2020.12.23 Seminar	<ol style="list-style-type: none"> <li>1. Explanation of the follow-up items in the 2020 internal audit report.</li> <li>2. Explanation of the 2021 annual audit plan formulated in accordance with results of risk assessments.</li> <li>3. Explanation of the amendment of new construction and procurement operations.</li> </ol>	Disclaimer of opinion

(2) Communication between independent directors and CPA:

The Independent Directors and the Company's CPAs meet at least once a year for face-to-face communication. Where necessary, they communicate and discuss in writing on issues including the review of the Company's financial statements or audit results, and related legal communications. The Independent Directors also review the independence for the selection of CPAs and the audit and non-audit services provided by the CPAs.

Date	Key communication points	Opinions of the Independent Directors
2020.12.23 Seminar	<p>Explanation and communication on issues raised by the CPA to the members of the Audit Committee</p> <ol style="list-style-type: none"> <li>1. Explanation and communication on major transactions in 2020 as of December 23<sup>rd</sup>, 2020.</li> <li>2. The CPA did not audit or explain matters pertaining to subsidiaries deemed as insignificant.</li> <li>3. Explanation of inventory valuation.</li> </ol>	No opinions
2021.03.30 Audit Committee, Board of Directors Pre-meeting report	<ol style="list-style-type: none"> <li>1. The CPA explained the audit of the Company's financial statements for 2020 and matters of critical interest (including key audit items).</li> <li>2. Impact of recent important amendments of tax laws and introduction of the Corporate Governance 3.0 Sustainable Development Roadmap.</li> <li>3. Discussions and communication between CPAs and Independent Directors.</li> </ol>	No opinions

Notes: \*If any independent director resigns before the end of the year, it shall specify the resignation date in the Remarks field. As for the attendance rate (%), it shall be calculated based on the audit committee meetings held during his service period and the times that he attended such meeting in person.

\*If any independent director is re-elected before the end of the year, it shall specify both the old and the new independent director and add comments in the Remarks field to distinguish the old and new ones and the re-election date. As for the attendance rate (%), it shall be calculated based on the audit committee meetings held during his service period and the times that he attended such meeting in person.

**(3) The operations of corporate governance, its discrepancy with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons:**

Item	Implementation Status (Note 1)			Discrepancy with Corporate Governance Best Practice Principles for Listed Companies, and the reasons
	Yes	No	Summary	
I. Has the Company established and disclosed Corporate Governance Best Practice Principles in accordance with [Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies]?	√		The Company has formulated the “Corporate Governance Code”, which is disclosed on the website of the Company.	In conformation to the regulations of Corporate Governance Best Practice Principles for Listed Companies
II. Corporate equity structure and shareholders' equity				
(1) Has the Company established internal operating procedures to handle shareholder proposals, questions, disputes and litigation, and acted accordingly?	√		(1) The Company has established spokesperson and acting spokesperson system, and also entrusts professional stock transfer agency to handle the shareholder proposals and questions. Moreover, the investor’s and stakeholder’s window is set upon the website of the Company.	In conformation to the regulations of Corporate Governance Best Practice Principles for Listed Companies
(2) Does the Company maintain a list of major shareholders and a final list of controlling shareholders?	√		(2) The Company is capable of maintaining the list of major shareholders and the final list of controlling shareholders.	
(3) Has the Company established and executed a risk control mechanism and firewall with its affiliates?	√		(3) The Company complies with the relevant laws and regulations, and has established the Operation Procedures for the supervision and management of the subsidiaries and the management of the transaction with related parties.	
(4) Has the Company established internal policies that prohibit corporate insiders from trading of securities using undisclosed information?	√		(4) The Company has established the “Operation Procedures for the Processing of Material Information”, and the “Operation Procedures for Prevention of Insider Trading” to prohibit corporate insiders from trading of securities using undisclosed information.	
III. Structure and duties of the Board of Directors.				
(1) Has the Company formulated and implemented a diversification policy in the composition of board members?	√		(1) According to Article 20 of the Corporate Governance Best Practice Principles of the Company, the composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that Directors concurrently serving as the Company's managers do not exceed one third of the total number of the Board members, and that an appropriate policy on diversity based on	In conformation to the regulations of Corporate Governance Best Practice Principles for Listed Companies



Item	Implementation Status (Note 1)			Discrepancy with Corporate Governance Best Practice Principles for Listed Companies, and the reasons
	Yes	No	Summary	
			the Company's business operations, operating dynamics, and development must be formulated. This Company's Board of Directors consists of seven Directors including three Independent Directors. Members have extensive experience and professional knowledge in finance, construction, management, law, and accounting. The Company also pays close attention to gender equality for the composition of the Board of Directors and plans to add one female Director in the next election of the Board of Directors. Refer to P.37 for details.	
(2) Apart from the Remuneration Committee and Audit Committee, has the Company voluntarily set up other functional committees?		V	(2) The Company has set up the Remuneration Committee. Moreover, the Audit Committee was set up on May 31 <sup>st</sup> , 2017. The Company plans to establish the "Nominating Committee" before the end of 2021.	It will set up other functional committees based on the scale and demands of the Company.
(3) Has the Company established standards to assess the Board's performance annually, reported the result of performance evaluation to the Board as reference for remuneration paid to the directors and their nomination for succession?	V		(3) The Company's Board of Directors passed the Regulations Governing the Evaluation of the Performance of the Board of Directors on November 12 <sup>th</sup> , 2019 and reported the evaluation results of the performance of the Board of Directors for 2020 to the Board of Directors on February 22, 2021. The results will be used as references for determining the remuneration for individual Directors, their nomination, and reappointment. (Refer to P.36 for information on the operations of the Board of Directors)	In conformation to the regulations of Corporate Governance Best Practice Principles for Listed Companies
(4) Does the Company regularly evaluate the CPA's independence?			(4) The Company reviews the independence of the CPA annually. The independence evaluation for ShineWing CPA Chen, Kuang-Hui and CPA Yau, Yu Lin was passed during the board meeting held on February 22 <sup>nd</sup> , 2021(Note2).	In conformation to the regulations of Corporate Governance Best Practice Principles for Listed Companies
IV. As a TWSE/TPEX-listed company, has the Company established adequate and competent corporate governance personnel, and assigned a corporate	V		The Company, following the resolution passed by the Board of Directors' meeting on March 30, 2021, appointed Wang, Chen-Kang to serve as the Company's Corporate	In conformation to the regulations of Corporate Governance Best Practice Principles for Listed

Item	Implementation Status (Note 1)			Discrepancy with Corporate Governance Best Practice Principles for Listed Companies, and the reasons
	Yes	No	Summary	
governance manager in charge of corporate governance affairs (including but not limited to providing data required by directors and supervisors for business implementation, assisting directors and supervisors in regulatory compliance, dealing with matters relating to board meetings and shareholders' meetings, handling corporate registration and change in registration, preparing minutes of the board meetings and shareholders' meetings)?			<p>Governance Officer and take charge of the Company's corporate governance affairs. The scope of duties includes:</p> <ol style="list-style-type: none"> <li>1. Provide the data need by the directors when implementing business, and pay attention to the latest regulatory developments related to the operation of the Company to assist the directors in regulatory compliance and assistance to the Directors in taking office and continuing education.</li> <li>2. Handle matters related to the Audit Committee, Remuneration Committee, and the Board of Directors and the Shareholders' Shareholders' Meeting, and assist the Company in regulatory compliance.</li> <li>3. Prepare minutes of the audit committee meetings, Remuneration Committee and board meetings and shareholders' meetings.</li> <li>4. Handle the shareholders' meeting related affairs, including pre-registration before the date of the Shareholders' Meeting, make a meeting notice and handbook before the deadline, meeting minutes, and handle the reporting and announcements as required by laws. Handle the change registration in case of the amendment of the Articles of Association or the re-election of the directors.</li> <li>5. The Company organizes performance evaluations of the Board of Directors on a regular basis each year and reports the results to the Board of Directors.</li> </ol>	Companies; it will set up the corporate governance manager based on the manpower allocation.
V. Has the Company established communication channels with interested parties (including but not limited to shareholders, employees, customers, and suppliers), set up a special zone on the website for stakeholders, and responded to critical CSR issues that concern interested parties?	V		The Company has established the spokesperson and acting spokesperson system. Moreover, the investor's and stakeholder's window is set up on the website of the Company to respond to the issues concerned by the stakeholders properly.	In conformation to the regulations of Corporate Governance Best Practice Principles for Listed Companies
VI. Has the Company appointed a professional transfer agent to handle	V		The Company entrusts the professional Transfer Agency Department of CTBC Bank	In conformation to the regulations of Corporate

Item	Implementation Status (Note 1)			Discrepancy with Corporate Governance Best Practice Principles for Listed Companies, and the reasons
	Yes	No	Summary	
affairs pertaining to the shareholders' meeting?			to handle the stock affairs of the Company.	Governance Best Practice Principles for Listed Companies
VII. Information Disclosure				
(1) Has the Company set up a website to disclose information regarding the Company's finance and corporate governance?	√		(1) The Company has constructed <a href="http://www.delpha.com.tw">www.delpha.com.tw</a> to disclose the information related to finance and corporate governance.	In conformation to the regulations of Corporate Governance Best Practice Principles for Listed Companies
(2) Does the Company have other information disclosure channels (e.g. creating an English website, appointing designated personnel to handle information collection and disclosure, developing a spokesman system, webcasting investor conferences)?	√		(2) The Company has appointed designated personnel to handle information collection and finish the reporting operation as required by the competent authority. Moreover, it has practiced the spokesman system as required.	
(3) Does the Company announce and file its annual financial reports within 2 months from the end of the fiscal year? Does the company announce and file the financial reports for Q1, Q2 and Q3, as well as the operation status of each month before the due date?		√	(3) The Company announces and files the annual financial report audited by the CPA within 3 months after the end of the fiscal year as required by the provisions of Article 36, Securities Exchange Act. The financial reports for Q1, Q2 and Q3, as well as the operation status of each month are announced within the required period. As for announcing before the due date, it depends on the board approval date and the operation time of the Company.	It will evaluate the operation time and the board operation for this issue.
VIII. Does the Company have any other important information to facilitate better understanding of the Company's corporate governance practices (e.g. including but not limited to employee rights and interests, employee care, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, implementation of risk measures, implementation of customer relations policies, and purchase of liability insurance for directors and supervisors)?	√		(1) Rights, benefits and care for employees: The Company has set up a staff welfare committee, and set asides pensions under laws. Moreover, it purchases group insurance for employees, and conducts health check-ups regularly, so as to protect employee rights and get the employee's health status. (2) Investor's relations: The Company discloses the corporate information on the MOPS under laws, so as to provide transparent information for the investors in real time. Moreover, a spokesperson is set up to handle the advice made by the spokesperson. (3) Supplier's relations: The Company establishes long-term partnership with the suppliers, and keep good interaction.	In conformation to the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item	Implementation Status (Note 1)			Discrepancy with Corporate Governance Best Practice Principles for Listed Companies, and the reasons
	Yes	No	Summary	
			<p>(4) Continuing education situation of directors : The Company provides the course information for directors randomly. The continuing education situation of directors is disclosed in the Annual Report and the MOPS.</p> <p>(5) Implementation of customer policies: The Company sets up a customer service line and Email to provide comprehensive after-sale service.</p> <p>(6) Purchase of liability insurance for directors: The Company purchases liability insurance for directors in accordance with the Articles of Association of the Company.</p>	

IX. Based on the latest Corporate Governance Assessment System result from the Corporate Governance Center of the TWSE, describe the improvements and propose priority measures to strengthen unimproved aspects. (not applicable to companies that were not subject to evaluation)

\*Improvements:

1. It has posted the English annual report in 2019.
2. Before the election on June 23<sup>rd</sup>, 2020, the Chairman and the General Manager were the same person, but there is no such occurrence at the moment.
3. The Company appointed the Corporate Governance Officer on March 30<sup>th</sup>, 2021.
4. Implemented and reported the 2020 performance evaluation of the Board of Directors.
5. All Directors have completed the minimum hours of continuing education as required by the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".

(Please refer to the Market Observation Post System for reported continuing education information)

\* Priority measures to strengthen unimproved aspects:

1. The Company shall complete the preparation and upload of the Corporate Social Responsibility Report by September 2021.

Note 1: The Summary should be specified regardless of a Yes or No selection under the Implementation Status.

Note 2: Criteria to evaluate the CPA independence:

Item	Evaluation item (during the two years before being elected and during the term of office)	Evaluation result
1	The tenure of the CPA did not exceed 7 years.	Yes
2	There are no direct or indirect material financial interests between the CPA and the Company.	Yes
3	The CPA firm does not rely excessively on a single customer (the Company) for its source of remuneration.	Yes
4	The CPA and the Company do not have significant or close business relations.	Yes

5	There are no potential employment relations between the CPA and the Company.	Yes
6	The CPA is unrelated to the audit cases or audit fees.	Yes
7	No CPA or member of the audit service team currently serves or had served as the Company's Director, manager, or other positions that could seriously affect the audit in the most recent two years.	Yes
8	The non-audit services provided by the CPA to the Company did not directly impact critical items in the audit.	Yes
9	The CPA does not promote or serve as the intermediary for the stocks or other securities issued by the Company.	Yes
10	The CPA does not represent the Company in defense against third-party legal cases or other disputes.	Yes
11	No CPA or member of the audit service team is related to the Company's Director, manager, or individuals in other positions that could seriously affect the audit.	Yes

**(4) If a Remuneration Committee is set up, it should disclose the composition, responsibilities and operations:**

**1. Information on the members of Remuneration Committee**

Identity (Note 1)	Criteria  Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Working Experience	Independence Attribute (Note 2)												Number of Holding Concurrent Position of Remuneration Committee Members in Other Public Companies	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 Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Working Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Wang, Mu-Fan		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Yeh, Chien-Wei			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Huang, Chih Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Resigned on March 26 <sup>th</sup> , 2021

Note 1: The Identity should be director, independent director or others.

Note 2: Members, during the two years before being elected and during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates (However, this does not apply, in cases where the person is an Independent Director of the company or its parent company, subsidiary or the subsidiary under the same company that are set up according to this Act or local country ordinances).

- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as of its top five shareholders (However, this does not apply, in cases where the person is an Independent Director of the company or its parent company, subsidiary or the subsidiary under the same company that are set up according to this Act or local country ordinances).
- (6) Not a director, supervisor, or employee of another company that is controlled by the same person as the company with the director seat or more than half of the voting shares of the company (However, this does not apply, in cases where the person is an Independent Director of the company or its parent company, subsidiary or the subsidiary under the same company that are set up according to this Act or local country ordinances).
- (7) Not a director, supervisor, or employee of another company or institution that the chairman, the general manager or the equivalents are the same person or the spouse of these positions of the company (However, this does not apply, in cases where the person is an Independent Director of the company or its parent company, subsidiary or the subsidiary under the same company that are set up according to this Act or local country ordinances).
- (8) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company (However, this does not apply, in cases where the company or institution holds more than twenty percent but less than fifty percent of the total number of outstanding shares of the Company, and the person is an Independent Director of the company or its parent company).
- (9) Not a professional individual nor an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution, or a spouse thereof, who, provides audit to the company or to any affiliate of the company, or obtains the remuneration less than NT\$500,000 in the most recent two years by providing commercial, legal, financial, accounting services or consultation services, provided that this restriction does not apply to any member of the compensation committee, the takeover board or the M&A special committee who exercises powers pursuant to Securities Exchange Law or the Corporate M & A Law.
- (10) Not been a person of any conditions defined in Article 30 of the Company Act.

## 2. Information on the Operations of Remuneration Committee

The Remuneration Committee of the Company is composed of 3 persons.

(The Independent Director Huang, Chih-Chen resigned on March 26<sup>th</sup>, 2021 and the Company will organize a by-election for one Independent Director in the shareholders' meeting in 2021)

(a) The previous Remuneration Committee (term of office from May 31<sup>st</sup>, 2017 to June 22<sup>nd</sup>, 2020) convened 2 (A) meetings of the Remuneration Committee in the most recent year (2020).  
The attendance of Directors was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remarks
Convener	Tseng, Ping-Joung	3	0	100.00%	
Committee Member	Chang, Chang-Ter	3	0	100.00%	
Committee Member	Jhan, Zong-Ren	3	0	100.00%	

(b) The current Remuneration Committee (term of office from June 23<sup>rd</sup>, 2020 to June 22<sup>nd</sup>, 2023) convened 3 (A) meetings of the Remuneration Committee in the most recent year (2020).  
The attendance of Directors was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remarks
Committee Member	Wang, Mu-Fan	3	0	100%	
Committee Member	Yeh, Chien-Wei	3	0	100%	
Committee Member	Huang, Chih Chen	3	0	100%	Resigned on March 26 <sup>th</sup> , 2021

### Power and duties of the Remuneration Committee:

The Company set up the Remuneration Committee in December, 2011. And the Committee should exercise the duty of care of a good faith manager to faithfully perform the following power and duties, and submit proposals to the Board meeting for discussion:

1. Establish and regularly review the policy, system, standards and structure of the salaries and remuneration for the Company's directors and managerial officers.
2. Evaluate on a regular basis the remuneration of the Company's directors and managerial officers.

**The date of meeting, term, proposal content, resolution result in the most recent year, and the Company's handling of the opinion of the remuneration committee members:**

Meeting date (term)	Proposal content	Opinion of all members and the Company's handling
2020.03.27 7 <sup>th</sup> meeting of the 3 <sup>rd</sup> term	Reported that due to the Company's net loss in 2019, the Company shall not distribute remuneration of Directors or employees.	Approved by all Independent Directors.
2020.05.05 8 <sup>th</sup> meeting of the 3 <sup>rd</sup> term	Discussion of the bonus for Dragon Boat Festival for managers and general directors of the Company with fixed monthly salary	Approved by all Independent Directors.
2020.07.16 1 <sup>st</sup> meeting of the 4 <sup>th</sup> term	1. Election of the convener and chair of the 4 <sup>th</sup> Remuneration Committee.	All members in attendance elected the Independent Director Wang, Mu-Fan as the convener of the 4 <sup>th</sup> Audit Committee.
	2. Proposal for the salary of the Company's new Chairman and General Manager.	Approved by all Independent Directors.
	3. Monthly consulting fees for the newly appointed consultant.	
	4. Monthly salary of the Independent Directors.	For proposals that affect the self-interests of the three Independent Directors, they recused themselves one by one from discussions and voting for the resolution and passed the proposal unanimously.
	5. Attendance fees for Directors and members of the Audit Committee.	For proposals that affect the self-interests of the three Independent Directors, they recused themselves one by one from discussions and voting for the resolution and passed the proposal unanimously.
	6. Salary and the standards for the distribution of 2020 Mid-Autumn Festival bonus for employed managers.	Approved by all Independent Directors.
2020.08.13 2 <sup>nd</sup> meeting of the 4 <sup>th</sup> term	1. Payment of the pension for the Vice President of the Finance Department.	Approved by all Independent Directors.
	2. Salary adjustments and the standards for the distribution bonuses for the three traditional holidays for employed managers and Chief Auditor.	
2020.11.11 3 <sup>rd</sup> meeting of the	1. Establishment of the share subscription plan for managers in the Company's 2020 cash capital increase.	Approved by all Independent Directors.

4 <sup>th</sup> term	2. Proposal for the distribution of the 2020 year-end bonus for managers.	
2021.02.22 4 <sup>th</sup> meeting of the 4 <sup>th</sup> term	1. Distribution of sales bonus to the Company's managers and Chief Auditor. 2. Promotion of the Company's Chief Financial Officer.	Approved by all Independent Directors.

Other Noticeable Particulars:

1. If the Board did not adopt or amend the recommendations of the Remuneration Committee, the date of the board meeting, term, proposal content, result of board resolution, and how the Company handled the proposal (If the remuneration approved by the board is higher than the proposal of the Remuneration Committee, the difference and reason should be specified.) should be specified: None
2. If members of the Remuneration Committee expressed opposition or qualified opinions that were recorded or declared in writing, the date of the remuneration committee meeting, term, proposal content, opinions of all members and the Company's handling of those opinions should be specified: None

Notes: (1) If any member of the Remuneration Committee resigns before the end of the year, the resignation date should be specified in the Remarks field. The attendance rate (%) is calculated based on the number of remuneration committee meetings held during the period of service and the frequency of attendance in person.

- (2) If any member of the Remuneration Committee is re-elected before the end of the year, both the old and new members should be specified, and comments should be indicated in the Remarks field to distinguish the old and new members and the re-election date. The attendance rate (%) is calculated based on the number remuneration committee meetings held during the period of service and the frequency of attendance in person.

(5) Fulfillment of corporate social responsibility, Discrepancy with Corporate Governance Best Practice Principles for Listed Companies, and the reasons:

Item	Implementation Status (Note 1)			Discrepancy with Corporate Governance Best Practice Principles for Listed Companies, and the reasons
	Yes	No	Summary (Note 2)	
1. Does the Company conduct risk evaluation for the environmental, social and corporate governance issues related to the operations of the Company based on the materiality principle, and formulated related risk management policies or strategies? (Note 3)	√		<p>(1) Environmental protection The Company is engaged in the construction industry. When planning and designing the Urban Green, it not only follows safety, fire protection and other relevant laws and regulations, but also introduces green building design concepts in line with the international trends, which conforms to the seven indicators of silver grade green building label (namely, green space, water preservation in the base, daily energy conservation, carbon dioxide reduction, waste reduction, water resource, sewage and garbage improvement), with the expectation to create a healthy, comfortable and environment-friendly living environment.</p> <p>(2) Corporate governance The Company enacted the "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" established by Taiwan Stock Exchange Corporation and the Company's "Rules and</p>	None



Item	Implementation Status (Note 1)			Discrepancy with Corporate Governance Best Practice Principles for Listed Companies, and the reasons
	Yes	No	Summary (Note 2)	
			<p>Systems Management Regulations" to create a solid system for ethical management and promote positive development of the securities market. The Company established effective corporate governance structures based on the internal control system to implement ethical management and disclose information on the Market Observation Post System.</p> <p>(3) Information security The Company follows the information management operation regulations approved by the board of directors to control or maintain the functions of the Company's important information systems such as operations and accounting. The computers are installed with anti-virus software and firewall to ensure the security of the Company's computer system. The information system architecture establishes a complete system and data backup mechanism based on its risk levels and keeps the backup media remotely.</p>	
II. Does the Company have a special (concurrent) unit to promote CSR initiatives, supervised by a Board-appointed member of the management team, who reports to the Board?	V		<p>For the purpose of managing corporate social responsibility initiatives, the Company designated the Corporate Governance Office, Legal Affairs Office, and Finance and Accounting Department as units responsible for promoting corporate social responsibility on a part-time basis and establish the "Corporate Social Responsibility Best Practice Principles". They are responsible for the preparation and execution of the CSR Policy, system, related management strategies, and specific implementation plans, and they regularly report to the Board of Directors.</p>	None
III. Environment issues				
(1) Does the Company establish proper environmental management systems based on the characteristics of its businesses?	V		(1) The waste generated in each construction site is handled by a professional and qualified environmental protection company. Moreover, supervision personnel are assigned in the construction site to supervise the management and maintenance of the environment of the contract during the construction period.	None
(2) Does the Company endeavor to utilize all resources more efficiently	V		(2) The Company implements resource recycling, waste classification, repeated use	None

Item	Implementation Status (Note 1)			Discrepancy with Corporate Governance Best Practice Principles for Listed Companies, and the reasons
	Yes	No	Summary (Note 2)	
and use renewable materials which have low impact on the environment?			of paper.	
(3) Does the Company evaluate the current and future potential risks and opportunities brought by the climate change, and take measure to respond to the climate related issues?	√		(3) When planning and designing construction projects, the Company not only meets the requirements of safety and fire protection regulations, but also introduces green building design concepts in line with international trends, so as to create a healthy, comfortable and environment-friendly living environment.	None
(4) Does the company calculate the greenhouse gases (GHG) emission, water consumption and total weight of wastes for the past two years, and formulated the strategies for energy conservation, carbon reduction, GHG emission reduction, water saving and management of other wastes?		√	(4) The Company hasn't formulated the strategies for energy conservation.	It will consider establishing such policy upon requirements of laws or practical demands.
IV. Social issues				
(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	√		(1) The Company has formulated appropriate management policies and procedures according to labor related laws and regulations, and the International Bill of Human Rights.	None
(2) Does the Company formulate and implement reasonable policies of staff welfare (including compensation, vacation and other welfares), and reflect the operating performance or achievement in the compensation of the employees properly?	√		(2) The Company stipulates various salary and welfare measures for employees as required by the "Labor Standards Act" and related laws and regulations and distributes bonuses in accordance with the employee compensation and related incentives stipulated in the Company's Articles of Association to share profits or fruits with employees.	None
(3) Does the Company create a safe and healthy working environment and provide safety and health education for employees regularly?	√		(3) The Company provides a safe and healthy workplace for the employees: (A)Door access security: The company has a door access monitoring system and signs contract with the security company. (B)Fire safety: The management committee checks the fire security randomly. (C)Drinking water safety: The Company regularly replaces the drinking water filter. (D)Safety in construction site: When	None

Item	Implementation Status (Note 1)			Discrepancy with Corporate Governance Best Practice Principles for Listed Companies, and the reasons
	Yes	No	Summary (Note 2)	
(4) Does the Company provide employees with opportunities for career development and training?	V		<p>accessing the construction site, it is required to put on helmet, and follow the construction site safety regulations. The construction project follows the labor safety and health laws and regulations promulgated by the government.</p> <p>(E)Physiological health: The Company regularly conducts health checkups for employees.</p> <p>(F)Insurance: The Company purchases group insurance for employees.</p> <p>(4) The Company encourages employees to participate in trainings and provide subsidy for such trainings in accordance with the "Regulations Governing the Employee Education and Training".</p>	None
(5) Does the Company follow regulations and international standards in the customer health, safety, customer privacy, marketing and labeling of its products and services, and set policies and appeal procedures for protection of consumer's rights and interests?	V		<p>(5) From land development to design and construction, the Company has constantly been upholding the spirit of "cultivating spaces and caring about the land", and has always been pursuing the goals of "providing high-quality and diversified construction and living spaces, caring about the social environment, and helping to create a gorgeously neat dwelling and urban life landscape". In order to enhance our competitive and operating advantages, we strive to achieve the following four goals: the investor's and stakeholder's window is set up on the website of the Company.</p>	None
(6) Does the Company formulate the supplier management policies and require suppliers to follow relevant norms on environmental protection, occupational safety and health, or labor's human rights, and disclose the implementation?	V		<p>(6) The contracts between the Company and main suppliers include related provisions and suppliers are long-time partners without negative records of impact on the environment and society.</p>	None
V. Does the Company, following internationally recognized guidelines, prepare and publish reports such as its corporate social responsibility report to disclose non-financial information of the Company? Does the Company obtain a third-party verification or assurance for such reports?		V	The Company plans to prepare the Corporate Social Responsibility Report in the second half of 2021 and upload the CSR Report to the Market Observation Post System by September 30, 2021.	The Company will establish such policy upon the requirements of laws.
VI. Does the Company disclose relevant and reliable information regarding CSR on its website and the MOPS? The Company established the "Corporate Social Responsibility Best Practice Principles" on April 15 <sup>th</sup> , 2021 in				

Item	Implementation Status (Note 1)			Discrepancy with Corporate Governance Best Practice Principles for Listed Companies, and the reasons
	Yes	No	Summary (Note 2)	
accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and included the principles and spirit of ethical management into related regulations.				
VII. Other better understanding of the Company’s CSR operation important information:				
●Environmental protection work	The waste generated in each construction site is handled by a professional and qualified environmental protection company. Moreover, supervision personnel are assigned in the construction site to supervise the management and maintenance of the environment of the contract during the construction period.			
●Consumer rights and benefits	All construction projects of the Company are presented to consumers with the best quality. Moreover, it sets up customer service lines to protect the rights and interests of customers.			

Note 1: If Yes is selected under Implementation Status, it shall explain the key policies, strategies, measures and implementation situation. If No is selected under Implementation Status, it shall explain the reason and the plan to implement related policies, strategies and measures to be taken in the future.

Note 2: If a CSR Report is compiled by the Company, inquiry and index page about the CSR Report should be specified under Summary.

Note 3: The materiality principle refers to those related to environmental, social and corporate governance issues that have significant influence on the Company's investors and other interested parties.

**(6) Implementation of business integrity, Discrepancy with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons:**

Item	Implementation Status (Note 1)			Discrepancy with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons
	Yes	No	Summary	
I. Establishment of business integrity policies and programs				
(1) Does the Company have bylaws and external documents approved by the Board that uphold its policy and business integrity, and are the Board and top management team committed to implementing such policy?	V		(1) The Company established the "Ethical Corporate Management Best Practice Principles" on April 15 <sup>th</sup> , 2021 to guide the members of the Company's Board of Directors and management and ensure that their actions meet the ethical corporate management principles.	None
(2) Does the company establish the evaluation mechanism for the risk of unethical conducts, so as to regularly analyze and evaluate the operating activities associated with high risk of unethical conduct, and establish appropriate preventive measures at least for the business activities prescribed in Paragraph 2, Article 7 of the "Ethical Corporate	V		(2) To create a good image and maintain personal and company reputation, the Company does not accept gifts, remuneration, presents or other benefits from other entities. We have established rules regarding conflicts of interests in the construction contracts of the "Procurement and Contracting Regulations".	None

Item	Implementation Status (Note 1)			Discrepancy with Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons
	Yes	No	Summary	
<p>Management Best Practice Principles for TWSE/TPEX Listed Companies”?</p> <p>(3) Has the Company established relevant programs which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, penalties and grievance channels? Does the Company implement and regularly review to revise them?</p>	V		(3) The Company has established the Ethical Corporate Management Best Practice Principles and prohibits the Company's Directors, managers, employees, and entities substantively controlled by the Company from engaging in unethical conduct such as directly or indirectly providing or accepting any bribes, providing illegal political donations, inappropriate charity donations, providing or receiving unreasonable gifts, hospitality, or other improper benefits, or infringement of intellectual property rights, products, or services that damage the interests of stakeholders. The Company also regularly reviews and amends related regulations.	None
<p>II. Ethical Management Practice</p> <p>(1) Does the company check whether the counterparty has any record of ethical misconduct and if the contract terms require compliance of ethical corporate management policy?</p>	V		(1) When signing major contracts, the contractual parties are required to present the “Disclaimer for Conflict of Interest”.	None
<p>(2) Has the company set up a special (concurrent) unit under the direct supervision of the Board, to handle the implementation of the Company’s ethical standards and report the ethical policies and unethical conduct prevention program to the Board periodically (at least annually)?</p>	V		(2) The Company set up a dedicated unit responsible for implementing ethical corporate management on April 15 <sup>th</sup> , 2021. The Company's Corporate Governance Office, Legal Affairs Office, and Finance and Accounting Department are responsible for implementation and regularly report to the Board of Directors.	None
<p>(3) Has the Company established policies to prevent conflict of interest, provide appropriate reporting channels, and implement policies properly?</p>	V		(3) It requires avoiding for conflict of interest among directors as stipulated in the “Handbook for Board Meeting” and “Regulations Governing the Transactions with Related Parties”. It regularly sends the “Ethics Statement” to the major suppliers regularly.	None

Item	Implementation Status (Note 1)			Discrepancy with Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons
	Yes	No	Summary	
(4) To implement relevant policies on ethical conduct, does the Company establish effective accounting and internal control systems? Does the internal audit unit make related audit plans based on the evaluation results of the unethical conduct prevention program, so as to audit the compliance with unethical conduct prevention program by the internal auditors or the entrusted CPA?	V		(4) The Company established the "Ethical Corporate Management Best Practice Principles" on April 15 <sup>th</sup> , 2021. The Principles are effectively implemented along with the Company's existing accounting system and internal control system, and the internal auditors implement audits in accordance with the annual audit plan.	None
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	V		(5) The Company planned to appoint an instructor to lecture on "Practical Insider Trading Case Studies" on May 3 <sup>rd</sup> , 2021 for all of the Company's Directors and managers.	None
III. Complaint Procedures				
(1) Has the Company established specific grievance and reward management procedures, as well as accessible grievance channels, and designated responsible individuals to handle complaints?	V		(1) The Company established the "Employee Opinion Box Implementation Policy and Principles" and set up an opinion box to create smooth communication channels between employees and the Company. The General Manager personally responds to the employees' opinions.	None
(2) Has the Company established standard operating procedures for investigating complaints and the subsequent measures taken after the investigation, and ensuring that such complaints are handled in a confidential manner?	V		(2) Article 22 of the Company Ethical Corporate Management Best Practice Principles established the reporting system and standard operating procedures and confidentiality mechanisms for case acceptance, investigation processes, investigation results, and related documentation.	None
(3) Does the Company adopt proper measures to protect a complainant from retaliation?	V		(3) It is committed to keep the profile of complainant confidential in the "Policies and Principles for Implementing Employee Advice Mailbox".	None
IV. Strengthening Information Disclosure				
(1) Does the Company disclose its Ethical Corporate Management Principles as well as information about implementation of such principles on its website and the MOPS?	V		The Company established the "Ethical Corporate Management Best Practice Principles" on April 15 <sup>th</sup> , 2021 and discloses the implementation results on the website and the Market Observation Post System.	None

Item	Implementation Status (Note 1)			Discrepancy with Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons
	Yes	No	Summary	
V. If the Company has established the Ethical Corporate Management Principles based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX List Companies, describe the difference between the principles and implementation: The Company established the "Ethical Corporate Management Best Practice Principles" on April 15 <sup>th</sup> , 2021 and included the principles and spirit of ethical management into related regulations. The Company has met requirements in the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies".				
VI. Other important information to facilitate better understanding of the Company’s implementation of business integrity (e.g., review and amendments to the Company’s Ethical Code of Conduct) 1. The Company complies with the Company Act, the Securities and Exchange Act, and related regulations for listed companies and other codes related to business conduct, which are taken as the foundation for implementing business integrity. 2. The Company regulates avoiding the conflict of interests for directors and stakeholders in the “Handbook for Board Meeting” and “Regulations Governing the Transactions with Related Parties”. 3. The Company has established the “Operation Procedures for the Processing of Material Information”, and the “Operation Procedures for Prevention of Insider Trading” to prevent improper disclosure of information.				

Note 1: The Summary should be specified regardless of a Yes or No selection under the Implementation Status.

**(7) If the company develops a corporate governance code and relevant regulations, it should disclose its inquiry method:**

Relevant regulations:

1. Handbook for Shareholders' Meeting
2. Handbook for Board Meeting
3. Director Election Regulations
4. Operation Procedures for the Acquisition or Disposal of Assets
5. Operation Procedures for Lending Capital to Others
6. Operation Procedures for Endorsements and Guarantees
7. Operation Procedures for Prevention of Insider Trading
8. Operation Procedures for the Processing of Material Information
9. Policies and Principles for Implementing Employee Advice Mailbox
10. Remuneration Committee Charters
11. CSR Code of Best Practice
12. Audit Committee Charters
13. Regulations on Scope of Responsibilities of Independent Directors
14. Board and Functional Committee Performance Evaluation Regulations
15. Corporate Social Responsibility Best Practice Principles
16. Ethical Corporate Management Best Practice Principles

Inquiry method:

These regulations are available on the Company's website and the Market Observation Post System.

**(8) The Company has established the “Operation Procedures for the Processing of Material Information”, and the “Operation Procedures for Prevention of Insider Trading”, and announced to all employees, managerial officers and directors:**

The Company organizes at least one session of training on "regulations for preventing insider trading" and training on related regulations for current Directors, managers, and insiders at least once every year. The Company planned to appoint the attorney Hsu, Chao-Ching to lecture on "Practical Insider Trading Case Studies" on May 3<sup>rd</sup>, 2021 for all of the Company's Directors and managers.

The Company provides the "Insider Equity Trading Q&A for Listed Companies" formulated by the TWSE after new employees are appointed to provide training.

The Company provided related training for employees through the business communication forms on October 8<sup>th</sup>, 2020. The contents included introduction to insider trading laws and regulations, causes of insider trading, process for determining insider training, penalties, and examples of common insider trading violations. The Company also placed the briefing and video files in the internal files of the Company for employees to view at any time. New employees are provided with an orientation manual for reference after they report for duty.

Three of the Directors of the Company's current Board of Directors attended the "Seminar on Legal Compliance for Stock Transactions by Internal Personnel of Listed Companies".

**(9) Other important information to facilitate better understanding of the Company's implementation of corporate governance may also be disclosed:**

None.



**(10) Implementation of internal control system:**

**1. Statement of Internal Control System:**

**Delpha Construction Co., Ltd.**  
**Statement of Internal Control System**



Date: March 30<sup>th</sup>, 2021

Based on the findings of a self-assessment, Delpha Construction Co., Ltd. states the following with regard to its internal control system during the year 2020:

1. The Company's board of directors and managerial officers are responsible for establishing, implementing, and maintaining an adequate internal control system and have already established it. Its purpose is: i. to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets); ii. The report has reliability, timeliness, transparency; iii. It is in compliance with applicable rulings, laws and regulations, and could provide reasonable guarantees.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its three stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: i. control environment, ii. risk assessment, iii. control activities, iv. information and communication, and v. monitoring activities, each of which includes several items. As for more details about the said components, please refer to the provisions in the Regulations.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the Company's Annual Report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was passed by the board of directors in their meeting held on March 30, 2021, with none of the 6 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Delpha Construction Co., Ltd.

Chairman: Cheng, Ssu-Tsung



General Manager: Wu, Yu-Guo



2. If CPA was engaged to conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

**(11) Disclosure of any sanction imposed in accordance with the law upon the Company and its internal personnel, any sanction imposed by the Company upon its internal personnel for violation of internal control system provisions, principal deficiencies, and efforts to implement improvements in the most recent year and as of the Annual Report publication date:**  
None.

**(12) Resolutions made during the shareholders' meeting or board meeting in the most recent year and as of the Annual Report publication date:**

1. Review of the implementation of resolutions made during the shareholders' meeting in the most recent year:

Resolutions of the shareholders' meeting	Implementation
1. Approved 2019 Operation Reports and Financial Statements of the Company.	It announced major information on June 23 <sup>rd</sup> , 2020 as required after the resolution of the shareholders' meeting.
2. Approved 2019 Profit Distribution Plan of the Company	The board meeting held on July 16 <sup>th</sup> , 2020 passed that the date August 8 <sup>th</sup> , 2020 was set as the ex-dividend date, while the date August 28 <sup>th</sup> , 2020 was set as the distribution date.
3. The Procedures for the Acquisition or Disposal of Assets of the Company	It was disclosed on the MOPS and the official website on June 23 <sup>rd</sup> , 2020 upon the resolution of the shareholders' meeting, and was subject to the procedures after amendments.
4. The Procedures for Loaning of Company Funds of the Company	
5. The Procedures for Endorsements and Guarantees of the Company	

2. Important resolutions made during the shareholders' meeting and board meeting

Date	Meeting type	Resolutions	Remarks
2020.03.27	Board meeting	1. Approved the proposal of urban renewal business plans and right transfer plans on 19 land lots such as Huai Sheng Section project — subsection lot No. 121-4 in Da'an District, Taipei City	
		2. Approved the 2019 Operation Reports and Financial Statements of the Company	
		3. Approved the 2019 profit distribution plan of the Company	
		4. Approved to sign 2020 CPA fees with ShineWing CPAs (Taiwan)	
		5. Approved the proposal of increasing capitals by cash for Huachien Development Co., Ltd.	
		6. Approved the proposal of capital increase by cash and issuance of new shares	
		7. Approved the proposal of re-electing directors	
		8. Approved the date and reason for holding the 2020 general shareholders' meeting	
		9. Approved the nomination period of candidates for directors (including independent directors), the number persons to be elected and the handling premises	
		10. Approved the proposal of issuing 2019 Statement of Internal Control System of the Company	
2020.05.08	Board meeting	1. Passed the assessment of the independence of the Company's CPAs.	
		2. Passed the list of candidates for Directors (including Independent Directors) nominated by the	

		<p>Board for Directors.</p> <ol style="list-style-type: none"> <li>Passed the list of candidates (including Independent Directors) nominated by the Board for Directors and shareholders.</li> <li>Passed the amendment of the Company's "Audit Committee Organizational Rules".</li> <li>Passed the amendment of the "Rules Governing the Duties of Independent Directors".</li> <li>Passed the bonus for Dragon Boat Festival for managers and general directors of the Company with fixed monthly salary.</li> </ol>	
2020.06.23	Shareholders' meeting	<p>The following matters were passed in the voting:</p> <ol style="list-style-type: none"> <li>The Company's 2019 business report and financial statements.</li> <li>The Company's earnings distribution proposal.</li> <li>The Company's "Procedures for Acquisition or Disposal of Assets".</li> <li>The Company's "Procedures for Extending Loans to Others".</li> <li>The Company's "Procedure for Making Endorsements and Guarantees".</li> <li>Election of the Company's Directors.</li> </ol>	
2020.06.29	Board meeting	<ol style="list-style-type: none"> <li>Election of the Company's Chairman by the new Board of Directors.</li> <li>Appointment of the members of the Company's fourth Remuneration Committee.</li> <li>Appointment of the Director Li, Chin-Yi as the Company's consultant.</li> <li>Appointment of Mr. Lin, Wen-Liang as the Company's Honorary Chairman.</li> <li>Appointment of the Company's General Manager.</li> <li>Removal of non-compete clause for the Company's new General Manager.</li> </ol>	
2020.07.16	Board meeting	<ol style="list-style-type: none"> <li>Establishment of the ex-dividend date for the distribution of 2019 cash dividends.</li> <li>Proposal for the salary of the Company's new Chairman and General Manager.</li> <li>Monthly consulting fees for the newly appointed consultant.</li> <li>Monthly salary of the Independent Directors.</li> <li>Attendance fees for Directors and members of the Audit Committee.</li> <li>Salary and the standards for the distribution of 2020 Mid-Autumn Festival bonus for employed managers.</li> <li>Application of the Company's Chief Financial Officer for retirement.</li> </ol>	
2020.08.13	Board meeting	<ol style="list-style-type: none"> <li>Purchase of 2 plots of land on No. 233 and 235 on Xinbi Section, Luzhu District, Taoyuan City, and joint construction on plot No. 237 of the same section.</li> <li>Purchase of 5 plots of land including No. 182 and 177 on Lejie Section, and No. 583 on Gonghua Section (held by separate parties), No. 984 on Dagang Section (held by separate parties), and No. 793 on Xinghua Section, Guishan District, Taoyuan City, and joint construction of land on plot No. 174 on Lejie Section.</li> <li>Proposal for the purchase of 2 plots of land on No. 488 and 489, Qingxi Section, Zhongli District, Taoyuan City.</li> <li>Purchase of 1 plot of land on No. 226 on Qingxi Section, Zhongli District, Taoyuan City. (The Project was canceled)</li> <li>Purchase of 4 plots of land including No. 41, Xinzhan Section, Shalu District, Taichung City. (The Project was canceled)</li> <li>Purchase of 4 plot of land including No. 208 on Lejie Section, Guishan District, Taoyuan City. (The Project was canceled)</li> <li>Amendment of the issuance of new shares for cash capital increase in 2020.</li> <li>Official appointment of the Acting Chief Financial Officer, Acting Accounting Manager, and Acting Chief Auditor.</li> <li>Payment of the pension for the Vice President of the Finance Department.</li> <li>Salary adjustments and the standards for the distribution bonuses for the three traditional holidays for employed managers and Chief Auditor.</li> </ol>	
2020.10.05	Board meeting	<ol style="list-style-type: none"> <li>Passed the proposal for a new supplementary contract to supplement the original contract for the purchase of 2 plots of land on No. 233 and 235 on Xinbi Section, Luzhu District, Taoyuan</li> </ol>	

		City, and joint construction and transfer of rights on plot No. 237 of the same section.	
2020.11.11	Board meeting	<ol style="list-style-type: none"> <li>1. Tender for urban renewal implementers for land on No. 2, 3, 5, and 6, Pingshih Section, East District, Tainan City.</li> <li>2. Establishment of the Company's 2021 internal audit plan.</li> <li>3. Discussion and amendment of the Company's "Corporate Governance Best Practice Principles".</li> <li>4. Discussion and amendment of the Company's "Rules of Procedure for Board of Directors Meetings".</li> <li>5. Discussion and amendment of the Company's "Regulations Governing the Evaluation of the Performance of the Board of Directors and Functional Committees".</li> <li>6. Discussion and amendment of the Company's "Rules Governing the Duties of Independent Directors".</li> <li>7. Discussion and amendment of the Company's "Remuneration Committee Organizational Rules".</li> <li>8. Establishment of the share subscription plan for managers in the Company's 2020 cash capital increase.</li> <li>9. Proposal for the distribution of the 2020 year-end bonus for managers.</li> <li>10. Donation for the "Taipei City Fire Department Association".</li> </ol>	
2020.12.17	Board meeting	<ol style="list-style-type: none"> <li>1. Signature of the supplementary agreement for the transaction of land on Qingxi Section, Zhongli District, Taoyuan City, Lejie Section, Gonghua Section, Dagang Section, and Xinghua Section, Guishan District, Taoyuan City, and Xinbi Section, Luzhu District, Taoyuan City.</li> </ol>	
2021.02.22	Board meeting	<ol style="list-style-type: none"> <li>1. Passed the cash capital increase of the subsidiary Huajian Construction Co., Ltd.</li> <li>2. Passed the agreement on audit fees for 2021 signed by the Company and ShineWing Taiwan.</li> <li>3. Passed the Amendment of the Company's "Delegation of Authority Table".</li> <li>4. Passed the amendment of the Company's "EPC Project Procurement Regulations" and the establishment of the "Subcontracting Construction and Procurement Regulations".</li> <li>5. Passed the amendment of the Company's "Employee Leave Regulations".</li> <li>6. Passed the purchase of 1 plots of land on No. 124 on Lejie Section, Guishan District, Taoyuan City.</li> <li>7. Passed the purchase of 5 plots of land on No. 226 on Qingxi Section, Zhongli District, Taoyuan City.</li> <li>8. Passed the purchase of 8 plots of land including No. 41, Xinzhan Section, Shalu District, Taichung City.</li> <li>9. Passed the distribution of sales bonus to the Company's managers and Chief Auditor.</li> <li>10. Passed the promotion of the Company's Chief Financial Officer.</li> </ol>	
2021.03.30	Board meeting	<ol style="list-style-type: none"> <li>1. Passed the proposal for participating in the tender for 4 plots of land including No. 79 and 80 on Wenshang Section, Xitun District, Taichung City and No. 28 and 31, Xingaojie Section, Wurih District.</li> <li>2. Passed the proposal for the purchase of 2 plots of land including plot No. 414 and 415, Qingshan Section, Dayuan District, Taoyuan City.</li> <li>3. Passed the proposal for the purchase of 5 plots of land including No. 29 on Shanjie Section, Guishan District, Taoyuan City.</li> <li>4. Passed the Company's 2020 business report and financial statements.</li> <li>5. Passed the Company's 2020 loss makeup proposal.</li> <li>6. Passed the amendment of the Company's "Articles of Incorporation".</li> <li>7. Discussion and amendment of the Company's "Procedures for Acquisition or Disposal of Assets".</li> <li>8. Discussion and amendment of the Company's "Accounting System".</li> <li>9. Discussion and amendment of the Company's "Financial Statements Formulation Procedures and Management Regulations".</li> </ol>	

		10. Submission of the Company's 2020 "Statement of Internal Control System". 11. The date and agenda for the Company's 2021 general shareholders' meeting. 12. Appointment of the "Corporate Governance Officer". 13. Removal of restriction on concurrent posts and non-compete clause for the Company's General Manager and Chief Financial Officer.	
2021.04.15	Board meeting	1. The Company's proposal for the issuance of ordinary shares through private placement. 2. By-election of one Independent Director. 3. The period for accepting nomination of Independent Directors, number of seats to be elected, and the venue for accepting nomination. 4. The list of candidates for independent directors nominated by the Board for Directors. 5. The date and agenda for the Company's 2021 general shareholders' meeting (added new agenda). 6. Amendment of the Company's "Organizational Structure". 7. Establishment of the Company's "Corporate Social Responsibility Best Practice Principles" and establishment of a unit responsible for promoting corporate social responsibility. 8. Establishment of the Company's "Ethical Corporate Management Best Practice Principles" and creation of the Ethical Corporate Management Team. 9. The Company's plan for signing a construction project contract with the subsidiary Huajian Construction Co., Ltd. for the residential complexes on "Xinbi Section", "Lejie Section A", and "Qingxi Section A".	

**(13) Whereas, in the most recent year and as of the Annual Report publication date, a director has expressed a dissenting opinion with respect to an important resolution passed by the Board, and the said opinion has been recorded or prepared as a written declaration, with main content disclosed thereof:**

Date	Proposal that a director has expressed a dissenting or qualified opinion	Director who has expressed a dissenting or qualified opinion	Resolution result	Reason for dissenting or qualified opinion
March 27 <sup>th</sup> , 2020	2019 Operation Reports and Financial Statements of the Company	Lin, Chao-Jung	Qualified opinion	Director Lin, Chao-Jung and independent director Jhan, Zong-Ren showed qualified opinion towards the financial statements.
		Jhan, Zong-Ren	Qualified opinion	
	2019 profit distribution plan of the Company	Lin, Chao-Jung	Objection	It was suggested to increase the distributed amount per share to NT\$0.2 or NT\$0.3.
	Cash capital increase of Huachien Development Co., Ltd.	Lin, Chao-Jung	Opposed	Opposed the proposal.
		Chan, Tsung-Jen	Opposed	With regard to the issuance price of NT\$80 per share for Huachien Development Co., Ltd. against the current net value of NT\$19 per share, the Independent Director Chan, Tsung-Jen opposed the issuance price at premium and opposed the necessity of the current round of the cash capital increase.
	Proposal for the issuance of new shares for cash capital increase	Lin, Chao-Jung	Opposed	Opposed the proposal.

		Chan, Tsung-Jen	Opposed	The Independent Director Chan, Tsung-Jen opposed the current planned capital cash increase which will account for approximately 57% of the capital stock and recommended that the Board of Directors to be elected in the shareholders' meeting this year should exercise the decision-making power. He also opposed the necessity of the current round of the cash capital increase.
	Election of the Company's Directors	Lin, Chao-Jung	Opposed	The Director Lin, Chao-Jung recommended that the number of Directors should be increased to 9.
		Chan, Tsung-Jen	Opposed	The Independent Director Chan, Tsung-Jen opposed the date for the newly elected Directors to take office and the Directors of this term are required to leave office upon the expiry of their term on May 30 <sup>th</sup> , 2020. The general shareholders' meeting for this year must be convened and election must be held before May 30 <sup>th</sup> , 2020. The newly elected Directors must take office on May 31 <sup>st</sup> , 2020 after the election.
	The date and agenda for the Company's 2020 general shareholders' meeting.	Lin, Chao-Jung	Opposed	Opposed the proposal.
		Chan, Tsung-Jen	Opposed	The Independent Director Chan, Tsung-Jen opposed the date of the general shareholders' meeting.
	The period for accepting nomination of Directors (Independent Directors), number of seats to be elected, and the venue for accepting nomination.	Lin, Chao-Jung	Opposed	The Director Lin, Chao-Jung opposed the number of Directors to be elected.
		Chan, Tsung-Jen	Opposed	The Independent Director Chan, Tsung-Jen opposed the date of the general shareholders' meeting.

**(14) A summary of resignations and dismissals, in the most recent year and as of the Annual Report publication date, of the persons related to the Financial Statements (including the Chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Corporate Governance Manager and R&D manager):** None.

Title	Name	Appointment date	Relief date	Resignations and dismissals reason
Chairman	Lee, Chin-Yi	2017.05.31	2020.06.23	Election of the Board of Directors upon expiry of term
General Manager	Lee, Chin-Yi	2019.08.13	2020.06.29	New General Manager appointed by the Board of Directors
Finance and Accounting Department Vice President (Chief Financial Officer)	Yeh, Cheng-Hsiung	1998.10.12	2020.08.01	Retired

## 5. Information on CPA Fees:

(1) The company may opt to disclose CPA fees either by fee range or by individual amount disclosure, and given any one of the following conditions, shall disclose information as follows:

Range of CPA fees (Please select the correct range of fill in the amount)

Name of accounting firm	Name of CPAs		Audit period	Remarks
ShineWing Taiwan	Chen, Kuang-Hui	Yau, Yu Lin	2020.01.01   2021.12.31	

Note 1: If the CPA or the accounting firm is changed this year, it should list the audit period respectively and write down the reason for replacement in Remarks.

Unit: NT\$1,000

Range \ Item		Audit fee	Non-audit fee	Total
1	NT\$2,000,000 or below	1,420	247	1,667
2	NT\$2,000,000 (included)~NT\$4,000,000			
3	NT\$4,000,000 (included)~NT\$6,000,000			
4	NT\$6,000,000 (included)~NT\$8,000,000			
5	NT\$8,000,000 (included)~NT\$10,000,000			
6	NT\$10,000,000 (included) or above			

1.If the non-audit fee paid to the CPA, the accounting firm and its affiliated companies accounts for over 1/4 of audit fee:

Information on CPA fees (Please fill in the amount)

Unit: NT\$1,000

Name of accounting firm	Name of CPAs	Audit fee	Non-audit fee					CPA audit period	Remarks
			System design	Commercial register	HR	Others (Note 2)	Sub total		
ShineWing Taiwan	Chen, Kuang-Hui	1,420		15		232	247	2020.01.01   2021.12.31	1. NT\$20 thousand for the salary audit fee. 2. NT\$60 thousand for the presale house payment trust audit fee. 3. NT\$90 thousand for the CPA review opinion statement for the land purchase. 4. NT\$60 thousand for the CPA opinion statement on the cash capital increase and NT\$2 thousand for seal certification.
	Yau, Yu Lin								

Note 1: If the CPA or the accounting firm is changed this year, it should list the audit period respectively and write down the reason for replacement in Remarks. Moreover, it should disclose the information such as the audit and non-audit fees paid.

Note 2: The non-audit fees should be listed by service items. If the Others of non-audit fee reaches 25% of the audit fee, it should list the service content in Remarks.

**2. The accounting firm is changed and the audit fee for that year is less than in the previous year, it should disclose the amount of the audit fees paid before and after the replacement, and the reason: N/A.**

**3. The audit fee is reduced by over 15% than that of the previous year, it should disclose the reduction amount, proportion and reason: N/A.**

## 6. Information on replacement of CPA:

### (1) About the Former CPA:

Replacement Date	2018.11. 28		
Replacement reasons and explanations	The number of CPAs auditing a public company failed to meet the provisions of Article 4 of “Regulations Governing Approval of Certified Public Accountants to Audit and Attest to the Financial Reports of Public Companies”, it proposed to terminate the CPA appointment for finance statement of the Company in the fourth quarter, 2018.		
Describe whether the Company terminated or the CPA did not accept the appointment	<div>Client Status</div>	CPA	Consignor
	Appointment terminated automatically	V	--
	Appointment rejected (discontinued)	--	--
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the Company	Yes	--	Accounting principles or practices
		--	Disclosure of financial statement
		--	Audit scope or steps
		--	Others
	No	V	
	Remarks: N/A		
Other Disclosed Matters	None		

### (2) About Successor CPAs:

Name of accounting firm	ShineWing Taiwan
Name of CPA	CPA Chen, Kuang-Hui, and CPA Yau, Yu Lin
Date of appointment	January 10 <sup>th</sup> , 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the	None



engagement.	
Succeeding CPA's written opinion of disagreement toward the former CPA	None

**(3) The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: N/A.**

**7. Employment of the Company's Chairman, General Manager, Financial or Accounting Manager with the Accounting Firm or Its Affiliates in the Most Recent Year, It Should Disclose His Name, Title and Period when Employed by the Accounting Firm of the CPA Being or its Affiliated Companies: None.**

**8. Changes in Shareholding and Equity Pledge of Directors, Supervisors, Managerial Officers and Shareholders Holding More Than 10% of the Company's Shares in the Latest Year and as of the Annual Report publication date:**

Unit: share

Title (Note 1)	Name	2020		The current year until April 25 <sup>th</sup>	
		Shareholding increase/decrease	Pledged shares increase/decrease	Shareholding increase/decrease	Pledged shares increase/decrease
Chairman	Cheng, Ssu-Tsung (Inauguration date : 2020/6/23)	--	--	--	--
Director	Lee, Chin-Yi	177 0	--	--	--
Director	Dajie Investment Co., Ltd. Representative: Tseng, Ping-Joung (Inauguration date : 2020/6/23)	0 (10,000)	--	--	--
Director	Yan, Ming-Hung (Inauguration date : 2020/6/23)	400,000 0	--	--	--
Independent director	Wang, Mu-Fan (Inauguration date : 2020/6/23)	--	--	--	--
Independent director	Yeh, Chien-Wei (Inauguration date : 2020/6/23)	100,000 0	--	--	--
General Manager	Wu, Yu-Guo (Inauguration date : 2020/6/29)	--	--	--	--
Vice president	Lee, Jun-Xian	--	--	--	--
Chief Financial Officer	Chien, Lin Chin (Inauguration date : 2020/8/01)	220,000 (1,000)		0 (5,000)	

Accounting Manager	Wu, Sing-Suei	150,134 0	--	--	--
Corporate Governance Officer	Wang, Chen-Kang (Inauguration date : 2021/3/30)	--	--	--	--
Shareholder with the shareholding more than 10%	Chia Chun Investment Co., Ltd.	94,776,899 0	26,800,000 0	9,778,000 0	10,000,000 0
<b>Dismissed Directors, managers, and shareholders holding more than 10% of shares (the number of shares held and changes in shareholding are disclosed to the date of dismissal)</b>					
Director	Lin, Po-Fong (Dismissal date : 2020/6/23)	0 (400,000)	--	--	--
Director	Lin, Wen-Liang (Dismissal date : 2020/6/23)	--	--	--	--
Director	Rongzhi Investment Co., Ltd. Representative: Lin, Chao-Jung (Dismissal date : 2020/4/20)	--	--	--	--
Independent director	Jhan, Zong-Ren (Dismissal date : 2020/6/23)	--	--	--	--
Independent director	Chang, Chang-Ter (Dismissal date : 2020/6/23)	--	--	--	--
Independent director	Huang, Chih-Chen (Inauguration date : 2021/3/30) (Dismissal date : 2021/03/26)	--	--	--	--
General Manager	Lee, Chin-Yi (Dismissal date : 2020/06/29)	177 0	--	--	--
VP of Finance & Accounting Dept. (Financial Manager)	Yeh, Cheng Hsiung (Dismissal date : 2020/08/01)	--	--	--	--
Shareholder with the shareholding more than 10%	Da Shuo Investment Co., Ltd. (Dismissal date : 2020/12/08)	0 (1,520,000)	14,400,000 0	--	--
Shareholder with the shareholding more than 10%	Tai You Investment Limited Company (Dismissal date : 2020/11/04)	0 (11,044,000)	3,556,000 (14,120,000)		

Shareholder with the shareholding more than 10%	Chang Sheng International Investment Co., Ltd. (Dismissal date : 2020/11/03)	1,000 (12,574,000)	0 (13,022,.00)		
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Note 1: The shareholders with the shareholding rate higher than 10% should be marked as major shareholders, which should be listed respectively.

Note 2: If the counterparty of equity transfer or equity pledge is a related party, it shall fill in the table as below.

**9. Relationship Information: Any one among the Company's 10 Largest Shareholders is a related party or relative within the second degree of kinship of another shareholder:**

Name (Note 1)	Shareholding		Spouse & minor current shareholding		Current shareholding by nominee arrangement		Name and relationship of the top 10 largest shareholders with parties, spouses, or relatives within the second degree of kinship (Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Chia Chun Investment Co., Ltd.	104,554,899	20.08%	-	-	-	-	-	-	
Representative of Chia Chun Investment Co., Ltd.: Lin, Jia-Hong	-	-	-	-	-	-	Chia Chun Investment Co., Ltd.	The Chairman of this Company	
Da Shuo Investment Co., Ltd.	42,632,046	8.19%	-	-	-	-	Da Jie Investment Co., Ltd.	The Chairman of the Company is also the Chairman of this Company.	
							Lin, Wen-Liang	The first degree of kinship of the Chairman of the Company	
Representative of Da Shuo Investment Co., Ltd.: Lin, Jian-Yu	221,874	0.04%	-	-	-	-	Da Shuo Investment Co., Ltd.	The Chairman of this Company	
							Da Jie Investment Co., Ltd.	The Chairman of this Company	
							Lin, Wen-Liang	The first degree of kinship	
Neng Hong Investment Holdings Co., Ltd.	29,550,000	5.67%	-	-	-	-	-	-	
Representative of Neng Hong Investment Holdings Co., Ltd. : Wu, Yu-Te	-	-	-	-	-	-	Neng Hong Investment Holdings Co., LTD.	The Chairman of this Company	
Chang Yun Investment Co., Ltd.	27,300,000	5.24%	-	-	-	-	-	-	
Representative of Chang Yun Investment Co., Ltd.: Wu, Yu-Ti	1,700,000	0.33%	-	-	-	-	Chang Yun Investment Co., Ltd.	The Chairman of this Company	

Da Jie Investment Co., Ltd.	16,888,773	3.24%	--	--	--	--	Da Shuo Investment Co., Ltd.	The Chairman of the Company is also the Chairman of this Company.	
							Lin, Wen-Liang	The first degree of kinship of the Chairman of this Company	
Representative of Da Jie Investment Co., Ltd.: Lin, Jian-Yu	221,874	0.04%	--	--	--	--	Da Shuo Investment Co., Ltd.	The Chairman of this Company	
							Da Jie Investment Co., Ltd.	The Chairman of this Company	
							Lin, Wen-Liang	The first degree of kinship	
Wan Tai Fu Construction Co., Ltd.	15,724,388	3.02%	-	-	-	-	-	-	
Representative of Wan Tai Fu Construction Co., Ltd.: Pan, Kuo-Shun	-	-	-	-	-	-	Wan Tai Fu Construction Co., Ltd.	The Chairman of this Company	
Rongzhi Investment Co., Ltd.	13,895,012	2.67%	-	-	-	-	-	-	
Representative of Rongzhi Investment Co., Ltd.: Lin, Chao-Jung	170,710	0.03%	1,941	-	-	-	Rongzhi Investment Co., Ltd.	The Chairman of this Company	
Lin, Wen-Liang	11,609,098	2.23%	3,912,034	0.75%			Da Shuo Investment Co., Ltd.	The first degree of kinship of the Chairman of this Company	
							Da Jie Investment Co., Ltd.	The first degree of kinship of the Chairman of this Company	
							Lin, Po-Fong	The second degree of kinship	
Lin, Po-Fong	9,515,008	1.83%	--	--			Lin, Wen-Liang	The second degree of kinship	
Peng, Shu-Ing	5,617,000	1.08%	16,925	-	-	-	-	-	

Note 1: The top 10 shareholders should be all listed. For the institutional shareholder, its name and the name of its representative should be listed respectively.

Note 2: As for the shareholding, it should be calculated based on the shareholding under the name of himself, his spouse & minor, or others.

Note 3: The relations between the shareholders listed above, including companies and individuals, should be disclosed based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**1. Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, its Directors and Supervisors, Managerial Officers, and Any Company Controlled Either Directly or Indirectly by the Company:**

Until April 30<sup>th</sup>, 2020/Unit: share; %

Reinvestment business (Note)	Investment of the Company		Investment of the director, supervisor, manager and directly or indirectly controlled business		Comprehensive investment	
	Shares	%	Shares	%	Shares	%
Huachien Development Co., Ltd.	18,207,735	58.36%	--	--	18,207,735	58.36%
Huajian Construction Co.,Ltd	2,250,000	100.00%			2,250,000	100.00%

Note 1: It refers to the Company's investment based on equity method.

Note 2: Dahyoung Real Estate Development Co., Ltd. held an interim shareholders' meeting December 23<sup>rd</sup>, 2019 to set December 25<sup>th</sup>, 2019 as the dissolution reference date. It is still in the process of liquidation currently.

## 【Capital Overview】

### 1. Capital and Shares (Including Preferred Stock)

#### (1) Source of capital stock

##### 1. Formation of capital stock:

Year/ Month	Par value	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital increased by assets other than cash	Others
1985.04	1000	30,000	30,000,000	30,000	30,000,000	Capital increase by cash	--	None
1985.06	1000	50,000	50,000,000	50,000	50,000,000	Capital increase by cash	--	None
1988.10	1000	100,000	100,000,000	100,000	100,000,000	Capital increase by capital reserve	--	None
1990.09	10	19,500,000	195,000,000	19,500,000	195,000,000	Capital increase by cash	--	None
1992.02	10	37,375,000	373,750,000	37,375,000	373,750,000	Capital increase by cash Capital increase by earnings and capital reserve	--	A capital increase of NT\$178,750,000, composed of 17,875,000 shares with NT\$10 per share, which was approved in the Document No. 00248 of (1992)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on February 28 <sup>th</sup> , 1992.
1992.11	10~12	54,233,750	542,337,500	54,233,750	542,337,500	Capital increase by cash Capital increase by earnings and capital reserve	--	A capital increase of NT\$168,587,500, composed of 16,858,750 shares with NT\$10 per share, which was approved in the Document No. 02898 of (1992)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on November 9 <sup>th</sup> , 1992.

1993.07	10	62,452,812	624,528,120	62,452,812	624,528,120	Capital increase by earnings and capital reserve	--	A capital increase of NT\$82,190,620, composed of 8,219,062 shares with NT\$10 per share, which was approved in the Document No. 30936 of (1992)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on July 22 <sup>nd</sup> , 1993.
1994.08	10	84,943,375	849,433,750	84,943,375	849,433,750	Capital increase by cash Capital increase by earnings	--	A capital increase of NT\$224,905,630, composed of 22,490,563 shares with NT\$10 per share, which was approved in the Document No. 32556 of (1994)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on August 4 <sup>th</sup> , 1994.
1995.10	10~20	150,000,000	1,500,000,000	115,365,791	1,153,657,910	Capital increase by cash Capital increase by earnings	--	A capital increase of NT\$304,224,160, composed of 30,422,416 shares with NT\$10 per share, which was approved in the Document No. 53734 of (1995)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on October 30 <sup>th</sup> , 1995.
1996.07	10	150,000,000	1,500,000,000	126,902,370	1,269,023,700	Capital increase by earnings	--	A capital increase of NT\$115,365,790, composed of 11,536,579 shares with NT\$10 per share, which was approved in the Document No. 40392 of (1996)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on July 2 <sup>nd</sup> , 1996.
1996.10	10~27	300,000,000	3,000,000,000	169,902,370	1,699,023,700	Capital increase by cash	--	A capital increase of NT\$ 430,000,000, composed of 43,000,000 shares with NT\$10 per share, which was approved in the Document No. 59106 of (1996)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on October



								15 <sup>th</sup> , 1996. With the amount of total capital within NT\$800,000,000, it may issue the convertible corporate bond.
1997.06	10~30	330,000,000	3,300,000,000	240,484,796	2,404,847,960	Capital increase by cash Capital increase by earnings and capital reserve	--	A capital increase of NT\$705,824,260, composed of 70,582,426 shares with NT\$10 per share, which was approved in the Document No. 40789 of (1997)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on June 4, 1997. With the amount of total capital within NT\$900,000,000, it may issue the convertible corporate bond.
1997.08	10	330,000,000	3,300,000,000	245,245,012	2,452,450,120	Conversion from certificate of entitlement to new shares form convertible bond Common shares	--	It converted the certificate of entitlement to new shares form convertible bond (Huachien A) into common shares with NT\$10 per share, with a total of NT\$47,602,160.  It was approved in the Document No. 62893 of (1997)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on August 9 <sup>th</sup> , 1997. With the amount of total capital within NT\$800,000,000, it may issue the convertible corporate bond.
1998.01	10	330,000,000	3,300,000,000	257,683,522	2,576,835,220	Conversion from certificate of entitlement to new shares form convertible bond Common shares	--	It converted the certificate of entitlement to new shares form convertible bond (Huachien b) into common shares with NT\$10 per share, with a total of NT\$124,385,100.  It was approved in the Document No. 11151 of (1998)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on January 13 <sup>th</sup> , 1998.
1998.05	10	500,000,000	5,000,000,000	326,902,009	3,269,020,090	Capital increase by	--	A capital increase of NT\$692,184,870,

						earnings and capital reserve Conversion from certificate of entitlement to new shares form convertible bond Common shares		composed of 69,218,487 shares with NT\$10 per share, which was approved in the Document No. 39123 of (1998)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on May 8 <sup>th</sup> , 1998. With the amount of total capital within NT\$1,000,000,000, it may issue the convertible corporate bond.
1998.08	10~36	500,000,000	5,000,000,000	356,902,009	3,569,020,090	Capital increase by cash	--	A capital increase of NT\$300,000,000, composed of 30,000,000 shares with NT\$10 per share, which was approved in the Document No. 65978 of (1998)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on August 7 <sup>th</sup> , 1998. With the amount of total capital within NT\$1,000,000,000, it may issue the convertible corporate bond.
1999.08	10	600,000,000	6,000,000,000	394,194,176	3,941,941,760	Capital increase by earnings	--	A capital increase of NT\$372,921,670, composed of 37,292,167 shares with NT\$10 per share, which was approved in the Document No. 5074 of (2000)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on June 1 <sup>st</sup> , 1999. With the amount of total capital within NT\$1,000,000,000, it may issue the convertible corporate bond.
2000.08	10	533,613,592	5,336,135,920	433,613,592	4,336,135,920	Capital increase by earnings and capital reserve	--	A capital increase of NT\$394,194,160, composed of 39,419,416 shares with NT\$10 per share, which was approved in the Document No. 52742 of (2000)Tai Cai Zheng (I) announced by the SFC under the Ministry of Finance on June 22 <sup>nd</sup> , 2000. With the amount of total capital within NT\$1,000,000,000, it may issue the convertible corporate bond.

2001.03	10	533,613,592	5,336,135,920	420,228,592	4,202,285,920	Buyback of treasury stock	--	A capital reduction of 13,385,000 shares, which was approved to be cancelled by the Ministry of Economic Affairs in the Document No. 09001121830 of Jing (2001) announced on April 9 <sup>th</sup> , 2001.
2004.09	10	533,613,592	5,336,135,920	268,434,130	2,684,341,300	Capital reduction to offset losses	--	A capital reduction of 151,794,462 shares, which was approved to be changed by the Department of Commerce, Ministry of Economic Affairs in the Document No. 09301165340 of Jing Shou Shang on September 3 <sup>rd</sup> , 2004.
2004.10	2.99	533,613,592	5,336,135,920	309,571,130	3,095,711,300	Capital increase by cash of private placement	--	A capital increase of NT\$411,370,000 composed of 41,137,000 shares with NT\$10 per share, which was approved by the Department of Commerce, Ministry of Economic Affairs in the Document No. 09301191540 of Jing Shou Shang on October 21 <sup>st</sup> , 2004.
2007.09	8	533,613,592	5,336,135,920	328,321,130	3,283,211,300	Capital increase by cash of private placement	--	A capital increase of NT\$187,500,000 composed of 18,750,000 shares with NT\$10 per share, which was approved by the Department of Commerce, Ministry of Economic Affairs in the Document No. 09601222970 of Jing Shou Shang on September 11 <sup>th</sup> , 2007.
2009.08	10	533,613,592	5,336,135,920	253,891,529	2,538,915,290	Capital reduction	--	A capital reduction of NT\$744,296,010 composed of 74,429,601 shares with NT\$10 per share, which was approved to be changed by the Department of Commerce, Ministry of Economic Affairs in the Document No. 09801177690 of Jing Shou Shang on August 6 <sup>th</sup> , 2009.
2010.08	10	533,613,592	5,336,135,920	258,969,360	2,589,693,600	Capital increase by earnings	--	A capital increase of NT\$50,778,310 by earnings, composed of 5,077,831 shares

								with NT\$10 per share, which was approved by the Department of Commerce, Ministry of Economic Affairs in the Document No. 09901187360 of Jing Shou Shang on August 17 <sup>th</sup> , 2010.
2011.09	10	533,613,592	5,336,135,920	265,443,594	2,654,435,940	Capital increase by earnings	--	A capital increase of NT\$64,742,340, composed of 6,474,234 shares with NT\$10 per share, which was approved by the Department of Commerce, Ministry of Economic Affairs in the Document No. 10001200540 of Jing Shou Shang on September 20 <sup>th</sup> , 2011.
2012.08	10	533,613,592	5,336,135,920	270,752,466	2,707,524,660	Capital increase by earnings	--	A capital increase of NT\$53,088,720, composed of 5,308,872 shares with NT\$10 per share, which was approved by the Department of Commerce, Ministry of Economic Affairs in the Document No. 10101173500 of Jing Shou Shang on August 21 <sup>st</sup> , 2012.
2021.01	10	533,613,592	5,336,135,920	520,752,466	5,207,524,660	Capital increase by cash	--	A capital increase of NT\$2,500,000,000, composed of 250,000,000 shares with NT\$10 per share, which was approved by the Department of Commerce, Ministry of Economic Affairs in the Document No. 10901245570 of Jing Shou Shang on January 6 <sup>th</sup> , 2021

Note: The date of incorporation is December 1960, with the amount of paid-in capital of NT\$900,000. During the period from 1960~1985, it increased capital by cash of NT29,100,000 in total.

## 2. Capital of the Company

Definition of Stock	Authorized capital stock			Remarks
	Outstanding shocks (issued)	Non-issued shocks	Total	
Registered common stock	520,752,466 shares	12,861,126 shares	533,613,592 shares	As of the Annual Report publication date, it has issued a total of 520,752,466 shares.

## 3. General information about the reporting system: N/A.

## (2) Shareholder structure

April 25<sup>th</sup>, 2021

Shareholders' Structure Amount	Govern ment	Financial Institutions	Juridical Person	Private Investors	Foreign Institutions and Foreigners	Treasury Stock	Total
Number of shareholders	0	1	233	34,924	57	0	35,215
Shareholding	0	227	279,694,983	237,450,508	3,606,748	0	520,752,466
Shareholding ratio (%)	0.00%	0.00%	53.71%	45.60%	0.69%	0.00%	100.00%

Note: The primary listed (OTC listed) company should disclose the holding percentage of capital stock from Mainland China. It refers to the Chinese individuals, entities, groups, other institutions or companies investing in a third place as regulated in Article 3 of the Policy of Allowing Mainland Chinese Investors to Invest in Taiwan.

## (3) Dispersion of shareholding

April 25<sup>th</sup>, 2021

Shares	Number of shareholders	Shareholding	Shareholding ratio (%)
1-999	26,888	1,668,516	0.32%
1,000-5,000	5,562	10,692,639	2.05%
5,001-10,000	1,060	8,333,854	1.60%
10,001-15,000	333	4,111,585	0.79%
15,001-20,000	278	5,079,223	0.98%
20,001-30,000	221	5,670,497	1.09%
30,001-40,000	156	5,585,876	1.07%
40,001-50,000	127	5,980,751	1.15%
50,001-100,000	244	17,825,271	3.42%
100,001-200,000	149	22,143,095	4.25%
200,001-400,000	83	23,744,425	4.56%
400,001-600,000	38	18,727,658	3.60%
600,001-800,000	14	9,698,249	1.86%
800,001-1000,000	9	8,176,176	1.57%
Above 1,000,001 shares	53	373,314,651	71.69%
Total	35,215	520,752,466	100.00%

#### (4) Major shareholders

April 25, 2021

Name of major shareholders	Shareholding	Shareholding ratio (%)
Chia Chun Investment Co., Ltd.	104,554,899	20.08%
Da Shuo Investment Co., Ltd.	42,632,046	8.19%
Neng Hong Investment Holdings Co., Ltd.	29,550,000	5.67%
Chang Yun Investment Co., Ltd.	27,300,000	5.24%
Da Jie Investment Co., Ltd.	16,888,773	3.24%
Wan Dai Fu Construction Co., Ltd.	15,724,388	3.02%
Rong Zhi Investment Co., Ltd.	13,895,012	2.67%
Lin, Wen-Liang	11,609,098	2.23%
Lin, Po-Fong	9,515,008	1.83%
Peng, Shu-Ing	5,617,000	1.08%

**(5) Market price, net worth, earnings, dividends per share for the most recent two fiscal year:**

<div>Year</div> <div>Item</div>			2019 (Adopting IFRS)	2020 (Adopting IFRS)	2021 and until March 31 (Adopting IFRS)
Market price per share (Note 1)	Highest		18.40	19.00	14.95
	Lowest		15.40	13.50	13.35
	Average		16.10	15.99	14.04
Net worth per share (Note 2)	Before distribution		11.50	11.81	--
	After distribution		11.40	Pending for resolution	--
Earnings per share	Weighted average shares		270,752,466	282,364,488	--
	Earnings per share (Note 3)	Before adjustment	(0.25)	(0.32)	--
		After adjustment	--	--	--
Dividend per share	Cash dividend		0.10	--	--
	Stock dividend	Before adjustment	--	--	
		After adjustment	--	--	
	Dividend in arrears (Note 4)		--	--	
Analysis of return on investment	P/E ratio (Note 5)		(64.4)	(49.97)	
	Price-dividend ratio (Note 6)		161	--	
	Cash dividend yield (Note 7)		0.0062	--	

Note 1: It should list the highest and lowest market price of the common shares each year, and calculate the average market price based on the annual turnover in value and trading volume.

Note 2: It is subject to the number of shares that were issued by the end of each year and based on the distribution upon the resolution during the shareholder's meeting held in the subsequent year.

Net worth per share=shareholder's equity / (number of common shares + number of preferred shares (under the shareholder's equity) + number of shares equivalent to the capital collected in advance (under the shareholder's equity) –number of treasury stock of the parent company held by the parent company and the subsidiaries)

Note 3: If retroactive adjustment is required in cases such as stock dividends, the EPS should also be listed before and after the adjustment.

Note 4: If the equity securities issuance conditions regulate the stock dividend undistributed in the current year should be accumulated and distributed until there is annual profit, it should respectively disclose the accumulated stock dividend undistributed until the current year.

Note 5: P/E ratio= Average closing price per share of the current year / EPS

Note 6: Price-dividend ratio= Average closing price per share of the current year / cash dividend per share

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

Note 8: The net worth per share and EPS are audited by the CPA; the data in the rest fields are for the current year and as of the Annual Report publication date.



## **(6) Company's dividend policy and implementation**

1. According to the 2020 final accounts of the Company, the after-tax net loss is NT\$ 89,644,403

dollars. The Board of Directors has made the resolution not to distribute dividend, which is still pending for the approval of the 2020 shareholders' meeting.

### **2. Dividend policy:**

If there is a surplus in the final accounts of the Company, it should pay tax and make up accumulated loss. However, it doesn't apply when the legal reserve has reached the total amount of the paid-in capital of the Company. Then it should set aside 10% as the legal reserve, or appropriate or reverse special reserve as required by laws or competent authority. If there is still a surplus, plus the accumulated undistributed earnings at the beginning of the period, it should make the profit distribution plan based on the dividend policy and submit the plan to the shareholders' meeting for resolution before distribution.

The Company's dividend policy is based on the characteristics of construction industry that the Company is engaged in, which shows high requirements for funds. Moreover, it also considers the current and future development plans, investment environment and domestic industrial competition, and takes into account the interests of all shareholders. It sets aside 10%~70% of the annual distributed profit as the dividend for shareholders, but won't be distributed if the distributed profit is lower than 5% of the paid-in capital. This could improve the financial structure of the Company. The dividend for shareholders can be distributed by cash or stock, in which the cash dividend should be no less than 10% of the total amount.

As for the distribution of the dividend for shareholders as stated above, the Board of Directors should determine the most appropriate dividend policy based on the maximum benefits of the Company.

Situation of dividend distribution for 2019 is as below:

The shareholder's meeting held on June 23<sup>rd</sup>, 2020 passed the resolution of distributing cash dividend of NT\$0.1 per share, and set August 8<sup>th</sup>, 2020 as the ex-dividend record date, with August 28<sup>th</sup>, 2020 as the distribution date.

**(7) Effect on the operational performance, EPS, the shareholder's ROI of the stock dividend distribution this time:**

Unit: EPS is in the unit of NT\$, and the others are in the unit of NT\$1,000

Item		Year	2021 (Estimated)
Amount of paid-in capital at the beginning			5,207,525
Situation of dividend in this year	Cash dividend per share		--
	Stock dividend per shares appropriated from capital increase by earnings		--
	Stock dividend per shares appropriated from capital increase by capital reserve		--
Change of operational performance	Operation profit		1. The Company doesn't disclose the financial estimates for 2020, so it doesn't have to disclose the estimated information for 2021. 2. The after-tax net loss is NT\$89,644,403. The Board of Directors has made the resolution not to distribute dividend
	YoY increase (decrease) rate of operational profit if compared with the same period in the last year		
	After-tax net profit		
	YoY increase (decrease) rate of after-tax net profit		
	EPS		
	YoY increase (decrease) rate of EPS		
Proposed EPS and P/E ratio	Annual average ROI (annual P/E ratio on average)		
	If the amount of capital increase by earnings is fully distributed with cash dividend	Propose EPS	
		Proposed annual average ROI	
	If it doesn't increase capital by capital reserve	Propose EPS	
		Proposed annual average ROI	
	If it doesn't increase capital by capital reserve, and the amount of capital increase by earnings are fully distributed with cash dividend	Propose EPS	
		Proposed annual average ROI	

Note: 1. The Company should explain the hypothesis for the estimated or proposed data.

2. If the amount of capital increase by earnings is fully distributed with cash dividend= (After-tax net profit — expense of interest paid for the estimated cash dividend × (1 — tax rate)) / (Total shares issued by the end of this year — shares distributed as dividend)

Expense of interest paid for the estimated cash dividend=amount of earnings for capital increase × interest rate for one-year general loan

3. Annual average P/E ratio=Annual market price per share on average / annual EPS on the financial statement.

**(8) Remuneration paid to employees and directors:**

1. Percentage of remuneration paid to employees and directors stated in Article 28 of the Articles of

Incorporation:

According to Article 28 of the Articles of Association: "If there is a surplus of the Company in the current year, it should set aside no less than 1.5% as the remuneration for the employees, and no more than 2% as the remuneration for the directors. However, if there is still an accumulated loss, the Company should retain the amount to offset the loss in advance before setting aside the amount stated above. The remuneration for the employees can be distributed by cash or stock. The remuneration distribution for employees and directors should be approved by more than half of the attending directors during the board meeting that is attended by more than 2/3 of the total directors, which should be presented in the shareholders' meeting."

2. The base used to estimate the amount of remuneration for employees and directors in the current period, the base used to calculate shares distributed in the form of stock dividend, and the account processing in case of any discrepancy between the actual amount distributed and the amount estimated:

- (1) The base used to estimate the amount of remuneration for employees and directors in the current period:

The Company reported after-tax net loss in 2020, so there was no such situation.

- (2) The base used to calculate shares distributed in the form of stock dividend:

It doesn't distribute the remuneration for employees by stock. If it will distribute the remuneration for employees by stock in the future upon the resolution, base used to calculate shares should be the closing price on the date before the resolution during the board meeting.

- (3) The account processing in case of any discrepancy between the actual amount distributed and the amount estimated:

The Company reported after-tax net loss in 2020 so there was no such situation.

3. Remuneration distribution approved by the board meeting:

- (1) The amount of remuneration distributed to employees and directors in the form of cash or stock dividend (In case of any discrepancy from the amount estimated and listed as expense, the difference in figures, reason and response should be disclosed):

No remuneration was distributed to employees and distributor this year.

- (2) The amount of stock dividend distributed as remuneration for employees, and the ratio of the total net profit after-tax and individual employee remuneration or separate financial statement for the current period:

It doesn't distribute stock dividend for employees this year.

4. The actual distribution of remuneration for employees and directors in the previous year (including the shares and amount distributed or the stock price), and any discrepancy from the amount listed as remuneration for employees and directors; the difference in figures, reason and response should be stated.

The Company had a net loss before tax in 2020 and therefore did not distribute remuneration to employees or Directors.

**(9) Share buyback of the Company in the most recent year and as of the Annual Report Publication Date: None.**

## **2. Corporate Bonds, Preferred Shares, Global Depository Receipt (GDR), Employee Stock Warrants, New Restricted Employee Shares, Status of New Shares Issuance in Connection with Mergers, Acquisitions and Split”**

**(1) Corporate Bonds:** None.

**(2) Preferred Shares:** None.

**(3) Global Depository Receipt (GDR):** None.

**(4) Employee Stock Warrants:** None.

**(5) New Restricted Employee Shares:** None.

**(6) Status of New Shares Issuance in Connection with Mergers, Acquisitions and Split:** None.

## **3. Status of Implementation of Capital Allocation Plans**

### **(I) Project contents: Capital cash increase and issuance of new shares in 2020.**

1. Competent authority of securities approval document number: Jin-Guan-Zheng-Fa No. 1090359318.

2. Total amount of capital required by the project: NT\$3,778,212,000.

3. Source of capital:

(1) Issuance of 250,000 thousand common shares for cash capital increase with a par value of NT\$10 per share. The issue price per share was set at NT\$12.56 and the total fund raised was expected to be NT\$3,140,000,000.

(2) The Company intends to use own funds or bank loans to pay for the remaining NT\$638,212,000.

(3) If funds are insufficient as a result of adjustment to the actual issue price per share for this project due to market changes, the difference will be covered by bank loans or own funds. However, if the fund-raised increase, the increase will be used to repay bank loans or replenish the working capital.

4. Project items and estimated schedule

(1) Total capital utilization plan for this project

Unit: NT\$1,000

Project Item		Expected date of completion	Total funding needed	Amount paid as of 2020 Q3	Scheduled fund utilization progress												
					2020	2021				2022				2023			
					Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Xinbi Section	Land purchase payment	2023 Q1	882,900	88,950	787,500	0	0	0	0	0	0	0	0	6,450	0	0	0
	Construction project payment		882,350	0	0	0	67,600	77,390	136,760	184,420	123,240	151,320	103,680	37,940	0	0	0
	Other expenses (Note)		237,619	0	354	6,274	9,419	10,254	16,200	21,088	18,170	20,948	131,132	3,780	0	0	0
Lejie Section	Land purchase payment	2023 Q4	519,222	53,070	465,930	0	0	0	0	0	0	0	0	0	0	0	222
	Construction project payment		500,890	0	0	0	110	57,250	42,880	77,190	98,520	53,000	62,200	47,090	31,030	26,610	5,010
	Other expenses (Note)		148,536	67	201	201	3,073	6,920	5,259	9,845	13,205	7,915	9,018	11,562	3,843	76,841	586
Qingxi Section	Land purchase payment	2023 Q1	316,225	31,600	284,400	0	0	0	0	0	0	0	0	225	0	0	0
	Construction project payment		219,520	0	0	16,815	19,252	34,026	45,883	30,660	37,648	25,794	9,442	0	0	0	
	Other expenses (Note)		70,950	0	126	126	3,446	2,490	4,305	6,328	6,272	7,363	39,334	1,160	0	0	0
Total			3,778,212	173,687	1,538,511	6,601	100,463	173,556	239,430	344,754	290,067	278,194	371,158	117,649	34,873	103,451	5,818

Note: Other fees include design fees, management fees, sales commissions, and other miscellaneous fees.

(2) Total capital utilization plan for the cash capital increase

Unit: NT\$1,000

Project Item	Expected date of completion	Total funding needed	Scheduled fund utilization progress												
			2020	2021				2022				2023			
			Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Xinbi Section Land purchase payment	2020 Q4	787,500	787,500	0	0	0	0	0	0	0	0	0	0	0	0
Xinbi Section Construction project payment	2023 Q1	882,350	0	0	67,600	77,390	136,760	184,420	123,240	151,320	103,680	37,940	0	0	0
Lejie Section Land purchase payment	2020 Q4	465,930	465,930	0	0	0	0	0	0	0	0	0	0	0	0
Lejie Section Construction project payment	2023 Q4	500,890	0	0	110	57,250	42,880	77,190	98,520	53,000	62,200	47,090	31,030	26,610	5,010
Qingxi Section Land purchase payment	2020 Q4	284,400	284,400	0	0	0	0	0	0	0	0	0	0	0	0
Qingxi Section Construction project payment	2023 Q1	218,930	0	0	16,815	19,252	34,026	45,883	30,660	37,648	25,794	8,852	0	0	0
Total		3,140,000	1,537,830	0	84,525	153,892	213,666	307,493	252,420	241,968	191,674	93,882	31,030	26,610	5,010

## 5. Anticipated benefits

The funds raised totaling NT\$3,140,000,000 will be used for the purchase of land and construction project payment for the three projects. The anticipated benefits are as follows:

### (1) Xinbi Section:

The expected payments for land purchase and construction totaled NT\$787,500,000, and NT\$882,350,000, respectively. The Construction is planned to begin in March 2021 and presale through an agency in April 2021, complete by October 2022 and obtain the usage license before completing the construction and transfer. It is expected to create revenue of NT\$2,439,582,000 and net profit of NT\$485,228,000 by the completion of sales in the fourth quarter of 2022 with a net profit margin of 19.89%.

### (2) Lejie Section:

The expected payments for land purchase and construction totaled NT\$465,930,000, and NT\$500,890,000, respectively. The Construction is planned to begin in June 2021 and begin presale through an agency in March 2022, complete construction by June 2023 and obtain the usage license before completing the construction and transfer. It is expected to create revenue of NT\$1,464,675,000 and net profit of NT\$323,780,000 by the completion of sales in the second quarter of 2023 with a net profit margin of 22.11%.

### (3) Qingxi Section:

The expected payments for land purchase and construction totaled NT\$284,400,000, and NT\$218,930,000, respectively. The Construction is planned to begin in March 2021 and begin presale through an agency in February 2022, complete construction by October 2022 and obtain the usage license before completing the construction and transfer. It is expected to create revenue of NT\$727,627,000 and net profit of NT\$133,323,000 by the completion of sales in the third quarter of 2022 with a net profit margin of 18.32%.

6. Project change date: The Company does not plan any changes for the project.

## (II) Implementation status

The Company collected the payments for the cash capital increase for issuance of new shares in 2020 and completed the collection of a total of NT\$3,140,000,000 on December 14<sup>th</sup>, 2020. The capital implementation progress as of 2021 Q1 was as follows:

Unit: NT\$1,000

Project	2020 Q4			2021 Q1		
	Estimated	Actual	Implementation progress	Estimated	Actual	Implementation progress
Xinbi land purchase payment	787,500	720,640	91.51%	-	-	91.51%
Xinbi construction project payment	-	-	-	-	-	-
Lejie land purchase payment	465,930	428,760	92.02%	-	-	92.02%
Lejie construction project payment	-	-	-	-	-	-
Qingxi land purchase payment	284,400	272,889	95.95%	-	-	95.95%
Qingxi construction project payment	-	-	-	-	-	-

Note: Refer to the fundraising implementation section on the Market Observation Post System for detailed information.



## 【Operational Highlights】

### 1. Businesses

#### (1) Business Scope

##### 1. Main businesses and their operational proportion:

- (1) Contracting the sales and lease of all type of commercial buildings: with the operational proportion accounting for 98% in 2020.
- (2) Contracting the sales and lease of all type of residential buildings: with the operation proportion accounting for 2% in 2020.
- (3) Broker for housing rental and sales: with the operation proportion accounting for 0 %.
- (4) Agency and trade of import/export for various construction materials: with the operation proportion accounting for 0 %.

##### 2. Current products and services and new products and services in the development plan:

The Company is mainly engaged in contacting the sales and lease of all types of commercial and residential buildings, and the products are mostly the smart office buildings and residential buildings, so as to meet the demands of business development and housing.

#### (2) Industrial overview

##### 1. Overall economic environment:

In terms of the recent international political and economic developments, despite the reactivation of rigorous control measures in major countries in response to the deterioration of pandemic across the globe, they have had limited impact on the manufacturing industry and the PMI of the manufacturing in the industry in Europe and Americas has continued to increase. Major economies across the world have sustained the largest economic decline in history in the past year. Both the World Bank and International Monetary Fund have stated that the total global economic decline in 2020 was the highest since the Great Depression in the 1930s. The global industrial ecosystem has transformed as the epidemic continues to spread. For instance, the manufacturing industry has been gradually transformed from a "long chain" model of global division of labor to a "short chain" supply model with regional centers for the future. The service industry has accelerated its transformation from physical transaction models in the past to virtual e-commerce models for the future. The global industrial development has entered a new era with expanded support from technological innovations. The pandemic has reorganized the global industrial structure and operation models, and changed the existing consumer and service models in all countries. For instance, 5G and artificial intelligence have powered advancements in automatic assembly, digital process management, telemedicine, intelligent health care, video conferencing, online education,

digital entertainment platforms, and online consumer transactions which replaced physical contact or retail industries. They have created a surge in demand for electronic and IT products, which has led to significant growth in the revenue of major global technology industries and related suppliers. They have also powered the transformation and development of electric vehicles, new materials, biotechnology, precision machinery, and green environmental industries.

The epidemic has increased business opportunities for remote communication in Taiwan. The start of the 5G era also increased the demand for semiconductors and created shortages in production capacity. As a result, the electronics and machinery manufacturers have remained optimistic regarding economic development in the next six months. Traditional industries benefited from the rise in international oil and raw material prices as the demand for their products gradually recovered. As a result, the traditional industries have become more optimistic regarding the economic outlook compared to the previous survey. In the construction industry, the rising cost of reinforced concrete in recent periods, continuous shortage in the supply of concrete materials, and increased transactions in the housing market have elevated the baseline. The government's policy for flexible adjustments has increased conservatism in real estate investments. It is evident that the housing market will continue to undergo adjustments in the next six months and construction companies have mostly adopted a cautious approach regarding economic development in the next six months.

Based on the views of international institutions, although the global economic performance in 2021 is poised to rebound from the slump and achieve growth, there remains a high level of uncertainty regarding the progress of vaccination and how to effectively contain a global pandemic, particularly due to the growing concern about the emergence of new mutant strains of the virus. As a result, the speed of recovery from a pandemic may vary significantly in different countries due to a variety of factors including population size, access to large quantities of COVID-19 vaccines, and the ability to deploy large-scale immunization programs. There are other key unknown factors including the timing for effective vaccination for the key vaccines currently under development. The vaccination progress is closely associated with the recovery of industries sensitive to the pandemic. The future development of the pandemic will be determined by the governments' guidelines for vaccination, the quantities of vaccines produced by pharmaceuticals companies, and the

uncertainties regarding the vaccines.

In addition, the global pandemic has led to uneven recovery in different industries, countries, and the income levels of their population. Certain developing countries with limited resources suffer from the lack of economic resources for obtaining adequate vaccines, inadequate public health systems for treating the large number of COVID-19 patients, and the inability to provide large-scale subsidies as developed economies have done. The recession in western countries has also caused a significant slump in their demand for raw materials from developing countries which dragged down their economic performance. The imbalance in the industrial structure and weakening of market adaptability were magnified and exacerbated their existing debt issues, as well as uneven internal regional development and income. In terms of the impact on individual industries, the rigorous disease prevention measures have forced many people to work from home. Although the development has accelerated the expansion of remote and digital technology applications, the pandemic has also wiped out many job opportunities in the catering, tourism, and accommodations industry, and the low-income, blue-collar, and laborers who cannot work remotely have been the hardest hit. It will therefore increase the wealth gap and cause social unrest.

Finally, we must also closely monitor the development of the relations between the United States, China, and Taiwan in the Biden era. Joe Biden, the new President of the United States, has overturned many of the Trump Administration's orders as soon as he took office. They included the suspension of the construction of the border wall between the United States and Mexico, cancellation of the travel ban on Muslim countries, return to the Paris Agreement, rejoining the World Health Organization, and withdrawing Trump's approval for the Keystone XL oil pipeline project. The relationship between the United States and China is generally expected to be confrontational and difficult to resolve. However, the Biden administration will adopt a different approach from the Trump administration and use multilateral organizations and existing trade rules to exert pressure on China. However, as the United States remains plagued by the pandemic, Biden's focus will be on containing the pandemic and economic recovery. It remains uncertain whether the sanctions taken against China will persist. However, the continuation or escalation of the trade or technology conflicts between the United States and China may still affect economic performance on both sides

of the Strait.

## 2. Current situation and development of the industry

The world was devastated by the pandemic which spun out of control in 2020 and has infected more than 141 million people. Despite the turmoil in the global economy, Taiwan has made significant achievements in disease prevention and gained the recognition of the world. The success also helped Taiwan's housing market grow despite economic challenges. Although the number of cases of infections has risen in Taiwan recently, it remains a relatively safe area compared to other countries across the world. The housing market in all municipalities in Taiwan in 2020 grew compared to the same period in the previous year. The increase in prices was the highest in Chiayi County and Chiayi City with more than 10%.

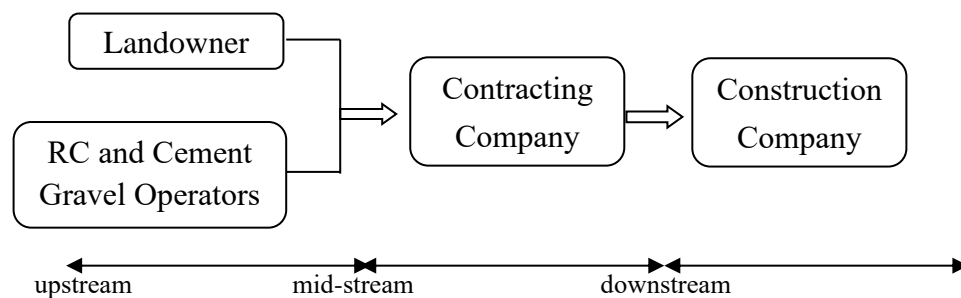
All six major metropolitan areas benefited from the return of Taiwanese businesses due to the trade war between China and the United States. Tainan City also benefited from the expansion of TSMC's plants and the entry of its supply chain into the area. The increase in housing prices was the highest among the six major metropolitan areas and ranked second in Taiwan with an annual growth rate of 8.03%. The housing market has always been hot. Prices in Taichung City have risen since 2016 with an annual growth rate of 6.77%. Taoyuan City ranked third. The housing market began to decline in October 2014 but has risen again since the end of 2017 and the annual growth rate has risen to 5.85%. The growth in other markets ranked in sequence included New Taipei City (2.97%), Taipei City (2.51%), and Kaohsiung City (2.36%).

It is worth noting that the housing price indicator of Taoyuan City rose to 128.98 at the end of 2020 and exceeded the peak point in October 2014 with a new record high. The "luxury tax" quickly suppressed real estate speculation when it was implemented and the housing market in Taiwan began downward corrections from 2014 to 2015. The impact was the most severe in Taipei City, New Taipei City, and Taoyuan City where the slump lasted the longest. The rebound occurred relatively quickly in Central and Southern Taiwan with a cold market in Northern Taiwan and a hot market in Southern Taiwan. As of today, Taipei City is the only City in the six major metropolitan areas to have a 6.5% gap between the current market rates and record highs, while the difference is approximately 2.6% in New Taipei City. The markets in the other four major metropolitan areas have continued to create record highs.

In municipalities outside the six major metropolitan areas, Chiayi County and Chiayi City saw the highest increase in housing prices with a growth rate of 10.58%. The reason can be attributed to the relative affordable housing prices in Chiayi. According to 2020 Q3 data from the Ministry of the Interior in 2020, the housing-price-to-income ratio in Chiayi City was the lowest in Taiwan and the ratio in Chiayi County was only higher than Keelung City and Pingtung County. The increase in housing prices also exceeded 5% in other municipalities such as Hsinchu County, Hsinchu City, Pingtung County, and Nantou County which has spectacular performance.

Overall, the pandemic initially affected the transaction volume in the housing market in the first quarter of 2020, but the effectiveness of Taiwan's epidemic prevention measures has increased the confidence of the citizens. The return of Taiwanese businesses and capital as a result of the trade war between China and the United States has benefited Taiwan's economic development and growth in the housing market, resulting in an overall increase in transaction volume and price indicators in the housing market across Taiwan in 2020.

### 3. Correlation of upstream, mid-stream and downstream in the industry



The construction industry is mainly engaged in the business of house construction and sales, which is already a downstream industry. Therefore, as for the raw materials in the upstream, it mainly includes the operators of reinforced concrete and gravel, as well as the tiles, paints, plastics, planning, and interior decoration. The mid-stream is mainly the engineering companies. Some construction operators are already integrated with the businesses of the contracting companies, which are responsible for the procurement of raw materials and the construction operations. However, some other construction operators are only responsible for the procurement of related raw materials, and subcontract other works to the construction companies. The industrial correlation in the construction industry is affected by the upstream manufacturers the most. Once the upstream manufacturers increase the price of raw materials, they will shrink the profits of the construction companies, which will directly increase the construction cost, and will be eventually reflected on the price of the house. It is like the case of inflation caused by the oil crisis in the past years. Under the stress of comprehensive inflation,

customers will buy the house in need at a relatively high cost.

Just as past oil crises led to inflation, home buyers are required to pay relatively high prices to buy the homes they need as the market faced labor shortages and rising cost of raw materials.

#### 4. Product development trend

With the changes in Taiwan's family size and economic structure, "convenient transportation", "small and medium-sized house " and "health and well-being" have led to new market demands and become the development trend of real estate from the perspective of housing market promotion and sales,.

The self-occupancy market shows the trend of stable price and increased volume. In Taipei, New Taipei and Taoyuan city, they create the boom in the housing market with small and medium-sized house, high-quality planning and price lower than the regional level. In addition to self-occupied inelastic purchases, some customers who intend to purchase real properties or the institutional also start to evaluate whether to enter the market again. The transaction volume of commercial real estate also has rebounded. However, there is still a gap in the price perceived by the buyers and sellers, and it takes a long time for the procedures of transaction.

The structural safety of buildings has also become the focus that people pay attention to. Strengthening construction quality will be the key to future sales. More and more construction companies have extended the warranty period to make consumers assured, which shows positive impact on the development of the housing market.

#### 5. Competition situation

In the real estate market, the product planning must be based on the regional characteristics and the terrain of the base. The competition among the regional cases is mainly due to the fact that the product planning on the same land varies with different construction companies and architects. So it needs to adjust the product type quickly in real-time based on the market demand, which should be differentiated based on the characteristics of the regional customer clusters, so as to expand the company's operation scale with diverse products. In recent years, the Company mainly promotes the projects in the metropolitan area of Greater Taipei and Taoyuan region. The optimized engineering technology and construction quality, sound financial planning, practical product design, and customer-oriented after-sales service, are the main competitive niches of the Company.

### **(3) Technical and R&D overview**

With the persistence of profession, delicacy and rationalization, we provide humanized green residential, technological and visionary quality office products.

1. Delpha Villa won the 13<sup>th</sup> gold award in the category of villa in Taiwan.
2. Gongyuanlu won the 14<sup>th</sup> gold award in the category of high-rise residential

building in Taiwan.

3. 『The Top of the World』 -- the office building equipped with satellite broadband network was completed.
  4. 『LEADER』 -- 5A automated and smart office building was completed.
  5. 『Terminal』 -- automated and smart office building was completed.
  6. Shiji Luofu won the 1<sup>st</sup> Formosa golden-lion award in the category of construction -- automated and smart office building was completed.
- \* Due to the industrial characteristics, the Company doesn't require research and development of new products like the general manufacturing industry or other industries do, so it has no research and development expense.

#### **(4) Short/long-term business development plans**

1. Long-term business development plans  
It establishes the brand marketing model based on the corporate philosophy of "plowing space and caring for the land". Moreover, the Company adheres to the principle of selecting the best location and constructing the high-end residential buildings and modern office buildings that meet the needs of customers. The business development will focus on:
  - (1) Intensify the market research and learn the market trend.
  - (2) Adjust the product positioning to meet the market demands.
  - (3) Strengthen the capabilities of salespersons, so as to expand business scale.
2. Short-term business development plans
  - (1) Speed up the development of existing urban renewal projects, sell the available houses actively, stabilize the Company's financial structure, and further strengthen the operations of the Company.
  - (2) The Company shall actively evaluate and participate in land tenders organized by government authorities with the aim of expediting development and creating profits.

## **2. Market and Sales Overview**

### **(1) Market analysis**

1. Target regions for main products:  
The Company's products under construction are mainly the residential building located in the optimal segments of Taipei and Taoyuan City .
2. Market share:  
The revenue of the Company in 2020 was NT\$87,377,000 which accounted for 0.03% of the listed companies in the construction industries in Taiwan.
3. Expected sales cases:  
The Company will focus on the presale of projects in "Luzhu Xinbi Section" and "Guishan Lejie Section A" in 2021.
4. Favorable and unfavorable factors for development
  - (1) Favorable factors:
    - A. The domestic prosperity is continuously recovered, and the interest rate is still at low level currently. People hold the view that land is wealth and expect the price rise, the real estate is still the general investment and hedging tool.
    - B. In recent years, the government has actively promoted various

economic revitalization programs and major infrastructure constructions to drive the industrial development. It also provides many opportunities for construction companies, and will stimulate the prosperity of real estate market.

(2) Unfavorable factors:

A. Due to the increasingly scarce land and higher land price in the optimal segments of Greater Taipei region, the land acquisition cost is increased.

B. There are a large number of houses accumulated in the market. Moreover, the US has cancelled the quantitative easing (QE) policy and rose the interest rate again.

Coronavirus Plus the China-US trade war, the promotion of tax reform, the financial loosening, Brexit and other black swan effects have caused the fluctuation in the global financial market. This would possibly affect the customer's confidence in housing.

(3) Countermeasures:

A. Cautiously evaluate development cases and strengthen product planning to increase the value-added to reduce the impact of higher costs.

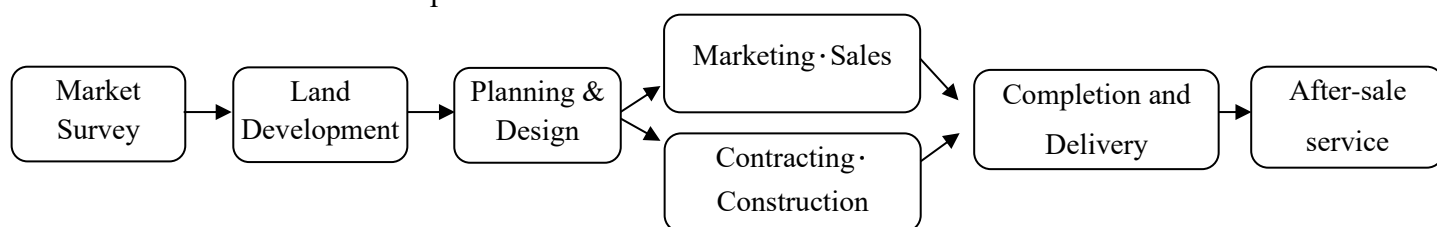
B. In addition to the optimal segments in the center of the city, it should also actively evaluate to acquire the suburban areas with high potential, and also expand diversified land development means, such as urban renewal projects or the joint construction of unsafe and old buildings.

C. Effectively take advantage of the value chain in the group, and properly deploy the investments into new business to strengthen diversified operations and achieve overall synergy.

## (2) Key applications and production process of main products

1. The Company's products are mainly engaged in land development, planning, design, and construction, and the products are mainly divided into two categories: residential and commercial buildings. The residential buildings are for living purpose, ranging from free-standing low-rise houses to high-rise residential buildings. The commercial buildings are designed for business activities, including shops and high-rise office buildings.

2. Production process:



## (3) Supply of main materials:

The Company actively develops and seeks suitable land since it is the main raw material for the construction company..



**(4) List of major suppliers and customers in the last two fiscal years**

1. List of major suppliers in the last two fiscal years with gross purchases over 10%, as well as the reason for increase(decrease)

**Data of major suppliers in the last two fiscal years**

Unit: NT\$1,000

	2019				2020				2021 and until March 31 (Note 2)			
Item	Company name	Amount	Ratio in the net amount of purchases in a year (%)	Relation with the issuer	Company name	Amount	Ratio in the net amount of purchases in a year (%)	Relation with the issuer	Company name	Amount	Ratio in the net amount of purchases in a year (%)	Relation with the issuer
1	A	36,690	99.82%	None	Lin, Chia-Hung	1,208,650	66.68%	Stakeholder	There is no financial data audited by the CPA in the current year and as of the Annual Report publication date.			
2					B	499,700	27.57%	None				
	Others	66	0.18%		Others	104,392	5.75%					
	Total	36,756	100.00%		Total	1,812,742	100.00%					

Note 1: List the major customers in the past two years with gross purchases over 10%, as well as amount and percentage of purchases. However, under the contract terms, it may not disclose the name of the customer or the trading counterparty if it is an individual or not a related party, which should be represented by a code.

Note 2: For the company that is publicly listed or has issued shares in TWSE, if the financial data in the most recent period is audited or reviewed by the CPA before the date of publishing the Annual Report, it should be disclosed.

Note 3: Reason for increase/decrease: Due to the industrial characteristics, the Company has no fixed contractor or supplier.

2. List of major suppliers in the last two fiscal years with gross sales over 10%

**Data of major customers in the past two years**

Unit: NT\$1,000

	2019				2020				2021 and until March 31 (Note 2)
Item	Company name	Amount	Ratio in the net amount of sales in a year (%)	Relation with the issuer	Company name	Amount	Ratio in the net amount of sales in a year (%)	Relation with the issuer	There is no financial data audited by the CPA in the current year and as of the Annual Report publication date.
1	Guang-de-li parking lot	3,655	35.94%	None	Customer B	46,134	52.80%	None	
2	Customer A	2,000	19.67%	None	Customer C	32,670	37.39%	None	
3	Gau-ding dressing store	1,032	10.15%	None					
4	Others	3,483	34.24%		Others	8,573	9.81%		
	Net amount of sales	10,170	100.00%		Net amount of sales	87,377	100.00%		

Note 1: List the major customers in the last two fiscal years with gross sales over 10%, as well as amount and percentage of purchases. However, under the contract terms, it may not disclose the name of the customer or the trading counterparty if it is an individual or not a stakeholder, which should be represented by a code.

Note 2: For the company that is publicly listed or has issued shares in TWSE, if the financial data in the most recent period is audited or reviewed by the CPA before the date of publishing the Annual Report, it should be disclosed.

Note 3: Reason for increase/decrease: Due to the industrial characteristics, the Company has no fixed customer.

### (5) Outputs in the last two fiscal years

Unit: NT\$1,000

Year	2019			2020		
Production	Capacity	Output	Output value	Capacity	Output	Output value
Main commodity	(Ping = 3.3 m <sup>2</sup> )	(Units)		(Ping = 3.3 m <sup>2</sup> )	(Units)	
Shitan Section case A	-	-	-	-	-	-
Shitan Section case B	-	-	-	-	-	-
Total	-	-	-	-	-	-

Note: The cost is recognized by the completed contract method, and the output is recognized and calculated based on the completion year.

### (6) Sales in the last two fiscal years

Unit: NT\$1,000

Year	2019		2020	
	Domestic sale		Domestic sale	
Sales	Volume	Value	Volume	Value
Main commodity	(Ping = 3.3 m <sup>2</sup> )		(Ping = 3.3 m <sup>2</sup> )	
Shitan Section case A (Huyue Tianqin)	-	2,000	135.10	78,804
Rental income	-	8,170	-	8,573
Total	-	10,170	135.10	87,377

### 3. Information on Employees in the last two years and as of the Annual Report publication date:

Year		2019	2020	April 30 <sup>th</sup> , 2021
Number of employees	Number of employees	33	32	44
	Total	33	32	44
Average length of service		12.49	11.93	9.5
Average age		48.22	47.98	47.26
Distribution of education levels %	Doctor	--	--	--
	Master	12%	3%	14%
	College	79%	91%	80%
	High School	3%	3%	3%
	Below than high school	6%	3%	2%

Note: The length of service is calculated since June 16<sup>th</sup>, 2001.

### 4. Environmental Expenditure Information

**(1) The total amount of losses due to environmental pollution in the most recent year and as of the Annual Report publication date:** None.

**(2) Countermeasures and estimated expenditures in the future:**

1. The cases invested by the Company are contracted by the contracting company. The contractor is liable for the environmental protection in the construction process. It doesn't need to apply for license for pollution facility, approval for pollution discharge and payment of pollution prevention costs or set up a unit or assign a person responsible for the environmental protection.
2. For all environmental protection works such as reduction of construction noise, prevention of dust blowing or falling of gravel, the construction companies are strictly required to establish the most comprehensive measures, and fulfill their environmental responsibility.
3. Estimated expenditures in the future: None.

### 5. Labor Relations:

**(1) Current labor agreement and implementation of various measures:**

1. Welfare measures:

The Company has always been committed to providing a good workplace and welfare system. In addition to labor insurance and national health insurance, we

plan to establish the following employee benefits based on the needs of employees and their quality of life:

- . Group insurance
- . Labor Retirement Reserves Supervision Committee
- . Employee welfare committee
- . Cash gifts and vacation for the three important Chinese festivals
- . Regular staff health checkup
- . Discounts for staff purchasing self-occupied houses
- . Employee stock subscription
- . Employee emuneration

2. Retirement system and implementation:

To strengthen the employee's intention to provide long-term professional service, care for the retirement life of workers, improve work efficiency, and promote harmonious labor relations, the Company has established the Labor Retirement Reserves Supervision Committee and set aside certain amount and deposited into individual pension accounts. Those who have worked for more than 15 years and have reached the age of 55 and have worked for more than 25 years, or who have worked for more than 10 years and have reached the age of 60, may apply for retirement. For those who are above the age of 65, but work in the special positions that are dangerous or require strong physical strength, the business must report to the central competent authority for adjustment, which should be not younger than the age of 55 years. Or those who are incapable of the work due to the mental or physical disabilities, will be ordered to retire. After the implementation of this regulation, it has indeed strengthened the employee's intention to work in the Company for a long time.

In response to the new retirement system implemented by the government, for those who choose the new system, the Company sets aside 6% of the employee's monthly salary since July, 2005 , which is deposited into the individual retirement account of the Bureau of Labor Insurance.

3. Other important agreements: None.

**(2) List any loss sustained as a result of labor disputes in the recent year and as of the Annual Report publication date, the estimated amount and countermeasures to be taken in the future:**

The Company has always attached great importance to labor relations, and has established various personnel and welfare systems. The communication channels between labors and employers are adequate. There have been no labor disputes that have caused loss for the Company. Moreover, such labor dispute is not likely to occur in the Company in the future.

**(3) Certificate specified by the competent authority and acquired by the**

**personnel related to the transparency of financial information in the Company:**

1. Internal Chief Auditor (Li, Mei-Chan)—acquired the CIA certificate.

**(4) Continuing education of the directors in the Company**

Name	Title	Course name	Training hour
Cheng, Ssu-Tsung	Chairman	Development Trends of Corporate Governance	3 hours
		Latest Trends in Anti-Money Laundering and Countering the Financing of Terrorism	3 hours
Lee, Chin-Yi	Director	Development Trends of Corporate Governance	3 hours
		Educational seminar for insiders	3 hours
Yan, Ming-Hung	Director	Corporate Governance 3.0 organized by Taiwan Stock Exchange Corporation	3 hours
		Corporate Governance Development Trends	3 hours
		Case Studies on Fraud in Corporate Financial Statements	3 hours
		Case Studies of Recent Contests for Corporate Control: Strategies for Equity, Board of Directors, and Shareholders' Meetings	3 hours
Tseng, Ping-Joung	Representative of Director	Development Trends of Corporate Governance	3 hours
		Establishment and Case Analyses of Breach of Trust or Special Breach of Trust Offenses of Directors and Supervisors	3 hours
Wang, Mu-Fan	Independent Director	Corporate Governance Development Trends	3 hours
		Audit Committee Advanced Case Studies - The Road to 3.0	3 hours
Huang, Chih-Chen	Independent Director	Development Trends of Corporate Governance	3 hours
		Educational seminar for insiders	3 hours
		Regulations and Operations of the Audit Committee	3 hours
		Non-Arm's Length Transactions	3 hours
Yeh, Chien-Wei	Independent Director	Development Trends of Corporate Governance	3 hours
		Educational seminar for insiders	3 hours
		Regulations and Operations of the Audit Committee	3 hours
		Red Flags for False Financial Statements	3 hours

Note: The Independent Director Huang, Chih-Chen resigned on March 26<sup>th</sup>, 2021.

**(5) Continuing education and training related to corporate governance attended by the managerial officers**

Name	Title	Course name	Training hours
Wu, Yu-Guo	General Manager	Development Trends of Corporate Governance	3 hours
Chien, Lin-Chin	Financial Officer	Development Trends of Corporate Governance	3 hours

**(6) Employee continuing education and training:**

The situation of the Company's employee continuing education and training in 2020 is as below:

Number of trainees	38
Expense	NT\$32,250
<p>Course name/ (training institution)</p> <ol style="list-style-type: none"> <li>Promoting the Adoption of International Financial Reporting Standards in Taiwan (TWSE)</li> <li>Statute for Industrial Innovation Tax Offsetting Seminar (Leading Consulting Group)</li> <li>Explanation on Recent Legislation and Official Letters on Urban Renewal or Dangerous and Old Buildings (The Real Estate Development Association of Taipei)</li> <li>Continuing Training Class for Accounting Managers of Issuers, Securities Firms and Securities Exchanges (Accounting Research and Development Foundation)</li> <li>Seminar for Promoting iXBRL Financial Reports for Companies (TWSE)</li> <li>Analysis of Policies for Assistance for Companies to Enhance Self-Prepared Financial Reports and Internal Control Management Practices (Accounting Research and Development Foundation)</li> <li>Analysis of the Latest Corporate Governance Policies and Compliance for Setting up Corporate Governance Personnel (Accounting Research and Development Foundation)</li> <li>2020 Business Promotion Seminars for Listed Companies (TWSE)</li> <li>Development Trends of Corporate Governance (PwC Legal)</li> <li>Internal Audit Guidelines for Legal Compliance (Institute of Internal Auditors, ROC)</li> <li>AHM Housing Lease, Sales, and Payment Collection Management System (Goinfo Auto Co., Ltd.)</li> <li>Labor Conditions in Industries Governed by the Labor Standards Act in 2020 (Taipei City Labor Inspection Office)</li> <li>Explanation on Recent Legislation on Buildings (The Real Estate Development Association of Taipei)</li> <li>Shareholders Service Seminar (CTBC)</li> </ol>	

**(7) Code of Conduct or Ethical Code of Conduct:**

The Company hasn't formulated the Code of Conduct or the Ethical Code of Conduct. However, in the Employee Handbook or the Employee Awards/Punishments

Regulation, the employee's conducts or ethics are regulated as below:

Employee Handbook:

1. Employees may not sign contract or provide guarantees for debts of others in the name of the Company or in the name of the position.
2. Employees shall be liable for confidentiality of the secrets of the Company.
3. Employees are not allowed to carry the public property and public facilities out of the office for private use.
4. The regulations for the telephone etiquette of the employees.

Employee Awards/Punishments Regulation (briefed as below):

1. Awards regulations are clearly defined (Article 3)
  - (1) For those who provide warm service, help others, work hard to complete major or special assignments in a timely manner, improve work methods, and show creativity, it should be provided with compliments and bonuses.
  - (2) For those who propose improvement suggestions for engineering technology that are adopted by the Company, or save materials or costs effectively, it should record merits and provide bonuses.
  - (3) For those who maintain the employee safety, take risks to complete assignments and make achievements, safeguard the main benefits of the Company, and avoid material loss, it should record major merits and provide bonuses.
2. Punishment regulations are clearly defined (Article 5)
  - (1) For those who are absent for work for a day without any reason, causes the data leakage of the Company's documents due to the negligence, make minor mistakes at work, disobey the reasonable instruction from the supervisor, it should record demerits and result in punishments.
  - (2) For those who are absent for work for 1~3 days without any reason, shuffle the responsibilities without any reason, causes major losses or governmental penalty or blemish the corporate image of the Company due to the negligence, it should record demerits and result in punishments.
  - (3) For those who are absent for work for more than 3 consecutive days without any reason, are absent without leave, drink alcohol in the workplace during the working hours, cause trouble to affect the order of works and groups, destroy or alter important documents or public property, deliberately disseminate false statements to affect the reputation of the Company or the employees, collect the Company's confidential data unrelated to the duties intentionally, it should record major demerits and result in punishments.



**(8)Working environment and protection measures taken for employee safety:**

Item	Content
Door access security	The company has a door access monitoring system and signs contract with the security company.
Fire safety	It inspects the standards compliance of fire facilities and performs the fire security test randomly.
Drinking water safety	The Company regularly replaces the drinking water filter.
Safety in construction site	When accessing the construction site, it is required to put on helmet, and follow the construction site safety regulations. The construction project follows the labor safety and health laws and regulations promulgated by the government.
Physiological health	The Company regularly conducts health checkups for employees.
Insurance	The Company purchases group insurance for employees.

**6. Important Contracts**

**(The contracts that are still effective as of the Annual Report publication date and are going to be expired within the most recent year)**

**(1)The contracts that are still effective as of the Annual Report publication date:**

Contract type	Party	Contract duration	Contract content	Restrictions
Construction contract	Wang Bang Construction Co., Ltd.	2020.03.01 completion of the project	“The Central-One”new construction project on 14 land plots including No. 573-1, 2nd Subsection, Rongxing Section, Zhongshan District, Taipei City	None
	Li Kao Construction Co., Ltd.	2020.01.20 completion of the project	“The Urban Green” new construction project on two land plots No. 312 and 314, 1st Subsection, Longquan Section, Da’an District, Taipei City.	None
Joint construction contract	Jiantan Temple Foundation	2019.01.31 completion of the project	14 land plots including No. 573-1, 2nd Subsection, Rongxing Section, Zhongshan District, Taipei City	None
	Liugong Irrigation Association, Taipei City	2019.02.18 completion of the project		None
	Seven related parties including Lin, Hsing-Hsiung	2019.02.22 completion of the project		None
	Three non-related parties including Chang, Chun	2020.09.15 completion of the project	Land on plot No. 237 on Xinbi Section, Luzhu District, Taoyuan City	None

	Seven non-related parties including Chiang, Chun	2020.10.22 completion of the project	Land on plot No. 174 on Lejie Section, Guishan District, Taoyuan City	None
Joint construction rights transfer contract	Hong Zhu Construction Co., Ltd.	2020.09.11	Transfer of joint construction rights for land on plot No. 174 on Lejie Section, Guishan District, Taoyuan City	None
			Transfer of joint construction rights for land on plot No. 237 on Xinbi Section, Guishan District, Taoyuan City	None
Credit Facilities Agreement	Shanghai Commercial and Savings Bank Ren'ai Branch	2020.11.27~2023.08.14	A. Medium-term secured loans - land financing B. Medium-term loans - building financing	None
	Far Eastern International Bank	2020.09.21~2023.09.21	Medium-term comprehensive credit limit A. Medium-term secured loans - land financing B. Medium-term loans - building financing C. Commercial paper guarantee	None
	Sales Department, Hwatai Bank	2020.11.09~2023.11.09	Medium-term secured loans	Certain amounts can only be used after the urban renewal project is authorized
	Taiwan Cooperative Bank Taoyuan Branch	2020.12.23~2023.12.31	Medium-term secured loans - land financing	None
	Taiwan Cooperative Bank Banqiao Branch	2021.01.13~2023.12.31	A. Medium-term secured loans - land financing B. Medium-term loans - building bulk loans	Item B can only be used after Taoyuan City Government approves the donation of the of site
	Mega International Commercial Bank Nankan Branch	2021.01.13~2024.01.03	A. Medium-term secured loans - land financing B. Medium-term loans - additional building bulk	Item B can only be used after the additional building bulk certificate is obtained
Credit Facilities Agreement	Taiwan Cooperative Bank Sanxia Branch	2021.04.26~2025.03.31	Medium-term secured loans - land financing	The 10% retained funds can only be allocated after the commencement of construction

\*Only project contracts with a total contract price of more than NT\$100 million are specified.

\*Only medium to long-term loan contracts are shown.

## 【Financial Information】

### 1. Condensed Balance Sheet and Statement of Comprehensive Income in the Past Five Years, and the CPA's Audit Opinion

#### (1) Condensed Balance Sheet and Statement of Comprehensive income

##### 1. Condensed Balance Sheet – based on IFRS (Consolidated)

Unit: NT\$1,000

<div>Year</div> <div>Item</div>		Financial data in the past five years (Note 1)					
		2016	2017	2018	2019	2020	Financial data of the current year until M/D/Y (Note 3)
Current assets		6,144,141	5,588,134	4,990,988	4,985,390	8,433,839	There is no financial data audited by the CPA in the current year and as of the Annual Report publication date.
Property, plant and equipment (Note2)		63,540	123,141	120,413	118,586	117,874	
Intangible assets		--	--	--	--	--	
Other assets (Note 2)		32,246	27,969	26,991	45,753	79,153	
Total assets		6,239,927	5,739,244	5,138,392	5,149,729	8,630,866	
Current liabilities	Before distribution	2,413,508	1,588,711	902,567	1,765,918	2,220,003	
	After distribution	2,630,110	1,588,711	983,792	1,792,993	--	
Non-current liabilities		24,687	687,709	742,686	12,328	10,305	
Total liabilities	Before distribution	2,438,195	2,276,420	1,645,253	1,778,246	2,230,308	
	After distribution	2,654,797	2,276,420	1,726,478	1,805,321	--	
Equity attributable to owner of the parent company		3,539,188	3,208,469	3,244,403	3,113,038	6,148,136	
Capital stock		2,707,525	2,707,525	2,707,525	2,707,525	5,207,525	
Capital reserve		8,828	11,070	11,381	9,141	658,613	
Retained earnings	Before distribution	858,790	525,829	558,580	400,161	281,438	
	After distribution	642,188	525,829	477,355	373,086	--	
Other equity		--	--	(5,322)	(3,789)	560	
Treasury stock		(35,955)	(35,955)	(27,761)	--	--	
Non-controlling interests		262,544	254,355	248,736	258,445	252,422	
Total equity	Before distribution	3,801,732	3,462,824	3,493,139	3,371,483	6,400,558	
	After distribution	3,585,130	3,462,824	3,411,914	3,344,408	--	

\* If the individual financial report is prepared by the Company, it should prepare the individual Condensed Balance Sheet and Statement of Comprehensive Income for the last five fiscal years additionally.

\* If the IFRS is adopted in the financial statements for less than 5 years, it should prepare the financial statement based on the GAAP as shown in Table (2) as below.

Note 1: The years that are not audited by CPA should be marked.

Note 2: If the Company has performed the revaluation in the current year, it should list the revaluation date and amount.

Note 3: For the company that is publicly listed or has issued shares in TWSE, if the financial data in the most recent period is audited or reviewed by the CPA before the date of publishing the Annual Report, it should be disclosed.

Note 4: The figure after the distribution of the last time should be listed based on the resolution during the shareholders' meeting in the next year.

Note 5: If the financial data is corrected or re-compiled upon the notice of the competent authority, it should list the updated figure, and specify the situation and reason.

## 2. Condensed Statement of Comprehensive Income-based on IFRS (Consolidated)

Unit: NT\$1,000

<div style="text-align: center;"> <div>Year</div> <div>Item</div> </div>	Financial data in the past five years (Note 1)					
	2016	2017	2018	2019	2020	Financial data of the current year until M/D/Y (Note 2)
Operating income	2,357,723	69,225	1,212,121	10,170	87,377	There is no financial data audited by the CPA in the current year and as of the Annual Report publication date.
Gross profit/loss	736,052	11,402	198,053	8,265	25,427	
Operating profit/loss	520,576	(107,165)	68,178	(67,951)	(63,943)	
Non-operating income and expense	(45,193)	(12,022)	(33,514)	(5,898)	(30,717)	
Net profit(loss) before tax	475,383	(119,187)	34,664	(73,849)	(94,660)	
Net profit(loss) of continuing operations in the current period	--	--	--	--	--	
Loss of discontinued operations	--	--	--	--	--	
Net profit (loss) of the current period	416,176	(124,550)	20,066	(75,294)	(95,668)	
Other comprehensive gains/losses of the current period (Net amount after tax)	(639)	2	(577)	3,003	1,097	
Total comprehensive income of the current term	415,537	(124,548)	19,489	(72,291)	(94,571)	
Net profit/loss attributable to owner of the parent company	421,225	(116,361)	26,874	(68,696)	(89,645)	
Net profit/loss attributable to non-controlling interest	(5,049)	(8,189)	(6,808)	(6,598)	(6,023)	
Total comprehensive profit/loss attributable to owner of the parent company	420,586	(116,359)	26,301	(65,696)	(88,548)	
Total comprehensive income attributable to non-controlling interest	(5,049)	(8,189)	(6,812)	(6,595)	(6,023)	
EPS	1.57	(0.43)	0.10	(0.25)	(0.32)	

\* If the individual financial report is prepared by the Company, it should prepare the individual Condensed Balance Sheet and Statement of Comprehensive Income for the last five fiscal years additionally.

\* If the IFRS is adopted in the financial statements for less than 5 years, it should prepare the financial statement based on the GAAP as shown in Table (2) as below.

Note 1: The years that are not audited by CPA should be marked.

Note 2: For the company that is publicly listed or has issued shares in TWSE, if the financial data in the most recent period is audited or reviewed by the CPA before the date of publishing the Annual Report, it should be disclosed.

Note 3: Loss of discontinued operations is listed based on the net amount deducted with the income tax.

Note 4: If the financial data is corrected or re-compiled upon the notice of the competent authority, it should list the updated figure, and specify the situation and reason.

### 3. Condensed Balance Sheet - based on IFRS (Parent Company)

Unit: NT\$1,000

Year Item		Financial data in the last five fiscal years (Note 1)					
		2016	2017	2018	2019	2020	Financial data of the current year until M/D/Y (Note 3)
Current assets		4,845,724	4,337,053	3,691,488	3,714,824	7,178,320	There is no financial data audited by the CPA in the current year and as of the Annual Report publication date.
Property, plant and equipment (Note2)		63,425	61,157	58,845	57,435	57,139	
Intangible assets		--	--	--	--	--	
Other assets (Note2)		424,229	411,871	409,291	397,362	420,122	
Total assets		5,333,378	4,810,081	4,159,624	4,169,621	7,655,581	
Current liabilities	Before distribution	1,783,207	1,575,254	895,534	1,045,131	1,498,176	
	After distribution	1,999,809	1,575,254	976,759	1,072,206	--	
Non-current liabilities		10,983	26,358	19,687	11,452	9,269	
Total liabilities	Before distribution	1,794,190	1,601,612	915,221	1,056,583	1,507,445	
	After distribution	2,010,792	1,601,612	996,446	1,083,658	--	
Equity		3,539,188	3,208,469	3,244,403	3,113,038	6,148,136	
Capital stock		2,707,525	2,707,525	2,707,525	2,707,525	5,207,525	
Capital reserve		8,828	11,070	11,381	9,141	658,613	
Retained earnings	Before distribution	858,790	525,829	558,580	400,161	281,438	
	After distribution	642,188	525,829	477,355	373,086	--	
Other equity		--	--	(5,322)	(3,789)	560	
Treasury stock		(35,955)	(35,955)	(27,761)	--	--	
Non-controlling interests		--	--	--	--	--	
Total equity	Before distribution	3,539,188	3,208,469	3,244,403	3,113,038	6,148,136	
	After distribution	3,322,586	3,208,469	3,163,178	3,085,963	--	

\* If the individual financial report is prepared by the Company, it should prepare the individual Condensed Balance Sheet and Statement of Comprehensive Income for the last five fiscal years additionally.

\* If the IFRS is adopted in the financial statements for less than 5 years, it should prepare the financial statement based on the GAAP as shown in Table (2) as below.

Note 1: The years that are not audited by CPA should be marked.

Note 2: If the Company has performed the revaluation in the current year, it should list the revaluation date and amount.

Note 3: For the company that is publicly listed or has issued shares in TWSE, if the financial data in the most recent period is audited or reviewed by the CPA before the date of publishing the Annual Report, it should be disclosed.

Note 4: The figure after the distribution of the last time should be listed based on the resolution during the shareholders' meeting in the next year.

Note 5: If the financial data is corrected or re-compiled upon the notice of the competent authority, it should list the updated figure, and specify the situation and reason.

#### 4. Condensed Statement of Comprehensive Income—based on IFRS (Parent Company)

Unit: NT\$1,000

Item \ Year	Financial data in the last five fiscal years (Note 1)					
	2016	2017	2018	2019	2020	Financial data of the current year until M/D/Y (Note 2)
Operating income	2,349,615	62,761	1,201,069	3,069	79,624	There is no financial data audited by the CPA in the current year and as of the Annual Report publication date.
Gross profit/loss	727,944	4,938	192,057	1,164	17,674	
Operating profit/loss	521,210	(99,240)	69,949	(66,306)	(62,545)	
Non-operating income and expense	(40,807)	(11,557)	(28,510)	(2,390)	(26,092)	
Net profit(loss) before tax	480,403	(110,797)	41,439	(68,696)	(88,637)	
Net profit(loss) of continuing operations in the current period	--	--	--	--	--	
Loss of discontinued operations	--	--	--	--	--	
Net profit (loss) of the current period	421,225	(116,361)	26,874	(68,696)	(89,645)	
Other comprehensive gains/losses of the current period (Net amount after tax)	(639)	2	(573)	3,000	1,097	
Total comprehensive income of the current term	420,586	(116,359)	26,301	(65,696)	(88,548)	
Net profit/loss attributable to owner of the parent company	--	--	--	--	--	
Net profit/loss attributable to non-controlling interest	--	--	--	--	--	
Total comprehensive profit/loss attributable to owner of the parent company	--	--	--	--	--	
Total comprehensive income attributable to non-controlling interest	--	--	--	--	--	
EPS	1.57	(0.43)	0.10	(0.25)	(0.32)	

\* If the individual financial report is prepared by the Company, it should prepare the individual Condensed Balance Sheet and Statement of Comprehensive Income for the last five fiscal years additionally.

\* If the IFRS is adopted in the financial statements for less than 5 years, it should prepare the financial statement based on the GAAP as shown in Table (2) as below.

Note 1: The years that are not audited by CPA should be marked.

Note 2: For the company that is publicly listed or has issued shares in TWSE, if the financial data in the most recent period is audited or reviewed by the CPA before the date of publishing the Annual Report, it should be disclosed.

Note 3: Loss of discontinued operations is listed based on the net amount deducted with the income tax.

Note 4: If the financial data is corrected or re-compiled upon the notice of the competent authority, it should list the updated figure, and specify the situation and reason.

## (2) Condensed Balance Sheet and Statement of Comprehensive Income- based on GAAP

None: The IFRS is adopted by the Company in the financial statements for more than 5 years, it is not required to provide such reports.

\* Capitalized amount of interests:

Unit: NT\$1,000

2016	0	2019	6,198
2017	0	2020	9,624
2018	0		

## (3) The names of CPAs and their audit opinions in the past five years

1. The names of CPAs and their audit opinions:

Year	Name of CPA	Audit opinion
2016	Kuo, Chen-Yu, Chen, Kuang-Hui	Unqualified
2017	Kuo, Chen-Yu, Chen, Kuang-Hui	Unqualified
2018	Chen, Kuang-Hui, Yau, Yu-Lin	Unqualified
2019	Chen, Kuang-Hui, Yau, Yu-Lin	Unqualified
2020	Chen, Kuang-Hui, Yau, Yu-Lin	Unqualified

2. CPA replacement reasons in the past five years:

- ☆ The Company co-operated with internal rotation of MOORE STEPHENS INTERNATIONAL LIMITED in 2016, so it changed to appoint CPA Kuo, Chen-Yu, Chen, Kuang-Hui.
- ☆ The number of CPAs auditing a public company failed to meet the provisions of Article 4 of “Regulations Governing Approval of Certified Public Accountants to Audit and Attest to the Financial Reports of Public Companies”, so MOORE STEPHENS INTERNATIONAL LIMITED proposed to terminate the CPA appointment for finance statement of the Company in 2018.

## 2. Financial Analysis for the Last Five Fiscal Years

### (1) Financial analysis - based on IFRS (Consolidated)

Analysis item (Note 3) Year (Note 1)		Financial data in the past five years (Note 1)					
		2016	2017	2018	2019	2020	Financial data of the current year until M/D/Y (Note 2)
Financial structure (%)	Debt Ratio	39.07	39.66	32.02	34.53	25.84	There is no financial data audited by the CPA in the current year and as of the Annual Report publication date.
	Ratio of long-term capital to property, plant and equipment	6,022.06	3,370.55	3,517.75	2,853.47	5,438.74	
Solvency (%)	Current ratio	254.57	351.74	552.98	282.31	379.90	
	Quick ratio	45.43	36.87	72.75	28.30	94.45	
	Times interest earned ratio	16.72	(2.08)	2.13	(1.77)	(2.73)	
Operational capability	Accounts receivable turnover (times)	46.28	1.71	406.62	4.93	42.37	
	Average collection days	7.88	213.45	0.89	74.03	8.61	
	Inventory turnover (times)	0.28	0.01	0.20	0.00	0.01	
	Accounts payable turnover (times)	6.69	0.39	24.25	0.09	0.75	
	Average days in sales	1,303.57	36,500.00	1,825.00	NA	36,500.00	
	Property, plant and equipment turnover (times)	36.50	0.74	9.95	0.09	0.74	
	Total assets turnover (times)	0.34	0.01	0.22	0.00	0.01	
Profitability	Return on total assets (%)	6.41	(1.54)	0.82	(1.11)	(1.18)	
	Return on stockholders' equity (%)	10.92	(3.43)	0.58	(2.19)	(1.96)	
	Pre-tax net profit to paid-in capital (%) (Note 7)	17.56	(4.40)	1.28	(2.73)	(1.82)	
	Profit margin (%)	17.65	(179.92)	1.66	(740.35)	(109.49)	
	EPS (NT\$)	1.57	(0.43)	0.10	(0.25)	(0.32)	
Cash flow	Cash flow ratio (%)	--	12.92	66.93	--	--	
	Cash flow adequacy ratio (%)	210.52	232.45	297.18	414.30	31.33	
	Cash reinvestment ratio (%)	(11.27)	(0.27)	14.19	(2.39)	(0.42)	
Leverage	Operating leverage	1.18	0.17	1.97	0.10	(0.01)	
	Financial leverage	1.06	0.73	1.82	0.75	0.78	



Analysis of significant changes in financial ratio over the last two years. (Not required if the change does not exceed 20%.)

	2019	2020	Change ratio	Analysis of Change ratio higher than 20%
Debt Ratio	34.53	25.84	-25%	The decrease is mainly due to the increase in assets in the current period
Ratio of long-term capital to property, plant and equipment	2,853.47	5,438.74	91%	The increase is mainly due to the increase in equity in the current period
Current ratio	282.31	379.90	35%	The increase is mainly due to the increase in current assets in the current period
Quick ratio	28.30	94.45	234%	The increase is mainly due to the increase in current assets in the current period
Times interest earned ratio	(1.77)	(2.73)	-54%	The decrease is mainly due to the increase in losses before tax in the current period
Accounts receivable turnover (times)	4.93	42.37	759%	The increase in turnover is mainly due to the increase in net sales in the current period
Average collection days	74.03	8.61	-88%	1. The lending policy in this period was the same as the previous period 2. The decrease in cash collection days is mainly due to the increase in receivable turnover in this period
Inventory turnover (times)	0.09	0.75	733%	The increase is mainly due to the increase in the cost of sales in the current period
Accounts payable turnover (times)	0.00	0.01	NA	The increase is mainly due to the increase in the cost of sales in the current period
Average days in sales	NA	36,500.00	NA	Mainly due to the increase in the cost of sales in the current period
Property, plant and equipment turnover (times)	0.09	0.74	722%	The increase in turnover is mainly due to the increase in net sales in the current period
Total assets turnover (times)	0.00	0.01	NA	The increase in turnover is mainly due to the increase in net sales in the current period
Return on total assets	(1.11)	(1.18)	-6%	--
Return on stockholders' equity	(2.19)	(1.96)	11%	--
Pre-tax net profit to paid-in capital	(2.73)	(1.82)	33%	The increase is mainly due to the increase in paid-in capital in the current period
Profit margin	(740.35)	(109.49)	85%	The increase is mainly due to the increase in net sales in the current period
EPS (NT\$)	(0.25)	(0.32)	-28%	The decrease in earnings per share is mainly due to the decrease in net profit after tax in the current period
Cash flow ratio	--	--	--	The operating activities in this period resulted in net cash outflow and therefore no analysis is provided
Cash flow adequacy ratio	414.30	31.33	-92%	The decrease is mainly due to the decrease in net cash inflow from operating activities
Cash reinvestment ratio	(2.39)	(0.42)	82%	The increase is mainly due to the decrease in the distribution of cash dividends in this period compared to the previous period
Operating leverage	0.10	(0.01)	-110%	The decrease in leverage is mainly due to the increase in operating costs in the current period compared to the previous period
Financial leverage	0.75	0.78	4%	--

**(2) Financial analysis - based on IFRS (Parent Company)**

<div>Year (Note 1)</div> <div>Analysis item (Note 3)</div>		Financial data in the last five fiscal years (Note 1)					
		2016	2017	2018	2019	2020	Financial data of the current year until M/D/Y (Note 2)
Financial structure (%)	Debt Ratio	33.64	33.30	22.00	25.34	19.69	There is no financial data audited by the CPA in the current year and as of the Annual Report
	Ratio of long-term capital to property, plant and equipment	5,597.43	5,289.38	5,546.93	5,440.05	10,776.19	
Solvency (%)	Current ratio	271.74	275.32	412.21	355.44	479.14	
	Quick ratio	59.53	34.98	66.36	44.62	139.32	
	Times interest earned ratio	35.02	(3.59)	3.60	(4.26)	(5.63)	
Operational capability	Accounts receivable turnover (times)	46.43	1.56	562.69	85.25	1,474.52	
	Average collection days	7.86	233.97	0.64	4.28	0.24	
	Inventory turnover (times)	0.36	0.01	0.27	0.00	0.01	
	Accounts payable turnover (times)	6.69	0.39	24.32	0.09	0.75	
	Average days in sales	1,013.88	36,500.00	1,351.85	NA	25,704.22	
	Property, plant and equipment turnover (times)	36.41	1.01	20.02	0.05	1.39	
	Total assets turnover (times)	0.39	0.01	0.27	0.00	0.01	
Profitability	Return on total assets (%)	7.24	(1.90)	0.89	(1.49)	(1.45)	
	Return on stockholders' equity (%)	11.88	(3.45)	0.83	(2.16)	(1.94)	
	Pre-tax net profit to paid-in capital (%) (Note 7)	17.74	(4.09)	1.53	(2.54)	(1.70)	
	Profit margin (%)	17.93	(185.40)	2.24	(2,238.38)	(112.59)	
	EPS (NT\$)	1.57	(0.43)	0.10	(0.25)	(0.32)	
Cash flow	Cash flow ratio (%)	--	13.16	74.61	--	--	
	Cash flow adequacy ratio (%)	249.22	275.00	354.54	437.34	33.95	
	Cash reinvestment ratio (%)	(13.68)	(0.33)	23.09	(2.91)	(0.46)	
Leverage	Operating leverage	1.17	0.20	1.85	0.20	0.10	
	Financial leverage	1.03	0.80	1.30	0.89	0.92	

Analysis of significant changes in financial ratio over the last two years. (Not required if the change does not exceed 20%.)

	2019	2020	Change ratio	Analysis of Change ratio higher than 20%
Debt Ratio	25.34	19.69	-22%	The decrease is mainly due to the increase in assets in the current period
Ratio of long-term capital to property, plant and equipment	5,440.05	10,776.19	98%	The increase is mainly due to the increase in equity in the current period
Current ratio	355.44	479.14	35%	The increase is mainly due to the increase in current assets in the current period
Quick ratio	44.62	139.32	212%	The increase is mainly due to the increase in current assets in the current period
Times interest earned ratio	(4.26)	(5.63)	-32%	The decrease is mainly due to the increase in losses before tax in the current period
Accounts receivable turnover (times)	85.25	1,474.52	1630%	The increase in turnover is mainly due to the increase in net sales in the current period
Average collection days	4.28	0.24	-94%	1. The lending policy in this period was the same as the previous period 2. The decrease in cash collection days is mainly due to the increase in receivable turnover in this period
Inventory turnover (times)	0.09	0.75	733%	The increase is mainly due to the increase in the cost of sales in the current period
Accounts payable turnover (times)	0.00	0.01	NA	The increase is mainly due to the increase in the cost of sales in the current period
Average days in sales	NA	25,704.22	NA	Mainly due to the increase in the cost of sales in the current period
Property, plant and equipment turnover (times)	0.05	1.39	2680%	The increase in turnover is mainly due to the increase in net sales in the current period
Total assets turnover (times)	0.00	0.01	NA	The increase in turnover is mainly due to the increase in net sales in the current period
Return on total assets	(1.49)	(1.45)	3%	--
Return on stockholders' equity	(2.16)	(1.94)	10%	The increase is mainly due to the increase in equity in the current period
Pre-tax net profit to paid-in capital	(2.54)	(1.70)	33%	The increase is mainly due to the increase in paid-in capital in the current period
Profit margin	(2,238.38)	(112.59)	95%	The increase is mainly due to the increase in net sales in the current period
EPS (NT\$)	(0.25)	(0.32)	-28%	The decrease in earnings per share is mainly due to the decrease in net profit after tax in the current period
Cash flow ratio	--	--	---	The operating activities in this period resulted in net cash outflow and therefore no analysis is provided
Cash flow adequacy ratio	437.34	33.95	-92%	The decrease is mainly due to the decrease in net cash inflow from operating activities
Cash reinvestment ratio	(2.91)	(0.46)	84%	The increase is mainly due to the decrease in the distribution of cash dividends in this period compared to the previous period
Operating leverage	0.20	0.10	-50%	The decrease in leverage is mainly due to the increase in operating costs in the current period compared to the previous period
Financial leverage	0.89	0.92	3%	--

\*If the individual financial report is prepared by the Company, it should prepare the analysis of the individual financial ratios for the last five fiscal years additionally.

\*If the IFRS is adopted in the financial statements for less than 5 years, it should prepare the financial statement based on the GAAP as shown in Table (2) as below.

Note 1: The years that are not audited by CPA should be marked.

Note 2: For the company that is publicly listed or has issued shares in TWSE, if the financial data in the most recent period is audited or reviewed by the CPA before the date of publishing the Annual Report, it should be analyzed.

Note 3: The calculation equations as below should be listed at the end of the Annual Report:

1. Financial structure

(1) Ratio of liability to asset = total liability/total asset

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liability)/property, plant and equipment net amount

2. Solvency

(1) Current ratio = current asset/current liability.

(2) Quick ratio = (current asset – inventory – prepaid expense) / current liability

(3) Times interest earned = net profit before income tax and interest expense/current interest expense

3. Operational capability

(1) Accounts payable (including accounts receivable and notes receivable attributable to business) turnover ratio = net sales/average accounts receivable ((including accounts receivable and notes receivable attributable to business) balance

(2) Average collection days = 365 / accounts payable turnover ratio

(3) Inventory turnover ratio = sales cost / average inventory

(4) Accounts payable (including accounts payable and notes payable attributable to business) turnover ratio = sales cost / average accounts payable (including accounts payable and notes payable attributable to business) balance

(5) Average day in sales = 365 / inventory turnover ratio

(6) Property, plant and equipment turnover ratio = net sales/average real estate, plant and equipment net amount

(7) Total assets turnover ratio = net sales / average total assets

4. Profitability

(1) Return on assets = (after-tax profit and loss + interest expense × (1 – tax rate)) / average total assets

(2) Return on stockholders' equity = after-tax profit and loss / average total equity

(3) Net profit ratio = after-tax profit and loss / net sales

(4) Earnings per share = (equity attributable to owner of parent company – dividend on preferred shares) / weighted average issued share number (Note 4)

5. Cash flow

(1) Cash flow ratio = net cash flow of operating activity / current liability

(2) Net cash flow adequacy ratio = net cash flow of operating activity in recent five years / recent five years (capital expenditure + inventory increase + cash dividend)

(3) Cash reinvestment ratio = (net cash flow of operating activity – cash dividend) / (real estate, plant and equipment gross + long-term investment + other non-current asset + working capital) (Note 5)

6. Leverage:

(1) Operating leverage = (net operating revenue – changed Operating costs and expense) / operating profit (Note 6)

(2) Financial leverage = operating profit / (operating profit – interest expense)

Note 4: The formula for calculating the above earnings per share take the following factors into consideration:

1. Subject to weighted average number of common shares, not based on the number of issued shares at the end of the year
2. If there is incremental cash flow or treasury stock transaction, the circulation period should be taken into account and the weighted average number of shares is calculated.
3. If there is surplus transferred to increment or capital reserve transferred to investment, when calculating the earnings per share of the previous year and half year, trace and adjust according to increment proportion without considering the issuing period of the increment.
4. If the special stock is the nonconvertible cumulative special stock, its dividend of that year (whether issued or not) shall be deducted from after-tax net profit for the year or increase the after-tax net loss. If the special stock is the non-cumulative type, wherein there is after-tax dispute, the special stock dividend shall be deducted from after-tax net profit for the year if any; in case of loss, there shall be no adjustment.

Note 5: Cash utilization analysis and assessment should take the following factors into consideration:

1. Net cash flow of operating activity refers to the net cash inflow of operating activity in the cash flow statement.
2. Capital expenditure refers to the cash outflow of annual capital investment.
3. Inventory increment shall only be taken into account when the ending balance is greater than the beginning balance; if the inventory decreases at the end of the year, it shall be calculated as zero.
4. Cash dividends include cash dividends on common stocks and special stocks.
5. Gross of fixed assets refer to the sum of property, plant and equipment before deducting the accumulated depreciation.

Note 6: Issuer shall divide the Operating costs and Operating expenses into fixed and variable cost, which shall maintain the rationality and consistency if estimated or based on subjective judgment.

Note 7: If the company share has no par value or the par value per share is not NTD\$ 10, the above ratio calculation related to paid-in capital shall be changed in order to calculate the ratio of equity attributable to the owner of the parent company.

**(3) Consolidated Financial Analysis- based on GAAP**

None. The IFRS is adopted by the Company in the financial statements for more than 5 years, it is not required to provide such reports.

**(4) Financial Analysis- based on GAAP**

None. The IFRS is adopted by the Company in the financial statements for more than 5 years, it is not required to provide such reports.

**3. Audit Committee' Inspection Report in the Latest Year:**

**Audit Committee' Inspection Report**

The Company's 2020 business report, financial statements (including the consolidated and parent Company ones) and Loss make-up proposal prepared by the Board have been reviewed by CPAs of ShineWing Taiwan and are inspected by the Audit Committee, which are considered as correct and accurate. This report is presented pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for further inspection.

2021 Annual Shareholders' Meeting of Delpha Construction Co., Ltd

Audit Committee Convener: **Wang, Mu-Fan**

March 30<sup>th</sup>, 2021

**Delpha Construction Co., Ltd. and Subsidiaries**  
**Letter of Representation**

For the year ended December 31, 2020 (from January 1, 2020 to December 31, 2020), pursuant to “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, the entities that are required to be included in the consolidated financial statements of affiliates, are the same entities required to be included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the consolidated financial statements of affiliates is included in the aforementioned consolidated financial statements. Accordingly, it is not required to prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Delpha Construction Co., Ltd.

Cheng, Ssu-Tsung

Chairman

March 30, 2021

## Independent Auditors' Report

Delpha Construction Co., Ltd.

### Opinion

We have audited the accompanying consolidated balance sheets of Delpha Construction Co., Ltd. (the "Company") and its subsidiaries (collectively referred as the "Group") as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the "Regulations Governing the Preparations 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 **Independent auditors' responsibilities for the audit of the consolidated financial statements** section of our report. We are independent of the Group in accordance with the Code of professional Ethics for Certificate Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with this Code. Based on our audits, we believe that our audits provide a reasonable basis for our opinion.

## **Independent Auditors' Report (Continued)**

### **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 for the year ended December 31, 2020. 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. We determined the key audit matters should be communicated in our audit report are as follows:

### **Evaluation of inventories**

Please refer to Note 4(13) to the consolidated financial statements for the accounting policies of evaluation of inventories; refer to Note 5(2) to the consolidated financial statements for the accounting estimates and assumptions of the evaluation of inventories; and please refer to Note 6(6) to the consolidated financial statements for the details description of inventories accounts.

The inventory is an important asset of the Group's operation, which accounts for 71% of the total Group's assets. The accounting treatment for inventory evaluation is in accordance with the International Accounting Standard 2 "Inventories". The financial statements will not present fairly if the assessment of net unrealized value of inventories are inappropriate. Therefore, we considered the evaluation of inventories as one of the key audit matters for the year.

Our audit procedures included, but are not limited to, by referencing to the total transaction price registered in the Ministry of the Interior's real estate transaction database, the average selling price converted into the net realized value of the lands and buildings for sale to assess whether there is a significant difference. And to obtain the valuation report issued by the appraiser or by referencing to the present value of land announced by the Ministry of the Interior to assess whether there is a significant difference between the construction land and the construction in progress; and for the valuation report issued by the appraiser, to assess the



## **Independent Auditors' Report (Continued)**

rationality of the basic assumptions and expert qualifications such as the percentage of factor adjustment, the direct and indirect costs of the development period, the integrated capital interest rates etc.

### **Other matters**

We have audited the parent only financial statements of Delpha Construction Co., Ltd. for the year ended December 31, 2020 and 2019 on which we have issued an unqualified opinion.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparations 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 charges with governance, including members of the Audit Committee, are responsible for overseeing the Group's financial reporting process.

## **Independent Auditors' Report (Continued)**

### **Independent auditors' responsibilities for the audit of the consolidated financial statements**

Our objectives 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 a report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered 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 the generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## **Independent Auditors' Report (Continued)**

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 the Group's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures 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 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 the consolidated financial statements, including the footnote disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentations.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the Group's investee companies accounted for under equity method to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of audit of the Group's investee companies. We remain solely responsible for our audit opinion.

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

## **Independent Auditors' Report (Continued)**

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 statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our 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.

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Chen, Kuang-Hui

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Yao, Yu-Lin

For and on behalf of ShineWing CPAs

March 30, 2021

Taipei, Taiwan

Republic of China

### Notice to Readers

The accompanying consolidated financial statements are not intended to present the financial position, results of financial operations and cash flows in accordance with accounting principles and practice generally accepted in countries and jurisdictions other than the Republic of China. The standard, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, ShineWing CPAs cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**Delpha Construction Co., Ltd. and Subsidiaries**

**Consolidated balance sheets**

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

		December 31,			
Assets	Notes	2020	%	2019	%
Current assets					
Cash and cash equivalents	6.(1)	\$ 1,842,842	21	\$ 132,046	3
Financial assets at fair value through profit or loss	6.(2)	-	-	58,249	1
Notes receivable, net	6.(4)	1,647	-	2,465	-
Accounts receivable, net	6.(4)	6	-	6	-
Other receivables	6.(5)	40,008	-	39,438	1
Current income tax assets		413	-	360	-
Inventories	6.(6) and 8	6,121,039	71	4,337,552	84
Prepayments		215,913	3	148,080	3
Other financial assets	6.(7) and 8	211,021	3	267,194	5
Other current assets		950	-	-	-
		8,433,839	98	4,985,390	97
Non-current assets					
Financial assets at fair value through other comprehensive income	6.(3)	2,898	-	3,769	-
Property, plant and equipment	6.(8) and 8	117,874	1	118,586	2
Right-of-use asset	6.(9)	6,571	-	4,969	-
Refundable deposits	7	61,013	1	31,463	1
Net defined benefit assets – non-current	6.(15)	3,119	-	-	-
Other non-current assets		5,552	-	5,552	-
		197,027	2	164,339	3
Total assets		\$ 8,630,866	100	\$ 5,149,729	100

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**Delpha Construction Co., Ltd. and Subsidiaries**

**Consolidated balance sheets**

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

Liabilities and equity	Notes	December 31,			
		2020	%	2019	%
Current liabilities					
Short-term borrowings	6.(12) and 8	\$ 915,000	11	\$ 282,000	6
Contract liabilities	6.(22)	342,486	4	187,130	4
Notes payable	6.(13)	1,723	-	-	-
Accounts payable	6.(13)	48,217	1	20,486	-
Accounts payable – related parties	6.(13) and 7	94,571	1	-	-
Other payables		10,480	-	16,549	-
Provisions for liabilities	6.(16)	761	-	644	-
Current lease liabilities		6,599	-	4,974	-
Receipts in advances	7	28,079	-	28,958	1
Long-term borrowings - current portion	6.(14) and 8	771,900	9	1,224,900	24
Other current liabilities		187	-	277	-
		2,220,003	26	1,765,918	35
Non-current liabilities					
Net defined benefit liabilities - non-current	6.(15)	-	-	2,147	-
Guarantee deposits		10,305	-	10,181	-
		10,305	-	12,328	-
Total liabilities		2,230,308	26	1,778,246	35
Equity attributable to shareholders of the parent					
Common stock	6.(18)	5,207,525	60	2,707,525	52
Capital surplus	6.(19)	658,613	8	9,141	-
Retained earnings:	6.(20)				
Legal reserve		237,247	3	237,247	5
Special reserve		3,789	-	24,199	-
Unappropriated earnings		40,402	-	138,715	3
Other equity interest		560	-	( 3,789 )	-
		6,148,136	71	3,113,038	60
Non-controlling interest	6.(21)	252,422	3	258,445	5
Total equity		6,400,558	74	3,371,483	65
Total liabilities and equity		\$ 8,630,866	100	\$ 5,149,729	100

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

**Delpha Construction Co., Ltd. and Subsidiaries**  
**Consolidated statement of comprehensive income**  
For the years ended December 31, 2020 and 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,			
		2020	%	2019	%
<b>Revenue</b>	6.(22) and 7	\$ 87,377	100	\$ 10,170	100
<b>Cost of revenue</b>	6.(6)	( 61,950 )	( 71 )	( 1,905 )	( 19 )
<b>Gross profit</b>		<u>25,427</u>	<u>29</u>	<u>8,265</u>	<u>81</u>
<b>Operating expenses</b>					
Selling expenses	6.(25)	( 2,618 )	( 3 )	( 1,883 )	( 18 )
General & administrative expenses	6.(25)	( 86,752 )	( 99 )	( 74,333 )	( 731 )
		( 89,370 )	( 102 )	( 76,216 )	( 749 )
<b>Loss from operations</b>		( 63,943 )	( 73 )	( 67,951 )	( 668 )
<b>Non-operating income and expenses</b>					
Other income	6.(23)	4,857	6	9,224	91
Other gains and losses	6.(24)	( 17,274 )	( 20 )	7,568	74
Finance costs	6.(27)	( 18,300 )	( 21 )	( 22,690 )	( 223 )
		( 30,717 )	( 35 )	( 5,898 )	( 58 )
<b>Loss before income tax</b>		( 94,660 )	( 108 )	( 73,849 )	( 726 )
<b>Income tax expense</b>	6.(28)	( 1,008 )	( 1 )	( 1,445 )	( 14 )
<b>Net loss for the year</b>		( 95,668 )	( 109 )	( 75,294 )	( 740 )
<b>Other comprehensive income</b>					
Component of other comprehensive income that will not be reclassified to profit or loss					
Remeasurement of defined benefit obligation		111	-	1,666	16
Unrealized profit on valuation of investments in equity instruments at fair value through other comprehensive income		986	1	1,337	13
Income tax expenses related to components that will not be reclassified to profit or loss		-	-	-	-
<b>Total other comprehensive income for the year</b>		<u>1,097</u>	<u>1</u>	<u>3,003</u>	<u>29</u>
<b>Total comprehensive loss for the year</b>		( \$ 94,571 )	( 108 )	( \$ 72,291 )	( 711 )
<b>Net loss attributable to</b>					
Shareholders of the parent		( \$ 89,645 )	( 102 )	( \$ 68,696 )	( 675 )
Non-controlling interest		( 6,023 )	( 7 )	( 6,598 )	( 65 )
		( \$ 95,668 )	( 109 )	( \$ 75,294 )	( 740 )
<b>Total comprehensive loss attributable to</b>					
Shareholders of the parent		( \$ 88,548 )	( 101 )	( \$ 65,696 )	( 646 )
Non-controlling interest		( 6,023 )	( 7 )	( 6,595 )	( 65 )
		( \$ 94,571 )	( 108 )	( \$ 72,291 )	( 711 )
<b>Earnings per share (In New Taiwan dollars)</b>	6.(29)				
Basic earnings per share		( \$ 0.32 )		( \$ 0.25 )	

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

**Delpha Construction Co., Ltd. and Subsidiaries**  
**Consolidated statement of changes in equity**  
For the years ended December 31, 2020 and 2019  
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the parent										
	Retained earnings					Other equity interest			Non-controlling interest	Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Unrealized gain (loss) of financial assets at fair value through other comprehensive income		Treasury stock			Total
Balance, January 1, 2019	\$ 2,707,525	\$ 11,381	\$ 234,560	\$ 18,758	\$ 305,262	( \$ 5,322 )	( \$ 27,761 )	\$ 3,244,403	\$ 248,736	\$ 3,493,139	
Appropriation of prior year's earnings:											
Special capital reserve	-	-	-	5,441	( 5,441 )	-	-	-	-	-	
Legal reserve	-	-	2,687	-	( 2,687 )	-	-	-	-	-	
Cash dividends	-	-	-	-	( 81,225 )	-	-	( 81,225 )	-	( 81,225 )	
Expired and unclaimed dividend transfer to legal reserve	-	50	-	-	-	-	-	50	-	50	
Disposal of the Company's shares deemed as treasury stock transaction by a subsidiary	-	( 2,290 )	-	-	( 9,965 )	-	27,761	15,506	-	15,506	
Changes in ownership interests of subsidiaries	-	-	-	-	( 199 )	199	-	-	( 398 )	( 398 )	
Other	-	-	-	-	-	-	-	-	16,702	16,702	
	<u>2,707,525</u>	<u>9,141</u>	<u>237,247</u>	<u>24,199</u>	<u>205,745</u>	<u>( 5,123 )</u>	<u>-</u>	<u>3,178,734</u>	<u>265,040</u>	<u>3,443,774</u>	
Net loss for the year	-	-	-	-	( 68,696 )	-	-	( 68,696 )	( 6,598 )	( 75,294 )	
Other comprehensive income for the year	-	-	-	-	1,666	1,334	-	3,000	3	3,003	
Total other comprehensive income (loss) for the year	-	-	-	-	( 67,030 )	1,334	-	( 65,696 )	( 6,595 )	( 72,291 )	
Balance, December 31, 2019	2,707,525	9,141	237,247	24,199	138,715	( 3,789 )	-	3,113,038	258,445	3,371,483	
Appropriation of prior year's earnings:											
Reversal of special capital reserve	-	-	-	( 20,410 )	20,410	-	-	-	-	-	
Cash dividends	-	-	-	-	( 27,075 )	-	-	( 27,075 )	-	( 27,075 )	
Expired and unclaimed dividend transfer to legal reserve	-	38	-	-	-	-	-	38	-	38	
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	( 2,114 )	3,363	-	1,249	-	1,249	
Capital injection by cash	2,500,000	649,433	-	-	-	-	-	3,149,433	-	3,149,433	
Other	-	1	-	-	-	-	-	1	-	1	
	<u>5,207,525</u>	<u>658,613</u>	<u>237,247</u>	<u>3,789</u>	<u>129,936</u>	<u>( 426 )</u>	<u>-</u>	<u>6,236,684</u>	<u>258,445</u>	<u>6,495,129</u>	
Net loss for the year	-	-	-	-	( 89,645 )	-	-	( 89,645 )	( 6,023 )	( 95,668 )	
Other comprehensive income for the year	-	-	-	-	111	986	-	1,097	-	1,097	
Total other comprehensive income (loss) for the year	-	-	-	-	( 89,534 )	986	-	( 88,548 )	( 6,023 )	( 94,571 )	
Balance, December 31, 2020	\$ 5,207,525	\$ 658,613	\$ 237,247	\$ 3,789	\$ 40,402	\$ 560	\$ -	\$ 6,148,136	\$ 252,422	\$ 6,400,558	

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



**Delpha Construction Co., Ltd. and Subsidiaries**

**Consolidated statement of cash flows**

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

	For the year ended December 31,	
	2020	2019
<b>Cash flows from operating activities</b>		
Loss before income tax for the year	(\$ 94,660 )	(\$ 73,849 )
Adjustments for:		
Income and expenses having no effect on cash flows		
Depreciation	4,572	3,842
Interest income	( 1,329 )	( 5,176 )
Dividend revenue	( 8 )	( 79 )
Net loss (gain) on financial assets at fair value through profit or loss	8,372	( 6,772 )
Interest expense	18,300	22,690
Loss on disposal of property, plant and equipment	17	-
Gain arising from lease modification	( 24 )	( 1 )
Loss (gain) on foreign exchange, net	4,448	( 948 )
Loss on disposal of investments	-	133
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	49,877	( 1,998 )
Decrease (increase) in notes receivable	818	( 819 )
Decrease in accounts receivable	-	5
(Increase) decrease in other receivables	( 625 )	3,832
Increase in inventories	( 1,773,863 )	( 52,185 )
Increase in prepayments	( 67,833 )	( 94,335 )
Decrease (increase) in other financial assets	56,173	( 64,146 )
Increase in other current assets	( 950 )	-
Increase in contract liabilities	155,356	185,130
Increase (decrease) in notes payable	1,723	( 209 )
Increase in accounts payable	27,731	129
Increase in accounts payable – related parties	94,571	-
(Decrease) increase in other payables	( 6,288 )	3,357
Increase in provisions for liabilities	117	22
(Decrease) increase in receipts in advances	( 879 )	1,007
(Decrease) increase in other current liabilities	( 90 )	23
Decrease in receipt in net defined benefit liabilities	( 5,155 )	( 6,569 )
<b>Cash used in operations</b>	( 1,529,629 )	( 86,916 )
Interest received	1,443	5,782
Interest paid	( 27,584 )	( 28,767 )
Dividend received	8	79
Income taxes paid (including land value increment tax)	( 1,061 )	( 267 )
<b>Net cash used in operating activities</b>	( 1,556,823 )	( 110,089 )

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**Delpha Construction Co., Ltd. and Subsidiaries**

**Consolidated statement of cash flows**

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

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	For the year ended December 31,	
	2020	2019
<b>Cash flows from investing activities</b>		
Refund of capital from financial assets at fair value through other comprehensive income after capital reduction	1,847	1,975
Refund of capital from financial assets at fair value through other comprehensive income after capital liquidation	1,200	-
Loss on disposal of subsidiary	- (	8,724 )
Acquisition of property, plant and equipment	( 1,307 ) (	208 )
Increase in refundable deposits	( 29,550 ) (	18,206 )
Increase in other non-current assets	-	( 3,822 )
<b>Net cash used in investing activities</b>	( 27,810 )	( 28,985 )
<b>Cash flows from financing activities</b>		
Increase in short-term borrowings	633,000	282,000
Decrease in short-term notes and bills payable	- (	319,983 )
Increase in long-term borrowings	60,000	-
Repayment of long-term borrowings	( 513,000 ) (	13,881 )
Payment of lease liability	( 2,644 ) (	1,808 )
Increase in guarantee deposits	124	84
Expired and unclaimed dividend transfer to legal reserve	38	50
Capital injection by cash	3,149,433	-
Payment of cash dividends	( 27,075 ) (	81,225 )
Disgorgement	1	-
Disposal of treasury stock	-	32,289
<b>Net cash generated from (used in) financing activities</b>	3,299,877	( 102,474 )
<b>Effect of exchange rate changes on cash and cash equivalents</b>	( 4,448 )	948
<b>Increase (decrease) in cash and cash equivalents</b>	1,710,796 (	240,600 )
<b>Cash and cash equivalents at beginning of year</b>	132,046	372,646
<b>Cash and cash equivalents at end of year</b>	\$ 1,842,842	\$ 132,046

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

# **Delpha Construction Co., Ltd. and Subsidiaries**

## **Notes to the consolidated financial statements**

(Expressed in thousands of New Taiwan dollars, except as otherwise specified)

### **1. History and organization**

Delpha Construction Co., Ltd. (the "Company") was incorporated under the provisions of the Company Law of the Republic of China ("ROC") and approved by Ministry of Economic Affairs in December 1960. The registered address is 16F., No. 460, Sec. 5, Chenggong, Rd., Neihu Dist., Taipei City 11490, Taiwan, ROC. The Company and its subsidiaries (collectively referred as the "Group") are primarily engaged in commercial building constructed by commissioned construction contractor, selling and leasing public housing, development of specialized area, upholstery industry, real estate agency, rental and investment in related business.

### **2. The date of authorization for issuance of the consolidated financial statements and procedures for authorization**

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 30, 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 ("IFRSs"), International Accounting Standards ("IAS") and interpretations as endorsed by the Financial Supervisory Commission ("FSC").

A. IFRSs, IAS and interpretations endorsed by the FSC effective from 2020 are as follows:

New standards, interpretations and amendments	Main amendments	IASB effective date
Disclosure Initiative – Definition of Material (amendments to IAS 1 and IAS 8)	This amendment clarifies the definition of materiality. This information is material: if the omission, misstatement or confusion of information can be reasonably	January 1, 2020

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expected to influence the economic decisions made by the primary users of general-purpose financial statements based on the financial information provided by those financial statements, which provide financial information about a specific reporting entities.

Definition of a Businesses  
(amendments to IFRS 3)

The amendments clarify the definition of a business, that to be considered a business an acquired set of the activities and assets, must include, at a minimum, an input and a substantive process that together must significantly contribute to creating outputs; narrowed the definitions of a business by focusing on the outputs on goods and services provided to customers and removing the reference to the ability to reduce costs, removing the assessment of whether the market participants have capable of acquiring the business and continuing to produce outputs; remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, entities can choose to apply a concentration test, when the fair value of the acquired total assets is mostly derived from a single asset (or a group of similar assets), no further evaluation is

January 1, 2020

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	required to determine that the acquired asset is not a business.	
Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)	This amendment is to provide certain reliefs related to hedging accounting, which will prevent those who have previously adopted hedging accounting from being terminated due to changes in interest rate indicators, and require disclosure of relevant information that uses this relief.	January 1, 2020
Covid-19 – Related Rent Concessions (amendments to IFRS 16)	<p>The amendment provide a practical expedient that permits lessees, if all of the following conditions are met to apply rent concessions occurring as a direct consequence of the covid-19 pandemic and may choose not to assess whether it is a lease modification, and any change in lease payments caused by the rent concession will be treated as a variable lease payment during the concession period:</p> <ol style="list-style-type: none"> <li>(1) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;</li> <li>(2) any reduction in lease payments affects only payments due on or before 30 June 2021; and</li> <li>(3) there is no substantive change to other terms and conditions of the lease.</li> </ol>	June 1, 2020 (Early application from January 1, 2020 is allowed by FSC)

B. The Group assessed the above standards and interpretations and there is no significant impact to the Group's financial position and financial performance.

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

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

New standards, interpretations and amendments	Main amendments	IASB effective date
Amendments to IFRS 4, "Extension of the Temporary Exemption from Applying IFRS 9"	The temporary exemption from applying IFRS 9 been extended to January 1, 2023.	January 1, 2021
Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	This amendment addresses the problems arising during the change of interest rate indicators, including one interest rate indicator replaced with another interest rate indicator. For the IBOR-based contracts, it provides accounting treatment for the changes in the basis for determining the contractual cash flow as a result of IBOR reform; and for those adopting hedging accounting, the reliefs are provided in phase 1 for the expiration date of the non-contractually specified risk components in the hedging relationship, an additional temporary relief for adopting the specific hedging accounting, and the additional IFRS 7 disclosures related to the IBOR reform.	January 1, 2021

B. The Group assessed the above standards and interpretations and there is no significant impact to the Group's financial position and financial performance.

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

A. The Group has not yet applied the following new standards and amendments issued by IASB but not yet endorsed by the FSC:

New standards, interpretations and amendments	Main amendments	IASB effective date
Reference to the Conceptual Framework (amendments to IFRS 3)	<p>The amendments updated the definition of assets and liabilities reference to the "Conceptual Framework for Financial Reporting" issued in 2018 in respect of how an acquirer to determine what constitutes an asset or a liability during a business merger.</p> <p>Due to the above amendment, the amendment also added an exception to the recognition principle of IFRS 3 for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.</p> <p>Due to the above index amendment, this amendment adds an exception to the recognition principle for liabilities and contingent liabilities. For certain types of liability and contingent liabilities, reference should be made to IAS 37 "Provisions, Contingent Liabilities and Contingent" or International Financial Reporting Interpretations Committee ("IFRIC") 21 Levies", instead of the aforementioned "Conceptual Framework of Financial Reporting" issued in 2018. At the same time, this amendment also clarifies that the acquirer shall not recognize contingent assets under IAS 37 on the acquisition date.</p>	January 1, 2022

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<p>Sale or Contribution of Assets Between An Investor and Its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)</p>	<p>The amendment revised the accounting treatment in sales or purchase of assets between joint venture and its associate. The gains and losses resulting from transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognized in full in the investor's financial statements.</p>	<p>To be determine by IASB</p>
<p>IFRS 17 'Insurance Contracts'</p>	<p>This Standard replaces IFRS 4 'Insurance Contracts' and establishes the principles for the recognition, measurement, presentation and disclosure of Insurance and reinsurance contracts that it issues by the entities. This standard applies to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds; and investment contracts with discretionary participation features it issues, provided that the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations should be separated from insurance contracts. On initial recognition, each portfolio of insurance contracts issued shall be divided into a minimum of three groups by the entities: onerous, no significant possibility of becoming onerous and the remaining contracts in the portfolio. This Standard requires a current measurement model where estimates are re-measured at each reporting period. Measurements are based on discounted contract and probability-weighted cash flows, risk adjustments, and</p>	<p>January 1, 2023</p>

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the expected profit from the unearned portion of the contract (contractual service margins).

An entity may apply a simplified approach to the measurement for some of insurance contracts (premium allocation approach).

The entity should recognize the revenue generated by a group of insurance contract during the period when the entity provides insurance coverage and when the entity releases the risk. The entity should recognize the loss immediately, if a group of insurance contracts becomes onerous. The entity should present insurance income, insurance service fees, and insurance finance income and expenses separately and its shall also disclose the amount, judgment and risk information from the insurance contract.

Insurance Contracts  
(amendments to IFRS 17)

This amendment includes the deferral of effective date, the expected recovery of the cash flow obtained by insurance, the contractual service margin attributable to investment services, the reinsurance contract held, the recovery of losses and other amendments. These amendments have not changed the basics of the standard in principle.

January 1, 2023

Classification of Liabilities as  
Current or Non-current  
(amendments to IAS 1)

This amendment clarifies that the classification of liabilities is based on the rights existing at the end of the reporting period. At the end of the reporting period, the enterprise does not have the right to defer the settlement period of liabilities for

January 1, 2023

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	at least 12 months after the reporting period, and the liabilities should be classified as current. In addition, this amendment defines "settlement" of a liability is the extinguishment of the liability with cash or other economic resources or the enterprise's own equity instruments.	
Property, Plant and Equipment - Proceeds before Intended Use (amendments to IAS 16)	This amendment prohibits enterprise from deducting the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management, such as samples produced for testing whether the asset is operating normally . The price of selling such items and the cost of production should be recognized in profit or loss. This amendment also stated that testing whether an asset is operating normally means assessing its technical and physical performance, and has nothing to do with the financial performance of the asset.	January 1, 2022
Onerous Contracts - Cost of Fulfilling a Contract (amendments to IAS 37)	This amendment clarifies that the cost of fulfilling the contract includes the cost directly related to the contract. The cost directly related to the contract is composed of the allocation of the incremental cost of fulfilling the contract and other costs directly related to the fulfilling of the contract.	January 1, 2022
Annual improvements - 2018-2020 cycle	(1) IFRS 1 "Subsidiary as first-time adopter"  This amendment allows the subsidiaries select to adopt IFRS 1 that are exempted from paragraph D16(a) of IFRS No. 1, when measuring cumulative conversion	January 1, 2022

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differences, should use the carrying amount of cumulative conversion differences included in the parent company's consolidated financial statements on the date of the parent company's convert to IFRS. This amendment also applies to affiliates and joint ventures that are exempted from paragraph D16(a) of IFRS 1.

- (2) Amendments to IFRS 9 "Fees in the '10 per cent' Test for Derecognition of Financial Liabilities"

This amendment stipulates that the expenses that should be included in the 10% test of financial liabilities are excluded. Enterprise may pay the costs or fees to third parties or lenders. According to this amendment, the cost or expense paid to third parties is not included in the 10% test.

- (3) IAS 41 "Taxation in Fair Value Measurements"

This amendment of IAS 41 is to remove the requirement of using pre-tax cash flows when measuring the fair value of a biological asset.

B. The Group assessed the above standards and interpretations and there is no significant impact to the Group's financial position and financial performance.

#### **4. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

##### *(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” and the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC Interpretations as endorsed by the FSC.

*(2) Basis of preparation*

- A. Except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured by financial instruments measured at fair value and defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the accompanying consolidated financial statements have been prepared under the historical cost basis.
- B. The following significant accounting policies applied consistently to all periods of coverage of the consolidated financial statements.
- C. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment 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 consolidated financial statements

- (A) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured 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) Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (E) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of. The gains or losses should transfer directly to retained earnings if the gain or loss from disposal of underlying assets is transferred to retained earnings at disposal.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Note
			December 31, 2020	December 31, 2019	
The Company	Huachien Development Co.,Ltd. ("Huachien")	Development, selling and leasing	58	58	-

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

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

As of December 31, 2020 and 2019, the Group's non-controlling interest is amounted to \$252,422 thousand and \$258,445 thousand, respectively. The information of non-controlling interest that are material to the Group and subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31,			
		2020		2019	
		Ownership		Ownership	
		Amount	%	Amount	%
Huachien	Taipei, Taiwan	\$ 252,422	42	\$ 258,445	42

Summarized financial information of the subsidiaries:

Balance sheet

	Huachien	
	December 31,	
	2020	2019
Current assets	\$ 1,251,278	\$ 1,266,325
Non-current assets	67,609	65,855
Current liabilities	( 721,834 )	( 720,822 )
Non-current liabilities	( 1,036 )	( 876 )
Total net assets	\$ 596,017	\$ 610,482

Statement of comprehensive income

	Huachien	
	For the year ended December 31,	
	2020	2019
Revenue	\$ 7,782	\$ 7,158
Loss before income tax	( 14,465 )	( 15,832 )
Income tax expense	-	-
Net loss for the year	( 14,465 )	( 15,832 )
Other comprehensive loss for the year	-	( 1,033 )
Total comprehensive loss for the year	( \$ 14,465 )	( \$ 16,865 )
Comprehensive loss attributable to non-controlling interest	( \$ 6,023 )	( \$ 6,593 )
Dividends paid to non-controlling interest	\$ -	\$ -

Statements of cash flows

	Huachien	
	For the year ended December 31,	
	2020	2019
Net cash used in operating activities	( \$ 21,037 )	( \$ 10,481 )
Net cash generated from investing activities	-	31,999
Net cash used in financing activities	( 1,908 )	( 14,550 )
(Decrease) Increase in cash and cash equivalents	( 22,945 )	6,968
Cash and cash equivalents, beginning of year	30,968	24,000
Cash and cash equivalents, end of year	\$ 8,023	\$ 30,968

#### *(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.

##### *Foreign currency translation and balances*

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured, except for those that comply with cash flow hedging and net investment hedging and are deferred to other comprehensive gains and losses.

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 re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

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

#### *(5) Classification of current and non-current items*

A. Assets that meet one of the following criteria are classified as current assets:

(A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;



- (B) Assets held mainly for trading purposes;
- (C) Assets that are expected to be realized within twelve months from the balance sheet date; or
- (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

The Group classified its assets that do not meet above criteria 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 paid off within the normal operating cycle;
- (B) Liabilities arising mainly from trading activities;
- (C) Liabilities that are to be paid off within twelve months from the balance sheet date; or
- (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.

The Group classified its liabilities that do not meet above criteria as non-current liabilities.

C. The operating cycle of property development normally more than one year, the related assets and liabilities of construction are therefore differentiate as current liabilities and non-current liabilities based on operating cycle (normally three years).

*(6) Cash and cash equivalents*

- A. For the purpose of the statements of cash flows, cash and cash equivalents consists of cash on hand, cash in bank, short-term, highly liquid investments, which were within three months of maturity when acquired, and repayable bank overdraft, as part of the cash management. Bank overdraft items listed under short-term borrowings in current liabilities on the balance sheet.
- B. Cash equivalents refer to short-term, highly liquid investments that also meet the following conditions:
  - (A) Readily convertible to known amount of cash.
  - (B) Subject to an insignificant risk of changes in interest rates.

*(7) Financial assets at fair value through profit or loss*

- A. Financial assets that are not measured at amortized cost or measured at fair value through other comprehensive income. Financial assets measured at amortized cost or at fair value through other comprehensive income; and the Group designated the initial recognition of the financial assets measured at fair value through profit or loss when it is possible to eliminate or significantly reduce the measurement or recognition of inconsistencies.
- B. The Group's financial assets measured at fair value through profit or loss in accordance with customary transactions are accounted for using trade date.
- C. The Group initially recognize the financial assets at fair value and related transaction costs are recognized in profit or loss, and subsequent fair value gains and losses are recognized in profit or loss.
- D. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in, and when the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

*(8) Financial assets at fair value through other comprehensive income*

- A. An irrevocable selection at initial recognition, the changes in fair value of investments in equity instruments that are not held for trading are presented in other comprehensive income; or investments in debt instruments that meet the following conditions:
  - (A) Financial assets under a business model that hold for the purpose of collecting contractual cash flows and sales.
  - (B) The contractual terms of the financial assets generate cash flows on a specific date, which are solely for the payment of principal and interest on the outstanding principal amount.
- B. The Group's financial assets at fair value through other comprehensive income in accordance with customary transactions are accounted for using trade date.
- C. The recognition of the Group's financial assets initially measured at fair value plus transaction cost, and subsequently measured at fair value:
  - (A) Changes in fair value of equity instruments are recognized in other comprehensive income. At derecognition, the cumulative gains or losses previously recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, it will be transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in, and when the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.
  - (B) Changes in fair value of the debt instruments are recognized in other comprehensive income, and the impairment loss, interest income and foreign currency gains and losses are recognized in profit or loss before derecognition. At derecognition, the cumulative gains or losses previously recognized in other comprehensive income will be reclassified from equity to profit or loss.

*(9) Notes and accounts receivable*

- A. In accordance with terms and conditions of the contracts, entitle a legal right to unconditionally receive consideration in exchange of notes and receivables for transferred goods or rendered services.
- B. Short-term notes and accounts receivable without bearing interest are measured at initial invoice amount by the Group as effect of discounting is immaterial.

*(10) Impairment of financial assets*

On each balance sheet date, the Group's investment in debt instruments measured at fair value through other comprehensive income and financial assets measured at amortized cost, and accounts receivable or contractual assets, lease receivables, loan commitments and financial guarantee contracts with significant financial components, after considering all reasonable and corroborative information (including forward-looking), the loss allowance is measured on the 12-month expected credit losses for those who have not significantly increased the credit risk since the initial recognition. For those who have significantly increased the credit risk since the initial recognition, the loss allowance is measured by the expected credit losses during the period of existence; the accounts receivable or contract assets that do not contain significant financial components are measured by the lifetime expected credit loss.

*(11) Derecognition of financial assets*

The Group derecognizes a financial asset when:

- A. The contractual rights to receive the cash flows from the financial asset expired.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

- C. The contractual rights to receive cash flows from the financial asset have been transferred; however, the Group has not retained control of the financial asset.

*(12) Leasing arrangements as lessor - Lease receivables/lease*

- A. Based on the term of a lease contract, a lease is classified as finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(A) At commencement of the lease term, a finance lease should be recorded as a receivable, at an amount equal to the net investment (including original direct costs) in the lease. The difference between total lease receivables and present value should be recorded as 'unearned finance lease income'.

(B) The lessor should recognize finance income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

(C) Associated lease payments (excluding service costs) offset the total investment in the lease during the period would reduce the principal and unearned finance income.

- B. Lease income from an operating lease (net of any incentives given to lessee) is recognized in profit and loss on a straight-line basis over the lease term.

*(13) Inventories*

The inventories are recognized using the acquisition costs method. During the construction process, interests incurred related to acquisition and construction are capitalized. The cumulative costs are attributed to the different construction projects. The costs carry over at the balance sheet date by using floor space method and income approach. Inventories are stated at cost and evaluated at the lower of cost or net realizable value. The individual item approach is used in the comparison of cost and net realizable value and attributed to the different construction projects and categories. The interest payables associated with construction (including land and construction in progress) toward or before completion are capitalized as cost of inventories.

*(14) Property, plant and equipment*

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as separate asset, 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. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. 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, other than buildings, are 3~8 years. The estimated useful lives of buildings are 5~50 years.

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

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is recognized at cost, includes:

(A) The initial measured amount of the lease liability; and

(B) Any lease payments made at or before the commencement date.

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

*(16) Impairment of non-financial assets*

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

*(17) Borrowings*

- A. Borrowings refer to the long-term and short-term loans borrowed from the bank and other long-term and short-term loans. The Group initially recognizes the borrowings at fair value less transaction cost, any subsequent difference between the price and the redemption value after deducting the transaction cost, during the circulation period, the interest expense is recognized in profit or loss by using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is an evidence that it is probable that some or all of the facility will not be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

*(18) Notes and accounts payable*

- A. Notes payable refer to debts arising from purchase of raw materials, goods or services and notes due to operation and non-operation.
- B. Short-term notes and accounts payable without bearing interest are measured at initial invoice amount by the Group as effect of discounting is immaterial.

*(19) Provisions*

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest



expense. Provisions are not recognized for future operating losses.

(20) *Employee benefits*

A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

- a. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- b. Remeasurement 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. Past service costs are recognized immediately in profit or loss.

C. Termination benefit

Termination benefit is offered when the Group terminates the employee's contract before normal retirement date or when the employee decides to accept the Group's offer of benefits instead of the termination of the contract. The Group recognizes the cost at the earlier of when the offer of benefits is no longer withdrawable or when recognizing related significant cost component. Benefits that are not expected to be paid off 12 months after the balance sheet date shall be discounted.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' compensation and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the shareholders at their shareholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

(21) *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 operated and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulation. It establishes provisions where appropriated based on the amounts expected to be paid to the tax authorities. According to the

Income Tax Law, an additional 10% tax is levied on the unappropriated retained earnings from current year and is provided for as income tax expense at the shareholders' meeting to resolve the distribution of earnings in the following year in the following year.

- C. The land value increment tax arising from selling land should be presented as an item of income tax for the period.
- D. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, 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 and associates, 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.
- E. Deferred income 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 income tax assets are reassessed.
- F. 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 income 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.

G. "Income Basic Tax Act" began effective on January 1, 2006, the amount of basic income shall be the sum of the taxable income as calculated in accordance with the Income Tax Act, plus any related tax exempted income included in other laws with the rate prescribed by the Executive Yuan. Current income tax shall pay according to whichever is higher compared between the basic income and regular income tax. The Group assessed the impact of the basic income tax on the consolidated financial statements for current period income tax.

*(22) Revenue recognition*

A. The Group operates land development and sales of residential properties and recognizes revenue when the control of properties are transferred to customers. For the contracts of sales of properties that have been signed, the Group is restricted by the terms of the contract on making use of the property by any means until the legal ownership of the properties transferred to the customers; and then the Group has an enforceable right to collect the contractual amounts; and therefore the revenues are recognized when the legal titles are transferred to the customers.

B. Revenue is measured by the agreed amount in the contract, and the customer pays the contract price when the legal title of the property is transferred. In rare cases, the Group and the customers agree to defer payment, but period of deferred payment will be no more than 12 months. The Group determines these defer payment contracts do not contains significant financial component and therefore no adjustment to the consideration amount.

*(23) Operating segments*

Operating segments are reported in a manner consistent with the internal reporting provided to the strategic business unit. The strategic business unit, who is responsible for allocating resources and assessing performance of the operation segments, has been identified as the board of directors that makes strategic decisions.

*(24) Earnings per shares*

The Group presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the net income attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the statement of income attributable to shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

*(25) 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; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

**5. Critical accounting judgments, estimates and key sources of assumption uncertainty**

The preparation of these consolidated financial statements requires management to make critical judgments 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. The information is addressed below:

*(1) Critical judgments in applying the Group's accounting policies*

None.

*(2) Critical accounting estimates and assumptions*

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying

amounts of assets and liabilities within the next financial year are addressed below:

#### Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgments and estimates. As the net realizable value of inventories on balance sheet date is assessed to be lower than cost, the Group writes down the cost of inventories to the net realizable value. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the Group's carrying amount of inventories is \$6,121,039 thousand.

## 6. Details of significant accounts

### (1) Cash and cash equivalents

	December 31,	
	2020	2019
Cash on hand and working capital	\$ 180	\$ 180
Checking accounts and demand deposits	1,842,662	131,866
Total	<u>\$ 1,842,842</u>	<u>\$ 132,046</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, therefore the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Company did not pledge its cash and cash equivalents.

(2) *Financial assets at fair value through profit or loss*

	December 31,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ -	\$ 10,669
Beneficiary certificates	-	47,580
Total	<u>\$ -</u>	<u>\$ 58,249</u>
Current	\$ -	\$ 58,249
Non-current	-	-
Total	<u>\$ -</u>	<u>\$ 58,249</u>

A. The Group recognized a loss on valuation of \$8,372 thousand and a gain on valuation of \$6,772 thousand in 2020 and 2019, respectively.

B. Information relating to credit risk, please refer to Note 12(2).

(3) *Financial assets at fair value through other comprehensive income*

	December 31,	
	2020	2019
Investments in equity instrument measured at fair value through other comprehensive income:		
Unlisted equity investments	<u>\$ 2,898</u>	<u>\$ 3,769</u>
Current	\$ -	\$ -
Non-current	2,898	3,769
Total	<u>\$ 2,898</u>	<u>\$ 3,769</u>

A. The above equity instruments held by the Group are long-term strategic investments and are not held for trading purpose and have been designated to be measured at fair value through other comprehensive income.

B. On April 2, 2008, Emphasis Materials, Inc. was dissolved by resolution. At the extraordinary shareholders meeting on June 4, 2020 resolved that the reference date for completion of liquidation was May 5, 2020, and part of the shares of \$1,200 thousand was recovered in 2020 after the completion of liquidation.

- C. Vincera Growth Capital II Limited adopted July 1, 2020 as the reference date for the application of capital reduction and refund. After the capital reduction, the Company recovered the capital of \$1,847 thousand.
- D. The reference date of capital reserve reduction and refund of New Castle Investment Development Corp. applied on June 1, 2019. The Company received \$1,975 thousand after capital reserve reduction.
- E. In July 2020, the Group applied for a refund of the amount of \$10 thousand from the Keelung Second Credit Centre. As of December 31, 2020, it has not been recovered and recognized to other receivables.
- F. The profit recognized by the Group in other comprehensive income in 2020 and 2019 were \$986 thousand and \$1,337 thousand, respectively.
- G. Information relating to credit risk, please refer to Note 12(2).

(4) *Notes receivable and accounts receivable*

	December 31,	
	2020	2019
Notes receivable	\$ 1,647	\$ 2,465
Less: allowance for doubtful accounts	-	-
	<u>1,647</u>	<u>2,465</u>
Accounts receivable	6	6
Less: allowance for doubtful accounts	-	-
	<u>6</u>	<u>6</u>
Total	<u>\$ 1,653</u>	<u>\$ 2,471</u>

- A. The Group grants an interest free and average credit term of 60 days to its customer accounts.
- B. The Group's maximum exposure to credit risk at December 31, 2020 and 2019 was the carrying amount of each class of accounts receivable and notes receivable.



C. The Group's aging analysis of notes receivable and accounts receivable is as follows:

	December 31,	
	2020	2019
Not past due	\$ 1,653	\$ 2,471
Past due less than 1 month	-	-
Past due less than 1 - 3 months	-	-
Past due less than 3 - 6 months	-	-
Past due less over 6 months	-	-
Total	\$ 1,653	\$ 2,471

D. The Group measures the allowance for doubtful notes and accounts receivable by using the provision matrix is as follows:

December 31, 2020	Expected credit loss rate	Allowance for doubtful accounts		
		Total carrying amount	(Lifetime expected credit loss)	Amortized cost
Not past due	-	\$ 1,653	\$ -	\$ 1,653
Past due less than 1 month	-	-	-	-
Past due 1 - 3 months	-	-	-	-
Past due 3 - 6 months	-	-	-	-
Past due over 6 months	-	-	-	-
Total		\$ 1,653	\$ -	\$ 1,653

December 31, 2019	Expected credit loss rate	Allowance for doubtful accounts		
		Total carrying amount	(Lifetime expected credit loss)	Amortized cost
Not past due	-	\$ 2,471	\$ -	\$ 2,471
Past due less than 1 month	-	-	-	-
Past due 1 - 3 months	-	-	-	-
Past due 3 - 6 months	-	-	-	-
Past due over 6 months	-	-	-	-
Total		\$ 2,471	\$ -	\$ 2,471

E. Information relating to credit risk, please refer to Note 12(2).

(5) *Other receivables*

	December 31,	
	2020	2019
Other receivables	\$ 56,253	\$ 55,683
Less: allowance for doubtful accounts	( 16,245 )	( 16,245 )
Total	<u>\$ 40,008</u>	<u>\$ 39,438</u>

(6) *Inventories*

	December 31,	
	2020	2019
Lands for sale	\$ 52,141	\$ 94,327
Buildings for sale	28,986	48,750
Lands held for construction	5,928,195	4,218,540
Construction in progress	501,113	365,331
Less: allowance for decline in market value and obsolescence	( 389,396 )	( 389,396 )
Total	<u>\$ 6,121,039</u>	<u>\$ 4,337,552</u>

A. Details of lands for sale and buildings for sale:

	December 31,			
	2020		2019	
Case	Lands for sale	Buildings for sale	Lands for sale	Buildings for sale
Li Hsiang Jia A	\$ 511	\$ 1,251	\$ 511	\$ 1,251
Sheng Huo Jia A	2,864	2,482	2,864	2,482
Ya Dian Wang Chao A	-	456	-	456
Ya Dian Wang Chao B	-	1,722	-	1,722
Hang Sha	5,505	2,809	5,505	2,809
Shi Tan Duan A	43,261	20,266	85,447	40,030
Total	<u>\$ 52,141</u>	<u>\$ 28,986</u>	<u>\$ 94,327</u>	<u>\$ 48,750</u>

B. Details of lands held for construction and construction in progress:

Case	December 31,			
	2020		2019	
	Lands held		Lands held	
	for	Construction	for	Construction
	construction	in progress	construction	in progress
Shu Lin An	\$ 112,371	\$ 85,821	\$ 112,371	\$ 85,821
Sheng Huo Jia B	7,803	1,350	7,803	1,350
Hsin Dian He Feng	483,764	148,391	483,764	148,391
Tai Yuan Lu	1,211,267	34,652	1,211,267	25,868
Fu De Duan B	423	-	423	-
Hsin Guang Lu B	2,217	-	2,217	-
Rong Hsing Duan	73,440	68,337	73,440	10,899
Huai Sheng Duan	1,418,917	13,964	1,418,917	8,117
Yun He Jie A	621,454	144,210	621,454	83,909
Yun He Jie B	1,712	-	1,712	-
Wen Lin Bei Lu	285,172	976	285,172	976
Xin Bi Duan	875,582	1,863	-	-
Le Jie Duan A	517,902	1,514	-	-
Qing Xi Duan A	316,171	35	-	-
Total	<u>\$ 5,928,195</u>	<u>\$ 501,113</u>	<u>\$ 4,218,540</u>	<u>\$ 365,331</u>

C. For the years ended December 31, 2020 and 2019, the interest capitalized as cost of inventory amounted to \$9,624 thousand and \$6,198 thousand respectively. Annual interest rate used for capitalization for the years ended December 31, 2020 and 2019 were 1.7186% and 1.9118%, respectively.

D. For details of inventories pledged as collateral, please refer to Note 8.

E. Significant information on construction projects

(A) For construction projects that have not yet commenced, including Shu Lin An, Sheng Huo Jia B, Hsin Dian He Feng, Fu De Duan B, Hsin Guang Lu B, Huai Sheng Duan, Yun He Jie B, Wen Lin Bei Lu, Tai Yuan Lu, Xin Bi Duan, Le Jie Duan A and Qing Xi Duan A. The Group is not able to estimate cost and revenue.

(B) As of December 31, 2020, the Yun He Jie A and the Rong Hsing Duan were contracted for \$285,921 thousand and \$218,952 thousand respectively, and the \$50,219 thousand and \$52,868 thousand were paid respectively.

F. The cost of inventories recognized as expense (income) is as follows:

	For the year ended December 31,	
	2020	2019
Cost of sales	\$ 61,950	\$ 1,905
Impairment losses	-	-
Total	<u>\$ 61,950</u>	<u>\$ 1,905</u>

(7) *Other financial assets*

	December 31,	
	2020	2019
Time deposits	\$ 55,000	\$ 172,792
Cash in bank	156,021	94,402
Total	<u>\$ 211,021</u>	<u>\$ 267,194</u>
Current	\$ 211,021	\$ 267,194
Non-current	-	-
Total	<u>\$ 211,021</u>	<u>\$ 267,194</u>

For details of other financial assets pledged as collateral, please refer to Note 8.

(8) *Property, plant and equipment*

	Lands	Buildings	Transportation equipment	Office equipment	Other equipment	Total
Cost						
At January 1, 2020	\$ 94,331	\$ 38,960	\$ 639	\$ 6,290	\$ 257	\$ 140,477
Additions	-	101	-	1,206	-	1,307
Disposals and scrapped	-	( 103)	-	( 250)	-	( 353)
At December 31, 2020	<u>\$ 94,331</u>	<u>\$ 38,958</u>	<u>\$ 639</u>	<u>\$ 7,246</u>	<u>\$ 257</u>	<u>\$ 141,431</u>
At January 1, 2019	\$ 94,331	\$ 38,845	\$ 639	\$ 6,411	\$ 257	\$ 140,483
Additions	-	115	-	93	-	208
Disposals and scrapped	-	-	-	( 214)	-	( 214)
At December 31, 2019	<u>\$ 94,331</u>	<u>\$ 38,960</u>	<u>\$ 639</u>	<u>\$ 6,290</u>	<u>\$ 257</u>	<u>\$ 140,477</u>

	<u>Lands</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Accumulated depreciation and impairment						
At January 1, 2020	\$ -	\$ 15,826	\$ 280	\$ 5,564	\$ 221	\$ 21,891
Depreciation	-	1,628	79	287	8	2,002
Disposals and scrapped	- (	86)	- (	250)	- (	336)
At December 31, 2020	<u>\$ -</u>	<u>\$ 17,368</u>	<u>\$ 359</u>	<u>\$ 5,601</u>	<u>\$ 229</u>	<u>\$ 23,557</u>
At January 1, 2019	\$ -	\$ 14,186	\$ 200	\$ 5,491	\$ 193	\$ 20,070
Depreciation	-	1,640	80	287	28	2,035
Disposals and scrapped	-	-	- (	214)	- (	214)
At December 31, 2019	<u>\$ -</u>	<u>\$ 15,826</u>	<u>\$ 280</u>	<u>\$ 5,564</u>	<u>\$ 221</u>	<u>\$ 21,891</u>
Net book value						
At December 31, 2020	<u>\$ 94,331</u>	<u>\$ 21,590</u>	<u>\$ 280</u>	<u>\$ 1,645</u>	<u>\$ 28</u>	<u>\$ 117,874</u>
At December 31, 2019	<u>\$ 94,331</u>	<u>\$ 23,134</u>	<u>\$ 359</u>	<u>\$ 726</u>	<u>\$ 36</u>	<u>\$ 118,586</u>

For details of property, plant and equipment pledged as collateral, please refer to Note 8.

(9) *Leasing arrangements as lessee*

- A. The leased assets by the Group are company cars with the lease period usually ranges from one to four years. Lease contracts are negotiated individually and contain a variety of terms and conditions. The leased assets are not to be subleased, pledged, disposed of, or engaged in the business of taking passengers and goods, no other restrictions are imposed.
- B. The lease period of the Group's leased parking spaces does not exceed twelve months, and the leases of low-value assets are office equipment. In addition, as of December 31, 2020 and 2019, the Group's lease payment for short-term lease commitments were \$199 thousand.

C. The carrying amounts of the right-of-use asset and the depreciation expense recognized are as follows:

	December 31, 2020	For the year ended December 31, 2020	December 31, 2019	For the year ended December 31, 2019
	Carrying amount	Depreciation	Carrying amount	Depreciation
Lands and buildings	\$ 6,571	\$ 1,964	\$ 4,363	\$ 704
Transportation equipment	-	606	606	1,103
Total	<u>\$ 6,571</u>	<u>\$ 2,570</u>	<u>\$ 4,969</u>	<u>\$ 1,807</u>

D. Movements in right-of-use asset were as follows:

	Lands and buildings	Transportation equipment	Total
January 1, 2020	\$ 4,363	\$ 606	\$ 4,969
Additions	16,662	-	16,662
Depreciation	( 1,964 )	( 606 )	( 2,570 )
Lease modification	( 12,490 )	-	( 12,490 )
December 31, 2020	<u>\$ 6,571</u>	<u>\$ -</u>	<u>\$ 6,571</u>
January 1, 2019	\$ -	\$ 1,396	\$ 1,396
Additions	5,067	927	5,994
Depreciation	( 704 )	( 1,103 )	( 1,807 )
Lease modification	-	( 614 )	( 614 )
December 31, 2019	<u>\$ 4,363</u>	<u>\$ 606</u>	<u>\$ 4,969</u>

E. The right-of-use assets of the Group increased by \$16,662 thousand and \$5,994 thousand in 2020 and 2019, respectively.

F. The income and expenses related to the lease contracts are recognized as follows:

	For the year ended December 31,	
Items affecting profit or loss	2020	2019
Interest expense on lease liabilities	( \$ 121 )	( \$ 49 )
Expense on short-term lease	( \$ 225 )	( \$ 230 )
Expense on lease of low-value assets	( \$ 134 )	( \$ 141 )

G. The total cash outflow for the leases of the Group in 2020 and 2019 amounted to \$3,003 thousand and \$2,179 thousand, respectively.

*(10) Leasing arrangements as lessor*

A. The leased assets of the Group include land and buildings. The lease contracts period usually ranges from one to six years. Lease contracts are negotiated individually and contain various terms and conditions. To ensure that the leased assets of the Group are used normally, the contract requires the lessee not to sublease, add, modify, pledge or use by a third party.

B. The Group respectively recognized the rental income from operating lease contracts of \$8,573 thousand and \$8,170 thousand in 2020 and 2019, of which none of the rental income was recognized as variable lease payments.

C. The lease receipts due under an operating lease of the Group are analyzed as follows:

	December 31,	
	2020	2019
At December 31, 2020	\$ -	\$ 7,152
At December 31, 2021	5,702	4,192
At December 31, 2022	3,434	2,914
At December 31, 2023	682	172
At December 31, 2024	486	-
At December 31, 2025	384	-
Total	<u>\$ 10,688</u>	<u>\$ 14,430</u>

*(11) Impairment of non-financial assets*

For the years ended December 31, 2020 and 2019, the Group did not recognized an impairment loss or gain on reversal of impairment loss of property, plant and equipment.

*(12) Short-term borrowings*

	December 31,	
	2020	2019
Secured borrowings	<u>\$ 915,000</u>	<u>\$ 282,000</u>
Interest rate range (%)	<u>1.30 ~ 1.60</u>	<u>1.55 ~ 1.60</u>

A. The above short-term borrowings are used for constructions and working capital and repayable in one to three years.

B. For details of collateral of short-term borrowings, please refer to Note 8.

(13) *Notes payable and accounts payable*

	December 31,	
	2020	2019
Notes payable	\$ 1,723	\$ -
Accounts payable	36,991	362
Estimated accounts payable	11,226	20,124
Subtotal	48,217	20,486
Accounts payable – related parties	94,571	-
Total	\$ 144,511	\$ 20,486

(14) *Long-term borrowings*

	December 31,	
Details	2020	2019
Secured long-term borrowings		
- To be expired and repaid in a one-off payment in August 2023, with floating interest rate. The interest rate as of December 31, 2020 was 1.945%.	\$ 60,000	\$ -
- Starting from November 2013, the repayments made monthly until October, 2016. In October, 2016, the repayment date became a one-off payment in October 2019 in according to supplementary contract. In July 2017, in according to another supplementary contract, the repayment will be at a minimum of 70% of the total sales price if there is a sale of property, the repayment of remaining amount will be a one off-payment in November 2020, with floating interest rate. The interest rate as of December 31, 2019 was 2.05%.	-	403,000

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- Originally expire and repay in a one-off payment in October, 2019. In July 2017, in according to a supplementary contract, the repayment will be at a minimum of 70% of the total sales price if there is a sale of property, the repayment of remaining amount will be a one off-payment in November 2020, with floating interest rate. The interest rate as of December 31, 2019 was 2.05%.

- 110,000

- Lands and buildings pledged from August, 2017, the repayment will be at a minimum of 70% of the total sales price if there is a sale of property, the repayment of remaining amount will be a one off-payment in August, 2022, with floating interest rate. The interest rate as of December 31, 2020 and 2019 were 1.6998% and 2.0497%, respectively.

	711,900	711,900
Total	771,900	1,224,900
Less: long-term borrowings expired within an operating cycle	( 771,900 )	( 1,224,900 )
Net	\$ -	\$ -

A. Repayment deadlines of above long-term borrowings are as follows:

Due by	Amount
December 31, 2022	\$ 711,900
December 31, 2023	60,000
Total	\$ 771,900

B. For details of collateral of long-term borrowings, please refer to Note 8.

(15) Pensions

A. Defined benefit plans

(A) The Company has a defined benefit pension plan in accordance with the Labor Standards Law. 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 with an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustees, under the name of the independent retirement fund committee.

(B) The amounts recognized in the balance sheet were determined as follows:

	December 31,	
	2020	2019
Present value of funded obligations	( \$ 20,106 )	( \$ 26,701 )
Fair value of plan assets	23,225	24,554
Net defined benefit assets (liabilities)	<u>\$ 3,119</u>	<u>( \$ 2,147 )</u>

(C) Movements in net defined benefit liability were as follows:

	Present value of funded obligations	Fair value of plan assets	Net defined benefit liabilities
<u>For the year ended December 31, 2019</u>			
Balance as of January 1	( \$ 32,445 )	\$ 22,063	( \$ 10,382 )
Current services costs	( 139 )	-	( 139 )
Interest (expense) income	( 354 )	241	( 113 )
	<u>( 32,938 )</u>	<u>22,304</u>	<u>( 10,634 )</u>
Remeasurements			
Impact of change in financial assumptions	( 1,021 )	-	( 1,021 )
Examined adjustments	<u>2,005</u>	<u>682</u>	<u>2,687</u>
	<u>984</u>	<u>682</u>	<u>1,666</u>
Employer contribution	-	6,821	6,821
Actual benefit payment	<u>5,253</u>	<u>( 5,253 )</u>	<u>-</u>
	<u>5,253</u>	<u>1,568</u>	<u>6,821</u>
Balance as of December 31	<u>( \$ 26,701 )</u>	<u>\$ 24,554</u>	<u>( \$ 2,147 )</u>

	Present value of funded obligations	Fair value of plan assets	Net defined benefit liabilities
For the year ended December 31, 2020			
Balance as of January 1	( \$ 26,701 )	\$ 24,554	( \$ 2,147 )
Current services costs	( 138 )	-	( 138 )
Interest (expense) income	( 187 )	172	( 15 )
	( 27,026 )	24,726	( 2,300 )
Remeasurements			
Impact of change in financial assumptions	( 958 )	-	( 958 )
Examined adjustments	238	831	1,069
	( 720 )	831	111
Employer contribution	-	5,308	5,308
Actual benefit payments	7,640	( 7,640 )	-
	7,640	( 2,332 )	5,308
Balance as of December 31	( \$ 20,106 )	\$ 23,225	\$ 3,119

(D) The Bank of Taiwan was entrusted 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". 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. The constitution of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report published by the government.

(E) The principal actuarial assumptions used were as follows:

	For the year ended December 31,	
	2020	2019
Discount rate	0.25%	0.70%
Future salary increases	3.00%	3.00%
Expected return on plan assets	0.25%	0.70%

The assumption for future mortality rate is estimated based on the 5th mortality table issued by Taiwan Life Insurance Industry.

The analysis of impact on present values of defined benefit obligation by using principal actuarial assumptions:

	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
December 31, 2020	0.5%	0.5%	0.5%	0.5%
Impact on present value of defined benefit obligation	( \$ 1,061 )	\$ 1,134	\$ 1,097	( \$ 1,039 )

	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
December 31, 2019	0.5%	0.5%	0.5%	0.5%
Impact on present value of defined benefit obligation	( \$ 1,300 )	\$ 1,383	\$ 1,345	( \$ 1,277 )

The above mentioned sensitivity analysis is the analysis of the impact of change in a single assumption while all other assumptions remain unchanged. In practice, change in assumptions is interacted. The sensitivity analysis adopts the same method in calculating the net pension liability in balance sheet.

- (F) Estimated contributions to the defined benefit pension plans of the Company within one year from December 31, 2020 amounting to \$0 thousand.

(G) As of December 31, 2020, the weighted average period for the pension plan is 11 years.

Analysis of the pension payment past due is as follow:

Less than a year	\$	14,181
One to two years		897
Two to five years		-
Over five years		1,047
	\$	<u>16,125</u>

#### B. Defined contribution plan

Effective July 1, 2005, the Group have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Under the new plan, the Group contributes to the employees' individual pension accounts at the Bureau of Labor Insurance. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$1,411 thousand and \$1,483 thousand respectively.

#### (16) Provisions

	Provisions for employee benefits
At January 1, 2019	\$ 622
Addition during the year	644
Used during the year	( 622 )
At December 31, 2019	644
Addition during the year	761
Used during the year	( 644 )
At December 31, 2020	<u>\$ 761</u>

Analysis of provisions was as follow:

	December 31,	
	2020	2019
Current	\$ 761	\$ 644
Non-current	\$ -	\$ -

(17) *Share-based payments*

A. The agreement of share-based payments of the Company for the year ended December 31, 2020 is as follows:

Type of agreement	Grant date	Quantity given	Period of agreement	Vested condition
Capital injection by cash, of which retained for employee subscription	November 17, 2020	7,927 thousand shares	-	Vest immediately

B. The Company uses the Black-Scholes option evaluation model to estimate the fair value of the stock option in its share-based payment transaction on the grant date. The relevant information is as follows:

Type of agreement	Grant date	Share price	Exercise price	Expected volatility	Expected duration	Expected dividend	Risk-free rate	Fair value per unit
Capital injection by cash, of which retained for employee subscription	November 17, 2020	14.85	12.56	10.94%	0.02 year	-	0.1401%	1.19

C. The Company's remuneration cost of capital injection by cash, of which retained for employee subscription in 2020 was \$9,433 thousand.

(18) *Common Stock*

A. As of December 31, 2020, the Company's authorized capital was \$5,336,135 thousand with par value of \$10 per share. As of December 31, 2020 and 2019, total paid-in capital were \$5,207,525 thousand and \$2,707,525 thousand, respectively.

B. Details of the Company's previous offerings at a discounted price (private placement) were as follows:

Date of issue	Number of share issued (in thousand)	Issued price (\$/share)
September 27, 2004 (public offering completed)	41,137	2.99
August 21, 2007 (public offering completed)	18,750	8.00

C. Movements in the number of the Company's common stocks outstanding are as follows:

	Number of outstanding shares (in thousand)	
	For the year ended December 31,	
	2020	2019
At January 1	\$ 270,753	\$ 270,753
Capital injection by cash	250,000	-
At December 31	<u>\$ 520,753</u>	<u>\$ 270,753</u>

D. On August 13, 2020, the board of directors of the Company resolved to issue 250,000 thousand new shares with a par value of \$10 per share with an issue price of \$12.56 per share and it is expected to raise \$3,140,000 thousand. The purpose of this fund is to pay for the purchase of land and construction cost. The reference date of this capital increase was December 14, 2020, and the change of registration have been completed with the Ministry of Economic Affairs.

E. Treasury stock

Movements of common shares held by the Company's subsidiaries for the years ended December 31, 2020 and 2019 are as follows:

For the year ended December 31, 2020

None.

For the year ended December 31, 2019

		Increase (decrease)				
		during the year		(Unit : New Taiwan dollars)		
Name of subsidiary	Share at January 1	Number of share	Sale price	Share at December 31	Par value per share	Market value per share
Huachien	2,066,640	( 2,066,640)	\$ 32,289,397	-	\$ -	\$ -

(19) *Capital surplus*

	December 31,	
	2020	2019
Common stocks premium	\$ 649,433	\$ -
Cash dividend unclaimed for over five years	592	554
Adjusted difference by equity method	1,100	1,100
Gains after tax on disposal of property, plant and equipment held by subsidiary under equity method	7,487	7,487
Exercise disgorgement	1	-
Total	<u>\$ 658,613</u>	<u>\$ 9,141</u>

Pursuant to the ROC Company Act, 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 Securities and Exchange Act of ROC requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) *Retained earnings*

A. Legal reserve

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 is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Special reserve

When the Company distributes the earnings, in accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the current year balance sheet date. When



debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified. If the aforesaid relevant assets are investment properties, the lands should be reversed during disposal or reclassification, and the part other than the lands should be reversed gradually during the period of use.

#### C. Distribution of retained earnings

In accordance with the Articles of Association, the current year's earnings, if any, shall be used to pay all taxes and offset prior years' operating losses, thereafter 10% of retained earnings shall be either set aside as legal reserve or appropriate to or reverse to special reserve according to the relevant regulations or as requested by the competent authorities. However, the Company shall not be subject to this requirement when the amount of legal reserve accumulated equal to the total authorized capital. For the remaining earnings plus and prior years' unappropriated retained earnings may be appropriated for 10% to 70% according to a proposal by the board of directors and approved in the shareholders' meeting as shareholders' dividends; provided that the distribution of the reserve is limited to 5% of the Company's paid-in capital.

This distribution of shareholders' dividends shall be either in cash or stock, in which with cash dividends not less than 10% of the total dividend.

D. On June 23, 2020, the Company adopted the resolution of the 2019 earnings distribution at the annual shareholders' meeting, which proposed distribution of \$27,075 thousand as shareholders' dividends. In addition, on June 5, 2019, the Company adopted the resolution of the 2018 earnings distribution at the annual shareholders' meeting, which proposed to distribute \$2,687 thousand from legal reserve and distribution of \$81,225 thousand as shareholders' dividends.

E. For details of information on employee's compensation and directors and supervisors' remuneration, please refer to Note 6(26).

(21) *Non-controlling interests*

	For the year ended December 31,	
	2020	2019
At January 1	\$ 258,445	\$ 248,736
Share attributable to non-controlling interests:		
Loss for the year	( 6,023 )	( 6,598 )
Other comprehensive income (net)	-	3
Changes in ownership interests of subsidiaries	-	( 398 )
Other	-	16,702
At December 31	<u>\$ 252,422</u>	<u>\$ 258,445</u>

(22) *Revenue*

	For the year ended December 31,	
	2020	2019
Revenue from customer contracts		
Sales revenue - lands	\$ 62,884	\$ -
Sales revenue - buildings	15,920	2,000
	<u>78,804</u>	<u>2,000</u>
Rental income	8,573	8,170
Total	<u>\$ 87,377</u>	<u>\$ 10,170</u>

A. The Group's revenue from customer contracts recognized at a point in time in 2020 and 2019 were as follows:

	For the year ended December 31,	
	2020	2019
Revenue recognized at a point in time	<u>\$ 78,804</u>	<u>\$ 2,000</u>

B. *Contracts liabilities*

	December 31,	
	2020	2019
Contracts liabilities:		
Sales of properties	<u>\$ 342,486</u>	<u>\$ 187,130</u>

The Group's contract liabilities for the current period increased as compared to December 31, 2019 was mainly due to the performance obligations had not been fulfilled and therefore the consideration received from customers in advance had not been recognized as revenue.

Of the opening balances of contract liabilities in 2020 and 2019, the amounts of revenue recognized in 2020 and 2019 were \$0 thousand and \$2,000 thousand, respectively.

(23) *Other income*

	For the year ended December 31,	
	2020	2019
Interest income:		
Interest on bank deposits	\$ 1,287	\$ 3,540
Other interest income	42	1,636
	<u>1,329</u>	<u>5,176</u>
Dividend income	8	79
Other income - other	3,520	3,969
Total	<u>\$ 4,857</u>	<u>\$ 9,224</u>

(24) *Other gains and losses*

	For the year ended December 31,	
	2020	2019
Net currency exchange (loss) gain	( \$ 4,448 )	\$ 948
Net (loss) gain on financial assets at fair value through profit or loss	( 8,372 )	6,772
Loss on disposal of investment	-	( 133 )
Leases modification benefits	24	1
Loss on disposal of property, plant and equipment	( 17 )	-
Other non-operating losses	( 4,461 )	( 20 )
Total	<u>( \$ 17,274 )</u>	<u>\$ 7,568</u>

(25) *Additional disclosures related to cost of revenues and operating expenses are as follows:*

	For the year ended December 31,					
	2020			2019		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefit expenses	\$ -	\$ 54,022	\$ 54,022	\$ -	\$ 51,014	\$ 51,014
Depreciation	-	4,572	4,572	-	3,842	3,842

(26) *Employee benefit expenses*

	For the year ended December 31,	
	2020	2019
Wages and salaries – Non-director employee	\$ 40,919	\$ 35,561
Director’s remuneration	6,211	9,600
Labor and health insurance contribution	2,476	2,759
Pension costs	3,023	1,735
Other personnel expenses	1,393	1,359
Total	<u>\$ 54,022</u>	<u>\$ 51,014</u>

A. In accordance with the Articles of Association, the Company’s accumulated deficits should be covered before distribution of current year earnings, 1.5% of distributable earnings and no more than 2% of current year earnings shall be appropriated as employees’ compensation and directors’ remuneration respectively. The percentage of employees’ compensation and director’s remuneration as mentioned in the preceding paragraph and employees’ compensation distributed by way of stock or cash shall be resolved in the meeting of the board of directors attended by more than a two-thirds of directors; of which half of the attended directors shall agree such distribution; and report at the shareholder’s meeting.

The current year earnings referred to in the preceding paragraph refers to the current year profit before tax and before deduction of the distribution of employees’ bonus and directors’ remuneration

B. The compensation to employees were determined by the profit of the year. In 2020 and 2019, the employees’ compensation and directors’ remuneration of the Company were both \$0 thousand.

The number of share dividend is calculated based on the closing price of the day before the resolution being made by the board and after considering the effect of ex-rights. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts by the board of directors, the differences are recorded in profit and loss in the subsequent year.

C. Please refer to Market Observation Post System for more information on the resolution related to the appropriation of distributable earnings as employees' compensation and directors' remuneration of the Company's board of directors and shareholders' meeting.

(27) *Finance costs*

	For the year ended December 31,	
	2020	2019
Interest expense		
Bank loans	\$ 27,924	\$ 28,888
Less: capitalization of qualifying assets	( 9,624 )	( 6,198 )
Total	<u>\$ 18,300</u>	<u>\$ 22,690</u>

(28) *Income tax*

A. Income tax expense

Components of income tax expense:

	For the year ended December 31,	
	2020	2019
Current income tax for the year		
Land value increment tax		
included in current income tax		
for the year	\$ 1,008	\$ -
Current income tax for the year	<u>1,008</u>	<u>-</u>
Deferred tax		
Relating to origination and		
reversal of temporary		
differences	-	1,445
Income tax expense	<u>\$ 1,008</u>	<u>\$ 1,445</u>

B. Reconciliation between income tax expense and loss before income tax:

	For the year ended December 31,	
	2020	2019
Income before income tax	( \$ 94,660 )	( \$ 73,849 )
Income tax expense at statutory rate	( 18,932 )	( 14,770 )
Tax effect of adjusting items		
Permanent differences	14,156	14,042
Loss on unrecognized deferred tax assets	4,288	2,284
Unrecognized temporary differences	488	( 111 )
Land value increment tax	1,088	-
Income tax expense	<u>\$ 1,088</u>	<u>\$ 1,445</u>

C. Deferred income tax assets and liabilities are as follows:

For the year ended December 31, 2020				
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	At December 31
Deferred tax assets				
Loss carry forward	\$ -	\$ -	\$ -	\$ -
For the year ended December 31, 2019				
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	At December 31
Deferred tax assets				
Loss carry forward	\$ 1,445	( \$ 1,445 )	\$ -	\$ -

D. The details of unrecognized deferred tax assets were as follows:

	December 31,	
	2020	2019
Loss carry forward		
Expired in 2020	\$ -	\$ 145,198
Expired in 2023	8,978	8,978
Expired in 2024	21,519	21,519
Expired in 2025	34,776	34,776
Expired in 2026	14,432	14,432
Expired in 2027	9,366	9,366
Expired in 2028	19,351	19,351
Expired in 2029	1,845	1,845
Expired in 2030	4,288	-
	<u>114,555</u>	<u>255,465</u>
Deductible temporary differences		
Inventories	77,879	77,879
Allowance for doubtful accounts	3,249	3,249
Financial assets at fair value through other comprehensive income	22,012	22,685
Prepayments	552	887
Unrealized exchange gains and losses	2,473	1,608
Net defined benefit liabilities	1,374	1,438
Provisions for liabilities	152	129
	<u>107,691</u>	<u>107,875</u>
Total	<u>\$ 222,246</u>	<u>\$ 363,340</u>

E. As of December 31, 2020, details of the Group's deferred tax assets for future utilization were as below:

<u>Expiry date</u>	<u>Unused loss carry forward</u>
2023	\$ 8,978
2024	21,519
2025	34,776
2026	14,432
2027	9,366
2028	19,351
2029	1,845
2030	4,288
Total	<u>\$ 114,555</u>

F. The Company's income tax returns through 2018 have been assessed by the Tax Authority.

(29) *Earnings per share*

A. The calculation of earnings per share and weighted average number of common share is as follows:

	<u>For the year ended December 31, 2020</u>		
		Weighted average number of common shares outstanding (in thousands)	Earnings per share (in dollars)
	<u>Amount after tax</u>		
<u>Basic earnings per share</u>			
Loss attributable to the Company	<u>( \$ 89,645 )</u>	<u>282,364</u>	<u>( \$ 0.32 )</u>
<u>Diluted earnings per share</u>			
None.			



For the year ended December 31, 2019			
	Amount after tax	Weighted average number of common shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Loss attributable to the Company	( \$ 68,696 )	270,753	
Loss attributable to shares of the Company held by subsidiaries	-	( 95 )	
Profit attributable to the Company	( \$ 68,696 )	270,658	( \$ 0.25 )

Diluted earnings per share

None.

- B. Assumed that the trading and holding of the Company's shares by the subsidiaries does not deem as treasury stock but as investments, the pro-forma calculation of earnings per share and weighted average number of common share is as follows:

For the year ended December 31, 2020			
	Amount after tax	Weighted average number of common shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Loss attributable to the Company	( \$ 89,645 )	282,364	( \$ 0.32 )

Diluted earnings per share

None.

For the year ended December 31, 2019			
	Amount after tax	Weighted average number of common shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Loss attributable to the Company	(\$ 68,696 )	270,753	(\$ 0.25 )
<u>Diluted earnings per share</u>			
None.			

(30) *Changes in liabilities from financing activities*

The reconciliation of the Group's liabilities from financing activities is as follows:

	January 1, 2020	Cash flow	Other non-cash	December 31, 2020
Short-term borrowings	\$ 282,000	\$ 633,000	\$ -	\$ 915,000
Lease liabilities	4,974	( 2,644 )	4,269	6,599
Long-term borrowings	1,224,900	( 453,000 )	-	771,900
Guarantee deposits	10,181	124	-	10,305
Capital surplus	9,141	649,472	-	658,613
Liabilities from financing activities	<u>\$ 1,531,196</u>	<u>\$ 826,952</u>	<u>\$ 4,269</u>	<u>\$ 2,362,417</u>
	January 1, 2019	Cash flow	Other non-cash	December 31, 2019
Short-term borrowings	\$ -	\$ 282,000	\$ -	\$ 282,000
Short-term notes and bills payable	319,983	( 319,983 )	-	-
Lease liabilities	1,354	( 1,808 )	5,428	4,974
Long-term borrowings	1,238,781	( 13,881 )	-	1,224,900
Guarantee deposits	10,097	84	-	10,181
Capital surplus	9,240	50	( 149 )	9,141
Treasury stock	( 27,761 )	32,289	( 4,528 )	-
Liabilities from financing activities	<u>\$ 1,551,694</u>	<u>( \$ 21,249 )</u>	<u>\$ 751</u>	<u>\$ 1,531,196</u>

## 7. Related party transactions

Balances and amounts of transaction between the Company and subsidiaries had been eliminated upon consolidation and was not disclosed in this note. Details of transactions between the Group and other related parties were disclosed as follows:

### (1) Name of related parties and relationship

Name	Relationship
Delsin Construction Co., Ltd. (Formerly known as Da Sin Investment Development Co., Ltd.)	Chairman of Da Sin Investment Development Co., Ltd. is the first degree of the director of the Company. (The director of the Company resigned on June 23, 2020)
Da Shuo Investment Co., Ltd.	Chairman of Da Shuo Investment Co., Ltd. is the first degree of kinship of the director of the Company (The director of the Company resigned on June 23, 2020)
Lin Hsing Hsiung	Second degree of kinship of the director of the Company (The director of the Company resigned on June 23, 2020)
Lin Wei Pang	Second degree of kinship of the director of the Company (The director of the Company resigned on June 23, 2020)
Lin Yuan Yi	Second degree of kinship of the director of the Company
Lin Heng Yi	Second degree of kinship of the director of the Company
Lin Po Feng	Director of the Company (Resigned on June 23, 2020)
Weng Chu Chih	Director's spouse of the Company (Resigned on June 23, 2020)
Lin Hui Chuan	Second degree of kinship of the director of the Company (Resigned on June 23, 2020)
Lin Chia Hung	Substantive related party
Hong Zhu Construction Co., Ltd.	The general manager of the Company is the director of Hong-Zhu Construction Co., Ltd.
Pauguo Real Estate Management Co., Ltd.	Substantive related party

(2) Significant related party transactions and balances:

A. Sales of goods and service

	For the year ended December 31,	
	2020	2019
Rental income		
Other related parties	\$ -	\$ 34

The lease period is from April 2015 to March 2020. Rental is collected annually.

B. Purchase

	For the year ended December 31,	
	2020	2019
Cost of lands		
Lin Chia Hung	\$ 1,208,650	\$ -

C. Construction expense

	For the year ended December 31,	
	2020	2019
Miscellaneous expenses		
Hong Zhu Construction Co., Ltd.	\$ 2,952	\$ -
Finance costs		
Paoguo Real Estate Management Co., Ltd.	\$ 952	\$ -

D. The balances of receivables and payables with related parties were as follows:

	December 31,	
	2020	2019
Accounts payable		
Lin Chia Hung	\$ 94,571	\$ -
Refundable deposit		
Other related parties	\$ 2,442	\$ 12,210
Other receipts in advance		
Other related parties	\$ -	\$ 7

## E. Others

(A) As of December 31, 2020, the deposit guarantee notes issued by the Company to a related party, Lin Chia Hung amounted to \$1,088,100 thousand.

(B) The amount of the promissory note issued by the Company to the landlord of joint construction of Le Jie Duan A was \$146,215 thousand, and was guaranteed by Hong-Zhu Construction Co., Ltd. for the Company.

### (3) Key management compensation

	For the year ended December 31,	
	2020	2019
Salaries and other short-term	\$ 9,862	\$ 15,818
Termination benefits	-	-
Post-employment benefits	5,621	5,253
Other long-term employee benefits	-	-
Share-based payment	-	-
Total	<u>\$ 15,483</u>	<u>\$ 21,071</u>

## 8. Pledge of assets

The Group's assets pledged as collateral are as follows:

Pledged assets	Purposes	Book value	
		December 31,	
		2020	2019
Inventories			
Lands for sale	Performance guarantee	\$ 5,505	\$ 5,505
Buildings for sale	Performance guarantee	2,809	2,809
Lands held for construction	Short-term borrowings and long-term borrowings	3,185,853	2,759,486
Construction in progress	Short-term borrowings and long-term borrowings	245,863	108,440
Property, plant and equipment			
Lands	Short-term borrowings	36,006	36,006
Buildings	Short-term borrowings	19,343	20,545
Other equipment	Short-term borrowings	28	36
Other financial assets - current	Trust account	156,021	94,402
Total		<u>\$ 3,651,428</u>	<u>\$ 3,027,229</u>

## **9. Significant contingent liabilities and unrecognized commitments**

- A. As of December 31, 2020, the Group received the promissory notes from the contractors and customers amounting to \$60,710 thousand.
- B. As of December 31, 2020, the deposit guarantee notes issued by the Company to the landlord amounted to \$1,684,045 thousand.
- C. As of December 31, 2020, the Company signed the contracts of pre-sale of properties with customer amounted to \$1,973,800 thousand, and have been received \$342,390 thousand according to the contract amount.
- D. As of December 31, 2020, the Company signed the contracts with the contractors amounted to \$504,873 thousand, of which \$401,786 thousand was unpaid.
- E. As of December 31, 2020, the Company signed the contracts for the purchase of lands amounted to \$1,708,350 thousand and the titles have been transferred, of which \$115,541 thousand unpaid.

## **10. Significant disaster loss**

None.

## **11. Significant events after the balance sheet date**

- A. The Company acquired 100% equity of Cyuan Fong Construction Limited Company in February 2021, amounted to \$11,500 thousand. On March 9, 2021, Cyuan Fong Construction Limited Company changed its name to Huajian Construction Co., Ltd.
- B. The Company was approved by the board of directors on February 22, 2021 for its intention to obtain lands in Le Jie Duan, Gui Shan District, Taoyuan City, Qing Xi Duan, Zhong Li District, Taoyuan City, Xin Zhan Duan, Sha Lu District, Taichung City, and Zheng Ying Duan. The total transaction price is estimated to be \$1,834,463 thousand.

C. The Company was approved by the board of directors on March 30, 2021 for its intention to obtain lands in Qing Shan Duan, Da Yuan District and Shan Jie Duan, Gui Shan District, Taoyuan City. The total transaction price is yet to be negotiated.

## 12. Others

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group'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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares to adjust the most appropriate capital structure. The Group monitors capital on the basis of the gearing ratio. The Group's gearing ratios as of December 31, 2020 and 2019 are as follows:

	December 31,	
	2020	2019
Total liabilities	\$ 2,230,308	\$ 1,778,246
Total assets	\$ 8,630,866	\$ 5,149,729
Gearing ratio	26%	35%

During a recent review of the gearing ratio, the debt-to-asset ratio on December 31, 2020 was lower compared to December 31, 2019 which caused by the increase in total assets by the Company's capital injection by cash.

### (2) Financial instruments

#### A. Financial instruments by category

	December 31,	
	2020	2019
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 58,249
Financial assets at fair value through other comprehensive income		
Designated investments in equity instruments	\$ 2,898	\$ 3,769

	December 31,	
	2020	2019
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,842,842	\$ 132,046
Notes receivable	1,647	2,465
Accounts receivables	6	6
Other receivable	40,008	39,438
Other financial assets	211,021	267,194
Refundable deposits	61,013	31,463
	<u>\$ 2,156,537</u>	<u>\$ 472,612</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 915,000	\$ 282,000
Notes payable	1,723	-
Accounts payable	142,788	20,486
Other payable	10,480	16,549
Long-term borrowings (including current portion)	771,900	1,224,900
Guarantee deposits	10,305	10,181
	<u>\$ 1,852,196</u>	<u>\$ 1,554,116</u>
Lease liabilities	<u>\$ 6,599</u>	<u>4,974</u>

## B. Financial risk management objectives and policies

The Group's financial instruments include equity and beneficiary certificate investment, notes receivables, accounts receivables, other receivables, other financial assets, refundable deposits, bank borrowings, notes payable, accounts payable and other payables. Risk management is coordinated by the Group's finance department by entering domestic and international financial market operations and responsible to monitor and manage the financial risk according to the degree of risk and evaluating the breadth analysis of risk exposure. Such risk includes market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.



The Group seeks to reduce the risk by employing a risk management and to analyze, identify and evaluate the related financial risk that potentially poses adverse effects on the Group. The Group has a relevant plan to hedges the adverse factors of financial risk.

(A) Market risk

Market risk is arising from movements in market prices, such as foreign exchange risk and interest rate risk that affecting the Group's earning or financial instruments held by the Group. The objective of market risk management is to control the market risk exposure within affordable range and to optimize the return on investment.

The major markets risks undertake by the Group's operation are foreign exchange risk, interest rate risk and equity price risk. In practice, a movement by a single change in risk variables is rare, hence change in risk variables are always interrelated. The following sensitivity analysis did not consider the interaction of related risks variables.

a. Foreign exchange risk

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets measured at fair value that are denominated in foreign currency. The Group's foreign exchange risk is mainly arising from the foreign exchange gains and losses against the cash and cash equivalents, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and other financial assets that are dominated in foreign currency.

Details of the unrealized exchange gains and losses of the Group's monetary items whose value would significant affected by exchange rate fluctuation are as follows:

For the year ended December 31, 2020			
	Foreign currency		Unrealized
	amount		exchange gains
	(in thousands)	Exchange rate	and losses (NT\$)
<u>Financial assets</u>			
US\$ : NT\$	\$ 2,937	28.480	( \$ 4,340 )
CN¥ : NT\$	201	4.377	28
HK\$ : NT\$	53	3.673	( 9 )

For the year ended December 31, 2019			
	Foreign currency		Unrealized
	amount		exchange gains
	(in thousands)	Exchange rate	and losses (NT\$)
<u>Financial assets</u>			
US\$ : NT\$	\$ 2,580	29.980	( \$ 1,303 )
CN¥ : NT\$	15	4.305	22
HK\$ : NT\$	53	3.849	613

The sensitivity analysis of the Group's exchange risk mainly focuses on the relevant foreign currency appreciation or depreciation of main foreign currency items at the closing date of financial reporting period, and its impact on the Group's profit and loss and equity.

The determination of below sensitivity analysis is based on the Group's non-functional currency assets and liabilities with significant exchange rate exposure at the balance date. The relevant information is as follows:

December 31, 2020							
	Foreign currency amount	Exchange rate	Carrying amount (NT\$)	Variation	Effect on profit or loss	Effect on equity	
<u>Financial assets</u>							
<u>Monetary items</u>							
US\$	\$	2,937	28,480	\$ 83,649	5%	\$ 4,182	\$ -
CN¥		201	4,377	882	5%	44	-
HK\$		53	3,673	194	5%	10	-
<u>Non-monetary items</u>							
US\$	\$	102	28,480	\$ 2,898	5%	\$ -	\$ 145

December 31, 2019							
	Foreign currency amount	Exchange rate	Carrying amount (NT\$)	Variation	Effect on profit or loss	Effect on equity	
<u>Financial assets</u>							
<u>Monetary items</u>							
US\$	\$	2,580	29,980	\$ 77,346	5%	\$ 3,867	\$ -
CN¥		15	4,305	65	5%	3	-
HK\$		53	3,849	204	5%	10	-
<u>Non-monetary items</u>							
US\$	\$	564	29,980	\$ 16,914	5%	\$ 658	\$ 188
HK\$		207	4,305	891	5%	45	-

#### b. Interest rate risk

The Group's interest rate risk arises from borrowing. Borrowing with floating interest rate exposes the Group to change in fair value risk and cash flow risk. The Group by maintaining an appropriate combination of floating rate to manage interest rate risk. The Group assesses its hedging activities on a regular basis to ensure hedging strategies are established consistently between interest rate and risk preferences and in most cost-effective manner.

The Group's exposure on financial liabilities rate risk is described in this Note for liquidity risk management below.

#### Sensitivity analysis

The following sensitivity analysis is based on interest rate risk exposure on the non-derivative instruments at the closing reporting date of reporting period. Regarding the liabilities with variable interest rate, the following analysis is on the basis of the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 1% when key management report internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate has increased or decreased by 1% with other variable held constant, the net profit before tax would have increased or decrease by \$16,869 thousand and \$15,069 thousand for the years ended December 31, 2020 and 2019, respectively, which would be mainly resulted from the Group's borrowing with variable interest rate.

#### c. Other price risk

The Group's exposure to equity price risk in 2020 and 2019 resulted from investments in listed and unlisted equity securities and beneficiary certificates. The investments in the equity securities and beneficiary certificates are financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The management of the Group manages risk by holding investment portfolios with different risk.

#### Sensitivity analysis

The following sensitivity analysis is based the exposure of equity securities and beneficiary certificates at the closing date of the reporting date.

If the price of the equity securities and the beneficiary certificates increased/decreased by 10%, the profit and loss of the Group for the year ended 31 December, 2020 and 2019 will be increased/decreased by \$0 thousand and \$5,825 thousand, respectively, which is due to changes in the fair value of financial assets held at fair value through profit or loss. The other equity will be increased/decreased by \$290 thousand and \$377 thousand, respectively, which is due to changes in the fair value of financial assets measured at fair value through other comprehensive income.

(B) Credit risk

Credit risk refers to the risk of financial loss to the Group arising from default by counterparties on the contract obligations. The Group's credit risk is attributable to its operating activities (mainly notes and accounts receivables) and financial activities (mainly bank deposits and various financial instruments).

Each unit of the Group follows credit risk policies, procedures and controls to manage credit risk. The credit risk assessment of all counterparties is based on factors such as the financial position, the rating of the credit rating agency, historical trading experience, the current economic environment and the Group's internal rating criteria etc. The Group also uses certain credit enhancement tools (such as pre-collection from sales of properties) at an appropriate time to reduce the credit risk of counterparties.

The Group's accounts receivables mainly comprise receipts from customers on sales of properties. Based on the past experiences, the Group's management assessed these accounts receivable has no significant risk.

The finance department of the Group manages the credit risk of bank deposits, fixed income securities and other financial instruments in accordance with the Group's policies. The trading parties of the Group are determined by internal control procedures such as the banks with good credit financial institutions with investment grades, corporate

organizations and government agencies are considered to have no significant credit risk.

(C) Liquidity risk

Liquidity risk refers to risk when the Group is unable to settle its financial liabilities by cash or other financial assets and failure to fulfill obligations associated with existing operations.

The Group manages its liquidity risk by maintaining adequate cash and cash equivalents in order to cope and mitigate the effects of the Group's operating cash flow fluctuations. The Group's management oversight banking facilities usage and ensure the terms of the loan agreement are followed.

Bank borrowings are the important source of liquidity to the Group. As of December 31, 2020 and 2019, the total banking facilities that have not yet utilized by the Group were \$1,774,100 thousand and \$1,471,100 thousand respectively.

Table of liquidity and interest rate risk

The table below analyses the Group's non-derivative financial liabilities based on remaining period to the contractual maturity date during the agreed repayment period and in accordance to the possible earliest required date of repayment. The financial liabilities in below table prepared by undiscounted cash flows.

December 31, 2020					
	Less than 1 year	Between 1 and 3 year	Between 3 and 5 years	Over 5 years	Total of undiscounted cash flows
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Short-term borrowings	\$ 411,777	\$ 528,231	\$ -	\$ -	\$ 940,008
Notes payable	1,723	-	-	-	1,723
Accounts payable	142,788	-	-	-	142,788
Other payables	10,480	-	-	-	10,480
Lease liabilities	1,939	3,983	677	-	6,599
Long-term borrowings (include current portion)	13,268	780,880	-	-	794,148
Guarantee deposits received	971	56	4,728	4,550	10,305
Total	<u>\$ 582,946</u>	<u>\$ 1,313,150</u>	<u>\$ 5,405</u>	<u>\$ 4,550</u>	<u>\$ 1,906,051</u>

December 31, 2019					
	Less than 1 year	Between 1 and 3 year	Between 3 and 5 years	Over 5 years	Total of undiscounted cash flows
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Short-term borrowings	\$ 283,709	\$ -	\$ -	\$ -	\$ 283,709
Accounts payable	20,486	-	-	-	20,486
Other payables	16,549	-	-	-	16,549
Lease liabilities	2,266	2,708	-	-	4,974
Long-term borrowings (include current portion)	536,207	735,043	-	-	1,271,250
Guarantee deposits received	628	403	4,600	4,550	10,181
Total	<u>\$ 859,845</u>	<u>\$ 738,154</u>	<u>\$ 4,600</u>	<u>\$ 4,550</u>	<u>\$ 1,607,149</u>

The Group does not have callable bank borrowing that requires repayment on demand.

The amount of above non-derivative financial assets and liabilities instruments with floating interest rate will be varied when the estimated rate became different at the end of reporting period.

(3) *Fair value information*

A. The different levels of valuation techniques which are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: The input value of this level is the public quotation (unadjusted) of the identical asset or liability in the active market. A market is regarded as active when the goods in the market are in same nature and the price information is readily available in the public market for both buyers and sellers. The fair values of the Group's investments in publicly listed securities are included in Level 1.

Level 2: Inputs other than the observable publicly quoted prices included within Level 1 for assets and liabilities, either directly (such as price) or indirectly (such as derived from the price).

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivables, other receivables, other financial assets, deposits, bank borrowings, notes payable, accounts payable and other payables are reasonable approximations of fair values.

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:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value</u>				
Financial assets at fair value through other comprehensive income				
Unlisted equity investments	\$ -	\$ -	\$ 2,898	\$ 2,898



	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 10,669	\$ -	\$ -	\$ 10,669
Beneficiary certificates	47,580	-	-	47,580
Financial assets at fair value through other comprehensive income				
Unlisted equity investments	-	-	3,769	3,769
	<u>\$ 58,249</u>	<u>\$ -</u>	<u>\$ 3,769</u>	<u>\$ 62,018</u>

D. The methods of assumptions of the Group used to measure fair value are as follows:

- (A) The Group applied market quoted prices and net value as their inputs of fair value for its domestic listed stock (that is Level 1).
- (B) In addition to the above-mentioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained by means of evaluation techniques or reference to counterparty quotes. The fair value obtained through the evaluation techniques based on the current fair value of other financial instruments with similar characteristics and characteristics, discounted cash flow method or other evaluation techniques including calculations based on the application model of market information available on the balance sheet date.
- (C) The output of the evaluation model is the estimated value, and the evaluation technique may not reflect all the factors that the Group holds for financial instruments and non-financial instruments. Therefore, the estimated value by the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's management policy of fair value evaluation model and related control procedures, the management believes that the evaluation adjustments are appropriated and necessary for the fair presentation of the fair value of financial instruments and non-financial

instruments in the individual balance sheet. The pricing information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted to current market conditions.

E. There is no transfer between first and second level measured at fair value in 2020 and 2019.

F. Change in level 3

	For the year ended December 31,	
	2020	2019
January 1	\$ 3,769	\$ 6,784
Refund of capital after capital reduction in the current period	( 1,847 )	( 1,975 )
Refund of capital in the current period	( 10 )	-
Gain recognized in other comprehensive income	986	1,337
Other	-	( 2,377 )
December 31	<u>\$ 2,898</u>	<u>\$ 3,769</u>

G. The Group's evaluation process for fair value is classified into the level 3. The financial department is responsible to ensure that the evaluation results are reasonable. These include: verifying the fair value of financial instruments by using independent source data to bring the evaluation results close to the market; to confirm the data sources are independently reliable and consistent with other resources and represent executable prices; and regularly calibrate the evaluation model; perform back-testing; update the input values and materials required for the evaluation model; and any other necessary fair value adjustments.

## H. Quantitative information on significant unobservable inputs for the fair value measurement in level 3

		Fair value December 31, 2020	Evaluation techniques	Significant unobservable inputs	Relationship between input value and fair value
Non-derivative equity instruments:					
Venture capital stock	\$	2,898	Net assets value method	Lack of market liquidity and minority share discount	Lack of market circulation, the higher the discount, the lower the fair value
		Fair value December 31, 2019	Evaluation techniques	Significant unobservable inputs	Relationship between input value and fair value
Non-derivative equity instruments:					
Venture capital stock	\$	3,769	Net assets value method	Lack of market liquidity and minority share discount	Lack of market circulation, the higher the discount, the lower the fair value

## I. Sensitivity analysis of changes in significant unobservable inputs

		For the year ended December 31, 2020					
		Recognize to profit or loss		Recognize to other comprehensive income			
		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes		
	Input value	Changes					
Financial assets							
	Lack of market liquidity and minority share discount						
Equity instruments							
	discount	10%	\$ -	\$ -	\$ 483	\$ -	\$ 483

			For the year ended December 31, 2019					
			Recognize to		Recognize to other			
			profit or loss		comprehensive income			
			Favorable	Unfavorable	Favorable	Unfavorable		
			changes	changes	changes	changes		
Financial assets								
	Lack of							
	market							
	liquidity							
	and							
	minority							
Equity	share							
instruments	discount	10%	\$	-	\$	-	\$	627
							\$	627

### 13. Supplementary disclosures

*(1) Significant transactions information:*

No.	Items	Footnote
1	Loans to others	None
2	Provision of endorsements and guarantees to others	None
3	Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates and joint ventures)	Table 1
4	Purchase or sale of the same security with the accumulated cost exceeding \$300 million or 20% of paid-in capital or more	None
5	Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more	Table 2
6	Disposal of real estate reaching \$300 million or 20% of paid-in capital or more	None
7	Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more	Table 3
8	Receivables from related parties reaching \$100 million or 20% of paid-in capital or more	None
9	Derivative financial instruments undertaken	None
10	Significant inter-company transactions between the Company and subsidiaries	None

*(2) Information on investments: Table 4*

*(3) Information on investments in Mainland China: None*

*(4) Information of major shareholders: Table 5*

Table 1

Marketable securities held by the Company as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures) (Expressed in thousands of New Taiwan dollars)

Securities held by	Type	Name	Relationship with the securities issuer	General ledger account	December 31,				Footnote	
					Number of shares/units (in thousands)	Book value	Ownership (%)	Fair value	Number of collateral share provided (in thousands)	Collateral amounts
The Company	Stock	Vincera Growth Capital II Limited	None	Financial assets at fair value through other comprehensive income - non-current	60	\$ 2,898	5%	\$ 2,898	-	\$ -
The Company	Stock	Znyx Network Co. Perf D	None	Financial assets at fair value through other comprehensive income - non-current	51	-	-	-	-	-
The Company	Stock	Znyx Network Co. Perf E	None	Financial assets at fair value through other comprehensive income - non-current	45	-	-	-	-	-
The Company	Stock	Znyx Network Co. Perf F	None	Financial assets at fair value through other comprehensive income - non-current	26	-	-	-	-	-

Table 2

As of December 31, 2020, acquisition of real estate by the Company reaching \$300 million or 20% of paid-in capital or more

(Expressed in thousands of New Taiwan dollars)

The company that acquired the real estate	Name of real estate	Day of fact	Amount of transaction	Payment status	Transaction party	Relationship	The information of previous transfer, if the transaction party is a related party				Basis of reference for price determination	Purpose of acquisition and usage	Other agreed matters
							Owner	Relationship with the issuer	Date of transfer	Amount			
The Company	No. 233, 235, Xin Bi Duan, Lu Zhu District, Taoyuan City	September 11, 2020 (Signing date)	\$ 874,650 (Note 1)	Pay according to the contract	Lin Chia Hung	Substantive related party	Department of Land Administration, Taoyuan City Government	-	September 2020	\$ 798,890	Note 2	Construction of residential buildings	-
The Company	No. 488, 489, Qing Xi Duan, Zhong Li District, Taoyuan City	September 11, 2020 (Signing date)	316,000 (Note 1)	Pay according to the contract	Lin Chia Hung	Substantive related party	Yang Jun and 11 others	-	September 2019	292,235	Note 2	Construction of residential buildings	-
The Company	No. 793, Xing Hua Duan, Guishan District, Taoyuan City	September 11, 2020 (Signing date)	18,000	Pay according to the contract	Lin Chia Hung	Substantive related party	Cai Jun	-	January 2019	17,592	Note 2	Construction of residential buildings	-
The Company	No. 177, Le Jie Duan, Gui Shan District, Taoyuan City	September 11, 2020 (Signing date)	499,700	Pay according to the contract	Wu Jun	Non-related party	-	-	-	-	Valuation report	Construction of residential buildings	-

Note 1: Including the acquired incremental building bulk

Note 2: The previous transaction price included the necessary interest on capital and necessary cost and valuation report.

Table 3

As of December 31, 2020, the Company's purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more for the year ended

(Expressed in thousands of New Taiwan dollars)

Sales/ Purchase of the company	Transaction party	Relationship	Detail of transaction				Circumstances and reasons of why trading conditions are different from ordinary trading		Notes and accounts receivable (payable)		Remark
			Sales/ Purchase	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Lin Chia Hung	Substantive related party	Purchase	\$ 1,208,650	66.68%	Pay in installments according to the contract	The Company	Lin Chia Hung	\$ 94,571	65.44%	-

Table 4 Information on investments

Information on investments in which the Company exercise significant influence:

(Expressed in thousands of New Taiwan dollars)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares (in thousands)	Ownership (%)	Book value			
The Company	Huachien	16F, No. 460, sec. 5, Chenggong Rd., Neihu Dist, Taipei City 11490	Residential and building development, sale and rental business	\$ 704,993	\$ 704,993	18,208	58	\$ 347,836	(\$ 14,465)	(\$ 8,442)	-



Table 5 Information of major shareholders

Major shareholders of the Company as of December 31, 2020

(Unit: In thousand shares)		
Name of major shareholder	Number shares held	Percentage of shareholding (%)
Chia Chun Investment Co., Ltd.	94,259	18.10
Da Shuo Investment Co., Ltd.	42,832	8.22
Neng Hong Investment Holdings Co., Ltd.	27,855	5.34

Note 1: The information of major shareholders in the above table was calculated by the Taiwan Depository and Clearing Corp. based on the information of shareholders of the Company who hold more than 5% of ordinary shares and special shares and have been completed the non-physical registration and delivery (including treasury shares) on the last business day of the end of each quarter. As for the shares capital recorded in the Company's financial statements may vary from the Company's actual number of shares which completed the non-physical registration and delivery due to different calculation basis or differences.

Note 2: In the above table, if the shareholder entrust its shares to the trust, disclosure is made by the individual accounts of the trustee who opened the trust account by the grantor. As for the shareholders' declarations for insider equity holdings exceeding 10% in accordance with the Securities and Exchange Act, his shareholding includes his own shares plus the shares entrusted to the trust with voting right, etc. For the information on the declaration for insider equity, please refer to Market Observatory Post System.

## **14. Segment information**

### *(1) General information*

The Group operates in a single industry. The board of directors determined the operating segments based on the overall assessment of Group's performance and allocation of resources. The Group's company organization, basis of department segmentation and principles for measure segment information for the period were not significantly changed.

### *(2) Segment information*

The segment information provided to the strategic business unit for the reportable segments is as follows:

The Group's reportable segments are the strategic business unit to provide different types of products and services. The accounting policies of the segments are in agreement with the significant accounting policies summarized in Note 4.

The Group's reportable segments income, profit and loss, assets and liabilities are adjusted, eliminated and summarized as follows:

For the year ended December 31, 2020				
	The Company	Huachien	Elimination & adjustment	Total
<b>Total segment revenue</b>				
Revenue from external customers	\$ 79,595	\$ 7,782	\$ -	\$ 87,377
Inter-segment revenue	29	-	( 29 )	-
<b>Total</b>	<b>\$ 79,624</b>	<b>\$ 7,782</b>	<b>( \$ 29 )</b>	<b>\$ 87,377</b>
Interest income	\$ 1,323	\$ 6	\$ -	\$ 1,329
Interest expense	( 5,203 )	( 13,098 )	1	( 18,300 )
Depreciation	( 2,192 )	( 2,408 )	28	( 4,572 )
Share of loss of investment account for under equity method	( 8,442 )	-	8,442	-
Significant profit and loss items:				
Net currency exchange gain (losses)	( 4,448 )	-	-	( 4,448 )
Net gain of financial assets at fair value through profit or loss	( 8,372 )	-	-	( 8,372 )
<b>Segment net income (loss)</b>	<b>( \$ 88,637 )</b>	<b>( \$ 14,465 )</b>	<b>\$ 8,442</b>	<b>( \$ 94,660 )</b>
<b>Assets</b>				
Long-term equity investment account for under equity method	\$ 347,836	\$ -	( \$ 347,836 )	\$ -
Capital expenditure – non-current assets	1,307	-	-	1,307
<b>Segment assets</b>	<b>\$ 7,655,581</b>	<b>\$ 1,318,887</b>	<b>( \$ 343,602 )</b>	<b>\$ 8,630,866</b>
<b>Segment liabilities</b>	<b>\$ 1,507,445</b>	<b>\$ 722,870</b>	<b>( \$ 7 )</b>	<b>\$ 2,230,308</b>

Inter-segment income, profit and loss, assets and liabilities are adjusted and eliminated.

For the year ended December 31, 2019

	Elimination				
	The			&	
	Company	Huachien	Dahyoung	adjustment	Total
<b>Total segment revenue</b>					
Revenue from external customers	\$ 3,012	\$ 7,158	\$ -	\$ -	\$ 10,170
Inter-segment revenue	57	-	-	( 57 )	-
Total	<u>\$ 3,069</u>	<u>\$ 7,158</u>	<u>\$ -</u>	<u>( \$ 57 )</u>	<u>\$ 10,170</u>
Interest income	\$ 4,652	\$ 8	\$ 516	\$ -	\$ 5,176
Interest expense	( 8,052 )	( 14,639 )	( 1 )	2	( 22,690 )
Depreciation	( 2,721 )	( 1,148 )	( 28 )	55	( 3,842 )
Share of loss of investment account for under equity method	( 9,694 )	-	-	9,694	-
Significant profit and loss items:					
Net gain of financial assets at fair value through profit or loss	5,901	-	871	-	6,772
<b>Segment net income (loss)</b>	<u>( \$ 68,696 )</u>	<u>( \$ 15,832 )</u>	<u>\$ 850</u>	<u>\$ 9,829</u>	<u>( \$ 73,849 )</u>
<b>Assets</b>					
Long-term equity investment account for under equity method	\$ 356,278	\$ -	\$ -	( \$ 356,278 )	\$ -
Capital expenditure – non-current assets	208	-	-	-	208
<b>Segment assets</b>	<u>\$ 4,169,621</u>	<u>\$ 1,332,180</u>	<u>\$ -</u>	<u>( \$ 352,072 )</u>	<u>\$ 5,149,729</u>
<b>Segment liabilities</b>	<u>\$ 1,056,583</u>	<u>\$ 721,698</u>	<u>\$ -</u>	<u>( \$ 35 )</u>	<u>\$ 1,778,246</u>

Inter-segment income, profit and loss, assets and liabilities are adjusted and eliminated.

(3) *Information on segment revenue, segment net income (loss) and segment assets*

A. Segment revenue

	For the year ended December 31,	
	2020	2019
Total segment revenue	\$ 87,406	\$ 10,227
Inter-segment elimination	( 29 )	( 57 )
Total revenue	<u>\$ 87,377</u>	<u>\$ 10,170</u>

B. Segment net income (loss)

	For the year ended December 31,	
	2020	2019
Segment net income	( \$ 103,102 )	( \$ 83,678 )
Inter-segment elimination	<u>8,442</u>	<u>9,829</u>
Segment net income before income tax	<u>( \$ 94,660 )</u>	<u>( \$ 73,849 )</u>

C. Segment assets

	December 31,	
	2020	2019
Total segment assets	\$ 8,974,468	\$ 5,501,801
Inter-segment elimination	( 343,602 )	( 352,072 )
Segment assets	<u>( \$ 8,630,866 )</u>	<u>\$ 5,149,729</u>

(4) *Information on products and services*

Details of sources of income and the balances of the Group are the followings:

	For the year ended December 31,			
Revenue	2020	%	2019	%
Revenue - buildings	\$ 15,920	18	\$ 2,000	20
Revenue - lands	62,884	72	-	-
Rental income	<u>8,573</u>	<u>10</u>	<u>8,170</u>	<u>80</u>
Total	<u>\$ 87,377</u>	<u>100</u>	<u>\$ 10,170</u>	<u>100</u>

(5) *Geographical information*

	For the year ended December 31,			
	2020		2019	
	Non-current		Non-current	
Location	Revenue	assets	Revenue	assets
Taiwan	<u>\$ 87,377</u>	<u>\$ 184,439</u>	<u>\$ 10,170</u>	<u>\$ 155,601</u>

(6) *Major customer information*

For the years ended December 31, 2020 and 2019, the Group's revenue from one single customer which exceeds 10% of total operating revenue is as the following:

Customer	For the years ended December 31,			
	2020	%	2019	%
Customer A	\$ 46,134	53	\$ -	-
Customer B	32,670	37	-	-
Customer C	-	-	3,655	36
Customer D	-	-	2,000	20
Customer E	-	-	1,032	10

## Independent Auditors' Report

Delpha Construction Co., Ltd.

### Opinion

We have audited the accompanying parent company only balance sheets of Delpha Construction Co., Ltd. (the "Company") as of December 31, 2020 and 2019, and the related parent company only financial statements of comprehensive income, changes in equity and 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, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended, in accordance with the "Regulations Governing the Preparations 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 **Independent 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 Code of Professional Ethics for Certificate Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with this Code. Based on our audits, we believe that our audits provide a reasonable basis for our opinion.

## **Independent Auditors' Report (Continued)**

### **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 for the year ended December 31, 2020. 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. We determined the key audit matters should be communicated in our audit report are as follows:

### **Evaluation of inventories**

Please refer to Note 4(12) to the parent company only financial statements for the accounting policies of evaluation of inventories; refer to Note 5(2) to the parent company only financial statements for the accounting estimates and assumptions of the evaluation of inventories; and please refer to Note 6(6) to the parent company only financial statements for the details description of inventories account.

The inventory is an important asset of the Company's operation, which accounts for 64% of the total Company's assets. The accounting treatment for inventory evaluation is in accordance with the International Accounting Standard 2 "Inventories". The financial statements will not present fairly if the assessment of net unrealized value of inventories is inappropriate. Therefore, we considered the evaluation of inventories as one of the key audit matters for the year.

Our audit procedures included, but not limited to, by referencing to the total transaction price registered in the Ministry of the Interior's real estate transaction database, the average selling price converted into the net realized value of the lands and buildings for sale to assess whether there is a significant difference. And to obtain the valuation report issued by the appraiser or by referencing to the present value of land announced by the Ministry of the Interior to assess whether there is a significant difference between the construction land and the construction in progress;



## **Independent Auditors' Report (Continued)**

and for the valuation report issued by the appraiser, to assess the rationality of the basic assumptions and expert qualifications such as the percentage of factor adjustment, the direct and indirect costs of the development period, the integrated capital interest rates, etc.

### **Responsibilities of management and those charged with governance for the parent company only financial statements**

Management is responsible for the preparation and fair presentation of the parent financial statements in accordance with the “Regulations Governing the Preparations 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 charges with governance, including members of the Audit Committee are responsible for overseeing the Company's financial reporting process.

## **Independent Auditors' Report (Continued)**

### **Independent auditor's responsibilities for the audit of the parent company only financial statements**

Our objectives 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 a report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered 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 parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## **Independent Auditors' Report (Continued)**

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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only 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 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 the parent company only financial statements, including the footnote disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentations.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the Company's investee companies accounted for under equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of audit of the Company's investee companies. We remain solely responsible for our audit opinion.

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

## **Independent Auditors' Report (Continued)**

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 statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our 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.

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Chen, Kuang- Hui

Yao, Yu-Lin

For and on behalf of ShineWing CPAs

March 30, 2021

Taipei, Taiwan

Republic of China

### Notice to Readers

The accompanying financial statements are not intended to present the financial position, results of financial operations and cash flows in accordance with accounting principles and practice generally accepted in countries and jurisdictions other than the Republic of China. The standard, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the parent only financial statements are the responsibility of the management, ShineWing CPAs cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**Delpha Construction Co., Ltd.**  
**Parent company only balance sheets**  
December 31, 2020 and 2019  
(Expressed in thousands of New Taiwan dollars)

		December 31,			
Assets	Notes	2020	%	2019	%
Current assets					
Cash and cash equivalents	6.(1)	\$ 1,834,819	24	\$ 101,078	3
Financial assets at fair value through profit or loss	6.(2)	-	-	58,249	1
Notes receivable, net	6.(4)	90	-	18	-
Other receivables	6.(5)	39,998	-	39,438	1
Current income tax assets		413	-	360	-
Inventories	6.(6) and 8	4,875,120	64	3,100,417	74
Prepayments		215,909	3	148,070	4
Other financial assets	6.(7) and 8	211,021	3	267,194	6
Other current assets		950	-	-	-
		7,178,320	94	3,714,824	89
Non-current assets					
Financial assets at fair value through other comprehensive income or loss	6.(3)	2,898	-	3,759	-
Investments accounted for under equity method	6.(8)	347,836	4	356,278	9
Property, plant and equipment	6.(9) and 8	57,139	1	57,435	1
Right-of-use asset	6.(10)	-	-	606	-
Refundable deposits	7	60,717	1	31,167	1
Net defined benefit assets – non-current	6.(16)	3,119	-	-	-
Other non-current assets		5,552	-	5,552	-
		477,261	6	454,797	11
Total assets		\$ 7,655,581	100	\$ 4,169,621	100

(Continued on next page)

**Delpha Construction Co., Ltd.**  
**Parent company only balance sheets**

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

Liabilities and equity	Notes	December 31,			
		2020	%	2019	%
Current liabilities					
Short-term borrowings	6.(13) and 8	\$ 915,000	12	\$ 282,000	7
Contract liabilities	6.(22)	342,486	5	187,130	5
Notes payable	6.(14)	1,723	-	-	-
Accounts payable	6.(14)	48,217	1	20,486	-
Accounts payables – related parties	6.(14) and 7	94,571	1	-	-
Other payables		8,802	-	14,627	-
Provisions for liabilities	6.(17)	761	-	644	-
Current lease liabilities		-	-	600	-
Receipts in advances	7	26,446	-	26,387	1
Long-term borrowings - current portion	6.(15) and 8	60,000	1	513,000	12
Other current liabilities		170	-	257	-
		1,498,176	20	1,045,131	25
Non-current liabilities					
Net defined benefit liabilities - non-current	6.(16)	-	-	2,147	-
Guarantee deposits		9,269	-	9,305	-
		9,269	-	11,452	-
Total liabilities		1,507,445	20	1,056,583	25
Equity					
Common stock	6.(19)	5,207,525	68	2,707,525	65
Capital surplus	6.(20)	658,613	8	9,141	-
Retained earnings:	6.(21)				
Legal reserve		237,247	3	237,247	6
Special reserve		3,789	-	24,199	1
Unappropriated earnings		40,402	1	138,715	3
Other equity interest		560	-	( 3,789 )	-
Total equity		6,148,136	80	3,113,038	75
Total liabilities and equity		\$ 7,655,581	100	\$ 4,169,621	100

The accompanying notes are an integral part of the parent company only financial statements.

**Delpha Construction Co., Ltd.**  
**Parent company only statement of comprehensive income**

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,			
		2020	%	2019	%
<b>Revenue</b>	6.(22) and 7	\$ 79,624	100	\$ 3,069	100
<b>Cost of revenue</b>	6.(6)	( 61,950 )	( 78 )	( 1,905 )	( 62 )
<b>Gross profit</b>		<u>17,674</u>	<u>22</u>	<u>1,164</u>	<u>38</u>
<b>Operating expenses</b>					
Selling expenses	6.(25)	( 2,618 )	( 3 )	( 1,883 )	( 61 )
General & administrative expenses	6.(25)	( 77,601 )	( 97 )	( 65,587 )	( 2,137 )
		( 80,219 )	( 100 )	( 67,470 )	( 2,198 )
<b>Loss from operations</b>		( 62,545 )	( 78 )	( 66,306 )	( 2,160 )
<b>Non-operating income and expenses</b>					
Other income	6.(23)	4,851	6	8,589	280
Other gains and losses	6.(24)	( 17,298 )	( 22 )	6,767	220
Finance costs	6.(27)	( 5,203 )	( 6 )	( 8,052 )	( 262 )
Share of loss of subsidiaries, affiliates and joint ventures accounted for under equity method		( 8,442 )	( 11 )	( 9,694 )	( 316 )
		( 26,092 )	( 33 )	( 2,390 )	( 78 )
<b>Loss before income tax</b>		( 88,637 )	( 111 )	( 68,696 )	( 2,238 )
<b>Income tax expense</b>	6.(28)	( 1,008 )	( 1 )	-	-
<b>Net loss for the year</b>		( 89,645 )	( 112 )	( 68,696 )	( 2,238 )
<b>Other comprehensive income</b>					
Component of other comprehensive income that will not be reclassified to profit or loss					
Remeasurement of defined benefit obligation		111	-	1,666	54
Unrealized profit on valuation of investments in equity instruments at fair value through other comprehensive income		986	1	1,334	43
Income tax expenses related to components that will not be reclassified to profit or loss		-	-	-	-
<b>Total other comprehensive income for the year</b>		<u>1,097</u>	<u>1</u>	<u>3,000</u>	<u>97</u>
<b>Total comprehensive loss for the year</b>		( \$ 88,548 )	( 111 )	( \$ 65,696 )	( 2,141 )
<b>Earnings per share (In New Taiwan dollars)</b>	6.(29)				
Basic earnings per share		( \$ 0.32 )		( \$ 0.25 )	

The accompanying notes are an integral part of the parent company only financial statements.

**Delpha Construction Co., Ltd.**  
**Parent company only statement of changes in equity**

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

	Retained earnings					Other equity interest		
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Unrealized gain (loss) of financial assets at fair value through other comprehensive income	Treasury stock	Total equity
Balance, January 1, 2019	\$ 2,707,525	\$ 11,381	\$ 234,560	\$ 18,758	\$ 305,262	( \$ 5,322 )	( \$ 27,761 )	\$ 3,244,403
Appropriation of prior year's earnings:								
Special capital reserve	-	-	-	5,441	( 5,441 )	-	-	-
Legal reserve	-	-	2,687	-	( 2,687 )	-	-	-
Cash dividends	-	-	-	-	( 81,225 )	-	-	( 81,225 )
Expired and unclaimed dividend transfer to legal reserve	-	50	-	-	-	-	-	50
Disposal of the Company's shares deemed as treasury stock transaction by a subsidiary	-	( 2,290 )	-	-	( 9,965 )	-	27,761	15,506
Changes in ownership interests of subsidiaries	-	-	-	-	( 199 )	199	-	-
	<u>2,707,525</u>	<u>9,141</u>	<u>237,247</u>	<u>24,199</u>	<u>205,745</u>	<u>( 5,123 )</u>	<u>-</u>	<u>3,178,734</u>
Net loss for the year	-	-	-	-	( 68,696 )	-	-	( 68,696 )
Other comprehensive income for the year	-	-	-	-	1,666	1,334	-	3,000
Total other comprehensive income (loss) for the year	-	-	-	-	( 67,030 )	1,334	-	( 65,696 )
Balance, December 31, 2019	2,707,525	9,141	237,247	24,199	138,715	( 3,789 )	-	3,113,038
Appropriation of prior year's earnings:								
Reversal of special capital reserve	-	-	-	( 20,410 )	20,410	-	-	-
Cash dividends	-	-	-	-	( 27,075 )	-	-	( 27,075 )
Expired and unclaimed dividend transfer to legal reserve	-	38	-	-	-	-	-	38
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	( 2,114 )	3,363	-	1,249
Capital injection by cash	2,500,000	649,433	-	-	-	-	-	3,149,433
Other	-	1	-	-	-	-	-	1
	<u>5,207,525</u>	<u>658,613</u>	<u>237,247</u>	<u>3,789</u>	<u>129,936</u>	<u>( 426 )</u>	<u>-</u>	<u>6,236,684</u>
Net loss for the year	-	-	-	-	( 89,645 )	-	-	( 89,645 )
Other comprehensive income for the year	-	-	-	-	111	986	-	1,097
Total other comprehensive income (loss) for the year	-	-	-	-	( 89,534 )	986	-	( 88,548 )
Balance, December 31, 2020	<u>\$ 5,207,525</u>	<u>\$ 658,613</u>	<u>\$ 237,247</u>	<u>\$ 3,789</u>	<u>\$ 40,402</u>	<u>\$ 560</u>	<u>\$ -</u>	<u>\$ 6,148,136</u>

The accompanying notes are an integral part of the parent company only financial statements.



**Delpha Construction Co., Ltd.**  
**Parent company only statement of cash flows**

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

	For the year ended December 31,	
	2020	2019
<b>Cash flows from operating activities</b>		
Loss before income tax for the year	( \$ 88,637 )	( \$ 68,696 )
Adjustments for:		
Income and expenses having no effect on cash flows		
Depreciation	2,192	2,721
Gain from lease modification	- (	1 )
Interest income	( 1,323 )	( 4,652 )
Dividend income	( 8 )	-
Net loss (gain) on financial assets at fair value through profit or loss	8,372 (	5,901 )
Interest expense	5,203	8,052
Share of loss of subsidiaries, associates and joint ventures accounted for under equity method	8,442	9,694
Loss on disposal of property, plant and equipment	17	-
Loss (gain) on foreign exchange, net	4,448 (	1,018 )
Loss on disposal of investments	-	133
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	49,877 (	2,869 )
(Increase) decrease in notes receivable	( 72 )	36
(Increase) decrease in other receivables	( 625 )	2
Increase in inventories	( 1,765,079 )	( 52,185 )
Increase in prepayments	( 67,839 )	( 94,412 )
Decrease (increase) in other financial assets	56,173 (	64,146 )
Increase in other current assets	( 950 )	-
Increase in contract liabilities	155,356	185,130
Increase (decrease) in notes payable	1,723 (	209 )
Increase in accounts payable	27,731	129
Increase in accounts payable - related parties	94,571	-
(Decrease) increase in other payables	( 6,245 )	3,307
Increase in provisions for liabilities	117	22
Increase (decrease) in receipts in advances	59 (	51 )
(Decrease) increase in other current liabilities	( 87 )	8
Decrease in receipt in net defined benefit liabilities	( 5,155 )	( 6,569 )
<b>Cash used in operations</b>	( 1,521,739 )	( 91,475 )
Interest received	1,437	5,138
Interest paid	( 14,403 )	( 14,152 )
Dividend received	8	-
Income taxes paid (including land value increment tax)	( 1,061 )	( 267 )
<b>Net cash used in operating activities</b>	( 1,535,758 )	( 100,756 )

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**Delpha Construction Co., Ltd.**  
**Parent company only statement of cash flows**

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

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	For the year ended December 31,	
	2020	2019
<b>Cash flows from investing activities</b>		
Refund of capital from financial assets at fair value through other comprehensive income after capital liquidation	1,200	-
Refund of capital from financial assets at fair value through other comprehensive income after capital reduction	1,847	1,975
Acquisition of property, plant and equipment	( 1,307 )	( 208 )
Increase in refundable deposits	( 29,550 )	( 17,916 )
Increase in other non-current assets	-	( 3,822 )
<b>Net cash used in investing activities</b>	<b>( 27,810 )</b>	<b>( 19,971 )</b>
<b>Cash flows from financing activities</b>		
Increase in short-term borrowings	633,000	282,000
Decrease in short-term notes and bills payable	-	( 319,983 )
Increase in long-term borrowings	60,000	-
Repayment of long-term borrowings	( 513,000 )	-
Payments of lease liability	( 604 )	( 1,082 )
Decrease in guarantee deposits	( 36 )	-
Expired and unclaimed dividend transfer to legal reserve	38	50
Capital injection by cash	3,149,433	-
Payment of cash dividends	( 27,075 )	( 81,225 )
Disgorgement	1	-
<b>Net cash generated from (used in) financing activities</b>	<b>3,301,757</b>	<b>( 120,240 )</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>( 4,448 )</b>	<b>1,018</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,733,741</b>	<b>( 239,949 )</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>101,078</b>	<b>341,027</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,834,819</b>	<b>\$ 101,078</b>

The accompanying notes are an integral part of the parent company only financial statements.

## **Delpha Construction Co., Ltd.**

### **Notes to the parent company only financial statements**

(Expressed in thousands of New Taiwan dollars, except as otherwise specified)

#### **1. History and organization**

Delpha Construction Co., Ltd. (the "Company") was incorporated under the provisions of the Company Law of the Republic of China ("ROC") and approved by Ministry of Economic Affairs in December 1960. The registered address is 16F., No. 460, Sec. 5, Chenggong Rd., Neihu Dist., Taipei City 11490, Taiwan, ROC. The Company primarily engaged in commercial building constructed by commissioned construction contractor, selling and leasing public housing, development of special area, upholstery industry, real estate agency, rental and investment in related business.

#### **2. The date of authorization for issuance of the parent company only financial statements and procedures for authorization**

The financial statements were approved and authorized for issuance by the Board of Directors on March 30, 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 ("IFRSs"), International Accounting Standards ("IAS") and interpretations as endorsed by the Financial Supervisory Commission ("FSC").

A. IFRSs, IAS and interpretations endorsed by the FSC effective from 2020 are as follows:

New standards, interpretations and amendments	Main amendments	IASB effective date
Disclosure Initiative – Definition of Material (amendments to IAS 1 and IAS 8)	This amendment clarifies the definition of materiality. This information is material: if the omission, misstatement or confusion of information can be reasonably expected to influence the economic decisions made by the primary users of general-purpose financial statements based on the financial information provided by those financial statements, which provide financial information about a specific reporting entities.	January 1, 2020
Definition of a Businesses (amendments to IFRS 3)	The amendments clarify the definition of a business, that to be considered a business an acquired set of the activities and assets, must include, at a minimum, an input and a substantive process that together must significantly contribute to creating outputs; narrowed the definitions of a business by focusing on the outputs on goods and services provided to customers and removing the reference to the ability to reduce costs, removing the assessment of whether the market participants have capable of acquiring the business and continuing to produce outputs; remove the assessment of whether market participants are capable of replacing any missing inputs or	January 1, 2020

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	processes and continuing to produce outputs. In addition, entities can choose to apply a concentration test, when the fair value of the acquired total assets is mostly derived from a single asset (or a group of similar assets), no further evaluation is required to determine that the acquired asset is not a business.	
Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)	This amendment is to provide certain reliefs related to hedging accounting, which will prevent those who have previously adopted hedging accounting from being terminated due to changes in interest rate indicators, and require disclosure of relevant information that uses this relief.	January 1, 2020
Covid-19 – Related Rent Concessions (amendments to IFRS 16)	The amendment provide a practical expedient that permits lessees, if all of the following conditions are met to apply rent concessions occurring as a direct consequence of the covid-19 pandemic and may choose not to assess whether it is a lease modification, and any change in lease payments caused by the rent concession will be treated as a variable lease payment during the concession period:	June 1, 2020 (Early application from January 1, 2020 is allowed by FSC)

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- (1) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (2) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (3) there is no substantive change to other terms and conditions of the lease.

B. The Company assessed the above standards and interpretations and there is no significant impact to the Company's financial position and financial performance.

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

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

New standards, interpretations and amendments	Main amendments	IASB effective date
Amendments to IFRS 4, "Extension of the Temporary Exemption from Applying IFRS 9"	The temporary exemption from applying IFRS 9 been extended to January 1, 2023.	January 1, 2021
Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	This amendment addresses the problems arising during the change of interest rate indicators, including one interest rate indicator replaced with another interest rate indicator. For the IBOR-based contracts, it provides accounting treatment for the changes in the basis for determining the contractual cash flow as a result of	January 1, 2021

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IBOR reform; and for those adopting hedging accounting, the reliefs are provided in phase 1 for the expiration date of the non-contractually specified risk components in the hedging relationship, an additional temporary relief for adopting the specific hedging accounting, and the additional IFRS 7 disclosures related to the IBOR reform.

B. The Company assessed the above standards and interpretations and there is no significant impact to the Company's financial position and financial performance.

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

A. The Company has not yet applied the following new standards and amendments issued by IASB but not yet endorsed by the FSC:

New standards, interpretations and

amendments	Main amendments	IASB effective date
Reference to the Conceptual Framework (amendments to IFRS 3)	The amendments updated the definition of assets and liabilities reference to the "Conceptual Framework for Financial Reporting" issued in 2018 in respect of how an acquirer to determine what constitutes an asset or a liability during a business merger. Due to the above amendment, the amendment also added an exception to the recognition principle of IFRS 3 for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.	January 1, 2022

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	<p>Due to the above index amendment, this amendment adds an exception to the recognition principle for liabilities and contingent liabilities. For certain types of liability and contingent liabilities, reference should be made to IAS 37 "Provisions, Contingent Liabilities and Contingent" or International Financial Reporting Interpretations Committee ("IFRIC") 21 Levies", instead of the aforementioned "Conceptual Framework of Financial Reporting" issued in 2018. At the same time, this amendment also clarifies that the acquirer shall not recognize contingent assets under IAS 37 on the acquisition date.</p>	
<p>Sale or Contribution of Assets Between An Investor and Its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)</p>	<p>The amendment revised the accounting treatment in sales or purchase of assets between joint venture and its associate. The gains and losses resulting from transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognized in full in the investor's financial statements.</p>	<p>To be determine by IASB</p>
<p>IFRS 17 'Insurance Contracts'</p>	<p>This Standard replaces IFRS 4 'Insurance Contracts' and establishes the principles for the recognition, measurement, presentation and disclosure of Insurance and reinsurance contracts that it issues by the entities. This standard applies to all insurance contracts (including</p>	<p>January 1, 2023</p>

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reinsurance contracts) that an entity issues and to reinsurance contracts that it holds; and investment contracts with discretionary participation features it issues, provided that the entity also issues insurance contracts.

Embedded derivatives, distinct investment components and distinct performance obligations should be separated from insurance contracts.

On initial recognition, Each portfolio of insurance contracts issued shall be divided into a minimum of three groups by the entities: onerous, no significant possibility of becoming onerous and the remaining contracts in the portfolio. This Standard requires a current measurement model where estimates are re-measured at each reporting period. Measurements are based on discounted contract and probability-weighted cash flows, risk adjustments, and the expected profit from the unearned portion of the contract (contractual service margins).

An entity may apply a simplified approach to the measurement for some of insurance contracts (premium allocation approach). The entity should recognize the revenue generated by a group of insurance contract during the period when the entity provides insurance coverage and when the entity releases the risk. The

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entity should recognize the loss immediately, if a group of insurance contracts becomes onerous.

The entity should present insurance income, insurance service fees, and insurance finance income and expenses separately and its shall also disclose the amount, judgment and risk information from the insurance contract.

Insurance Contracts (amendments to IFRS 17)

This amendment includes the deferral of effective date, the expected recovery of the cash flow obtained by insurance, the contractual service margin attributable to investment services, the reinsurance contract held, the recovery of losses and other amendments.

January 1, 2023

These amendments have not changed the basics of the standard in principle.

Classification of Liabilities as Current or Non-current (amendments to IAS 1)

This amendment clarifies that the classification of liabilities is based on the rights existing at the end of the reporting period. At the end of the reporting period, the enterprise does not have the right to defer the settlement period of liabilities for at least 12 months after the reporting period, and the liabilities should be classified as current. In addition, this amendment defines "settlement" of a liability is the extinguishment of the liability with cash or other economic resources or the enterprise's own equity instruments.

January 1, 2023

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Property, Plant and Equipment - Proceeds before Intended Use (amendments to IAS 16)	This amendment prohibits enterprise from deducting the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management, such as samples produced for testing whether the asset is operating normally . The price of selling such items and the cost of production should be recognized in profit or loss. This amendment also stated that testing whether an asset is operating normally means assessing its technical and physical performance, and has nothing to do with the financial performance of the asset.	January 1, 2022
Onerous Contracts - Cost of Fulfilling a Contract (amendments to IAS 37)	This amendment clarifies that the cost of fulfilling the contract includes the cost directly related to the contract. The cost directly related to the contract is composed of the allocation of the incremental cost of fulfilling the contract and other costs directly related to the fulfilling of the contract.	January 1, 2022
Annual improvements - 2018-2020 cycle	(1) IFRS 1 "Subsidiary as first-time adopter" This amendment allows the subsidiaries select to adopt IFRS 1 that are exempted from paragraph D16(a) of IFRS No. 1, when	January 1, 2022

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measuring cumulative conversion differences, should use the carrying amount of cumulative conversion differences included in the parent company's consolidated financial statements on the date of the parent company's convert to IFRS. This amendment also applies to affiliates and joint ventures that are exempted from paragraph D16(a) of IFRS 1.

- (2) Amendments to IFRS 9 "Fees in the '10 per cent' Test for Derecognition of Financial Liabilities"

This amendment stipulates that the expenses that should be included in the 10% test of financial liabilities are excluded. Enterprise may pay the costs or fees to third parties or lenders. According to this amendment, the cost or expense paid to third parties is not included in the 10% test.

- (3) IAS 41 "Taxation in Fair Value Measurements"

This amendment of IAS 41 is to remove the requirement of using pre-tax cash flows when measuring the fair value of a biological asset.

B. The Company assessed the above standards and interpretations and there is no significant impact to the Company's financial position and financial performance.

#### **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.

##### *(1) Compliance statement*

The parent company only financial statements of the Company 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 financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured by financial instruments measured at fair value and defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the accompanying parent company only financial statements have been prepared under the historical cost basis.

B. The following significant accounting policies applied consistently to all periods of coverage of the parent company only financial statements.

C. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

##### *(3) Foreign currency translation*

The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

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 transaction or valuation where items are re-measured, except for those that comply with

cash flow hedging and net investment hedging and are deferred to other comprehensive gains and losses.

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 re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

*(4) Classification of current and non-current items*

- A. Assets that meet one of the following criteria are classified as current assets
  - (A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - (B) Assets held mainly for trading purposes;
  - (C) Assets that are expected to be realized within twelve months from the balance sheet date; or
  - (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

The Company classified its assets that do not meet above criteria 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 paid off within the normal operating cycle;
- (B) Liabilities arising mainly from trading activities;
- (C) Liabilities that are to be paid off within twelve months from the balance sheet date; or
- (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.

The Company classified its liabilities that do not meet above criteria as non-current liabilities.

C. The operating cycle of property development normally more than one year, the related assets and liabilities of construction are therefore differentiate as current liabilities and non-current liabilities based on operating cycle (normally three years).

*(5) Cash and cash equivalents*

- A. For the purpose of the statements of cash flows, cash and cash equivalents consists of cash on hand, cash in bank, short-term, highly liquid investments, which were within three months of maturity when acquired, and repayable bank overdraft, as part of the cash management. Bank overdraft items listed under short-term borrowings in current liabilities on the balance sheet.
- B. Cash equivalents refer to short-term, highly liquid investments that also meet the following conditions:
  - (A) Readily convertible to known amount of cash.
  - (B) Subject to an insignificant risk of changes in interest rates.

*(6) Financial assets at fair value through profit or loss*

- A. Financial assets that are not measured at amortized cost or measured at fair value through other comprehensive income. Financial assets measured at amortized cost or at fair value through other comprehensive income; and the Company designated the initial recognition of the financial assets measured at fair value through profit or loss when it is possible to eliminate or significantly reduce the measurement or recognition of inconsistencies.
- B. The Company's financial assets measured at fair value through profit or loss in accordance with customary transactions are accounted for using trade date.
- C. The Company initially recognize the financial assets at fair value and related transaction costs are recognized in profit or loss, and subsequent fair value gains and losses are recognized in profit or loss.
- D. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in, and when the amount of dividends can be reliably measured, the Company recognizes dividend income in profit or loss.

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

- A. An irrevocable selection at initial recognition, the changes in fair value of investments in equity instruments that are not held for trading are presented in other comprehensive income; or investments in debt instruments that meet the following conditions:
  - (A) Financial assets under a business model that hold for the purpose of collecting contractual cash flows and sales.
  - (B) The contractual terms of the financial assets generate cash flows on a specific date, which are solely for the payment of principal and interest on the outstanding principal amount.
- B. The Company's financial assets at fair value through other comprehensive income in accordance with customary transactions are accounted for using trade date.



C. The recognition of the Company's financial assets initially measured at fair value plus transaction cost, and subsequently measured at fair value:

(A) Changes in fair value of equity instruments are recognized in other comprehensive income. At derecognition, the cumulative gains or losses previously recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, it will be transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in, and when the amount of dividends can be reliably measured, the Company recognizes dividend income in profit or loss.

(B) Changes in fair value of the debt instruments are recognized in other comprehensive income, and the impairment loss, interest income and foreign currency gains and losses are recognized in profit or loss before derecognition. At derecognition, the cumulative gains or losses previously recognized in other comprehensive income will be reclassified from equity to profit or loss.

*(8) Notes and accounts receivable*

A. In accordance with terms and conditions of the contracts, entitle a legal right to unconditionally receive consideration in exchange of notes and receivables for transferred goods or rendered services.

B. Short-term notes and accounts receivable without bearing interest are measured at initial invoice amount by the Company as effect of discounting is immaterial.

*(9) Impairment of financial assets*

On each balance sheet date, the Company's investment in debt instruments measured at fair value through other comprehensive income and financial assets measured at amortized cost, and accounts receivable or contractual assets, lease receivables, loan commitments and financial guarantee contracts with significant financial components, after considering all reasonable and corroborative information (including forward-looking), the loss allowance is measured on the 12-month expected credit losses for those who have not

significantly increased the credit risk since the initial recognition. For those who have significantly increased the credit risk since the initial recognition, the loss allowance is measured by the expected credit losses during the period of existence; the accounts receivable or contract assets that do not contain significant financial components are measured by the lifetime expected credit loss.

*(10) Derecognition of financial assets*

The Company derecognizes a financial asset when:

- A. The contractual rights to receive the cash flows from the financial asset expired.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows from the financial asset have been transferred; however, the Company has not retained control of the financial asset.

*(11) Leasing arrangements as lessor - Lease receivables/lease*

- A. Based on the term of a lease contract, a lease is classified as finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.
  - (A) At commencement of the lease term, a finance lease should be recorded as a receivable, at an amount equal to the net investment (including original direct costs) in the lease. The difference between total lease receivables and present value should be recorded as 'unearned finance lease income'.
  - (B) The lessor should recognize finance income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

(C) Associated lease payments (excluding service costs) offset the total investment in the lease during the period would reduce the principal and unearned finance income.

B. Lease income from an operating lease (net of any incentives given to lessee) is recognized in profit and loss on a straight-line basis over the lease term.

*(12) Inventories*

The inventories are recognized using the acquisition costs method. During the construction process, interests incurred related to acquisition and construction are capitalized. The cumulative costs are attributed to the different construction projects. The costs carry over at the balance sheet date by using floor space method and income approach. Inventories are stated at cost and evaluated at the lower of cost or net realizable value. The individual item approach is used in the comparison of cost and net realizable value and attributed to the different construction projects and categories. The interest payables associated with construction (including land and construction in progress) toward or before completion are capitalized as cost of inventories.

*(13) Investments accounted for under the equity method*

A. In preparing the parent company only financial statements of the Company, investee company that controlled by the Company is accounted for under the equity method.

Under equity method, profit for the year and other comprehensive income for the year reported in an entity's non-consolidated statement of comprehensive income, shall equal to profit for the year and other comprehensive income' attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's non-consolidated financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

B. The Company's changes in equity interests in subsidiaries that did not lead to loss of control, deemed as equity transactions between owners.

*(14) Property, plant and equipment*

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as separate asset, 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. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. 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, other than buildings, are 3~8 years. The estimated useful lives of buildings are 5~50 years.

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

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is recognized at cost, includes:

(A) The initial measured amount of the lease liability; and

(B) Any lease payments made at or before the commencement date.

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

*(16) Impairment of non-financial assets*

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to dispose 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.

*(17) Borrowings*

- A. Borrowings refer to the long-term and short-term loans borrowed from the bank and other long-term and short-term loans. The Company initially recognizes the borrowings at fair value less transaction cost, any subsequent difference between the price and the redemption value after deducting the transaction cost, during the circulation period, the interest expense is recognized in profit or loss by using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is an evidence that it is probable that some or all of the facility will not be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

*(18) Notes and accounts payable*

- A. Notes payable refer to debts arising from purchase of raw materials, goods or services and notes due to operation and non-operation.
- B. Short-term notes and accounts payable without bearing interest are measured at initial invoice amount by the Company as effect of discounting is immaterial.

*(19) Provisions*

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(20) *Employee benefits*

A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

- a. 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 less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- b. Remeasurement 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. Past service costs are recognized immediately in profit or loss.

### C. Termination benefit

Termination benefit is offered when the Company terminates the employee's contract before normal retirement date or when the employee decides to accept the Company's offer of benefits instead of the termination of the contract. The Company recognizes the cost at the earlier of when the offer of benefits is no longer withdrawable or when recognizing related significant cost component. Benefits that are not expected to be paid off 12 months after the balance sheet date shall be discounted.

### D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' compensation and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the shareholders at their shareholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

### (21) *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 operated and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulation. It establishes provisions where appropriated based on the amounts expected to be paid to the tax authorities. According to the Income Tax Law, an additional income tax is levied on current year earnings that remain undistributed by the end of the following year after shareholdings' meeting; and recognized



as income tax expenses.

- C. The land value increment tax arising from selling land should be presented as an item of income tax for the period.
- D. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, 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 and associates, 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.
- E. Deferred income 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 income tax assets are reassessed.
- F. 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 income 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.

G. "Income Basic Tax Act" began effective on January 1, 2006, the amount of basic income shall be the sum of the taxable income as calculated in accordance with the Income Tax Act, plus any related tax exempted income included in other laws with the rate prescribed by the Executive Yuan. Current income tax shall pay according to whichever is higher compared between the basic income and regular income tax. The Company assessed the impact of the basic income tax on the parent company only financial statements for current period income tax.

*(22) Revenue recognition*

A. The Company operates land development and sales of residential properties and recognizes revenue when the control of properties are transferred to customers. For the contract of sales of properties that have been signed, the Company is restricted by the terms of the contract on making use of the property by any means until the legal ownership of the properties transferred to the customers; and then the Company has an enforceable right to collect the contractual amounts; and therefore the revenues are recognized when the legal titles are transferred to the customers.

B. Revenue is measured by the agreed amount in the contract, and the customer pays the contract price when the legal title of the property is transferred. In rare cases, the Company and the customers agree to defer payment, but period of this deferred payment will be no more than 12 months. The Company determines these defer payment contracts do not contains significant financial component and therefore no adjustment to the consideration amount.

*(23) Operating segments*

The Company has disclose its segments information in the consolidation financial statements, therefore no segments information disclosed in the parent company only financial statements.

*(24) Earnings per shares*

The Company presents basic and diluted earnings per share ("EPS") data for its common stocks. Basic EPS is calculated by dividing the net income attributable to shareholders of the Company by the weighted average number of common stocks outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the statement of income attributable to shareholders and the weighted average number of common stocks outstanding, adjusted for own shares held, for the effects of all dilutive potential common stocks.

*(25) Dividends*

Dividends are recorded in the Company's financial statement in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to common stocks on the effective date of new shares issuance.

**5. Critical accounting judgments, estimates and key sources of assumption uncertainty**

The preparation of the parent company only financial statement requires management to make critical judgments 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. The information is addressed below:

*(1) Critical judgments in applying the Company's accounting policies*

None.

*(2) Critical accounting estimates and assumptions*

The Company makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying

amounts of assets and liabilities within the next financial year are addressed below:

#### Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgments and estimates. As the net realizable value of inventories on balance sheet date is assessed to be lower than cost, the Company writes down the cost of inventories to the net realizable value. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the Company's carrying amount of inventories is \$4,875,120 thousand.

## 6. Details of significant accounts

### (1) Cash and cash equivalents

	December 31,	
	2020	2019
Cash on hand and working capital	\$ 150	\$ 150
Checking accounts and demand deposits	1,834,669	100,928
Total	<u>\$ 1,834,819</u>	<u>\$ 101,078</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, therefore the probability of counterparty default is remote. The Company's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Company did not pledge its cash and cash equivalents.

(2) *Financial assets at fair value through profit or loss*

	December 31,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ -	\$ 10,669
Beneficiary certificates	-	47,580
Total	<u>\$ -</u>	<u>\$ 58,249</u>
Current	\$ -	\$ 58,249
Non-current	-	-
Total	<u>\$ -</u>	<u>\$ 58,249</u>

A. The Company recognized a loss on valuation of \$8,372 thousand and an gain on valuation of \$5,901 thousand in 2020 and 2019, respectively.

B. Information relating to credit risk, please refer to Note 12(2).

(3) *Financial assets at fair value through other comprehensive income*

	December 31,	
	2020	2019
Investments in equity instrument measured at fair value through other comprehensive income:		
Unlisted equity investments	<u>\$ 2,898</u>	<u>\$ 3,759</u>
Current	\$ -	\$ -
Non-current	2,898	3,759
Total	<u>\$ 2,898</u>	<u>\$ 3,759</u>

A. The above equity instruments held by the Company are long-term strategic investments and are not held for trading purposes and have been designated to be measured at fair value through other comprehensive income.

- B. On April 2, 2008, Emphasis Materials, Inc. was dissolve by resolution. At the extraordinary shareholders meeting on June 4, 2020 resolved that the reference date for completion of liquidation was May 5, 2020, and part of the shares of \$1,200 thousand was recovered in 2020 after the completion of liquidation.
- C. Vincera Growth Capital II Limited adopted July 1, 2020 as the reference date for the application of capital reduction and refund. After the capital reduction, the Company recovered the capital of \$1,847 thousand.
- D. The reference date of capital reserve reduction and refund of New Castle Investment Development Corp. applied on June 1, 2019. The Company received \$1,975 thousand after capital reserve reduction.
- E. The profit recognized by the Company in other comprehensive income in 2020 and 2019 were \$986 thousand and \$1,027 thousand, respectively.
- F. Information relating to credit risk, please refer to Note 12(2).

(4) *Notes receivable and accounts receivable*

	December 31,	
	2020	2019
Notes receivable	\$ 90	\$ 18
Less: allowance for doubtful accounts	-	-
	90	18
Accounts receivable	-	-
Less: allowance for doubtful accounts	-	-
	-	-
Total	\$ 90	\$ 18

- A. The Company grants an interest free and average credit term of 60 days to its customer accounts.
- B. The Company's maximum exposure to credit risk at December 31, 2020 and 2019 was the carrying amount of each class of accounts receivable and notes receivables.

C. The Company's aging analysis of notes receivable and accounts receivable is as follows:

	December 31,	
	2020	2019
Not past due	\$ 90	\$ 18
Past due less than 1 month	-	-
Past due 1 - 3 months	-	-
Past due 3 - 6 months	-	-
Past due over 6 months	-	-
Total	<u>\$ 90</u>	<u>\$ 18</u>

D. The Company measures the allowance for doubtful notes and accounts receivable by using the provision matrix is as follows:

	Allowance for doubtful accounts			
December 31, 2020	Expected credit loss rate	Total carrying amount	(Lifetime expected credit loss)	Amortized cost
Not past due	-	\$ 90	\$ -	\$ 90
Past due less than 1 month	-	-	-	-
Past due 1 - 3 months	-	-	-	-
Past due 3 - 6 months	-	-	-	-
Past due over 6 months	-	-	-	-
Total		<u>\$ 90</u>	<u>\$ -</u>	<u>\$ 90</u>

	Allowance for doubtful accounts			
December 31, 2019	Expected credit loss rate	Total carrying amount	(Lifetime expected credit loss)	Amortized cost
Not past due	-	\$ 18	\$ -	\$ 18
Past due less than 1 month	-	-	-	-
Past due 1 - 3 months	-	-	-	-
Past due 3 - 6 months	-	-	-	-
Past due over 6 months	-	-	-	-
Total		<u>\$ 18</u>	<u>\$ -</u>	<u>\$ 18</u>

E. Information relating to credit risk, please refer to Note 12(2).

(5) *Other receivables*

	December 31,	
	2020	2019
Other receivables	\$ 56,243	\$ 55,683
Less: allowance for doubtful accounts	( 16,245 )	( 16,245 )
Total	<u>\$ 39,998</u>	<u>\$ 39,438</u>

(6) *Inventories*

	December 31,	
	2020	2019
Lands for sale	\$ 52,141	\$ 94,327
Buildings for sale	28,986	48,750
Lands held for construction	4,716,928	3,007,273
Construction in progress	466,461	339,463
Less: allowance for decline in market value and obsolescence	( 389,396 )	( 389,396 )
Total	<u>\$ 4,875,120</u>	<u>\$ 3,100,417</u>

A. Details of lands for sale and buildings for sale:

Case	December 31,			
	2020		2019	
	Lands for sale	Buildings for sale	Lands for sale	Buildings for sale
Li Hsiang Jia A	\$ 511	\$ 1,251	\$ 511	\$ 1,251
Sheng Huo Jia A	2,864	2,482	2,864	2,482
Ya Dian Wang Chao A	-	456	-	456
Ya Dian Wang Chao B	-	1,722	-	1,722
Hang Sha	5,505	2,809	5,505	2,809
Shi Tan Duan A	43,261	20,266	85,447	40,030
Total	<u>\$ 52,141</u>	<u>\$ 28,986</u>	<u>\$ 94,327</u>	<u>\$ 48,750</u>



B. Details of lands held for construction and construction in progress:

Case	December 31,			
	2020		2019	
	Lands held		Lands held	
	for	Construction	for	Construction
	construction	in progress	construction	in progress
Shu Lin An	\$ 112,371	\$ 85,821	\$ 112,371	\$ 85,821
Sheng Huo Jia B	7,803	1,350	7,803	1,350
Hsin Dian He Feng	483,764	148,391	483,764	148,391
Fu De Duan B	423	-	423	-
Hsin Guang Lu B	2,217	-	2,217	-
Rong Hsing Duan	73,440	68,337	73,440	10,899
Huai Sheng Duan	1,418,917	13,964	1,418,917	8,117
Yun He Jie A	621,454	144,210	621,454	83,909
Yun He Jie B	1,712	-	1,712	-
Wen Lin Bei Lu	285,172	976	285,172	976
Xin Bi Duan	875,582	1,863	-	-
Le Jie Duan A	517,902	1,514	-	-
Qing Xi Duan A	316,171	35	-	-
Total	\$ 4,716,928	\$ 466,461	\$ 3,007,273	\$ 339,463

C. For the years ended December 31, 2020 and 2019, the interest capitalized as cost of inventory amounted to \$9,624 thousand and \$6,198 thousand, respectively. Annual interest rate used for capitalization for the years ended December 31, 2020 and 2019 were 1.7186% and 1.9118%, respectively.

D. For details of inventories pledged as collateral, please refer to Note 8.

E. Significant information on construction projects.

(A) For construction projects that have not yet commenced, including Shu Lin An, Sheng Huo Jia B, Hsin Dian He Feng, Fu De Duan B, Hsin Guang Lu B, Huai Sheng Duan, Yun He Jie B, Wen Lin Bei Lu, Xin Bi Duan, Le Jie Duan A and Qing Xi Duan A. The Company is not able to estimate cost and revenue.

(B)As of December 31, 2020, the Yun He Jie A and the Rong Hsing Duan were contracted for \$285,921 thousand and \$218,952 thousand respectively, and the \$50,219 thousand and \$52,868 thousand were paid respectively.

F. The cost of inventories recognized as expense (income) is as follows:

	For the year ended December 31,	
	2020	2019
Cost of sales	\$ 61,950	\$ 1,905
Impairment loss	-	-
Total	<u>\$ 61,950</u>	<u>\$ 1,905</u>

(7) *Other financial assets*

	December 31,	
	2020	2019
Time deposits	\$ 55,000	\$ 172,792
Cash in bank	156,021	94,402
Total	<u>\$ 211,021</u>	<u>\$ 267,194</u>
Current	\$ 211,021	\$ 267,194
Non-current	-	-
Total	<u>\$ 211,021</u>	<u>\$ 267,194</u>

For details of other financial assets pledged as collateral, please refer to Note 8.

(8) *Investments accounted for under equity method*

Investee companies	December 31,			
	2020	Ownership %	2019	Ownership %
Non-listed company				
Huachien Development Co., Ltd. (Huachien)	\$ 347,836	58	\$ 356,278	58
Dahyoung Real Estate Development Co., Ltd. (Dahyoung)	-	-	-	-
Total	<u>\$ 347,836</u>		<u>\$ 356,278</u>	

A. The basic information of the associates that are significant to the Company is as follows:

Company name	Principal place of business	Methods of measurement
Huachien	Taipei, Taiwan	Equity method
Dahyoung	Taipei, Taiwan	Equity method

Dahyoung held an extraordinary shareholder meeting on December 23, 2019, and resolved that December 25, 2019 as the reference date for dissolution. On the same date, the Company lost its control to Dayhyoug and recognized a loss of \$133 thousand. °

B. The summarized financial information of the associates that are significant to the Company is as follows:

Balance sheet

	Huachien	
	December 31,	
	2020	2019
Current assets	\$ 1,251,278	\$ 1,266,325
Non-current assets	67,609	65,855
Current liabilities	( 721,834 )	( 720,822 )
Non-current liabilities	( 1,036 )	( 876 )
Total net assets	<u>\$ 596,017</u>	<u>\$ 610,482</u>
Share of net assets of the associate	\$ 347,836	\$ 356,278
Goodwill	-	-
Carrying amount of the associate	<u>\$ 347,836</u>	<u>\$ 356,278</u>

Statement of comprehensive income

	Huachien	
	For the year ended December 31,	
	2020	2019
Revenue	\$ 7,782	\$ 7,158
Net loss for the year	( 14,465 )	( 15,832 )
Other comprehensive loss, net of tax	-	( 1,033 )
Total comprehensive loss for the year	<u>( \$ 14,465 )</u>	<u>( \$ 16,865 )</u>
Dividends received from the associate	<u>\$ -</u>	<u>\$ -</u>

(9) *Property, plant and equipment*

	Lands	Buildings	Transportation equipment	Office equipment	Other equipment	Total
Cost						
At January 1, 2020	\$ 36,006	\$ 35,658	\$ 639	\$ 5,870	\$ 257	\$ 78,430
Additions	-	101	-	1,206	-	1,307
Disposals and scrapped	-	( 103 )	-	( 250 )	-	( 353 )
At December 31, 2020	<u>\$ 36,006</u>	<u>\$ 35,656</u>	<u>\$ 639</u>	<u>\$ 6,826</u>	<u>\$ 257</u>	<u>\$ 79,384</u>
At January 1, 2019	\$ 36,006	\$ 35,543	\$ 639	\$ 5,991	\$ 257	\$ 78,436
Additions	-	115	-	93	-	208
Disposals and scrapped	-	-	-	( 214 )	-	( 214 )
At December 31, 2019	<u>\$ 36,006</u>	<u>\$ 35,658</u>	<u>\$ 639</u>	<u>\$ 5,870</u>	<u>\$ 257</u>	<u>\$ 78,430</u>
Accumulated depreciation and impairment						
At January 1, 2020	\$ -	\$ 15,113	\$ 280	\$ 5,381	\$ 221	\$ 20,995
Depreciation	-	1,286	79	213	8	1,586
Disposals and scrapped	-	( 86 )	-	( 250 )	-	( 336 )
At December 31, 2020	<u>\$ -</u>	<u>\$ 16,313</u>	<u>\$ 359</u>	<u>\$ 5,344</u>	<u>\$ 229</u>	<u>\$ 22,245</u>
At January 1, 2019	\$ -	\$ 13,815	\$ 200	\$ 5,383	\$ 193	\$ 19,591
Depreciation	-	1,298	80	212	28	1,618
Disposals and scrapped	-	-	-	( 214 )	-	( 214 )
At December 31, 2019	<u>\$ -</u>	<u>\$ 15,113</u>	<u>\$ 280</u>	<u>\$ 5,381</u>	<u>\$ 221</u>	<u>\$ 20,995</u>
Net book value						
At December 31, 2020	<u>\$ 36,006</u>	<u>\$ 19,343</u>	<u>\$ 280</u>	<u>\$ 1,482</u>	<u>\$ 28</u>	<u>\$ 57,139</u>
At December 31, 2019	<u>\$ 36,006</u>	<u>\$ 20,545</u>	<u>\$ 359</u>	<u>\$ 489</u>	<u>\$ 36</u>	<u>\$ 57,435</u>

For details of property, plant and equipment pledged as collateral, please refer to Note 8.

(10) *Leasing arrangements as lessee*

- A. The leased assets by the Company are company cars with the lease period usually ranges from one to three years. Lease contracts are negotiated individually and contain a variety of terms and conditions. The leased assets are not to be subleased, pledged, disposed of, or engaged in the business of taking passengers and goods, no other restrictions are imposed.
- B. The lease period of the Company's leased parking spaces does not exceed twelve months, and the leases of low-value assets are office equipment. In addition, as of December 31, 2020 and 2019, the Company's lease payment for short-term lease commitments were \$199 thousand.
- C. The carrying amount of the right-of-use asset and the depreciation expense recognized are as follows:

	December 31, 2020	For the year ended December 31, 2020	December 31, 2019	For the year ended December 31, 2019
	<u>Carrying amount</u>	<u>Depreciation</u>	<u>Carrying amount</u>	<u>Depreciation</u>
Transportation equipment	\$ -	\$ 606	\$ 606	\$ 1,103

- D. Movements in right-of-use asset were as follows:

	Transportation equipment
January 1, 2020	\$ 606
Depreciation	( 606 )
December 31, 2020	<u>\$ -</u>

	Transportation equipment
January 1, 2019	\$ 1,396
Additions	927
Depreciation	( 1,103 )
Lease modification	( 614 )
December 31, 2019	<u>\$ 606</u>

- E. The right-of-use assets of the Company increased by \$927 thousand in 2019.

F. The income and expenses related to the lease contracts are recognized as follows:

Items affecting profit or loss	For the year ended December 31,	
	2020	2019
Interest expense on lease liabilities	( \$ 4 )	( \$ 16 )
Expense on short-term lease contracts	( \$ 225 )	( \$ 230 )
Expense on lease of low-value assets	( \$ 134 )	( \$ 141 )

G. The total cash outflow for the leases of the Company in 2020 and 2019 amounted to \$963 thousand and \$1,453 thousand, respectively.

(11) *Leasing arrangements as lessor*

- A. The leased assets of the Company include land and buildings. The lease contracts period usually ranges from one to six years. Lease contracts are negotiated individually and contain various terms and conditions. To ensure that the leased assets of the Company are used normally, the contract requires the lessee not to sublease, add, modify, pledge or use by a third party.
- B. The Company respectively recognized the rental income from operating lease contracts of \$820 thousand and \$1,069 thousand in 2020 and 2019, of which none of the rental income were recognized as variable lease payments.
- C. The lease receipts due under an operating lease of the Company are analyzed as follows:

	December 31,	
	2020	2019
At December 31, 2020	\$ -	\$ 881
At December 31, 2021	141	95
At December 31, 2022	34	-
At December 31, 2023	25	-
Total	\$ 200	\$ 976

(12) *Impairment of non-financial assets*

For the years ended December 31, 2020 and 2019, the Company did not recognize an impairment loss or gain on reversal of impairment loss of property, plant and equipment.

(13) *Short-term borrowings*

	December 31,	
	2020	2019
Secured borrowings	\$ 915,000	\$ 282,000
Interest rate range (%)	1.30 ~ 1.60	1.55 ~ 1.60

A. The above short-term borrowings are used for constructions and working capital and repayable in one to three years.

B. For details of collateral of short-term borrowings, please refer to Note 8.

(14) *Notes payable and accounts payable*

	December 31,	
	2020	2019
Notes payable	\$ 1,723	\$ -
Accounts payable	36,991	362
Estimated accounts payable	11,226	20,124
Subtotal	48,217	20,486
Accounts payable - related parties	94,571	-
Total	\$ 144,511	\$ 20,486

(15) Long-term borrowings

Details	December 31,	
	2020	2019
Secured long-term borrowings		
- To be expired and repaid in a one-off payment in August, 2023, with floating interest rate. The interest rate as of December 31, 2020 was 1.945%	\$ 60,000	\$ -
- Starting from November 2013, the repayments made monthly until October, 2016. In October, 2016, the repayment date became a one-off payment in October 2019 in according to supplementary contract. In July 2017, in according to another supplementary contract, the repayment will be at a minimum of 70% of the total sales price if there is a sale of property, the repayment of remaining amount will be a one off-payment in November 2020, with floating interest rate. The interest rate as of December 31, 2019 was 2.05%.	-	403,000
- Originally expire and repay in a one-off payment in October, 2019. In July 2017, in according to a supplementary contract, the repayment will be at a minimum of 70% of the total sales price if there is a sale of property, the repayment of remaining amount will be a one off-payment in November 2020, with floating interest rate. The interest rate as of December 31, 2019 was 2.05%.	-	110,000
Total	60,000	513,000
Less: long-term borrowings expired within an operating cycle	( 60,000 )	( 513,000 )
Net	\$ -	\$ -



A. Repayment deadline of above long-term borrowings is as follow:

Due by	Amount
December 31, 2023	\$ 60,000

B. For details of collateral of long-term borrowings, please refer to Note 8.

(16) *Pensions*

A. Defined benefit plans

(A) The Company has a defined benefit pension plan in accordance with the Labor Standards Law. 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 with an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustees, under the name of the independent retirement fund committee.

(B) The amounts recognized in the balance sheet were determined as follows:

	December 31,	
	2020	2019
Present value of funded obligations	( \$ 20,106 )	( \$ 26,701 )
Fair value of plan assets	23,225	24,554
Net defined benefit assets (liabilities)	\$ 3,119	( \$ 2,147 )

(C) Movements in net defined benefit liability were as follows:

	Present value of funded obligations	Fair value of plan assets	Net defined benefit liabilities
<u>For the year ended December 31, 2019</u>			
Balance as of January 1	( \$ 32,445 )	\$ 22,063	( \$ 10,382 )
Current services costs	( 139 )	-	( 139 )
Interest (expense) income	( 354 )	241	( 113 )
	<u>( 32,938 )</u>	<u>22,304</u>	<u>( 10,634 )</u>
Remeasurements:			
Impact of change in financial assumptions			
	( 1,021 )	-	( 1,021 )
Examined adjustments	<u>2,005</u>	<u>682</u>	<u>2,687</u>
	<u>984</u>	<u>682</u>	<u>1,666</u>
Employer contribution	-	6,821	6,821
Actual benefit payments	<u>5,253</u>	( 5,253 )	-
	<u>5,253</u>	<u>1,568</u>	<u>6,821</u>
Balance as of December 31	<u>( \$ 26,701 )</u>	<u>\$ 24,554</u>	<u>( \$ 2,147 )</u>

	Present value of funded obligations	Fair value of plan assets	Net defined benefit liabilities
<u>For the year ended December 31, 2020</u>			
Balance as of January 1	( \$ 26,701 )	\$ 24,554	( \$ 2,147 )
Current services costs	( 138 )	-	( 138 )
Interest (expense) income	( 187 )	172	( 15 )
	<u>( 27,026 )</u>	<u>24,726</u>	<u>( 2,300 )</u>
Remeasurements:			
Impact of change in financial assumptions			
	( 958 )	-	( 958 )
Examined adjustments	<u>238</u>	<u>831</u>	<u>1,069</u>
	<u>( 720 )</u>	<u>831</u>	<u>111</u>
Employer contribution	-	5,308	5,308
Actual benefit payments	<u>7,640</u>	( 7,640 )	-
	<u>7,640</u>	<u>( 2,332 )</u>	<u>5,308</u>
Balance as of December 31	<u>( \$ 20,106 )</u>	<u>\$ 23,225</u>	<u>\$ 3,119</u>

(D) The Bank of Taiwan was entrusted 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". 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. The constitution of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report published by the government.

(E) The principal actuarial assumptions used were as follows:

	For the year ended December 31,	
	2020	2019
Discount rate	0.25%	0.70%
Future salary increases	3.00%	3.00%
Expected return on plan assets	0.25%	0.70%

The assumption for future mortality rate is estimated based on the 5th mortality table issued by Taiwan Life Insurance Industry.

The analysis of impact on present values of defined benefit obligation by using principal actuarial assumptions:

	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
December 31, 2020	0.5%	0.5%	0.5%	0.5%
Impact on present value of defined benefit obligation	( \$ 1,061 )	\$ 1,134	\$ 1,097	( \$ 1,039 )

	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
December 31, 2019	0.5%	0.5%	0.5%	0.5%
Impact on present value of defined benefit obligation	( \$ 1,300 )	\$ 1,383	\$ 1,345	( \$ 1,277 )

The above mentioned sensitivity analysis is the analysis of the impact of change in a single assumption while all other assumptions remain unchanged. In practice, change in assumptions is interacted. The sensitivity analysis adopts the same method in calculating the net pension liability in balance sheet.

(F) Estimated contributions to the defined benefit pension plans of the Company within one year from December 31, 2020 amounting to \$0 thousand.

(G) As of December 31, 2020, the weighted average period for the pension plan is 11 years.

Analysis of the pension payment past due is as follow:

Less than a year	\$	14,181
One to two years		897
Two to five years		-
Over five years		1,047
	\$	<u>16,125</u>

#### B. Defined contribution plan

Effective July 1, 2005, the Company have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”). Under the new plan, the Company contributes to the employees’ individual pension accounts at the Bureau of Labor Insurance. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were \$1,296 thousand and \$1,366 thousand, respectively.

(17) Provisions

	Provisions for employee benefits
At January 1, 2019	\$ 622
Addition during the year	644
Used during the year	( 622 )
At December 31, 2019	644
Addition during the year	761
Used during the year	( 644 )
At December 31, 2020	<u>\$ 761</u>

Analysis of provisions was as follow:

	December 31,	
	2020	2019
Current	<u>\$ 761</u>	<u>\$ 644</u>
Non-current	<u>\$ -</u>	<u>\$ -</u>

(18) Share-based payments

A. The agreement of share-based payments of the Company for the year ended December 31, 2020 is as follows:

Type of agreement	Grant date	Quantity given	Period of agreement	Vested condition
Capital injection by cash, of which retained for employee subscription	November 17, 2020	7,927 thousand shares	-	Vest immediately

B. The Company uses the Black-Scholes option evaluation model to estimate the fair value of the stock option in its share-based payment transaction on the grant date. The relevant information is as follows:

Type of agreement	Grant date	Share price	Exercise price	Expected volatility	Expected duration	Expected dividend	Risk-free rate	Fair value per unit
Capital injection by cash, of which retained for employee subscription	November 17, 2020	14.85	12.56	10.94%	0.02 year	-	0.1401%	1.19

C. The Company's remuneration cost of capital injection by cash, of which retained for employee subscription in 2020 was \$9,433 thousand.

(19) *Common Stock*

A. As of December 31, 2020, the Company's authorized capital was \$5,336,135 thousand with par value of \$10 per share. As of December 31, 2020 and 2019, total paid-in capital were \$5,207,525 thousand and \$2,707,525 thousand.

B. Details of the Company's previous offering at a discounted price (private placement) were as follows:

Date of issue	Number of share issued (in thousand)	Issued price (\$/share)
September 27, 2004 (public offering completed)	41,137	2.99
August 21, 2007 (public offering completed)	18,750	8.00

C. Movements in the number of the Company's outstanding common stocks outstanding are as follows:

	Number of outstanding shares (in thousand)	
	For the year ended December 31,	
	2020	2019
At January 1	270,753	270,753
Capital injection by cash	250,000	-
At December 31	520,753	270,753

D. On August 13, 2020, the board of directors of the Company resolved to issue 250,000 thousand new shares with a par value of \$10 per share with an issue price of \$12.56 per share and it is expected to raise \$3,140,000 thousand. The purpose of this fund is to pay for the purchase of land and construction cost. The reference date of this capital increase was December 14, 2020, and the change of registration have been completed with the Ministry of Economic Affairs.

## E. Treasury stock

Movements of common stocks held by the Company's subsidiaries for the years ended December 31, 2020 and 2019 are as follows:

### For the year ended December 31, 2020

None.

### For the year ended December 31, 2019

		Increase (decrease)				
		during the year		(Unit: New Taiwan dollars)		
Name of subsidiary	Share at January 1	Number of share	Sale price	Share at December 31	Par value per share	Market value per share
Huachien	2,066,640	( 2,066,640 )	\$ 32,289,397	-	\$ -	\$ -

### (20) Capital surplus

	December 31,	
	2020	2019
Common stocks premium	\$ 649,433	\$ -
Cash dividend unclaimed for over five years	592	554
Adjusted difference by equity method	1,100	1,100
Gains after tax on disposal of property, plant and equipment held by subsidiary under equity method	7,487	7,487
Exercise disgorgement	1	-
Total	\$ 658,613	\$ 9,141

Pursuant to the ROC Company Act, 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 Securities and Exchange Act of ROC requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(21) *Retained earnings*

A. Legal reserve

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 is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Special reserve

When the Company distributes the earnings, in accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the current year balance sheet date. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified. If the aforesaid relevant assets are investment properties, the lands should be reversed during disposal or reclassification, and the part other than the lands should be reversed gradually during the period of use.

C. Distribution of retained earnings

In accordance with the Articles of Association, the current year's earnings, if any, shall be used to pay all taxes and offset prior years' operating losses, thereafter 10% shall be either set aside as legal reserve or appropriate to or reverse to special reserve according to the relevant regulations or as requested by the competent authorities. However, the parent's company shall not be subject to this requirement when the amount of legal reserve accumulated equal to the total authorized capital. For the remaining earnings plus prior years' unappropriated retained earnings may be appropriated for 10% to 70% according to a proposal by the board of



directors and approved in the shareholders' meeting as shareholders' dividends; provided that the distribution of the reserve is limited to 5% of the parent company's paid-in capital.

This distribution of shareholders' dividends shall be either in cash or stocks, in which with cash dividends not less than 10% of the total dividend.

D. On June 23, 2020, the Company adopted the resolution of the 2019 earnings distribution at the annual shareholders' meeting, which proposed distribution of \$27,075 thousand as shareholders' dividends. In addition, on June 5, 2019, the Company adopted the resolution of the 2018 earnings distribution at the annual shareholders' meeting, which proposed to distribute \$2,687 thousand from legal reserve and distribution of \$81,225 thousand as shareholders' dividends.

E. For details of information on employee's compensation and directors and supervisors' remuneration, please refer to Note 6(26).

(22) Revenue

	For the year ended December 31,	
	2020	2019
Revenue from customer contracts		
Sales revenue - lands	\$ 62,884	\$ -
Sales revenue - buildings	15,920	2,000
	<u>78,804</u>	<u>2,000</u>
Rental income	820	1,069
Total	<u>\$ 79,624</u>	<u>\$ 3,069</u>

A. The Company's revenue from customer contracts recognized at a point in time in 2020 and 2019 were as follows:

	For the year ended December 31,	
	2020	2019
Revenue recognized at a point in time	<u>\$ 78,804</u>	<u>\$ 2,000</u>

## B. Contracts liabilities

	For the year ended December 31,	
	2020	2019
Contracts liabilities:		
Sales of properties	\$ 342,486	\$ 187,130

The Company's contract liabilities for the current period increased as compared to December 31, 2019 was mainly due to the performance obligations had not been fulfilled and therefore the consideration received from customers in advance had not been recognized as revenue.

Of the opening balances of contract liabilities in 2020 and 2019, the amounts of revenue recognized in 2020 and 2019 were \$0 thousand and \$ 2,000 thousand, respectively.

### (23) Other income

	For the year ended December 31,	
	2020	2019
Interest income		
Interest on bank deposits	\$ 1,281	\$ 3,502
Other interest income	42	1,150
	1,323	4,652
Dividend income	8	-
Other income - other	3,520	3,937
Total	\$ 4,851	\$ 8,589

### (24) Other gains and losses

	For the year ended December 31,	
	2020	2019
Net currency exchange gains (losses)	( \$ 4,448 )	\$ 1,018
Net gains (losses) on financial assets at fair value through profit or loss	( 8,372 )	5,901
Loss on disposal of investment	-	( 133 )
Loss on disposal of property, plant and equipment	( 17 )	-
Lease modification benefits	-	1
Other non-operating losses	( 4,461 )	( 20 )
Total	( \$ 17,298 )	\$ 6,767

(25) Additional disclosures related to cost of revenues and operating expenses are as follows:

For the year ended December 31,						
2020			2019			
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefit expenses	\$ -	\$ 50,206	\$ 50,206	\$ -	\$ 46,849	\$ 46,849
Depreciation	-	2,192	2,192	-	2,721	2,721

(26) Employee benefit expenses

For the year ended December 31,		
	2020	2019
Wages and salaries - Non-director employee	\$ 38,149	\$ 32,865
Director's remuneration	5,535	8,520
Labor and health insurance contribution	2,279	2,545
Pension costs	2,908	1,618
Other personnel expenses	1,335	1,301
Total	<u>\$ 50,206</u>	<u>\$ 46,849</u>

A. In accordance with the Articles of Association, the parent company's accumulated deficits should be covered before distribution of current year earnings, 1.5% of distributable earnings and no more than 2% of current year earnings shall be appropriated as employees' compensation and directors' remuneration respectively. The percentage of employees' compensation and director's remuneration as mentioned in the preceding paragraph and employees' compensation distributed by way of stock or cash, shall be resolved in the meeting of the board of directors attended by more than a two-thirds of directors; of which half of the attended directors shall agree such distribution; and report at the shareholder's meeting.

The current year earnings referred to in the preceding paragraph refers to the current year profit before tax and before deduction of the distribution of employees' bonus and directors' remuneration.

B. The compensation to employees were determined by the profit of the year. In 2020 and 2019, the employees' compensation and directors' remuneration of the parent company were both \$0 thousand.

The number of share dividend is calculated based on the closing price of the day before the resolution being made by the board and after considering the effect of ex-rights. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts by the board of directors, the differences are recorded in profit and loss in the subsequent year.

C. Please refer to Market Observation Post System for more information on the resolution related to the appropriation of distributable earnings as employees' compensation and directors' remuneration of the Company's board of directors' meeting.

(27) *Finance costs*

	For the year ended December 31,	
	2020	2019
Interest expense		
Bank loans	\$ 14,827	\$ 14,250
Less: capitalization of qualifying assets	( 9,624 )	( 6,198 )
Total	<u>\$ 5,203</u>	<u>\$ 8,052</u>

(28) *Income tax*

A. Income tax expense

Components of income tax expense:

	For the year ended December 31,	
	2020	2019
Current income tax for the year		
Land value increment tax included		
in current income tax for the year	\$ 1,008	\$ -
Current income tax for the year	<u>1,008</u>	<u>-</u>
Deferred tax		
Relating to origination and reversal		
of temporary differences	<u>-</u>	<u>-</u>
Income tax expense	<u>\$ 1,008</u>	<u>\$ -</u>

B. Reconciliation between income tax expense and loss before income tax:

	For the year ended December 31,	
	2020	2019
Income before income tax	( \$ 88,637 )	( \$ 68,696 )
Income tax expense at statutory rate	( 17,727 )	( 13,739 )
Tax effect of adjusting items		
Permanent differences	13,390	12,019
Loss on unrecognized deferred tax assets	3,849	1,845
Unrecognized temporary differences	488	( 125 )
Land value increment tax	1,008	-
Income tax expense	<u>\$ 1,008</u>	<u>\$ -</u>

C. The details of unrecognized deferred tax assets were as follow:

	December 31,	
	2020	2019
Loss carry forward		
Expired in 2020	\$ -	\$ 144,541
Expired in 2023	8,706	8,706
Expired in 2024	21,519	21,519
Expired in 2025	34,776	34,776
Expired in 2026	14,432	14,432
Expired in 2027	8,414	8,414
Expired in 2028	19,351	19,351
Expired in 2029	1,845	1,845
Expired in 2030	3,849	-
	<u>112,892</u>	<u>253,584</u>
Deductible temporary differences		
Inventories	77,879	77,879
Allowance for doubtful accounts	3,249	3,249
Financial assets at fair value through other comprehensive income	22,012	22,685
Prepayments	552	887
Net defined benefit liabilities	1,374	1,438
Provisions for liabilities	152	129
Unrealized exchange gains and losses	2,473	1,608
	<u>107,691</u>	<u>107,875</u>
Total	<u>\$ 220,583</u>	<u>\$ 361,459</u>

D. As of December 31, 2020, details of the Company's deferred tax assets for future utilization were as below:

<u>Expiry date</u>	<u>Unused loss carry forward</u>
2023	\$ 8,706
2024	21,519
2025	34,776
2026	14,432
2027	8,414
2028	19,351
2029	1,845
2030	3,849
Total	<u>\$ 112,892</u>

E. The Company's income tax returns through 2018 have been assessed by the Tax Authority.

(29) *Earnings per share*

A. The calculation of earnings per share and weighted average number of common stock is as follows:

	<u>For the year ended December 31, 2020</u>	
	<u>Weighted average number of common stocks outstanding (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Amount after tax</u>		
<u>Basic earnings per share</u>		
Loss attributable to common shareholders	( \$ 89,645 )	282,364 ( \$ 0.32 )
<u>Diluted earnings per share</u>		
None.		

For the year ended December 31, 2019			
	Amount after tax	Weighted average number of common stocks outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Loss attributable to common shareholders	( \$ 68,696 )	270,753	
Profit attributable to share of the parent company held by subsidiaries	-	( 95 )	
Loss attributable to common shareholders	( \$ 68,696 )	270,658	( \$ 0.25 )
<u>Diluted earnings per share</u>			
None.			

B. Assumed that the trading and holding of the Company's shares by the subsidiaries does not deem as treasury stock but as investments, the pro-forma calculation of earnings per share and weighted average number of common stock is as follows:

For the year ended December 31, 2020			
	Amount after tax	Weighted average number of common stocks outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Loss attributable to common shareholders	( \$ 89,645 )	282,364	( \$ 0.32 )
<u>Diluted earnings per share</u>			
None.			

For the year ended December 31, 2019			
	Amount after tax	Weighted average number of common stocks outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Loss attributable to common shareholders	( \$ 68,696 )	270,753	( \$ 0.25 )
<u>Diluted earnings per share</u>			
None.			

*(30) Changes in liabilities from financing activities*

The reconciliation of the Company's liabilities from financing activities is as follows:

	January 1, 2020	Cash flow	Other non-cash	December 31, 2020
Short-term borrowings	\$ 282,000	\$ 633,000	\$ -	\$ 915,000
Lease liabilities	600	( 604 )	4	-
Long-term borrowings	513,000	( 453,000 )	-	60,000
Guarantee deposits	9,305	( 36 )	-	9,269
Capital surplus	9,141	649,472	-	658,613
Liabilities from financing activities	<u>\$ 814,046</u>	<u>\$ 828,832</u>	<u>\$ 4</u>	<u>\$ 1,642,882</u>

	January 1, 2019	Cash flow	Other non-cash	December 31, 2019
Short-term borrowings	\$ -	\$ 282,000	\$ -	\$ 282,000
Short-term notes and bills payable	319,983	( 319,983 )	-	-
Lease liabilities	1,354	( 1,082 )	328	600
Long-term borrowings	513,000	-	-	513,000
Guarantee deposits	9,305	-	-	9,305
Capital surplus	9,240	50	( 149 )	9,141
Treasury stock	( 27,761 )	32,289	( 4,528 )	-
Liabilities from financing activities	<u>\$ 825,121</u>	<u>( \$ 6,726 )</u>	<u>( \$ 4,349 )</u>	<u>\$ 814,046</u>



## 7. Related party transactions

### (1) Name of related parties and relationship

Name	Relationship
Huachien Development Co., Ltd.	Subsidiary
Dahyoung Real Estate Development Co., Ltd.	Subsidiary (Dissolved on December 25, 2019)
Delsin Construction Co., Ltd. (Formerly known as Da Sin Investment Development Co., Ltd.)	Chairman of Da Sin Investment Development Co., Ltd. is the first degree of kinship of the director of the Company (The director of the Company resigned on June 23, 2020)
Da Shuo Investment Co., Ltd.	Chairman of Da Shuo Investment Co., Ltd. is the first degree of kinship of the director of the Company (The director of the Company resigned on June 23, 2020)
Lin Hsing Hsiung	Second degree of kinship of the director of the Company (The director of the Company resigned on June 23, 2020)
Lin Wei Pang	Second degree of kinship of the director of the Company (Dissolved in June 23, 2020)
Lin Yuan Yi	Second degree of kinship of the director of the Company
Lin Heng Yi	Second degree of kinship of the director of the Company
Lin Po Feng	Director of the Company (Resigned on June 23, 2020)
Weng Chu Chih	Director's spouse of the Company (The director of the Company resigned on June 23, 2020)
Lin Hui Chuan	Second degree of kinship of the director of the Company (The director of the Company resigned on June 23, 2020)
Lin Chia Hung	Substantive related party
Hong-Zhu Construction Co., Ltd.	The general manager of the Company is the director of Hong-Zhu Construction Co., Ltd.
Pauguo Real Estate Management Co., Ltd.	Substantive related party

(2) Significant related party transactions and balances:

A. Sales of goods and services

	For the year ended December 31,	
	2020	2019
Rental income		
Subsidiaries	\$ 29	\$ 57
Other related parties	-	34
Total	<u>\$ 29</u>	<u>\$ 91</u>

The lease period is from April 2015 to March 2021. Rental is collected annually.

B. Purchase

	For the year ended December 31,	
	2020	2019
Cost of lands		
Lin Chia Hung	<u>\$ 1,208,650</u>	<u>\$ -</u>

C. Construction expense

	For the year ended December 31,	
	2020	2019
Miscellaneous expenses		
Hong-Zhu Construction Co., Ltd.	<u>\$ 2,952</u>	<u>\$ -</u>
Finance costs		
Pauguo Real Estate Management Co., Ltd.	<u>\$ 952</u>	<u>\$ -</u>

D. The balances of receivables and payables with related parties were as follows:

	December 31,	
	2020	2019
Accounts payable		
Lin Chia Hung	<u>\$ 94,571</u>	<u>\$ -</u>
Refundable deposit		
Other related parties	<u>\$ 2,442</u>	<u>\$ 12,210</u>
Other receipts in advance		
Other related parties	\$ -	\$ 7
Subsidiaries	7	7
Total	<u>\$ 7</u>	<u>\$ 14</u>

#### E. Property transaction

In 2019, the Company purchased three paintings of painter Lin Chien Chih from the subsidiary for \$3,822 thousand, and recognized as other non-current assets. The purchase price of this asset is not significantly different from the original purchase price of the subsidiary.

#### F. Others

(A) As of December 31, 2020, the deposit guarantee notes issued by the Company to a related party, Lin Chia Hung amounted to \$1,088,100 thousand.

(B) The amount of the promissory note issued by the Company to the landlord of joint construction of Le Jie Duan A was \$146,215 thousand, and was guaranteed by Hong-Zhu Construction Co., Ltd. for the Company.

#### (3) Key management compensation

	For the year ended December 31,	
	2020	2019
Salaries and other short-term		
employee benefits	\$ 9,186	\$ 14,738
Termination benefits	-	-
Post-employment benefits	5,621	5,253
Other long-term employee benefits	-	-
Share-based payment	-	-
Total	<u>\$ 14,807</u>	<u>\$ 19,991</u>

## 8. Pledge of assets

The Company's assets pledged as collateral are as follows:

Pledged assets	Purposes	Carrying amount	
		December 31,	
		2020	2019
Inventories			
Lands for sale	Performance guarantee	\$ 5,505	\$ 5,505
Buildings for sale	Performance guarantee	2,809	2,809
Lands held for construction	Short-term borrowing and long-term borrowing	2,431,694	2,005,327
Construction in progress	Short-term borrowing	212,547	83,909
Property, plant and equipment			
Lands	Short-term borrowing	36,006	36,006
Buildings	Short-term borrowing	19,343	20,545
Other equipment	Short-term borrowing	28	36
Other financial assets - current	Trust account	156,021	94,402
Total		<u>\$ 2,863,953</u>	<u>\$ 2,248,539</u>

## 9. Significant contingent liabilities and unrecognized commitments

- A. As of December 31, 2020, the Company received the promissory notes from the contractors amounted to \$60,070 thousand.
- B. As of December 31, 2020, the deposit guarantee notes issued by the Company to the landlord amounted to \$1,684,045 thousand.
- C. As of December 31, 2020, the Company signed the contracts of pre-sale of properties with customer amounted to \$1,973,800 thousand, and have been received \$342,390 thousand according to the contract amount.
- D. As of December 31, 2020, the Company signed the contracts with the contractors amounted to \$504,873 thousand, of which \$401,786 thousand was unpaid.

- E. As of December 31, 2020, the Company signed the contracts for the purchase of lands amounted to \$1,708,350 thousand and the titles have been transferred, of which \$115,541 thousand unpaid.

#### **10. Significant disaster loss**

None.

#### **11. Significant events after the balance sheet date**

- A. The company acquired 100% equity of Cyuan Fong Construction Limited Company in February 2021, amounted to \$11,500 thousand. On March 9, 2021, Cyuan Fong Construction Limited Company changed its name to Huajian Construction Co., Ltd.
- B. The Company was approved by the board of directors on February 22, 2021 for its intention to obtain lands in Le Jie Duan, Gui Shan District, Taoyuan City, Qing Xi Duan, Zhong Li District, Taoyuan City, Xin Zhan Duan, Sha Lu District, Taichung City, and Zheng Ying Duan. The total transaction price is estimated to be \$1,834,463 thousand.
- C. The Company was approved by the board of directors on March 30, 2021 for its intention to obtain lands in Qing Shan Duan, Da Yuan District and Shan Jie Duan, Gui Shan District, Taoyuan City. The total transaction price is yet to be negotiated.

#### **12. Others**

##### *(1) Capital risk 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 stocks to adjust the most appropriate capital structure. The Company monitors capital on the basis of the gearing ratio. The Company's gearing ratios as of December 31, 2020 and 2019 are as follows:

	December 31,	
	2020	2019
Total liabilities	\$ 1,507,445	\$ 1,056,583
Total assets	\$ 7,655,581	\$ 4,169,621
Gearing ratio	20%	25%

During a recent review of the gearing ratio, the debt-to-asset ratio on December 31, 2020 was lower compared to December 31, 2019 which caused by the increase in total assets by the Company's capital injection by cash.

(2) *Financial instruments*

A. Financial instruments by category

	December 31,	
	2020	2019
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value		
through profit or loss	\$ -	\$ 58,249
Financial assets at fair value through other		
comprehensive income		
Designated investments in equity instrument	\$ 2,898	\$ 3,759
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,834,819	\$ 101,078
Notes receivable	90	18
Other receivables	39,998	39,438
Other financial assets	211,021	267,194
Refundable deposits	60,717	31,167
	\$ 2,146,645	\$ 438,895

Financial liabilities

## Financial liabilities at amortized cost

Short-term borrowings	\$	915,000	\$	282,000
Notes payable		1,723		-
Accounts payable		142,788		20,486
Other payable		8,802		14,627
Long-term borrowings (including current portion)		60,000		513,000
Guarantee deposits		9,269		9,305
	\$	1,137,582	\$	839,418
Lease liabilities	\$	-	\$	600

**B. Financial risk management objectives and policies**

The Company's financial instruments include equity and beneficiary certificate investment, notes receivables, other receivables, other financial assets, refundable deposits, bank borrowings, notes payable, accounts payable and other payables. Risk management is coordinated by the Company's finance department by entering domestic and international financial market operations and responsible to monitor and manage the financial risk according to the degree of risk and evaluating the breadth analysis of risk exposure. Such risk includes market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company seeks to reduce the risk by employing a risk management and to analyze, identify and evaluate the related financial risks that potentially expose adverse effects on the Company. The Company has a relevant plan to hedges the adverse factors of financial risk.

**(A) Market risk**

Market risk is arising from movements in market prices, such as foreign exchange risk and interest rate risk that affecting the Company's earnings or financial instruments held by the Company. The objective of market risk management is to control the market risk exposure within affordable range and to optimize the return on investment.

The major markets risks undertake by the Company's operation are foreign exchange risk, interest rate risk and equity price risk. In practice, a movement by a single change in risk variables is rare, hence change in risk variables are always interrelated. The following sensitivity analysis did not consider the interaction of related risks variables.

a. Foreign exchange risk

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets measured at fair value that are denominated in foreign currency. The Company's foreign exchange risk is mainly arising from the foreign exchange gains and losses against the cash and cash equivalents, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and other financial assets, that are dominated in foreign currency.

Details of the unrealized exchange gains and losses of the Company's monetary items whose value would significantly affected by exchange rate fluctuation are as follows:

For the year ended December 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Unrealized exchange gains and losses (NT\$)
<u>Financial assets</u>			
US\$ : NT\$	\$ 2,937	28.480 ( \$	4,340 )
CN¥ : NT\$	201	4.377	28
HK\$ : NT\$	53	3.673 (	9 )

For the year ended December 31, 2019			
	Foreign currency amount (in thousands)	Exchange rate	Unrealized exchange gains and losses (NT\$)
<u>Financial assets</u>			
US\$ : NT\$	\$ 2,580	29.980 ( \$	1,303 )
CN¥ : NT\$	15	4.305	22
HK\$ : NT\$	53	3.849	613



The sensitivity analysis of the Company's exchange risk mainly focuses on the relevant foreign currency appreciation or depreciation of main foreign currency items at the closing date of reporting period, and its impact on the Company's profit and loss and equity.

The determination of below sensitivity analysis is based on the Company's non-functional currency assets and liabilities with significant exchange rate exposure at the balance date. The relevant information is as follows:

December 31, 2020							
	Foreign currency amount	Exchange rate	Carrying amount (NT\$)	Variation	Effect on profit or loss	Effect on equity	
<u>Financial assets</u>							
<u>Monetary items</u>							
US\$	\$	2,937	28.480	\$ 83,649	5%	\$ 4,182	\$ -
CN¥		201	4.377	882	5%	44	-
HK\$		53	3.673	194	5%	10	-
<u>None monetary items</u>							
US\$	\$	102	28.480	\$ 2,898	5%	\$ -	\$ 145

December 31, 2019							
	Foreign currency amount	Exchange rate	Carrying amount (NT\$)	Variation	Effect on profit or loss	Effect on equity	
<u>Financial assets</u>							
<u>Monetary items</u>							
US\$	\$	2,580	29.980	\$ 77,346	5%	\$ 3,867	\$ -
CN¥		15	4.305	65	5%	3	-
HK\$		53	3.849	204	5%	10	-
<u>None monetary items</u>							
US\$	\$	564	29.980	\$ 16,914	5%	\$ 658	\$ 188
CN¥		207	4.305	891	5%	45	-

b. Interest rate risk

The Company's interest rate risk arises from borrowing. Borrowing with floating interest rate exposes the Company to change in fair value risk and cash flow risk. The Company by maintaining an appropriate combination of floating rate to manage interest rate risk. The Company assesses its hedging activities on a regular basis to ensure hedging strategies are established consistently between interest rate and risk preferences and in most cost-effective manner.

The Company's exposure on financial liabilities rate risk is described in this Note for liquidity risk management below.

Sensitivity analysis

The following sensitivity analysis is based on interest rate risk exposure on the non-derivative instruments at the closing date of reporting period. Regarding the liabilities with variable interest rate, the following analysis is on the basis of the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 1% when key management report internally, which also represents management of the Company's assessment on the reasonably possible interval of interest rate change.

If the interest rate has increased or decreased by 1% with other variable held constant, the net profit before tax would have increased or decrease by \$9,750 thousand and \$7,950 thousand for the years ended December 31, 2020 and 2019, respectively, which would be mainly resulted from the Company's borrowing with variable interest rate.

c. Other price risk

The Company's exposure to equity price risk in 2020 and 2019 resulted from investments in listed and unlisted equity securities and beneficiary certificates. The investments in the equity securities and

beneficiary certificate are financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The management of the Company manages risks by holding investment portfolios with different risk.

#### Sensitivity analysis

The following sensitivity analysis is based on the exposure of equity securities and beneficiary certificates at the closing date of the reporting period.

If the price of the equity securities and the beneficiary certificates increased/decreased by 10%, the profit and loss of the Company for the year ended 31 December, 2020 and 2019 will be increased/decreased by \$0 thousand and \$5,825 thousand, respectively, which is due to changes in the fair value of financial assets held at fair value through profit or loss. The other equity will be increased/decreased by \$290 thousand and \$376 thousand, respectively, which is due to changes in the fair value of financial assets measured at fair value through other comprehensive income.

#### (B) Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by counterparties on the contract obligations. The Company's credit risk is attributable to its operating activities (mainly notes and accounts receivables) and financial activities (mainly bank deposits and various financial instruments).

Each unit of the Company follows credit risk policies, procedures and controls to manage credit risk. The credit risk assessment of all counterparties is based on factors such as the financial position, the rating of the credit rating agency, historical trading experience, the current economic environment and the Company's internal rating criteria etc. The Company also uses certain credit enhancement tools (such as pre-collection from sales of properties) at an appropriate time to reduce the credit risk of counterparties.

The Company's accounts receivables mainly comprise receipts from customers on sales of properties. Based on the past experiences, the Company's management assessed these accounts receivable had no significant risk.

The finance department of the Company manages the credit risk of bank deposits, fixed income securities and other financial instruments in accordance with the Company's policies. The trading parties of the Company are determined by internal control procedures such as the banks with good credit financial institutions with investment grades, corporate organizations and government agencies are considered to have no significant credit risk.

(C) Liquidity risk

Liquidity risk refers to risk when the Company is unable to settle its financial liabilities by cash or other financial assets and failure to fulfill obligations associated with existing operations.

The Company manages its liquidity risk by maintaining adequate cash and cash equivalents in order to cope and mitigate the effects of the Company's operating cash flow fluctuations. The Company's management oversight banking facilities usage and ensure the terms of the loan agreement are followed.

Bank borrowings are the important source of liquidity to the Company. As of December 31, 2020 and 2019, the total banking facilities that have not yet utilized by the Company were \$986,000 thousand and \$683,000 thousand respectively.

Table of liquidity and interest rate risk

The table below analyses the Company's non-derivative financial liabilities based on remaining period to the contractual maturity date during the agreed repayment period and in accordance to the possible earliest required date of repayment. The financial liabilities in below table are prepared by undiscounted cash flows.

	December 31, 2020				
	Less than 1 year	Between 1 and 3 year	Between 3 and 5 years	Over 5 years	Total of undiscounted cash flows
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Short-term					
borrowings	\$ 411,777	\$ 528,231	\$ -	\$ -	\$ 940,008
Notes payable	1,723	-	-	-	1,723
Accounts payable	142,788	-	-	-	142,788
Other payables	8,802	-	-	-	8,802
Long-term					
borrowings					
(include current					
portion)	1,167	61,889	-	-	63,056
Guarantee deposits					
received	113	6	4,600	4,550	9,269
	\$ 566,370	\$ 590,126	4,600	\$ 4,550	\$ 1,165,646

	December 31, 2019				
	Less than 1 year	Between 1 and 3 year	Between 3 and 5 years	Over 5 years	Total of undiscounted cash flows
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Short-term					
borrowings	\$ 283,709	\$ -	\$ -	\$ -	\$ 283,709
Accounts payable	20,486	-	-	-	20,486
Other payables	14,627	-	-	-	14,627
Lease liabilities	600	-	-	-	600
Long-term					
borrowings					
(include current					
portion)	521,615	-	-	-	521,615
Guarantee deposits					
received	50	105	4,600	4,550	9,305
	<u>\$ 841,087</u>	<u>\$ 105</u>	<u>4,600</u>	<u>\$ 4,550</u>	<u>\$ 850,342</u>

The Company does not have callable bank borrowing that requires repayment on demand.

The amounts of above non-derivative financial assets and liabilities instruments with floating interest rate will be varied when the estimated rate become different at the end of reporting period.

*(3) Fair value information*

A. The different levels of valuation techniques which are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: The input value of this level is the public quotation (unadjusted) of the identical asset or liability in the active market. A market is regarded as active when the goods in the market are in same nature and the price information is readily available in the public market for both buyers and sellers. The fair values of the Company's investments in publicly listed securities are included in Level 1.

Level 2: Inputs other than the observable publicly quoted prices included within Level 1 for assets and liabilities, either directly (such as price) or indirectly (such as derived from the price).

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, other receivables, other financial assets, deposits, bank borrowings, notes payable, accounts payable and other payables are reasonable approximations of fair values.

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:

December 31, 2020				
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value</u>				
Financial assets at fair value				
through other comprehensive				
income				
Unlisted equity investments	\$ -	\$ -	\$ 2,898	\$ 2,898

December 31, 2019				
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value</u>				
Financial assets at fair value				
through profit or loss				
Listed stocks	\$ 10,669	\$ -	\$ -	\$ 10,669
Beneficiary certificates	47,580	-	-	47,580
Financial assets at fair value				
through other comprehensive				
income				
Unlisted equity investments	-	-	3,759	3,759
	\$ 58,249	\$ -	\$ 3,759	\$ 62,008

D. The methods of assumptions of the Company used to measure fair value are as follows:

- (A) The Company applied market quoted prices and net value as their inputs of fair value for its domestic listed stock (that is Level 1).
- (B) In addition to the above-mentioned financial instruments with active markets, the fair value of the remaining financial instruments are obtained by means of evaluation techniques or reference to counterparty quotes. The fair value obtained through the evaluation techniques based on the current fair value of other financial instruments with similar characteristics and characteristics, discounted cash flow

method or other evaluation techniques including calculations based on the application model of market information available on the balance sheet date.

(C) The output of the evaluation model is the estimated value, and the evaluation technique may not reflect all the factors that the Company holds for financial instruments and non-financial instruments. Therefore, the estimated value by the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Company's management policy of fair value evaluation model and related control procedures, the management believes that the evaluation adjustments are appropriated and necessary for the fair presentation of the fair value of financial instruments and non-financial instruments in the individual balance sheet. The pricing information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted to current market conditions.

E. There is no transfer between first and second level measured at fair value in 2020 and 2019.

F. Changes in level 3

	For the year ended December 31,	
	2020	2019
January 1	\$ 3,759	\$ 4,707
Refund of capital after capital reduction in the current period	( 1,847 )	( 1,975 )
Gain recognized in other comprehensive income	986	1,027
December 31	<u>\$ 2,898</u>	<u>\$ 3,759</u>



#### H. Quantitative information on significant unobservable inputs for the fair value measurement in level 3

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# I. Sensitivity analysis of changes in significant unobservable inputs

			December 31, 2020			
			Recognize to		Recognize to other	
			profit or loss		comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
			changes	changes	changes	changes
Financial assets						
	Lack of					
	market					
	liquidity					
	and					
	minority					
Equity	share					
instruments	discount	10%	\$ -	\$ -	\$ 483	\$ 483

			December 31, 2019			
			Recognize to		Recognize to other	
			profit or loss		comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
			changes	changes	changes	changes
Financial assets						
	Lack of					
	market					
	liquidity					
	and					
	minority					
Equity	share					
instruments	discount	10%	\$ -	\$ -	\$ 627	\$ 627

### 13. Supplementary disclosures

*(1) Significant transactions information:*

No.	Items	Footnote
1	Loans to others	None
2	Provision of endorsements and guarantees to others	None
3	Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates and joint ventures)	Table 1
4	Purchase or sale of the same security with the accumulated cost exceeding \$300 million or 20% of paid-in capital or more	None
5	Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more	Table 2
6	Disposal of real estate reaching \$300 million or 20% of paid-in capital or more	None
7	Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more	Table 3
8	Receivables from related parties reaching \$100 million or 20% of paid-in capital or more	None
9	Derivative financial instruments undertaken	None
10	Significant inter-company transactions between the Company and subsidiaries	None

*(2) Information on investments: Table 4*

*(3) Information on investments in Mainland China: None*

*(4) Information of major shareholders: Table 5*

Table 1

Marketable securities held by the Company as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures) (Expressed in thousands of New Taiwan dollars)

Securities held by	Type	Name	Relationship with the securities issuer	General ledger account	December 31,				Footnote	
					Number of shares/units (in thousands)	Book value	Ownership (%)	Fair value	Number of collateral share provided (in thousands)	Collateral amounts
The Company	Stock	Vincera Growth Capital II Limited	None	Financial assets at fair value through other comprehensive income - non-current	60	\$ 2,898	5%	\$ 2,898	-	\$ -
The Company	Stock	Znyx Network Co. Perf D	None	Financial assets at fair value through other comprehensive income - non-current	51	-	-	-	-	-
The Company	Stock	Znyx Network Co. Perf E	None	Financial assets at fair value through other comprehensive income - non-current	45	-	-	-	-	-
The Company	Stock	Znyx Network Co. Perf F	None	Financial assets at fair value through other comprehensive income - non-current	26	-	-	-	-	-

Table 2

As of December 31, 2020, acquisition of real estate by the Company reaching \$300 million or 20% of paid-in capital or more

(Expressed in thousands of New Taiwan dollars)

The company that acquired the real estate	Name of real estate	Day of fact	Amount of transaction	Payment status	Transaction party	Relationship	The information of previous transfer, if the transaction party is a related party				Basis of reference for price determination	Purpose of acquisition and usage	Other agreed matters
							Owner	Relationship with the issuer	Date of transfer	Amount			
The Company	No. 233, 235, Xin Bi Duan, Lu Zhu District, Taoyuan City	September 11, 2020 (Signing date)	\$ 874,650 (Note 1)	Pay according to the contract	Lin Chia Hung	Substantive related party	Department of Land Administration, Taoyuan City Government	-	September 2020	\$ 798,890	Note 2	Construction of residential buildings	-
The Company	No. 488, 489, Qing Xi Duan, Zhong Li District, Taoyuan City	September 11, 2020 (Signing date)	316,000 (Note 1)	Pay according to the contract	Lin Chia Hung	Substantive related party	Yang Jun and 11 others	-	September 2019	292,235	Note 2	Construction of residential buildings	-
The Company	No. 793, Xing Hua Duan, Guishan District, Taoyuan City	September 11, 2020 (Signing date)	18,000	Pay according to the contract	Lin Chia Hung	Substantive related party	Cai Jun	-	January 2019	17,592	Note 2	Construction of residential buildings	-
The Company	No. 177, Le Jie Duan, Gui Shan District, Taoyuan City	September 11, 2020 (Signing date)	499,700	Pay according to the contract	Wu Jun	Non-related party	-	-	-	-	Valuation report	Construction of residential buildings	-

Note 1: Including the acquired incremental building bulk

Note 2: The previous transaction price included the necessary interest on capital and necessary cost and valuation report.

Table 3

As of December 31, 2020, the Company's purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more for the year ended

(Expressed in thousands of New Taiwan dollars)

Sales/ Purchase of the company	Transaction party	Relationship	Detail of transaction				Circumstances and reasons of why trading conditions are dif- ferent from ordinary trading		Notes and accounts receivable (payable)		Remark
			Sales/ Purchase	Amount	Percentage of to- tal purchases (sales)	Credit period	Unit price	Credit period	Balance	Percentage of to- tal notes and ac- counts receivable (payable)	
The Company	Lin Chia Hung	Substantive related party	Purchase	\$ 1,208,650	66.68%	Pay in installments according to the contract	\$ -	-	\$ 94,571	65.44%	-

Table 4 Information on investments

Information on investments in which the Company exercise significant influence:

(Expressed in thousands of New Taiwan dollars)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares (in thousands)	Ownership (%)	Book value			
The Company	Huachien	16F, No. 460, sec. 5, Chenggong Rd., Neihu Dist, Taipei City 11490	Residential and building development, sale and rental business	\$ 704,993	\$ 704,993	18,208	58	\$ 347,836	(\$ 14,465)	(\$ 8,442)	-

Table 5 Information of major shareholders

Major shareholders of the Company as of December 31, 2020

(Unit: In thousand shares)

Name of major shareholders	Number of shares held	Percentage of shareholding (%)
Chia Chun Investment Co., Ltd.	94,259	18.10
Da Shuo Investment Co., Ltd.	42,832	8.22
Neng Hung Investment Holdings Co., Ltd.	27,855	5.34

Note 1: The information of major shareholders in the above table was calculated by the Taiwan Depository and Clearing Corp. based on the information of shareholders of the Company who hold more than 5% of ordinary shares and special shares and have been completed the non-physical registration and delivery (including treasury shares) on the last business day of the end of each quarter. As for the shares capital recorded in the Company's financial statements may vary from the Company's actual number of shares which completed the non-physical registration and delivery due to different calculation basis or differences.

Note 2: In the above table, if the shareholder entrust its shares to the trust, disclosure is made by the individual accounts of the trustee who opened the trust account by the grantor. As for the shareholders' declarations for insider equity holdings exceeding 10% in accordance with the Securities and Exchange Act, his shareholding includes his own shares plus the shares entrusted to the trust with voting right, etc. For the information on the declaration for insider equity, please refer to Market Observatory Post System.

#### **14. Segment information**

Please refer the consolidated financial statements of Delpha Construction Co., Ltd. for the year ended December 31, 2020.



**Delpha Construction Co., Ltd.**  
**Statement of cash and cash equivalents**

December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Cash			
Petty cash		\$ 150	
Cash in banks			
Checking accounts and demand deposits		20	
Demand deposits		1,749,924	
Foreign currency deposits (Note 1)		84,725	
		<u>1,834,669</u>	
Total		<u>\$ 1,834,819</u>	

Note 1: Foreign currency deposits

US\$	2,937 thousand
CNY	201 thousand
HK\$	53 thousand

**Delpha Construction Co., Ltd.****Statement of notes receivable**

December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Notes receivable - non-related parties			
Customer A		\$ 90	
Less: allowance for doubtful accounts		-	
Total		<u>\$ 90</u>	

**Statement of other receivables**

December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Receivables of refund of shares from liquidated investment		\$ 39,311	
Other receivables - other		16,919	
Accrued revenue	Interest receivable	13	
		<u>56,243</u>	
Less: allowance for doubtful accounts		( 16,245 )	
Total		<u>\$ 39,998</u>	

# Delpha Construction Co., Ltd.

## Statement of inventories

December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Case	Amount	Note
Lands for sale and buildings for sale	Li Hsiang Jia A	\$ 1,762	
	Sheng Huo Jia A	5,346	
	Ya Dian Wang chao A	456	
	Ya Dian Wang chao B	1,722	
	Hang sha	8,314	
	Shi Tan Duan A	63,527	
		<u>81,127</u>	
Lands held for construction and construction in progress	Shu Lin An	198,192	
	Sheug Huo Jia B	9,153	
	Hsin Dian He Feng	632,155	
	Fu De Duan B	423	
	Hsin Guang Lu B	2,217	
	Rong Hsing Duan	141,777	
	Huai Sheng Duan	1,432,881	
	Yun He Jie A	765,664	
	Yun He Jie B	1,712	
	Wen Lin Bei Lu	286,148	
	Xin Bi Duan	877,445	
	Le Jie Duan A	519,416	
	Qing Xi Duan A	316,206	
		<u>5,183,389</u>	
Total		5,264,516	
Less: allowance for decline in market value and obsolescence		( 389,396 )	
Total		<u>\$ 4,875,120</u>	

Note : For details of inventories pledged as collateral, please refer to Note 8.

**Delpha Construction Co., Ltd**  
**Statement of construction in progress**

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Case	January 1	Construction cost	Construction expense	Capitalized interest	Transfer	December 31
Shu Lin An	\$ 85,821	\$ -	\$ -	\$ -	\$ -	\$ 85,821
Sheng Huo Jia B	1,350	-	-	-	-	1,350
Hsin Dian He						
Feng	148,391	-	-	-	-	148,391
Rong Hsing						
Duan	10,899	52,868	3,386	1,184	-	68,337
Huai Sheng						
Duan	8,117	-	5,847	-	-	13,964
Yun He Jie A	83,909	50,219	1,642	8,440	-	144,210
Wen Lin Bei Lu	976	-	-	-	-	976
Xin Bi Duan	-	-	1,863	-	-	1,863
Le Jie Duan A	-	-	1,514	-	-	1,514
Qing Xi Duan A	-	-	35	-	-	35
Total	\$ 339,463	\$ 103,087	\$ 14,287	\$ 9,624	\$ -	\$ 466,461

**Statement of prepayments**

December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Prepayment			
Prepayment for purchases		\$ 76,000	
Prepaid consignment service fee		119,340	
Prepaid other expense		1,657	
Remaining tax credit		18,847	
Other advances		65	
Total		\$ 215,909	

Please refer to Note 6(7) for details of other financial assets – current.

**Delpha Construction Co., Ltd**  
**Statement of other current assets**

December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Other current assets			
- other	Payment on behalf		
	of	\$ 950	
Total		<u>\$ 950</u>	

**Delpha Construction Co., Ltd.**

**Statement of financial assets at fair value through other comprehensive income - non-current**

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Company	Balance, January 1		Increase		Decrease		Balance, December 31			Accumulated impairment	Collateral
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Type	Shares (in thousands)	Amount		
New Castle Investment Development Corp.	0.6	\$ 3,759	-	\$ -	0.6	\$ 3,759	Common stock	-	\$ -	Not applicable	None
Vincera Growth Capital II Limited	-	-	60	4,745	-	1,847	Common stock	60	2,898	Not applicable	None
Emphasis Materials, Inc.	300	-	-	-	300	-	Common stock	-	-	Not applicable	None
Znyx Network Co. Pref D	51	-	-	-	-	-	Preferred stock	51	-	Not applicable	None
Znyx Network Co. Pref E	45	-	-	-	-	-	Preferred stock	45	-	Not applicable	None
Znyx Network Co. Pref F	26	-	-	-	-	-	Preferred stock	26	-	Not applicable	None
Total		<u>\$ 3,759</u>		<u>\$ 4,745</u>		<u>\$ 5,606</u>			<u>\$ 2,898</u>		

Note 1: The decrease of New Castle Investment Development Corp. by \$2,815 thousand due to New Castle Investment Development Corp. converted its equity to Vincera Growth Capital II Limited in the current period and reversed the fair value adjustment by \$944 thousand. In addition, Vincera Growth Capital II Limited increased by \$3,285 thousand in the current period and recognized \$1,460 thousand at fair value.

Note 2: The decrease of Vincera Growth Capital II Limited in the current period due to the capital reduction and refund the capital of \$1,847 thousand.

Note 3: The liquidation of Emphasis Materials, Inc. Completed in 2020.

**Statement of changes in investments accounted for under equity method**

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Investees	Balance, January 1, 2020		Increase		Decrease		Investment income (loss)	Other comprehensive income (loss)	Balance, December 31, 2020			Net Assets value		Ownership %	Valuation method	Collateral
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount			Type	Shares (in thousands)	Amount	Total amount	Unit price (NT\$)			
									Common stock							
Huachien	18,208	\$ 356,278	-	\$ -	-	\$ -	( \$ 8,442 )	\$ -	stock	18,208	\$ 347,836	\$ 596,017	\$ 19.10	58%	Equity method	None

**Delpha Construction Co., Ltd.**  
**Statement of right-of-use assets**

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Balance, January 1	Increase	Decrease	Balance, December 31	Note
Cost					
Transportation equipment	\$ 1,256	\$ -	\$ 1,256	\$ -	
Accumulated depreciation					
Transportation equipment	\$ 650	\$ 606	\$ 1,256	\$ -	

**Statement of other non-current assets**

December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Refundable deposits	Security deposits on cooperation case at Rong Hsing Duan	\$ 28,189	
	Bid deposit	30,000	
	Other	2,528	1
Total		<u>\$ 60,717</u>	
Net defined benefit assets		<u>\$ 3,119</u>	
Other assets - other	Artworks and paintings	<u>\$ 5,552</u>	

Note 1: No item included in "Other" exceeded 5 % of the total balance.

For details of property, plant and equipment, please refer to Note 6(9).

For details of accumulated depreciation and impairment loss of property, plant and equipment, please refer to Note 6(9).

**Delpha Construction Co., Ltd.**  
**Statement of short-term borrowings**

December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Bonds name	Purposes	Amount	Contract period	Rate	Total amount	Note
Far Eastern						
International Bank	Mortgage	\$ 320,000	2020.11.23-2021.02.19	1.6%	\$ 500,000	1
The Shanghai						
Commercial & Saving Bank	Mortgage	82,000	2020.11.30-2021.10.30	1.3%	100,000	1
Hwatai Commercial						
Bank	Mortgage	513,000	2020.11.09-2023.11.09	1.6%	970,000	1
		<u>\$ 915,000</u>			<u>\$ 1,570,000</u>	

Note 1: For details of pledged of asset, please refer to Note 8.

**Statement of notes payable**

December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Customer	Description	Amount	Note
Non-related parties:			
Home Deluxe			
Enterprise Co., Ltd.		\$ 1,186	
Jin Tung Co., Ltd.		209	
Jih Sun Formosa Auto			
Leasing CO., Ltd.		328	
Total		<u>\$ 1,723</u>	



**Delpha Construction Co., Ltd.**

**Statement of accounts payable**

December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Customer	Description	Amount	Note
Non-related parties:			
Li-Gao Construction Co., Ltd.		\$ 7,337	
Wang Bang Construction Limited Company		8,684	
Home Deluxe Enterprise Co., Ltd.		7,751	
Wu Jun		20,970	
Others		3,475	1
Total		<u>\$ 48,217</u>	
Related parties:			
Lin Chia Hung		<u>\$ 94,571</u>	

Note 1: No item included in "Others" exceeded 5 % of the total balance.

**Statement of other payable**

December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Accrued expenses	Salary and wages payable	\$ 2,158	
	Year-end bonus payable	3,653	
	Interest payable	643	
	Services fee payable	910	
	Others	1,438	1
Total		<u>\$ 8,802</u>	

Note 1: No item included in "Others" exceeded 5 % of the total balance.

For details of provision for liabilities - current, please refer to Note 6(17).

**Delpha Construction Co., Ltd.**  
**Statement of other current liabilities**

December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Receipt in advance	Other advance	\$ 26,446	
Other current liabilities – other	Receipts under custody	170	
Total		<u>\$ 26,616</u>	

For details of long-term borrowing, please refer to Note 6(15).

**Statement of non-current liabilities**

December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Guarantee deposits received	Rental deposits	\$ 9,269	
Total		<u>\$ 9,269</u>	

**Delpha Construction Co., Ltd.****Statement of net revenue**

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Number of ping	Amount	Note
Sales for lands			
Shi Tan Duan A		\$ 62,884	
Sales for buildings			
Shi Tan Duan A	135.10	15,920	
Rental			
Hang Sha		91	
Rong Hsing Duan		31	
Yue Du Ou Zhou		36	
Shu Lin An		34	
Huai Sheng Duan		601	
Shi Tan Duan A		27	
Total		<u>\$ 79,624</u>	

**Statement of cost of revenue**

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Number of ping	Amount	Note
Cost for lands			
Shi Tan Duan A		\$ 42,186	
Cost for buildings			
Shi Tan Duan A	135.10	19,764	
Total		<u>\$ 61,950</u>	

**Delpha Construction Co., Ltd**  
**Statement of selling expenses**

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Advertising	\$ 2,508	
Others	110	1
Total	<u>\$ 2,618</u>	

Note 1: No item included in "Others" exceeded 5 % of the total balance.

**Statement of general & administrative expenses**

For the Year Ended December 31, 2020

(Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Salary	\$ 43,617	
Services fee	4,767	
Miscellaneous	4,664	
Finance costs	5,000	
Others	19,553	1
Total	<u>\$ 77,601</u>	

Note 1: No item included in "Others" exceeded 5 % of the total balance.

For details of other income, please refer to Note 6(23).

For details of other gains and losses, please refer to Note 6(24).

For details of financial costs, please refer to Note 6(27).

**Delpha Construction Co., Ltd**  
**Statement of labor, depreciation and amortization by function**

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan dollars)

<div style="text-align: center;">Classification</div> <div style="text-align: center;">Nature</div>	For the year ended December 31,					
	2020			2019		
	Classified as cost of revenue	Classified as operating expenses	Total	Classified as cost of revenue	Classified as operating expenses	Total
Labor cost						
Salary and bonus – non-director employees	\$ -	\$ 38,149	\$ 38,149	\$ -	\$ 32,865	\$ 32,865
Director's remuneration	-	5,535	5,535	-	8,520	8,520
Labor and health insurance	-	2,279	2,279	-	2,545	2,545
Pension	-	2,908	2,908	-	1,618	1,618
Others	-	1,335	1,335	-	1,301	1,301
Depreciation	-	2,192	2,192	-	2,721	2,721

1. For the years ended December 31, 2020 and 2019, the number of employees of the Company were 38, in which 7 employees for both years ended, also acted as director of the Company.
2. The Company's average employee welfare expenses in 2020 and 2019 were \$1,441 thousand and \$1,236 thousand, respectively, the average employee salary expenses were \$1,231 thousand and \$1,060 thousand, respectively and the average employee salary expenses increased by 16.13%.
3. The salary and remuneration policy of the Company

According to the Articles of Association, Article 28 of the Company, if the Company makes a profit during the year, it shall allocate no less than 1.5% for employee remuneration and no more than 2% for directors' remuneration. In addition to the basic salary, the Company shall pay bonuses according to the operating conditions of the Company to motivate employees and retain outstanding employees. The

annual salary adjustment is based on the employee's grade and performance appraisal and with reference to the salary level of the industry. The Company should pay a monthly remuneration to the independent directors of the Company, which is reviewed by the remuneration committee and determined by the board of directors. The remuneration of managers shall be determined by the board of directors in accordance with the statutory procedures and rules of the Company's remuneration committee.

**6. Financial Difficulties of the Company and Its Subsidiaries in the Latest Year and as of the Annual Report Publication Date, and the Impact on the Financial Status of the Company:** None.

## 【Review of Financial Conditions, Operating Results, and Risk Management】

### 1. Financial Status

Comparative analysis table of financial status in the last two fiscal years (consolidated reports):

Unit: NT\$1,000

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	8,433,839	4,985,390	3,448,449	69%
Non-current assets	197,027	164,339	32,688	20%
<b>Total assets</b>	<b>8,630,866</b>	<b>5,149,729</b>	<b>3,481,137</b>	<b>68%</b>
Current liabilities	2,220,003	1,765,918	454,085	26%
Non-current liabilities	10,305	12,328	(2,023)	-16%
<b>Total liabilities</b>	<b>2,230,308</b>	<b>1,778,246</b>	<b>452,062</b>	<b>25%</b>
Capital stock	5,207,525	2,707,525	2,500,000	92%
Capital reserve	658,613	9,141	649,472	7105%
Retained earnings	281,438	400,161	(118,723)	-30%
Other equity	560	(3,789)	4,349	-115%
Treasury stock	0	0	0	0
Non-controlling equity	252,422	258,445	(6,023)	-2%
<b>Total equity</b>	<b>6,400,558</b>	<b>3,371,483</b>	<b>3,029,075</b>	<b>90%</b>
1. The increase in current assets in this period is mainly due to the cash capital increase payment which resulted in cash inflow and the purchase of land for construction. 2. The increase in current liabilities is mainly due to the increase in payables for land in this period. 3. The increase in share capital and capital surplus is mainly due to the cash capital increase in the is period.				



## 2. Financial Performance

### (1) Comparative analysis table of financial performance in the last two fiscal years (consolidated reports):

Unit: NT\$1,000

Item \ Year	2020	2019	Difference (Amount)	Difference (%)
Net operating income	87,377	10,170	77,207	759%
Operating cost	61,950	1,905	60,045	3152%
Gross profit	25,427	8,265	17,162	208%
Operating expense	89,370	76,216	13,154	17%
Operating profit/loss	(63,943)	(67,951)	4,008	-6%
Non-operating income and expenditure	(30,717)	(5,898)	(24,819)	421%
Pre-tax net profit/loss	(94,660)	(73,849)	(20,811)	28%
Income tax expense	1,008	1,445	(437)	-30%
After-tax net profit/loss	(95,668)	(75,294)	(20,374)	27%
Net profit/loss of the current period	(95,668)	(75,294)	(20,374)	27%
Notes:				
1. The increase in operating revenue in this period is mainly due to the income from the sales of house and land which increased the gross profit.				
2. The increase in non-operating expenses is mainly due to the increase in losses on financial assets at fair value through profit or loss in the period.				

### (2) Analysis of gross profit changes

Unit: NT\$1,000

	Amount of increase/decrease in the current and the previous periods	Difference reason			
		Price difference	Cost difference	Sale portfolio difference	Volume difference
Gross profit	17,162	--	--	--	--
Description	1. The Company is a land development company and the reasons for calculation differences do not apply due to the characteristics of the industry. 2. The increase in operating revenue in this period compared to the previous period increased the gross profit.				

### 3. Cash Flow

#### (1) Liquidity analysis for the last two fiscal years

Unit: NT\$1,000

Item \ Year	2020	2019	Increase/decrease (%)
Cash flow ratio (%)	--	--	--
Cash adequacy ratio (%)	31.33	414.30	-92%
Cash reinvestment ratio (%)	(0.42)	(2.39)	82%
Analysis of changes: Cash flow ratio: It is the cash outflow of operating activity in the current period, so it is not analyzed. Cash adequacy ratio: The decrease is mainly due to the decrease in net cash inflow from operating activities Cash reinvestment ratio: The increase is mainly due to the decrease in the distribution of cash dividends in this period compared to the previous period			

#### (2) Cash liquidity analysis for the next year:

Unit: NT\$1,000

Beginning cash balance (1)	Cash flow from operating activities expected in the whole year (2)	Cash inflow (outflow) expected in the whole year (3)	Amount of cash balance (shortage) (1)+(2)-(3)	Cash shortage contingency plan	
				Investment Plan	Financing plan
1,842,842	(5,165,613)	3,494,660	171,889	--	Cash capital increase
Analysis of changes in cash flow in 2021: Operating activities: Result of the purchase of land and investment in the development of new projects. Financing activities: It is estimated to increase capitals by cash.					

#### 4. Impact of Major Capital Expenditure in the Current Year on Financial Status: None.

#### 5. Re-investment Policy in the Current Year, the Main Reason for Profit or Loss, Improvement Plan and Investment Plan for the Next Year:

To save construction costs and monitor the quality of construction projects, the Company purchased shares of a construction company in 2021 and renamed it Huajian Construction Co., Ltd. It became a wholly owned subsidiary of the

Company and its main business is the EPC tenders for the Company's new construction projects.

## 6. Analysis and Assessment of Risk Issues:

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

#### The effect upon the Company's profits (losses)

Item	2020(NT\$1,000; %)
Net amount of interest income (Expenditure)	(16,971)
Net amount of exchange gain(loss)	(4,448)
Ratio of interest income (Expenditure) to net operating income	(19.42%)
Ratio of interest income (Expenditure) to pre-tax net profit/loss	17.93%
Ratio of net interest income and expenses to total assets	(0.20%)
Ratio of exchange gain(loss) to net operating income	(5.09%)
Ratio of exchange gain(loss) to pre-tax net profit/loss	4.70%
Ratio of net profit and loss on exchange to total assets	(0.05%)

#### 1. Impact of changes in interest rate on the Company's profits and losses and future response measures

The Company has good credit and is a popular client for major banks and cooperatives. The current liabilities and liability ratios are lower than that of competitors. The Finance Department evaluates changes in interest rates based on the financing information of banks and requests banks to provide the most favorable interest rate for business transactions with the Company. The measures have been effective in reducing interest expenses for the Company.

#### 2. Impact of changes in exchange rate on the Company's profits and losses and future response measures:

The Company is a real estate development company and provides services to the domestic market. The regular payments are mainly in NTD and exchange rate fluctuations have no significant impact on the Company.

#### 3. Impact of inflation on the Company's profits and losses and future response measures

Inflation in Taiwan has been moderate and stable in recent years. With the recovery of the global economy, international demand for raw materials has rebounded and prices continued to rise, which creates mounting risks of

inflation. However, as people regard real estate as assets that retain value and as sales on the market stabilized, the costs can be offset by sales price and we have been able to maintain profitability. Therefore, inflation has no significant impact on the Company's profit and loss.

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

**1. High-risk and highly leveraged investments**

The Company has not conducted any high-risk or highly leveraged investments.

**2. Loans to others**

The Company established the "Procedures for Extending Loans to Others" which were passed in resolutions of the Board of Directors and shareholders' meeting and used as the basis for the Company's related transactions. The Company has not lent funds to others in the most recent fiscal year up to the publication date of the Annual Report.

**3. Endorsements and guarantees**

The Company established the "Procedures for Endorsements and Guarantees" which were passed in resolutions of the Board of Directors and shareholders' meeting and used as the basis for the Company's related transactions. The Company has not provided endorsements and guarantees to others in the most recent fiscal year up to the publication date of the Annual Report.

**4. Derivative trading**

The Company established the "Procedures for Acquisition or Disposal of Assets" which included related regulations on derivative trading. They were passed by the Board of Directors and shareholders' meeting and used as the basis for the Company's related transactions. The Company has not engaged in any derivatives trading in the most recent fiscal year up to the publication date of the Annual Report.

**(3) Research and development work to be carried out in the future, and further expenditures expected for research and development work:**

The Company is engaged in the construction industry. Since the industry doesn't require the development of new products like general manufacturing industry or other industries do, it has no expenditure for research and development.

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

Real estate is closely connected to the economic cycle and heavily influenced by the general economic and financial environment. Taiwan's real estate cycles in the past decade have been affected by changes in laws and regulations with significant impact on the real estate transaction volume. Government policies are also an important factor for the industry. To solve the problem of rapid increase in housing prices in metropolitan areas in Taiwan, the government has introduced measures to curb speculation in the housing market and contain the rapid rise in housing prices.

Although changes in laws and regulations often reduces the transaction volume in the housing market, its main purpose is to counter the actions of investors who seek to own the properties for a short period of time and reduce real estate speculation. Therefore, the amendments of related real estate regulations will support the long-term development of the real estate industry. The Company operates in compliance with the relevant laws and regulations and pays close attention to the changes in government policies and laws in order to respond to potential impact on the real estate industry. We actively start planning after land purchases, and rigorously monitor the progress of construction projects and case schedules to maintain the Company's overall competitiveness. There has been no significant adverse impact on the Company's financial conditions due to significant changes in domestic and foreign policies and changes in laws in the most recent year.

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

The Company main businesses include the commissioned construction of commercial buildings and the lease and sales of public housing units. When designing individual projects, the Company adopts the latest building technologies to reduce construction time and uses new high-tech products in individual cases to make products more attractive. The Company's land development personnel have a professional and keen sense of the market. They obtain industry information from a variety of sources to monitor development trends. They actively seek land with potential for investment and development. Therefore, the changes in technologies and the industry as of the publication date of the Annual Report have had no

significant adverse impact on the Company's financial and business operations.

**(6) Effect on the company's crisis management of changes in the corporate image, and measures to be taken in response:**

The Company upholds the business philosophy of "cultivating spaces and caring for the land", and implements corporate governance based on the values of integrity, accountability, and compliance with laws. As of the publication date of the Annual Report, the Company has not been subject to any change in corporate image that incurred a crisis in business management.

**(7) Expected benefits and possible risks associated with any merger or acquisition, and mitigation measures to be taken:**

The Company doesn't perform acquisition in the most current year and as of the Annual Report publication date.

**(8) Expected benefits and possible risks associated with any plant expansion, and mitigation measures to be taken:**

The Company doesn't perform any plant expansion in the most current year and as of the Annual Report publication date.

**(9) Risks associated with any consolidation of sales or purchases, and mitigation measures to be taken:**

As the Company is a real estate developer, the suppliers consist of landowners and construction companies. The Company's purchase of land for construction is based on the Company's internal consultation and evaluation and we select land with development value on the market. Since there are numerous and dispersed sources for land purchases, there is no risk of concentration of supply or interruption of supply shortage. For the construction contracts, the Company compares companies and prices and selects companies with abundant experience in construction and sufficient capital to take on the projects. We could also select the Company's subsidiary Huajian Construction Co., Ltd. for construction. To effectively control the quality and progress of the projects, the Company specifies relevant regulations in the contracts and maintains good partnerships with contractors. Therefore, the Company does not face risks in concentrated procurements due to the abundant supply of construction companies.

The Company sells products to the general public and does not face risks in

concentrated sales.

**(10) Effects of risks relating to large share transfers or changes in shareholdings by directors, supervisors, or shareholders with shareholdings of over 10%, and measures to be taken:**

The Company's capital cash increase in 2020 caused changes in the shareholder structure but had no significant impact on the Company.

**(11) Effect on the Company as well as risks associated with any change in management officers or top management:**

The Company organized an election of all Directors in the shareholders' meeting on June 23<sup>th</sup>, 2020, which changed the management rights. The newly appointed management team has several years of experience in related industries and has strong professional experience. They actively develop business operations and has led the Company in the development of projects in Taoyuan and Taichung that benefit the Company. They ensured effective allocation of resources and positive effects for the operations of the Company and subsidiaries.

**(12) Litigation or non-litigation matters as of the Annual Report publication date:**

Refund case (High Court-2020 Xiao Shang Zi No. 1)

(1) Plaintiff: Lin ○○

(2) Fact: The plaintiff claimed to cancel the contract and return the house payment on the grounds that some public properties (facilities) of 【Delpha Reading Green Life Tianqin Special Zone】 that he purchased from the Company breached by laws

(3) It is pending in High Court.

**(13) Other important risks:**

**Information security:**

The Company controls or maintains the important functions of the information system such as operation and accounting based on the Information Management Regulations approved by the Board of Directors in the Company. The computers are installed with anti-virus software and firewall to ensure the security of the computer systems in the Company. The information system architecture establishes a complete system and data backup mechanism based on its risk level, and the backups are stored in a safe location remotely.

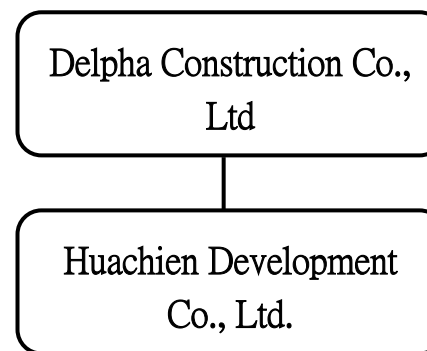
**7. Other Important Matters:** None

## 【Special Disclosures】

### 1. Summary of Affiliated Companies

#### (1) Consolidated Operation Report of the Affiliates

##### 1. Organizational chart of affiliates



58.36%

Date: 2020/12/31

##### 2. Basic data of affiliates:

Unit: NT\$1,000; Date: 2020/12/31

Name of company	Date of incorporation	Address	Paid-in capital (NT\$1,000)	Major businesses or products
Huachien Development Co., Ltd.	1998/06/23	16F, No. 460, Section 5, Chenggong Road, Neihu District, Taipei City	312,015	Development, lease and sale of houses and buildings

- All affiliates should be disclosed (including the presumptive controlled and affiliated companies)
- If the plant is set up by the affiliate, and the sales volume of the products produced by that plant exceeds 10% of the revenue of the controlling company, it should also list the related data of the Company.
- If any affiliate is a foreign company, it should be listed in English, calendar year and foreign currency (The exchange rate on the report date should be specified).

3. For the presumptive controlled and affiliated companies, the same data of the directors: None.



#### 4. Directors, Supervisors and General Manager of Affiliates

Unit: share; %; Date: 2020/12/31

Name of affiliate	Title (Note 1)	Name	Name or representative	Shareholding (Note 2)(Note 3)	
				Shares	Percent
Huachien Development Co., Ltd.	Chairman	Cheng, Ssu-Tsung	Delpha Construction Co., Ltd	18,207,735	58.36%
	Director	Wu, Yu-Guo			
	Director	Wang, Ying-Quan			
	Director	Hsu, Kai	Hongyu Construction Co., Ltd	9,606,830	30.79%
	Director	Chen, Jing-Xin			
	Supervisor	Lin, Po-Fong		0	0%

Notes: 1. If the relationship company is a foreign company, it should list the equivalent position.

2. If the invested company is not a holding company, it should fill in the shares and percent of shareholding.

3. When the director or supervisor is a company, it should also list the related data of the representatives.

#### 5. Operations of the affiliates:

Unit: NT\$1,000; Date: 2020/12/31

Name of company	Amount of paid-in capital	Total amount of assets	Total amount of liabilities	Net value	Operating income	Operating profit	Profit (loss) of the current term (after tax)	EPS (after tax)
Delpha Construction Co., Ltd	5,207,525	7,655,581	1,507,445	6,148,136	79,624	(62,545)	(89,645)	(0.32)
Huachien Development Co., Ltd.	312,015	1,318,887	722,870	596,017	7,782	(1,397)	(14,465)	(0.46)

(1) All affiliates should be disclosed.

(2) If the relationship company is a foreign company, it should list the related figures in NT\$ converted based on the exchange rate on the report date.

6. If the industries and overall businesses engaged by the affiliates are correlated, list the labor division situation

Unit: NT\$1,000

Name of company	Industries covered by the businesses	Business relationship	Business partner	Amount	Reason for business relationship	Remarks
Delpha Construction Co., Ltd	Construction industry	None	None	None	None	
Huachien Development Co., Ltd.	Development, lease and sale of houses and buildings	None	None	None	None	

**2. Transaction on the company's private placement of securities in the most recent year and as of the Annual Report publication date:**

The Company's Board of Directors passed the proposal for the private placement of ordinary shares on April 15<sup>th</sup>, 2021, and plans to carry out the private placement after obtaining approval in the 2021 shareholders' meeting.

**3. Holding or disposal of company shares by the Company's subsidiaries in the most recent year and the Annual Report publication date:**

None.

**4. Other matters that require additional description:** None.

**5. Matters Stated in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act, Specifying Their Substantial Impact on Owner's Equity:** None.