



潤隆建設股份有限公司

RUN LONG CONSTRUCTION CO., LTD.

**2020**

**Annual Report**

**Printed on April 12, 2021**

Inquiry Link: <http://mops.twse.com.tw> MOPS

<http://www.runlong.com.tw>.

- Names, positions, contact numbers and e-mail addresses of spokesperson and acting spokesperson:  
Spokesperson: Chiu, Ping-Tse, Vice President  
Contact No.: (02) 8501-5696  
Email: [service@runlong.com.tw](mailto:service@runlong.com.tw)  
  
Acting Spokesperson: Lu, Chia-Yin, Manager  
Contact No.: (02) 8501-5696  
Email: [service@runlong.com.tw](mailto:service@runlong.com.tw)
  
- Addresses and Telephone Numbers of Headquarters:  
Address: 8F, No. 267, Lequn 2nd Rd., Zhongshan District, Taipei City  
Tel.: (02) 8501-5696
  
- Name, address, website and telephone number of stock transfer agent and registrar:  
Name: Capital Securities Co., Ltd.  
Address: Basement Level 2, No. 97, Dunhua S. Rd., Daan District, Taipei City 10601  
Website: [agency.capital.com.tw](http://agency.capital.com.tw)  
Tel.: (02) 2702-3999
  
- Names of the CPAs who duly audited the annual financial report for the most recent fiscal year, and the name, address and telephone number of said person's accounting firm:  
Names of CPAs: Yi-Lien Han and Ti-Nuan Chien  
Name of Accounting Firm: KPMG Taiwan  
Address: 68F, No. 7, Xinyi Rd., Sec. 5, Taipei City  
Website: <http://www.kpmg.com.tw>  
Tel.: (02) 8101-6666
  
- Name of any exchanges where securities are traded offshore, and the method by which to access information on said offshore securities: None
  
- Company website: <http://www.runlong.com.tw>

# Table of Contents

One. Letter to the Shareholders .....	1
I. Operating results of the previous year:.....	2
II. Summary of the operating plans for the current year .....	5
III. Future development strategies, impact posed by external competition, the regulatory environment and the overall business environment.....	6
Two. Company Profile .....	8
I. Date of Establishment.....	8
II. Company History.....	8
Three. Corporate Governance Report.....	11
I. Organization System.....	11
II. Information of directors, supervisors, president, vice presidents, associates, department and branch directors .....	14
III. Remuneration of directors, supervisors, president, and vice presidents in latest year.....	21
IV. Implementation of Corporate Governance .....	27
V. CPA public fee information.....	62
VI. CPA Replacement Information.....	63
VII. Where the Company’s chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPAs or at an affiliated enterprise of such accounting firm, the name and position of the person and the period during which the position was held shall be disclosed. ....	63
VIII. In the most recent fiscal year and up to the date of publication of the annual report, the directors, supervisors, managers and shareholders holding more than 10% of the equity transfer and equity pledge changes.....	64
IX. Shareholders who account for the top ten shareholders, and their relationships with each other .....	65
X. The number of shares held by the Company, the Company’s directors, supervisors, managers and the companies directly or indirectly controlled by the Company in the same investment business, and combined to calculate the comprehensive shareholding ratio.....	66
Four. Capital Overview .....	67
I. Capital and Shares .....	67
II. Status of shareholders .....	70
III. Shareholding distribution status .....	70
IV. Names of major shareholders .....	71
V. Market price, net worth, earnings, and dividends per share for the two most recent years.....	72
VI. Company dividend policy and implementation status.....	73
VII. Impact on the Company’s operating performance and earnings per share of the bonus shares proposed at this shareholder meeting .....	74

VIII. Compensation of employees and directors .....	74
IX. Buyback of treasury stock of the company.....	75
X. Corporate bonds.....	76
XI. Preferred shares .....	82
XII. Global depository receipts .....	82
XIII. Employee share subscription warrants. ....	82
XIV. New restricted employee shares. ....	82
XV. Issuance of new shares in connection with mergers and acquisitions .....	82
XVI. Financial plans and implementation .....	83
Five. Operational Highlights .....	84
I. Business Activities .....	84
II. Market and Sales Overview.....	88
III. Employee information in the two most recent fiscal years and up to the date of publication of the annual report.....	95
IV. Environmental Protection Expenditure.....	95
V. Labor Relations.....	96
VI. Important Contracts .....	99
Six. Financial Profile .....	101
I. Condensed balance sheet, comprehensive income statement and audit opinion of CPAs in the five most recent years .....	101
II. Financial Analysis in the Past Five Years .....	106
III. Audit Committee’s review report on the latest financial report .....	112
IV. For the financial statements of the most recent year. ....	113
V. Parent company-only financial statements audited by CPAs of the most recent year.....	113
VI. If the Company and its affiliates have experienced financial difficulties in the most recent fiscal year and up to the date of publication of the annual report, the annual report shall explain how said difficulties affect the Company’s financial situation .....	113
Seven. Review and Analysis of Financial Status and Business Results and Risk Issues .....	114
I. Financial Status.....	114
II. Financial Performance .....	115
III. Cash flow .....	117
IV. Impact of major capital expenditure on the financial status in the most recent year.....	118
V. Reinvestments in the most recent year .....	118
VI. Risks in the most recent fiscal year and up to the date of publication of the annual report .....	118
VII. Other important matters.....	123
Eight. Special Notes .....	124
I. Information about the Company’s Affiliates .....	124

II.	Private securities in the most recent year and up to the date of publication of the annual report.....	133
III.	Holding or disposal of the Company’s shares by affiliates in the most recent year and up to the date of publication of the annual report.....	133
IV.	Other Necessary Supplementary Notes .....	133
V.	Occurrence of any of the situations listed in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act which might materially affect shareholders’ equity or the price of the Company’s securities during the most recent fiscal year and up to the date of publication of the annual report.....	133
	Attachment: 2020 Consolidated Financial Statements .....	134
	Attachment: 2020 Parent Company-Only Financial Statements .....	199

## One. Letter to the Shareholders

Dear Shareholders,

Thank you all for being here with us. On behalf of Run Long, I would like to express my sincere gratitude for your support over the past year!

At last, 2020 has come to an end! Time Magazine, published on December 5, 2020 has marked the troublesome year. The world was hit by the COVID-19 pandemic and extreme climate disasters, including floods and wildfires, with a cover depicting a red “X” and declaring it as the “worst year ever.” The outbreak in Taiwan was relatively well-controlled compared to most countries around the world, and the achievements of the nation were highly recognized worldwide. Moreover, the internationally acclaimed magazine, The Economist, ranked Taiwan as one of the most-improved countries in 2020, and although Malawi took the crown, Taiwan’s visibility has increased considerably.

At the beginning of 2020, the lives of ordinary Taiwanese were put on hold, however, “normality” returned in the middle of the year, and the “recovery” was the envy of many countries. Thanks to the remarkable achievements, both foreign investors and Taiwanese businessmen remained upbeat and have been putting substantial investments in the country. As a result, Taiwan’s stock exchange reached new highs with a GDP growth of 2.98%. Taiwan is one of the few countries around the globe that can still open a professional baseball season and hold large-scale concerts as well as arts and cultural events. Owing to these successes, Taiwan’s real estate market continues to maintain its popularity. Due to the fact that a large number of people were buying houses in the second half of 2020, it caught the attention of the Executive Yuan. The Executive Yuan proposed measures to curb housing speculation and financial control measures, including Housing Justice 2.0 and the control of speculation in the red list of pre-sale houses. However, given such circumstances, the housing market's cash flow and low-interest rate environment will not change in the near future. With the support of strong demand and the momentum of property purchase, the market should not be affected by the central bank’s policy to combat speculation.

Looking forward to 2021, with the introduction of the vaccine further boosting the economy, there is still a possibility for a resurgence of the pandemic before herd immunity is reached. There is no answer as to when the pandemic will end and when people will be allowed to travel overseas. With local cases being found in Taiwan in January this year, a future outbreak and economic outlook are uncertain. Nevertheless, given that the world is still in the quantitative easing trend, the real estate market with high value and stable investment returns still hold a certain degree of attraction in the process of decapitalization. Hence, the housing market in 2021 will remain “cautiously optimistic.”

At the end of 2020, the government took action to regulate and control the market and eliminate short-term speculation, possibly affecting buyers’ confidence in the short term. However,

it is possible to combat speculative demand and prevent the housing market from being overheated in the long run, which will allow the market to rebound and thrive further and for longer. At present, Taiwan's market is still dominated by the demand for self-occupied homes. Nevertheless, with ultra-low interest rates, the capital market and overseas businessmen returning to Taiwan for investment, there is now more willingness to buy properties. In terms of product portfolio, "small houses," "small houses with 2 rooms" and "houses with 2+1 rooms," or "small luxury houses" aimed at upper-class groups are still the mainstream of the housing market. At Run Long, we center on small luxury apartments for first-time buyers. Not only can these properties be lived in by the owners, they can also be rented out for investment. These apartments are more refined in terms of product design, building materials and utility planning.

In recent years, we have been proactively introducing our projects in major metropolitan areas around Taiwan. In 2020, we introduced the "Shicheng Run Long" in Taoyuan and the "Shicheng Aiyue" in Taichung, which have been proven relatively popular. Also, the remaining apartments in the "NTC National Trading Center" in Taichung and the "Jinxin Wenhui" and pre-sales of the "Bokelai Park" in Banqiao, the "Run Long (Jinai NO2)" in Tainan, the "Yuechen" the "Wenhua Run Long" and the "Shuhoyuan" in Kaohsiung have all achieved good results.

In 2021, we will strive to eliminate our remaining houses while focusing on apartments for first-time buyers. At present, the projects we are planning and expecting to launch are situated in De'an (Keelung), Wanfang in Wenshan District (Taipei), Yuantong in Zhonghe District (New Taipei city), and Qingsheng Section (Taoyuan).

Finally, I would like to thank all of our colleagues for their efforts. With the completion and handover of the "Shicheng Run Long" in Taoyuan in June 2020, and the "Yuechen" in Kaohsiung in December 2020, and projects due to be completed and handed over to the owners in 2021, including the "Bokelai Park" in Banqiao, the "Run Long(Jinai NO2)" in Tainan, and the "Wenhua Run Long" in Kaohsiung, the Company's revenue grew remarkably throughout the year. In the future, we will continue to uphold our management principle of pragmatic and steady business approach, hoping to maintain stable revenue while at the same time pursuing regular profitability for our shareholders. The operating results of 2020 and the business outlook of 2021 are reported as follows:

I. Operating results of the previous year:

(I) Implementation result of the 2020 business plan:

- (1) In 2020, the Company's consolidated net operating revenue totaled NT\$7,656,236 thousand, an increase of NT\$3,457,580 thousand from NT\$4,198,656 in 2019, representation a growth rate of 82.35%.
- (2) In 2020, the Company's consolidated net income before tax totaled NT\$210,030 thousand, a decrease of NT\$531,714 thousand from NT\$741,744 thousand in 2019.

(3) To sum up, the Company's net income before tax was lower in 2020 mainly due to the Company's effort to eliminate remaining houses by selling them at a discount. Even though sales were achieved according to the plan, net before tax still decreased compared to 2019.

(II) Budget implementation status:

In accordance with the "Regulations Governing the Publication of Financial Forecasts of Public Companies," it is not necessary for the Company to prepare financial forecasting for 2020.

(III) Analysis of financial income and expense and profitability:

(Expressed in Thousands of New Taiwan Dollar)

Item		Year	2020	2019
Financial income and expenses	Net operating income		7,656,236	4,198,656
	Gross profit from operations		1,016,928	517,128
	Profit after tax		117,248	655,920
Solvency	Current ratio (%)		139.74	189.70
	Quick ratio (%)		33.17	42.46
Profitability	Return on assets (%)		1.4	3.59
	Return on equity (%)		2.21	10.22
	Operating profit to paid-in capital ratio (%)		10.93	-2.50
	Pre-tax net profit to paid-in capital ratio (%)		5.67	24.05
	Net profit rate (%)		1.53	15.62
	Earnings per share(NT\$)		0.32	1.77

Note: Consolidated information of the Company and its subsidiaries.

(IV) Status of research and development:

(1) Architectural planning and design:

- ①. The residential building is designed for first-time buyers and home exchangers. In terms of design space, the apartments are divided into 2 or 3 rooms using safe and healthy building materials. We value the needs of users in a bid to achieve both aesthetics and practicality.
- ②. By working with renowned architectural teams from Taiwan and abroad, the design and planning for high-end residential buildings target upper-class first-time buyers and home exchanges. Smaller apartments can also become the benchmark buildings in the region.



- ③. The ideas of “green building” and “smart living space” will be combined. Using the green building as the foundation, we will introduce the application of smart high-end technology that meets the needs of a rapidly changing market.
- ④. In the design and planning stages, the visual communication platform of the 3D modeling software "Building Information Modeling" (BIM) is used. By taking this approach, we can facilitate horizontal and vertical communication, coordination and integration among design, construction and user units to improve efficiency as well as quality.
- ⑤. Due to the effects of the pandemic outbreak, “epidemic-proof building materials” are the trend for future projects. Public spaces and homes will be upgraded with epidemic-proof building materials.

(2) Construction and management:

- ①. The 3D modeling software “BIM” will be used to review the project interface, resolve conflicts to achieve accurate construction standards, and improve deficiencies of traditional construction management, reducing overall construction costs.
- ②. As there is a shortage of manpower for traditional technology, we will do our utmost to research and develop methods or adjust the process to reduce the traditional wet construction mode so as to decrease environmental pollution (e.g. the possibility to grout wall tiles instead of reinforced concrete walls, dry flooring instead of floor tiles, etc.).
- ③. By using aluminum formwork to replace traditional formwork, construction waste can be reduced, construction quality improved. As it can be reused, the long-term operating costs will also be reduced.
- ④. To enhance the quality of a quiet living environment, not only can sound insulation and noise reduction measures be implemented, public facilities such as swimming pools that generate noise can also be installed with noise reduction devices.

(3) Market research and development:

- ①. The Group’s official “House Appreciate Platform” has been launched with the website divided into sections including “News,” “Properties,” “Fashion & Taste,” “ArchCollege,” “Brands” and “Hot Events.” We provide information on the Group's latest projects in Taiwan so that consumers can get hold of the latest information and services available.
- ②. We will continue to operate in the mainstream residential building market, focusing on homeownership and home exchange needs to meet the market demand. We will also strive to improve our after-sales services and quality control

processes to gain recognition from home buyers and increase our brand awareness.

- ③. As we are not yet in the digital social era, the Company has launched online issue-specific digital videos. By integrating our brand principles into the videos, we can capture the hearts and minds of home buyers while gaining recognition from target consumers.

## II. Summary of the operating plans for the current year

### (I) Operating Policy

1. Continue to plan high-quality products with precise positioning and flexible sales strategies to meet customer needs.
2. Ensure the quality of each construction project with a system combining construction and building.
3. Have projects become regional indicators with high-quality environments, exquisite public facilities and low down payment thresholds.
4. Give full play to the functions of design material selection and construction management to achieve the objectives of product refinement, cost control and shortening of the construction period.
5. Perfect after-sales service to increase customers' trust in the Company, enhance the Company's future sales performance, and establish brand image and reputation.
6. Continue to seek various possibilities for land development, and actively expand reserves of high-quality locations and land resources.

### (II) Forecasted sales volume and the basis

1. Projects expected to be completed and under construction this year:  
The projects expected to be completed this year include "Bokelai Park" in Banqiao, New Taipei City (completed), "Run Long (Jinai NO2)" in Tainan, and "Wenhua Run Long" in Kaohsiung. The projects under construction include "De An" in Keelung, "Wenshan Wanfang" in Taipei, "Zhongli Chinsheng" in Taoyuan, "Juke Run Long" in Hsinchu, and "Shicheng Aiyue" and "Shuhoyuan" in Taichung.
2. New projects expected in this year:  
"De An" in Keelung, "Wenshan Wanfang" in Taipei, and "Zhongli Chinsheng" in Taoyuan, among other projects.
3. Other remaining units for sale include "Kuobin Dayuan" in Xindian, New Taipei City; "Chungyen A+" in Xizhi, New Taipei City; "Bokelai Park" in Banqiao, New Taipei City; "Kuobin Yiton" in Wenshan District Taipei City, "Kuobin Kuandi" in Neihu, Taipei City, "Shicheng Run Long" in Taoyuan, "Kuobin Dayue" in Hsinchu, "Taichung Dibao" and "NTC National Trading Center" in Taichung, and "Yuechen" in Kaohsiung; the goal is to eliminate all the remaining units.

### (III) Important production and marketing policies

1. In terms of product planning, the main products are self-occupied units for first-time buyers and home replacement buyers. The planning and construction of individual projects will be strengthened based on the location of each individual project, in order to establish brand continuity and increase customers' willingness to change or purchase homes.

2. Establish appropriate pricing, sales channels and advertisement strategies pertinent to the characteristics of products, supervise the meeting of the targets of each sales scheme and closely monitor market trends to allow flexible adjustment, in order to facilitate project development and maximize performance.
3. Product features tend to be diversified, increasing requirements for smart buildings, humanized residences, green buildings, environmental protection, barrier-free spaces, and medical care.
4. A 100% invested subsidiary (Chin Chun Construction Co., Ltd.) may effectively supervise the quality of projects, control the construction progress, handle the construction costs, and continue to pursue novel high-tech, high-efficiency technologies, enrich professional knowledge, and strive for quality and service improvement.
5. The product positioning and construction planning of projects that are yet to be developed must be responsive to the demand in the housing market and changes in the economic environment. The Company shall seek to meet its targets for improving its products, services, safety and active development.
6. Save inventory management costs and actively dispose of remaining units.

### III. Future development strategies, impact posed by external competition, the regulatory environment and the overall business environment

#### (I) Expected sales and its basis

In recent years, the Company has successively launched the sales of suitable products in areas with more rigid demand for self-occupation throughout Taiwan, and has been more actively looking for potential areas for land purchase and development.

Currently, the Company is optimistic about emerging areas such as Wenshan District in Taipei City, Zhonghe District in New Taipei City, and Zhongli District in Taoyuan City. The Company will successively obtain construction permits and prepare to launch pre-sales, mainly for first-time buyers of houses and the petite bourgeoisie. Demand is the core of planning.

#### (II) Impact posed by external competition and the regulatory environment

In 2020, the six major cities generally benefitted from the return of Taiwanese businesspeople resulting from the Sino-US trade war, which led to domestic investments, exports and private consumption to exceed expectations. The transaction volume and price index of Taiwan's entire housing market rose across the board, but the best locations in cities where development density is high and lands with a large area where it is easy to build are difficult to obtain. As for regional performance, the central, middle and southern regions were stronger than Taipei and New Taipei City, and the second-tier cities and towns were more popular than the metropolises. Therefore, the development of land resources should be based on the holistic principles of high cost control, strong risk control capabilities, easy product planning, and good follow-up selling rates. Therefore, in regard to the Company's development projects, in addition to traditional land transactions, the Company continues to develop in the direction of diversification and cost control.

In today's environment where the overall cost of real estate acquisition is increasing, cost control is becoming increasingly difficult. Therefore, projects should still be based on region, type and flexibility. Approaches such as sales, joint construction, government tenders, urban renewal and renovation of unsafe and old buildings can all be evaluated for development. The products with construction permits are the first priority because it helps to shorten the development time, so that their profit can be accurately controlled. The establishment cycles are short-term (sales), medium-term (joint construction) and long-term (urban renewal and unsafe and old building renovation). Various development

projects in the city center, outskirts and outlying regions are combined to ensure project sources and maintain flexibility in capital deployment. For example, the Company's previous transactions in Zhongli District (A17), Taoyuan City and Xitun District, Taichung City; the government tender in Sanmin District, Kaohsiung City; the joint investment and construction project in Zhongshan District, Keelung City; the joint construction projects in the East District of Hsinchu City and Zuoying District of Kaohsiung City; and the urban renewal project in Zhonghe District, New Taipei City; these are all excellent development projects that cover different development types, different regions and different schedules. The Company is quite confident that they will become a good source of profit over the next few years.

### (III) The impact of the overall business environment


In 2020, amid the uncertainty of the out-of-control pandemic overshadowing the world, Taiwan's pandemic containment has been so effective and has thus become world-renowned. As a result, Taiwan's real estate market defied the headwind to grow, making Taiwan's real estate trajectory continue the technical upward trend. The real property prices in each county and city generally rose compared with the same period last year, and the overall housing market has continued the trend of "rising prices and increasing volumes".


In recent years, the domestic real estate market demands mainly focused on the rigid demands of self-occupation, and because currently small families and unmarried people are the majority, products are mainly planned for small and medium-size apartments with two to three rooms. Products with a low unit price, low total selling price, and low down payment have become the mainstream in the market. Supported by the rigid demands for self-occupation in the residential market and the impact of the COVID-19 pandemic, the Central Bank of Taiwan has cut interest rates significantly. In order to get a share of the market, various banks have successively launched a variety of preferential programs. Loan interest rates have become lower and lower, which has increased the confidence of potential buyers looking to change houses and shift from a wait-and-see stance to entering the market. In the future, first-time buyers and home-replacement buyers will become the two major mainstreams in the housing market.

In 2020, transactions on the real estate market for industrial land and commercial land continued to heat up. Although the Sino-US trade war has slowed down a bit, there is still a lot of capital from Taiwanese businesses returning, prompting the trading of office buildings in metropolitan areas to become more active. The commercial office and plant office markets not only have demands from the domestic corporate to replace old offices with new ones, but also benefit from the return of Taiwanese businesses. With the support of two forces of demand, the demand in the commercial real estate market is higher than the supply. In addition, with the advent of emerging industries and the Internet era, products such as smaller offices or shared offices with higher spatial mobility will gradually become mainstream.

In the future, the Company will continue to purchase high-quality land for diversified development. Other than residential land, commercial land will also be actively evaluated. The Company will target all of Taiwan to find potential areas for development, and launch high-quality products that meet market trends to increase the Company's market share.

Chairperson: 

Managerial Officer: 

Head of Accounting: 

## Two. Company Profile

I. Date of Establishment: January 10, 1977

### II. Company History

The Company was established in January 1977 pursuant to laws, and the shares were approved to be listed by the Taiwan Stock Exchange on August 3, 1994. The Company originally engaged in manufacturing, processing and trading of various ceramics, tiles, mosaics and artistic porcelain as its main business. Later, it successively developed the manufacturing and sales of industrial plastic products and communication engineering services. Since 2002, the Company has been actively transitioning into the environmental protection technology business, mainly engaging in the improvement and development of the treatment of incinerator bottom slag and its reuse. In 2004, the Company also ventured into real estate development and added the business of building residences by contracting to construction companies, and the lease and sale of commercial buildings. Major events in recent years are as follows:

Year	Description of Major Event
2004	January: Since transitioning into the environmental protection technology business and the technologies and performance have become stabilized, to cope with the domestic real estate boom, the Company entered into the construction business and purchased lands in the Ankeng Section of Xindian City, Taipei County, for investing in the construction of real estate for sale, as the new area for the overall operating goal.
	April: The general shareholder meeting resolved to change Company name from Guobin Ceramics Industry Co., Ltd. to Guobin Dadi Environmental Protection Enterprise Co., Ltd., and the approval letter for the Company's name change registration was obtained on April 20.
	April: The general shareholder meeting resolved to decrease the capital by NT\$300 million to offset the accumulated losses; meanwhile, a capital increase of NT\$300 million was conducted by private placement. It was approved by the Securities and Futures Commission on June 16. The paid-in capital became NT\$600 million after the capital decrease and increase through private placement.
	August: The Company moved from the 7F, No. 170, Nanjing E. Road, Sec 4, Taipei City, to 10F, No. 67, Guangfu S. Road, Taipei City. On August 18, it obtained the approval letter for the location change registration.
2005	November: The Environmental Technology Business and the Environmental Protection Department of the Taipei County Government signed the "Commissioned Treatment Program for Recycling of Bottom Slag".
2006	June: the AGM resolved to transfer surplus to increase capital by NT\$49.8 million; after the capital increase, the paid-in capital became NT\$649.8 million.
2007	June: The general shareholder meeting resolved to transfer surplus to increase capital by NT\$162.45 million; after the capital increase, the paid-in capital became NT\$812.25 million.
2008	June: The Company moved from 10F, No. 67 Guangfu S. Road, Taipei City, to 6F, No. 207-1, Sec 3, Beixin Road, Xindian District, New Taipei City. On June 27, the Company obtained the approval letter for the location change registration.
	June: The general shareholder meeting resolved to transfer surplus and employees' bonuses to increase capital by NT\$163.75 million; after the capital increase, the paid-in capital became NT\$976 million.
2009	June: The general shareholder meeting resolved to transfer surplus to increase capital by NT\$156.16 million; after the capital increase, the paid-in capital became NT\$1,132.16 million.
2010	June: The general shareholder meeting resolved to transfer surplus to increase capital by NT\$226.432 million; after the capital increase, the paid-in capital became NT\$1,358.592 million.
2010	June: 100% of the shares of the parent company Kauang Yang Investment Co., Ltd. were acquired by ChyiYuh Construction Co., Ltd.

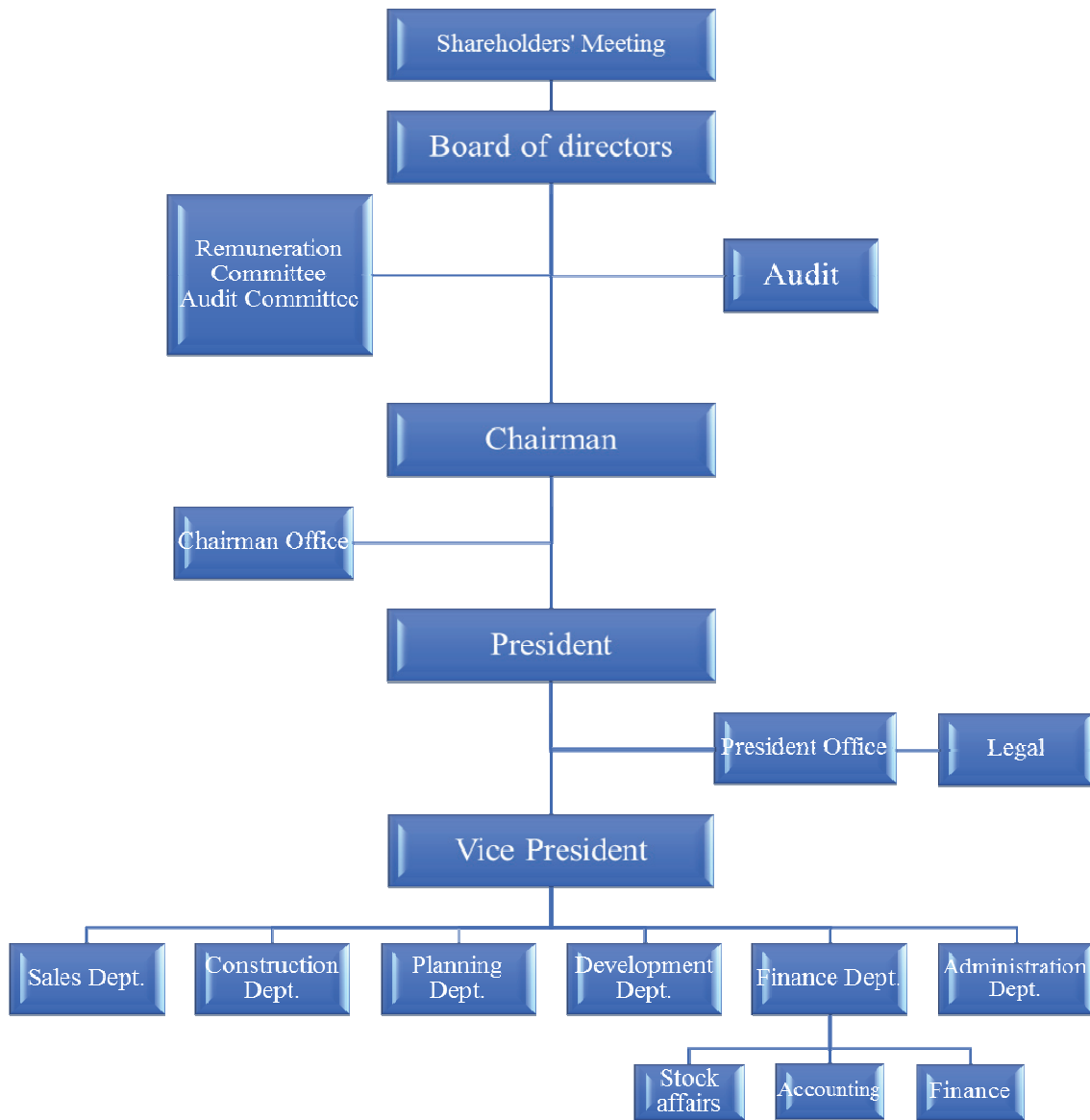
Year	Description of Major Event
	July: The Company moved from 6F, No. 207-1, Sec 3, Beixin Road, Xindian District, New Taipei City, to No. 220, Dechang St., Yingge District, New Taipei City. On July 15, the Company obtained the approval letter for the location change registration.
2011	January: The first batch of domestic secured convertible corporate bonds was issued for NT\$600 million.
	June: The general shareholder meeting resolved to rename the Company from Guobin Dadi Environmental Protection Enterprise Co., Ltd. to Run Long Construction Co., Ltd. On June 20, the Company obtained the approval letter for the Company's name change registration.
	October: The second batch of domestic secured convertible corporate bonds was issued for NT\$1 billion.
2012	January: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,364,844,040.
	April: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,422,325,180.
	July: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,437,237,120.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,446,006,430.
2013	January: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,446,342,980.
	April: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,446,991,390.
	September: The third batch of domestic secured convertible corporate bonds was issued for NT\$1.5 billion.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,765,970,150.
2014	April: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,770,088,750.
	July: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,773,809,370.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$1,850,088,640.
	December: The Board of Directors resolved to increase capital in cash through issuing 30,000,000 common shares with a face value NT\$10 per share for a total of NT\$300,000,000.
2015	March: Through the issuance of common shares for capital increase in cash, the paid-up capital registration approved by the MOEA was increased to NT\$2,150,088,640.
	August: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,150,261,950.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,158,501,990.

Year	Description of Major Event
2016	January: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,331,848,740.
	May: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,334,945,740.
	July: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,345,579,950.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,368,473,450.
2017	January: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,376,663,000.
	April: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,433,559,040.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,434,044,460.
2018	April: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,444,724,050.
	July: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$2,445,015,310.
	September: Acquired 100% stake of Chin Chun Construction Co., Ltd., a subsidiary of Highwealth Construction Corporation.
	October: Through the conversion of corporate bonds to common shares, the paid-in capital registration approved by the MOEA was increased to NT\$3,083,305,310.
2019	February: Dissolved the Environmental Technology Business Division.
	September: Disposed the lands and buildings of the Environmental Technology plants at Dechang Section, Yingge District.
2020	October: The shareholder meeting resolved to transfer the surplus and capital reserve for capital increase of NT\$616,661,060; the capital became NT\$3,699,966,370 after the capital increase.

### Three. Corporate Governance Report

#### I. Organization System

##### (I) Organizational Structure





(II) Major tasks of the functional committees under the Board of Directors

Functional committee	Major Tasks
Remuneration Committee	Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers. Evaluate and establish the remuneration of directors and managerial officers regularly.
Audit Committee	Establish or amend the internal control system pursuant to Article 14-1 of the Securities Exchange Act. Assessment of the effectiveness of the Company's internal control system. Establish or amend handling procedures for financial or operational actions of material significance pursuant to Article 36-1 of the Securities and Exchange Act, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others. Review matters bearing on the personal interest of directors. Review transactions involving material assets or derivatives. Review material loaning of funds, endorsements, or provisions of guarantees. Review the offering, issuance, or private placement of any equity-type securities. Evaluate and approve the hiring, dismissal or remuneration of an attesting certified public accountant. Appoint or dismiss financial, accounting, or internal auditing officers. Review the financial statements of the year. Any other material matter so determined by the competent authority.

(III) Work Description of Major Departments

Segment	Functions	
Chairman Office	<p>The formulation of the Company's long-term business development strategies.                      Supervising and verifying the effectiveness of the operation and execution of each business division.                      Planning and executing the operating strategies of each business division.                      Implementing resolutions of the Board of Directors</p>	
Audit	<p>Assisting management to formulate the design and planning of the internal control system.                      Implementing the execution and evaluation of the internal control system.                      Auditing execution and report preparation, and auditing deficiencies and tracking the follow-up improvements.                      Assisting in the implementation of internal control self-evaluation in various departments.                      Submitting audit reports and explanations to the Board of Directors, the Audit Committee, and independent directors periodically.</p>	
President Office	<p>Drafting of the Company's mid- and short-term business objectives, guidelines, and implementation policies.                      Integrating Company-wide regulations and comprehensive planning.                      The vertical and horizontal integration of the Company's various departments.                      Developing and planning of the Company's organization.                      Responsible for supervising the operating performance of each business division.                      Planning and implementing of public relations activities and media liaison related affairs.</p>	
President Office/ Legal	<p>Compiling the contents of the agreements, litigation documents and correspondence.                      Contract document reviewing, collection of laws and regulations, research on legal issues, collection of data, and filing.</p>	
Sales Dept.	<p>Responsible for market evaluation, selection of sales agencies, marketing planning, pre-sale execution, signing contracts with customer and collecting payments, handover and title transfer operations, convening management committee meeting, and customer consultation and services.</p>	
Construction Dept.	<p>Responsible for various project evaluations, construction monitoring, material acceptance, project outsourcing cost control, construction period control, quality control and after-sales warranty services.</p>	
Planning Dept.	<p>Coordinating architectural designs of projects, product planning and permit applications, etc.</p>	
Development Dept.	<p>Land development strategy recommendations and investment analysis and research, and environmental information collection.                      Comprehensive management of land purchases, joint venture land case signing, payment, transfer, tax payment and other matters.</p>	
Finance Dept.	Finance	<p>Funds deployment, financial analysis, receipts and payments, cashier and bank transaction processing.</p>
	Accounting	<p>General accounting matters; recording and review of related accounting documents; preparation, analysis and presentation of accounting statements and settlement accounts; taxation handling; annual budget preparation.</p>
	Stock affairs	<p>Various stock affair operations.                      Responsible for the preparation of meetings of the Board of Directors and functional committees, agenda administration, and related resources or assistance required for performing duties.                      Responsible for the planning and preparation of the shareholder meetings and related agenda operations.                      Assisting in the planning and execution of information disclosure operations.                      Assisting in planning matters related to corporate governance.</p>
Administration Dept.	<p>Planning the individual business of each department according to the work objectives and guidelines of the Company to reach the Company's mission requirements.                      Coordination of various computerization schedules and effects, recommendation and signing of various operation plans.                      Planning, design, management and security maintenance of soft- and hardware equipment.                      Responsible for manpower needs, personnel recruitment, salary, assessment, welfare and education and training.                      Responsible for the management of general affairs and service supplies.</p>	

II. Information of directors, supervisors, president, vice presidents, associates, department and branch directors

(I) Information of Directors and Supervisors

April 12, 2021

Job Title	Nationality/Place of Incorporation	Name	Gender	Date Elected	Term (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within the Second Degree of Kinship			Remarks (note 1)
							Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	%			Title	Name	Relationship	
Institutional Director	Republic of China	Da-Li Investment Co., Ltd		June 11, 2018	Three years	June 10, 2012	12,071,518	4.94	14,485,821	3.92	0	0	0	0	—	—	—	—	—	
Representative of Institutional Director	Republic of China	Tsai, Chung-Ping	M	June 11, 2018	Not applicable.	Not applicable.	Not applicable.	Not applicable.	7,141	0	0	0	0	0	College of Business, National Tanchung University of Science and Technology	Run Long Construction Co., Ltd. Chairman and President of Chairman of Da Li Investment Co., Ltd.	None	None	None	Note 2
Institutional Director	Republic of China	Kauang Yang Investment Co., Ltd.		June 11, 2018	Three years	July 19, 1999	16,810,013	6.88	20,792,415	5.62	0	0	0	0	—	—	—	—	—	
Representative of Institutional Director	Republic of China	Chiu, Ping-Tse	M	June 11, 2018	Not applicable.	Not applicable.	Not applicable.	Not applicable.	0	0	0	0	0	0	Civil Engineering Institute, National Taiwan University Run Long Construction Co., Ltd. Chairman and President	Run Long Construction Co., Ltd. Vice President Chairman of Chin Chun Construction Co., Ltd.	None	None	None	
Representative of Institutional Director	Republic of China	Chen, Kuo-Yen	M	June 11, 2018	Not applicable.	Not applicable.	Not applicable.	Not applicable.	0	0	405,000	0.11	0	0	National Taipei University of Technology Industrial Design Department ChyiYuh Construction Co., Ltd. Vice Chairman Consultant, Highwealth Construction	ChyiYuh Construction Co., Ltd. Consultant	None	None	None	
Representative of Institutional Director	Republic of China	Hung, Ming-Yao	M	June 11, 2018	Not applicable.	Not applicable.	Not applicable.	Not applicable.	0	0	0	0	0	0	Department of Soil and Water Conservation, Tamkang College of Arts and Science Associate Engineer, Public Works Bureau, Kaohsiung City Government	ChyiYuh Construction Co., Ltd. Technician	None	None	None	

Job Title	Nationality/Place of Incorporation	Name	Gender	Date Elected	Term (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within the Second Degree of Kinship			Remarks (note 1)
							Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	%			Title	Name	Relationship	
Independent Director	Republic of China	Yen, Yun-Chi	M	June 11, 2018	Three years	June 11, 2015	0	0	0	0	0	0	0	0	China University of Technology Department of Public Health	Tungyue Advertising Co., Ltd. Chairperson	None	None	None	
Independent Director	Republic of China	Li, Wen-Cheng	M	June 11, 2018	Three years	June 13, 2016	0	0	0	0	0	0	0	0	Central Police University (formerly Central Police Academy, Department of Police Science)	Highwealth Construction Independent director, member of Audit Committee and Remuneration Committee Independent director, member of Audit Committee and Remuneration Committee of Roo Hsing Construction Co., Ltd.	None	None	None	
Independent Director	Republic of China	Wu, Gen-Cheng (Note3)	M	June 11, 2018	Three years	June 11, 2018	0	-	-	-	-	-	-	-	Department of Journalism, Chinese Culture University	Chairperson, Money DJ Co., Ltd.	-	-	-	

Note 1: Where the chairperson and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness and necessity thereof, and the measures adopted in response thereto (such as increasing the seats of independent directors, with the majority of directors not concurrently serving as employees or managerial officers).

Note 2: The chairperson and president of the Company are the same person. The explanation is as follows:  
Reason: due to the actual needs of the Company.

Reasonableness: It is not a violation to laws if the chairman and the president are the same person.

Necessity: for the mid- and small size public companies, due to the small scale and simple organization, when the chairman and the president are the same person, the decision-making is rather quick, and flexible and highly efficient operation of the Company is fully demonstrated.

Countermeasure: the Company will comply with Article 4 of the "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers" issued by TWSE on January 2, 2020 through letter Tai-Zheng-Ji-Li-Zhi No.10800242211. When the current directors' term of office expires on June 10, 2021, the full re-election will be held in the 2021 AGM. After the re-election, the new directors will convene the board meeting to elect the new directors and president, to improve the current situation where the chairman and the president are the same person.

Note 3: Wu, Gen-Cheng, Independent Director, has resigned from the positions of "independent director", and "member of the Audit Committee" and "member of the Remuneration Committee" on June 15, 2020.

Table 1: Major shareholders of legal person shareholders

April 12, 2021

Name of Legal Person Shareholder	Major shareholders of institutional shareholder	
	Name of shareholder	Shareholding ratio
Da-Li Construction Co., Ltd	Tsai, Chung-Ping	47.93%
	Huang, Ching-Shui	29.76%
	Cheng, Jun-Fang	14.18%
Kuang Yang Investment Co., Ltd.	ChyiYuh Construction Co., Ltd.	100.00%

Table 2: The major shareholders of Table 1 the major shareholders of legal persons

April 12, 2021

Legal Person Name	Legal Person's Major shareholders	
ChyiYuh Construction Co., Ltd.	Name of shareholder	Shareholding ratio
	Highwealth Construction	100.00%

## Information of Directors and Supervisors (2)

April 12, 2021

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience		Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the company	1	2	3	4	5	6	7	8	9	10	11	
Tsai, Chung-Ping			✓			✓		✓				✓	✓	✓	✓	0
Chiu, Ping-Tse			✓			✓						✓	✓	✓	0	
Chen, Kuo-Yen			✓			✓	✓					✓	✓	✓	0	
Hung, Ming-Yao			✓			✓	✓					✓	✓	✓	0	
Yen, Yun-Chi			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Li, Wen-Cheng		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Wu, Gen-Cheng Note 2																

Note 1: The Company has established the Audit Committee on June 11, 2018, to replace the functions of the supervisors.

Note 2: Mr. Wu, Gen-Cheng, Independent Director, has resigned from the position of “independent director”, and member of the “Audit Company” and “Remuneration Committee” from June 15, 2020.

Note 3: If any director or supervisor meets any of the following conditions during the two years before being elected or during their term of office, please tick “✓” in the spaces below the conditions.

- (1) Is not an employee of the Company or its affiliate.
- (2) Not a director or supervisor of the Company or its affiliates. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (3) Is not a top ten shareholder or a shareholder who holds more than one percent of the total issued shares of the Company by themselves or through their spouse, minor children or other persons.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the Managers stated in (1) or Personnel stated in (2), (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving as such at the

Company and its parent or subsidiary or a subsidiary of the same parent.)

- (6) Not if a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) Not if the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company. (The same does not apply, however, if the specified company or institution possesses shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the Company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent company or subsidiary).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer, or a spouse thereof, of a sole proprietorship, partnership, company, or institution, that provides auditing services or for the past two years has provided commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company amounting to less than a cumulative amount of NTD500,000. Provided that this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Does not have any of the circumstances in Article 30 of the Company Act.
- (12) Not a governmental, legal person or its representative as defined in Article 27 of the Company Law.

(II) Information of president, vice president, associates, department and branch directors

April 12, 2021

Job Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education) (note 1)	Position currently held at other companies	Managers who are Spouses or Within Two Degrees of Kinship			Remarks Note 2
					Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	%			Title	Name	Relation	
President	Republic of China	Tsai, Chung-Ping	M	July 9, 2010	7,141	0	0	0	0	0	National Open College of Continuing Education Affiliated to National Tachung University of Science and Technology	Da-Li Investment Co., Ltd Chairperson	None	None	None	Note 3
Vice President	Republic of China	Chiu, Ping-Tse	M	July 10, 2010	0	0	0	0	0	0	Civil Engineering Institute, National Taiwan University Run Long Construction Co., Ltd. Chairman and President	Chin Chun Construction Co., Ltd. Chairperson	None	None	None	
Associate Vice President	Republic of China	Wu, Chin-Ching	M	December 2, 2019	24,046	0.01	0	0	0	0	Shuan-Yuan Industrial Section Head	None	None	None	None	
Associate Vice President	Republic of China	Yang, Li-ien (Note 4)	M	November 1, 2016	-	-	-	-	-	-	Department of Drama, Chinese Culture University Vice President, Da-Li Construction Co., Ltd	-	-	-	-	
Associate Vice President	Republic of China	Wang, Hsiao-Yeh (Note 5)	M	January 14, 2021	0	0	0	0	0	0	Department of Architecture and Urban Design, Chinese Culture University	None	None	None	None	
Manager	Republic of China	Liu, Chia-Yin	F	October 27, 2011	38,234	0.01	0	0	0	0	Department of Accounting, National Taipei University of Business Run Long Construction Co., Ltd. Finance Manager	None	None	None	None	
Manager	Republic of China	Lin, Ya-Mei	F	October 27, 2011	0	0	0	0	0	0	Accounting Department, Fu-Jen University Run Long Construction Co., Ltd. Accounting manager	None	None	None	None	

Note 1: For the experience related to the current position, if such experience is any position at the accounting firm of the Company's CPAs or at an affiliated enterprise of such accounting firm during the aforesaid period, such position and functions shall be specified.



- Note 2: Where the president or person of an equivalent post (the highest level manager) and the chairperson are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness and necessity thereof, and the measures adopted in response thereto (such as increasing the seats of independent directors, with the majority of directors not concurrently serving as employees or managerial officers).
- Note 3: The chairperson and president of the Company are the same person. The explanation is as follows:  
Reason: due to the actual needs of the Company.  
Reasonableness: It is not a violation to laws if the chairman and the president are the same person.  
Necessity: for the mid- and small size public companies, due to the small scale and simple organization, when the chairman and the president are the same person, the decision-making is rather quick, and flexible and highly efficient operation of the Company is fully demonstrated.  
Countermeasure: the Company will comply with Article 4 of the “Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board’s Exercise of Powers” issued by TWSE on January 2, 2020 through letter Tai-Zheng-Ji-Li-Zhi No.10800242211. When the current directors’ term of office expires on June 10, 2021, the full re-election will be held in the 2021 AGM. After the re-election, the new directors will convene the board meeting to elect the new directors and president, to improve the current situation where the chairman and the president are the same person.
- Note 4: Associate Vice President Yang, Li-Jen was discharged on December 31, 2020.
- Note 5: Special Assistant of the President’s Office Wang, Hsiao-Yeh was reappointed as Associate Vice President of the Planning Dept. on January 14, 2021.

III. Remuneration of directors, supervisors, president, and vice presidents in latest year

(I) Remuneration of directors and independent directors (name and remuneration method are disclosed individually)

December 31, 2020

Unit: NT\$ thousand; Shares; %

Job Title	Name	Remuneration						Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation paid by an investor other than the Company's subsidiary or parent company				
		Base Compensation (A)		Severance Pay (B)		Directors Remuneration (C)		Allowances (D)		Ratio of total compensation A+B+C+D to net income (%)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)			Employee Remuneration (G)		The Company	Companies in the consolidated financial statements (Note 7)
		The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	Cash Bonus Amount	Stock Bonus Amount		Cash Bonus Amount	Stock Bonus Amount		
Institutional Director	De-Li Investment Co., Ltd	0	0	0	0	900	900	0	0	0.77%	0	0	0	0	0	0	0	0.77%	0.77%	None
	Representative of the Chairperson	0	0	0	0	0	0	0	0	0	3,365	0	0	0	438	0	438	3.24%	3.24%	None
General Director	Kuang Yang Investment Co., Ltd	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
	Director Representative	0	0	0	0	250	250	0	0	0.21%	2,470	0	0	0	175	0	175	2.47%	3.09%	None
Independent Director	Chen, Kuo-Yen	0	0	0	0	175	175	0	0	0.15%	0	0	0	0	0	0	0	0.15%	0.15%	None
	Director Representative	0	0	0	0	175	175	0	0	0.15%	0	0	0	0	0	0	0	0.15%	0.15%	None
Independent Director	Yen, Yun-Chi	990	0	0	0	0	0	0	0	0.84%	0	0	0	0	0	0	0	0.84%	0.84%	None
	Director Representative	1,020	0	0	0	0	0	0	0	0.87%	0	0	0	0	0	0	0	0.87%	0.87%	None
Independent Director	Wu Gen-Cheng (note 1)	510	0	0	0	0	0	0	0	0.43%	0	0	0	0	0	0	0	0.43%	0.43%	None
	Director Representative	510	0	0	0	0	0	0	0	0.43%	0	0	0	0	0	0	0	0.43%	0.43%	None

1. Please describe the policy, system, standard and connection of director's payment, and describe the relevance of the amount of payment according to factors, such as responsibility, risk, and times. In order to make independent directors have an impact on the Board of Directors and the operation of the Company and maintain independence, pursuant to Article 5 of the "Rules Governing the Scope of Powers of Independent Directors", the Company has to pay the independent directors of the Company every month (or every quarter or every half year) regardless of the earnings of the Company. Moreover, the payment should be adjusted according to the level of participation and the value of the contribution (must be resolved by the Remuneration Committee and the Board of Directors). The independent directors do not involve with the assignment of consideration and other incentives.

2. In addition to what is disclosed above, the payment of the directors reported in the financial report with service in recent year: None

Note 1: Independent Director Wu, Gen-Cheng has resigned from the position of "independent director", and member of the "Audit Company" and "Remuneration Committee" from June 15, 2020.

(II) Supervisors' remuneration: Not applicable.

The Company has established the Audit Committee on June 11, 2018 to replace the functions of the supervisors.

(III) Remuneration of president and vice president

December 31, 2020

Unit: NT\$ thousand; Shares; %

Job Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Remuneration (D) Note 2				Ratio of total compensation A+B+C+D to net income (%)		Compensation paid by an invested company other than the Company's subsidiary or parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash Bonus	Stock Amount	Cash Amount	Stock Bonus			
President	Tsai, Chung-Ping	2,400	2,400	0	0	965	965	438	0	438	0	3.24%	3.24%	None
Vice President	Chiu, Ping-Tse	1,200	1,800	0	0	1,270	1,393	175	0	175	0	2.26%	2.87%	None

Note 1: Regardless the title, any position equivalent to the president and vice president (e.g. director-general, chief executive, etc.) shall be disclosed.

Note 2: The 2020 employees' remuneration is filled in with the estimated amount.

## (IV) Remuneration to top five management with highest remuneration in the Company

December 31, 2020

Unit: NT\$ thousand; Shares; %

Job Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Remuneration (D)				Ratio of total compensation A+B+C+D to net income (%)		Compensation paid by an invested company other than the Company's subsidiary or parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash Bonus	Stock Amount	Cash Amount	Stock Bonus			
Chairman and President	Tsai, Chung-Ping	2,400	2,400	0	0	965	965	438	0	438	0	3.24%	3.24%	None
Vice President	Chiu, Ping-Tse	1,200	1,800	0	0	1,270	1,393	175	0	175	0	2.26%	2.87%	None
Manager	Lu, Chia-Yin	779	779	0	0	655	655	146	0	146	0	1.35%	1.35%	None
Associate Vice President	Yang, Li-Jen (note 1)	1,140	1,140	0	0	233	233	0	0	0	0	1.17%	1.17%	None
Associate Vice President	Wu, Chin-Ching	897	897	0	0	165	165	29	0	29	0	0.93%	0.93%	None

Note 1: Associate Vice President Yang, Li-Jen, was discharged on December 31, 2020.

## (V) Names and distribution status of managerial officers with employee remuneration distribution

December 31, 2020

Unit: NT\$ thousand; Shares; %

	Job Title	Name	Stock Bonus	Cash Bonus	Total	Ratio of total amount to net income (%)
MANAGERS	Chairman and President	Tsai, Chung-Ping	0	904	904	0.77
	Vice President	Chiu, Ping-Tse				
	Associate Vice President	Wu, Chin-Ching				
	Associate Vice President	Yang, Li-Jen (note 1)				
	Associate Vice President	Wang, Hsiao-Yeh Note 2				
	Manager	Lu, Chia-Yin				
	Manager	Lin, Ya-Mei				

Note 1: Associate Vice President Yang, Li-Jen, was discharged on December 31, 2020.

Note 2: Special Assistant of the President's Office Wang, Hsiao-Yeh was reappointed as Associate Vice President of the Planning Dept. on January 14, 2021.

Note 3: The aforesaid amounts of 2020 employees' remuneration are the estimated distributed amount.

(VI) Compare and explain the total amount of remuneration of the company's directors, supervisors, general managers and deputy general managers paid by the company and all companies in the consolidated statement in the past two years, as the percentage of the net profit after tax in the individual or parent-company only financial statement, and explain the policies, standards, combination of remuneration; procedures setting remuneration; and the relevance of the business performance and the future risks:

1. Total remuneration, as a percentage of net income after tax stated in the financial reports, as paid by the Company during the two most recent fiscal years to directors, supervisors, president and vice presidents.

(Expressed in Thousands of New Taiwan Dollar)

Job Title	2020				2019			
	Total remunerations		as a percentage of net income after tax		Total remunerations		as a percentage of net income after tax	
	The Company	Consolidated statements	The Company	Consolidated statements	The Company	Consolidated statements	The Company	Consolidated statements
Director								
President and Vice President	10,468	11,191	8.93%	9.54%	14,560	15,136	2.22%	2.31%

Note: The Company has established the Audit Committee on June 11, 2018 to replace the functions of the supervisors.

2. Policy, standards, and composition of remuneration payment
  - (1) The Company has established the Remuneration Committee, whose function is to evaluate, from an expert and objective standpoint, the Company's policies and systems for the remuneration of directors and managers, and to make recommendations to the Board of Directors for the Board's reference in decision making.
  - (2) Pursuant to Article 22 of the Articles of Incorporation of the Company, the remuneration of directors for performing their duties shall be agreed upon by the Board of Directors based on the degree of individual directors' participation in the operation and the value of their contributions. In addition, if the Company has made a profit in the current year, pursuant to the Article 29 of the Company's Articles of Incorporation, no more than 3% of profit may be appropriated as director remuneration (on June 9, 2020, the shareholder meeting approved the amendment to Article 29 of the Company's Articles of Incorporation, the appropriation is amended to no more than 1% as the remuneration to the directors). Independent directors receive a monthly fixed remuneration (paid semi-annually) determined by the Board of Directors, and do not participate in the distribution of remuneration when the Company makes a profit.
  - (3) The Company's employee remuneration policy is determined based on personal work experience, job responsibilities, working ability and performance, the Company's financial position and operating conditions, and is positively related to operating performance. In addition, if the Company has made a profit in the current year, pursuant to the Article 29 of the Company's Articles of Incorporation, no less than 1% of the profit is appropriated for employee remuneration (on June 9, 2020, the

shareholder meeting approved the amendment to Article 29 of the Company's Articles of Incorporation, the appropriation is amended to no less than 0.1% as the remuneration to the employees).

- (4) The remuneration policy of the Company's managerial officers, including salary and bonuses. For the salary, the Company's internal salary balance is considered the market conditions are referred to, while being deliberated by the Remuneration Remuneration Committee based on the managerial officers' rank, educational and industrial background, professional ability and responsibilities, and then submitted to the Board of Directors for resolutions. Bonuses are determined based on the Company's profit in the current year, taking into account the managerial officers' positions, contribution, performance target achievement rate, and the Company's operating performance for that year. Bonuses are reviewed by the Remuneration Committee and sent to the Board of Directors for resolution.
- (5) "Remuneration" as used in the Remuneration Committee Charter includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures. Its scope shall be consistent with that of the remuneration for directors and managers as set out in the "Regulations Governing Information to be Published in Annual Reports of Public Companies".

### 3. Procedures for setting remuneration

- (1) The performance evaluation of directors and managerial officers is based on the Company's "Evaluation Procedures for the Board of Directors Performance" and the "Procedures of Performance Management" applicable to managerial officers and employees. Other than the Company's overall operating performance, the industry's future risks and development trends, the individual's performance achievement rate and contribution to the Company are also considered when determining the reasonable remuneration given. Relevant performance appraisal and remuneration reasonableness is reviewed by the Remuneration Committee and the Board of Directors, and is subject to review from time to time based on the actual operating conditions and related laws and regulations, while considering the current reasonable trend of corporate governance, in order to achieve a balance between the Company's sustainable operation and risk control.
- (2) According to the performance self-assessment results of the Company's 2020 Board of Directors, Board members, and members of functional committees, they were all found to be "significantly exceeding the standard" or "exceeding the standard". Moreover, according to the Company's 2020 annual managerial officers' performance evaluation results, all managerial officers have achieved or exceeded the original target requirements, and the evaluation results based on the Company's annual operating indicators have reached the highest standards. The remuneration of directors and managerial officers has fully considered their professional capabilities and the

Company's operations and financial position, and is linked to the Company's overall operating performance, personal performance target management and appraisal results.

4. Linkages to the operating performance and future risks

The Company's overall operating conditions are the main consideration for the review of the relevant payment standards and systems, and the payment standards are approved based on the performance achievement rate and contribution level, to improve the overall organizational team effectiveness of the Board of Directors and the management department. In addition, by referring to the industry's remuneration standards, the remunerations of the Company's management is ensured to be competitive in the industry, to retain outstanding management talent.

The results of the Company's operating results and the performance and remuneration of the management are inter-linked to each other, which positively promotes the overall performance of the Company and maximizes the interests of shareholders.

The important decisions of the Company's management are based on a balanced consideration of various risk factors. The performance of related decisions is reflected in the Company's profits, and then is related to the remunerations of the management.

#### IV. Implementation of Corporate Governance

##### (I) Operation of the Board meeting:

Ten (A) Board meetings were held in the most recent year (2020), and the attendance of directors (including Independent Directors) was as follows:

Job Title	Name	Actual no. of meetings attended (in non-voting capacity) (B)	No. of meetings with entrusted attendance	Ratio of actual no. of meetings attended (in non-voting capacity) (B/A)	Remarks
Chairperson	Da-Li Investment Co., Ltd Representative: Tsai, Chung-Ping	10	0	100.00%	
Director	Kuang Yang Investment Co., Ltd. Representative: Chiu Pingse	10	0	100.00%	
Director	Kuang Yang Investment Co., Ltd. Representative: Chen Kuoyen	10	0	100.00%	
Director	Kuang Yang Investment Co., Ltd. Representative: Hung Mingyao	10	0	100.00%	
Independent Director	Yen, Yun-Chi	5	5	50.00%	
Independent Director	Li, Wen-Cheng	10	0	100.00%	
Independent Director	Wu, Gen-Cheng	4	0	100.00%	Resigned on June 15, 2020 (Four required attendances)
Average actual attendance rate of directors in 2020 (%) (Total actual attendances / total required attendances)				92.19%	

Other items to be recorded:

I. If any of the following circumstances occur in the operation of the Board meeting, please indicate the date of the Board meeting, the session number, the contents of the motion, the opinions of all independent directors and the Company's handling of the opinions of the independent directors:

(1) The matters listed in Article 14-3 of the Securities Exchange Act.

Date	Motion Contents	Objection or reserved opinions of the independent directors	Opinions of the independent directors	The Company's handling of the opinions of the independent directors	Resolution
January 20, 2020 18th meeting of the term	Proposal to appoint and compensate the CPAs	None	Approved	Not applicable.	All attending directors approved
	Proposal to assess the independence of CPAs for 2019.	None	Approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Internal Control System Statement" and "Internal Audit System"	None	Approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Operational Procedures for Endorsements and Guarantees" and "Internal Control System" forms	None	Approved	Not applicable.	All attending directors approved
March 3, 2020 19th meeting of the term	The Company proposed to buy part of the land for the "Joint-Construction, Separate Sales Project of Guangwu, Hsinchu"	None	Approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Articles of Incorporation"	None	Approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Handling Procedures of Acquiring or Disposing Assets."	None	Approved	Not applicable.	All attending directors approved
	Proposal for the Company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2019	None	Approved	Not applicable.	All attending directors approved
March 20, 2020 20th meeting of the term	Proposal to replace the CPAs certifying the financial statements	None	Approved	Not applicable.	All attending directors approved
	Proposal for the Company's 2019 surplus and capital reserve transfer to capital increase to	None	Approved	Not applicable.	All attending directors approved



	issue new shares				
May 8, 2020 21st meeting of the term	The Company proposed to participate in the joint-construction on the land at the Yuan-ton Section, Chung-ho District, New Taipei City	None	Approved	Not applicable.	All attending directors approved
	Proposal to amend Company's "Internal Control System" forms	None	Approved	Not applicable.	All attending directors approved
	Proposal to renew the Company's "Directors' Liabilities Insurance"	None	Approved	Not applicable.	All attending directors approved
August 12, 2020 23rd meeting of the term	Proposal to amend the Company's "Rules of Procedure for Shareholder Meetings" and the "Regulations for Election of Directors"	None	Approved	Not applicable.	All attending directors approved
September 2, 2020 24th meeting of the term	The Company proposed to dispose of the properties at Huimin Section, Xitun District, Taichung city	None	Approved	Not applicable.	All attending directors approved
December 24, 2020 27th meeting of the term	The Company proposed to dispose of the Taipei office and leasing it after the sale	None	Approved	Not applicable.	All attending directors approved
	Proposal to appoint and compensate the CPAs	None	Approved	Not applicable.	All attending directors approved
	Proposal to assess the independence of CPAs for 2020	None	Approved	Not applicable.	All attending directors approved
	Proposal to distribute 2019 directors' remuneration.	None	Approved	Not applicable.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved

(II) Any other documented objections or qualified opinions raised by independent directors against Board resolutions in relation to matters other than those described above: None.

II. For situations where a director avoids a motion related to their own interests, the director's name, the contents of the motion, the reasons for the avoidance of interests and the voting results shall be disclosed:

Date	Motion Contents	Name of recused director	Reasons for the required recusal, and participation in the voting process	Resolution
December 24, 2020 27th meeting of the term	Proposal to distribute 2019 directors' remuneration	Director Tsai, Chung-Ping Directors Chiu, Ping-Tse, Chen, Kuo-Yen, and Hung, Ming-Yao	The directors' remuneration involves personal interests, and thus when reading and deliberating the remuneration of individual directors' remuneration, Director Tsai, Chung-Ping, and Directors Chiu, Ping-Tse, and Director Chen, Kuo-Yen, and Director Hung, Ming-Yao, who concurrently serves as Chairperson/President and Vice President, respectively, so they recused themselves when reading and deliberation, and the independent director Li, Wen-Cheng chaired the meeting as the acting chair.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved
	Proposal to distribute 2019 managerial officers' remuneration	Director Tsai, Chung-Ping Director Chiu, Ping-Tse	The managerial officers' remuneration involves personal interests; Director Tsai, Chung-Ping, Directors Chiu, Ping-Tse, who concurrently serves as Chairperson/President and Vice President, respectively, so they recused themselves when reading and deliberation, and the independent director Li, Wen-Cheng chaired the meeting as the acting chair.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved
December 24, 2020 27th meeting of the term	Proposal of disburse the annual performance bonus of the managerial officers	Director Tsai, Chung-Ping Director Chiu, Ping-Tse	The managerial officers' annual performance bonus involves personal interests, and Director Tsai, Chung-Ping, concurrently serves as the Chairperson/President and the Vice President, who have conflict of interests to the proposal. Therefore, when reading and deliberating the proposal, Chairperson Tsai, Chung-Ping, Director Chiu, Ping-Tse recused themselves, and the independent director Li, Wen-Cheng chaired the meeting as the acting chair.	Except for directors recused from discussion and voting in accordance with the law, the remaining attending directors approved

III. Implementation status of assessment of the Board of Directors:

(I) The cycle, period, scope, method and content of evaluation for the self assessment of the Board of Directors

Period of Evaluation	Duration of Evaluation	Scope of Evaluation	Methods of Evaluation	Content of Evaluation
Once per year	January 1, 2020, to December 31, 2020	Performance evaluation of the overall Board of Directors, individual board members and functional committees (Audit Committee and Remuneration Committee)	Internal assessment of the Board of Directors, board members, and functional committees	The measurements of the Board of Directors performance evaluation include five major aspects, namely the degree of participation in the Company's operations, improvement in the quality of decision-making by the Board of Directors, the composition and structure of the Board of Directors, the election of the directors and their continuing professional education, and internal control. The measurements of individual board members performance evaluation include six major aspects, namely grasp of the Company's goals and missions, recognition of director's duties, degree of participation in the Company's operations, management of internal relationships and communication, professionalism and continuing professional education, and internal control. The measurements of functional committees performance evaluation include five major aspects, namely degree of participation in the Company's operations, recognition of the duties of the functional committee, improvement in the quality of decision-making by the functional committee, composition of the functional committee and election and appointment of committee members, and internal control.

(II) The results of the 2020 performance evaluation were submitted to the Board of Directors on March 19, 2021.

(III) Evaluation results: The performance evaluation results of the Company's overall Board of Directors, individual board members, Audit Committee and Remuneration Committee were "significantly exceeding the standard" (90 points or more) or "exceeding the standard" (80 to 89 points); it shows that the overall operation of the Company's Board of Directors, Audit Committee and Remuneration Committee operate well as a whole, and in line with corporate governance.

IV. Evaluation of the objectives and implementation of the strengthening of the functions of the Board of Directors in the current year and the most recent year:

1. For the improvement of the corporate governance system of the Company, the explanation is as follows:
  - ① In 2019, the basic regulations and managerial regulations related to corporate governance, through the prior review of each functional committee and resolved by the Board of Directors for establishment and amendment, included the "Articles of Incorporation", the "Handling Procedures of Acquiring or Disposing Assets", the "Corporate Governance Best Practice Principles", the "Operational Procedures for Loaning of Funds to Others", the "Operational Procedures for Endorsements and Guarantees", the "Standard Operating Procedures Responding to Requests from Directors", and the "Evaluation Procedures for the Board of Directors Performance".
  - ② In 2020, the basic regulations and managerial regulations related to corporate governance, through the prior review of each functional corporates and resolved by the Board of Directors for establishment and amendment, included the "Rules of Procedures for Shareholder Meetings", the "Regulations for Election of Directors", the "Code of Ethical Conduct", the "Regulations Governing Procedure for Board of Directors Meetings", the "Rules Governing the Scope of Powers of Independent Directors", the "Audit Committee Charter", the "Remuneration Committee Charter," and the "Evaluation Procedures for the Board of Directors Performance".
3. The Company has insured directors and key staff with liability insurance. The current insured amount is US\$3 million, to diversify the legal liability risks of directors and key managerial officers, and improve corporate governance capabilities.
4. Pursuant to letter Tai-Zheng-Zhi-Li-Zi No. 1070025395 issued by the TWSE on December 27, 2018, the Company has completed the requirement that the majority of the Remuneration Committee members are independent directors in the meeting on June 26, 2019.
5. It is expected that one female director will be added during the full re-election of directors at the general shareholder meeting on June 10, 2021.
6. It is expected that the appointment of the corporate governance officer will be completed before June 30, 2021. The position will serve as a communication bridge between the management and the Board of Directors and each functional committee, and it should be helpful in assisting the Company in establishing a corporate governance system.
7. Provide information such as courses, sessions, seminars and other information for members of the Board of Directors as a reference for continuing education, in order to improve their knowledge and capabilities in corporate governance, business administration, and risk management.

(II) The operation of the Audit Committee

1. The Audit Committee of the Company was established on June 11, 2018, to replace the previous supervisor system. The Committee members consist of all independent directors of the Board of Directors for a total of three members (one independent director resigned

on June 15, 2020, due to personal reasons). At least one of the members should have accounting or financial expertise. Independent director Li, Wencheng was elected by all the committee members as the convener. The Committee's operation is pursuant to the "Audit Committee Charter".

2. The main responsibilities and the key tasks of the year were reviewing and supervising the Company's financial reports, risk control, and finance-related proposals. The deliberations include: the Company's financial reports, accounting and internal control systems, and major asset or derivative transactions, offering or issuing negotiable securities, appointment or dismissal and remuneration of CPAs, matters involving the interests of the directors, and the appointment and dismissal of financial, accounting or internal audit officers, among other things.

- (1) Review and Check of Financial Statements

Annual business report, financial statements and earning distribution proposals of the company shall be approved by the Audit Committee, and reviewed and discussed by the Board of Directors. After the approval of the Board of Directors, proposed to the shareholders' meeting for ratification. In addition, the quarterly financial reports are also submitted to the Board of Directors after being reported to the Audit Committee.

- (2) Evaluate the Effectiveness of Internal Control System

The self-evaluation results of the internal control system were conducted according to routine operations by each unit within the Company annually and checked by the Audit Committee. The Audit Committee checks the internal control system, including understanding operation results and the extent to which efficiency goals have been reached, reliability, timeliness, transparency of reports, and the effective enacting and implementation in accordance to laws and regulations, in order to reasonably ensure goals are achieved.

- (3) Appointment and Evaluation of CPAs

The Audit Committee shall conduct assessments of CPAs' professionalism, independence, and reasonableness of remuneration at the end of each fiscal year. The results of the assessment of the CPAs' service in 2020 have been deliberated and approved by the 24th meeting of the 1st Term Audit Committee on December 24, 2020, and the 27th meeting of the Board of Directors on December 24, 2020. Yi-Lien Han and Ti-Nuan Chien, accountants of KPMG, are in compliance with the assessment standards for independence and competence.

3. In the most recent year (2020) the Audit Committee held nine (A) meetings, the attendance of the independent directors is as follows:

Job Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Ratio of actual no. of meetings attended (B/A)	Remarks
Independent Director	Li, Wen-Cheng	9	0	100.00%	
Independent Director	Wu, Gen-Cheng	4	0	100.00%	Resigned on June 15, 2020 (Four required attendances)
Independent Director	Yen, Yun-Chi	5	4	55.56%	
Average actual attendance rate of members of the Audit Committee in 2020 (%) (Total actual attendances / total required attendances)				81.82%	

Other items to be recorded:

I. If the operation of the Audit Committee has one of the following circumstances, the date and time of the Board meeting, the content of the proposal, the results of the resolution of the Audit Committee and the Company's handling of the opinions of the Audit Committee shall be disclosed:

(I) The matters listed in Article 14-5 of the Securities Exchange Act:

The board of directors Date	Motion Contents	Date of the Audit Committee meeting	Resolution of the Audit Committee	The Company's handling of the opinions of the Audit Committee	Resolution of the Board of Directors
January 20, 2020 18th meeting of the term	Proposal to appoint and compensate the CPAs	January 20, 2020 16th meeting of the 1st term	All attending members approved	Not applicable.	All attending directors approved
	Proposal to assess the independence of CPAs for 2019.		All attending members approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Internal Control System Statement" and "Internal Audit System"		All attending members approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Operational Procedures for Endorsements and Guarantees" and "Internal Control System" forms		All attending members approved	Not applicable.	All attending directors approved
March 3, 2020 19th meeting of the term	The Company proposed to buy part of the land for the "Joint-Construction, Separate Sales Project of Guangwu, Hsinchu"	March 3, 2020 17th meeting of the 1st term	All attending members approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Articles of Incorporation"		All attending members approved	Not applicable.	All attending directors approved
	Proposal to amend the Company's "Handling Procedures of Acquiring or Disposing Assets."		All attending members approved	Not applicable.	All attending directors approved
	Proposal for the Company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2019		All attending members approved	Not applicable.	All attending directors approved
March 20, 2020 20th meeting of the term	Proposal to replace the CPAs certifying the financial statements	March 20, 2020 18th meeting of the 1st term	All attending members approved	Not applicable.	All attending directors approved
	Proposal for the Company's 2019 surplus and capital reserve transfer to capital increase to issue new shares		All attending members approved	Not applicable.	All attending directors approved
May 8, 2020 21st meeting of the term	The Company proposed to participate in the joint-construction on the land at the Yuanton Section, Chungho District, New Taipei City	May 8, 2020 19th meeting of the 1st term	All attending members approved	Not applicable.	All attending directors approved
	Proposal to amend Company's "Internal Control System" forms		All attending members approved	Not applicable.	All attending directors approved
	Proposal to renew the Company's "Directors' Liabilities Insurance"		All attending members approved	Not applicable.	All attending directors approved

The board of directors Date	Motion Contents	Date of the Audit Committee meeting	Resolution of the Audit Committee	The Company's handling of the opinions of the Audit Committee	Resolution of the Board of Directors
September 2, 2020 24th meeting of the term	The Company proposed to dispose of the properties at Huimin Section, Xitun District, Taichung city	September 2, 2020 22nd meeting of the 1st term	All attending members approved	Not applicable.	All attending directors approved
December 24, 2020 27th meeting of the term	The Company proposed to dispose of the Taipei office and leasing it after the sale	December 24, 2020 24th meeting of the 1st term	All attending members approved	Not applicable.	All attending directors approved
	Proposal to appoint and compensate the CPAs		All attending members approved	Not applicable.	All attending directors approved
	Proposal to assess the independence of CPAs for 2020		All attending members approved	Not applicable.	All attending directors approved

(II) In addition to the aforementioned matters, other matters that have not been approved by the Audit Committee and have been approved by more than two-thirds of all directors: None.

II. For situations where an independent director avoids a motion related to their own interests the contents of the motion, the reasons for the avoidance of interests and the voting results shall be disclosed: None.

III. Communication between the independent directors and the internal audit supervisors and accountants (shall include the major issues, methods and results of communication regarding the Company's financial and business conditions):

(I) After the audit report and the follow-up report are sent to the chairperson for review, the audit unit shall also report such to independent directors for review (in person or by email).

The audit officer attends the Audit Committee and the Board of Directors to report on the internal audit operation, and fully communicates on the execution of the audit operation, the deficiencies found in audits and their improvement tracking, and the effectiveness.

The Company's independent directors may communicate and discuss with the audit officer depending on the content of the above-mentioned matters or as needed any time.

(II) The Company's CPAs regularly conduct audits or reviews of the annual and quarterly financial statements, with written results reported to the Audit Committee every quarter, as well as other communications required by relevant laws and regulations.

(III) The Company's independent directors have direct communication channels with internal audit officer and CPAs, and may communicate through email, phone call or meeting as necessary; and pursuant to the regulations of the competent authority, they regularly check the Company's financial and business conditions, and communicate directly with the management unit.

I. The communication between independent directors and the internal audit officer is good. The main communication items in 2020 are summarized below:

Date	Methods	Key points of communication	Communication status and results	The Company's handling and execution of the opinions of the independent directors
January 2020 to December 2020	The internal audit officer reported to the independent directors	Audit reports of December 2019 and January to November 2020	The internal audit officer sends the audit reports regarding the audit situation to the chairperson and independent directors every month, so that the chairperson and independent directors can keep track of the Company's internal audit status in a timely manner	
January 20, 2020	Audit Committee 16th meeting of the 1st term	Internal audit report of December 2019	All attending members agreed and took notice; submitted to the Board of Directors	No opinions from the independent directors
		Amended the Company's "Internal Control System Statement" and "Internal Audit System"	All attending members discussed and approved; submitted to the Board of Directors for approval	
March 3, 2020	Audit Committee 17th meeting of the 1st term	Internal audit report of January 2020	All attending members agreed and took notice; submitted to the Board of Directors	No opinions from the independent directors
		Report on the implementation of the 2019 internal audit plans		
		Self-assessment report on the design and implementation of various internal control systems from January to December 2019		
		The Company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2019	All attending members discussed and approved; submitted to the Board of Directors for approval	No opinions from the independent directors

Date	Methods	Key points of communication	Communication status and results	The Company's handling and execution of the opinions of the independent directors
March 20, 2020	Audit Committee 18th meeting of the 1st term	Internal audit report of February 2020	All attending members agreed and took notice; submitted to the Board of Directors	No opinions from the independent directors
May 8, 2020	Audit Committee 19th meeting of the 1st term	Internal audit report of March 2020		
July 3, 2020	Audit Committee 20th meeting of the 1st term	Internal audit report of April to May 2020		
August 12, 2020	Audit Committee 21st meeting of the 1st term	Internal audit report of June 2020		
September 2, 2020	Audit Committee 22nd meeting of the 1st term	Internal audit report of July 2020		
November 11, 2020	Audit Committee 23rd meeting of the 1st term	Internal audit report of August to September 2020		
November 24, 2020	Conference	2020 conference of the internal auditors and directors		
December 24, 2020	Audit Committee 24th meeting of the 1st term	Internal audit report of October to November 2020		

II. The communication between independent directors and the CPAs is good. The main communication items in 2020 are summarized below:

Date	Methods	Key points of communication	Communication status and results	The Company's handling and execution of the opinions of the independent directors	
January 20, 2020	In writing	Appointment and compensation of the CPAs	All attending members approved; submitted to the Board of Directors for approval	No opinions from the independent directors	
		Assessment of the independence of CPAs for 2019			
March 20, 2020	In writing	The Company's 2019 financial statements			
May 8, 2020	In writing	Q1 2020 consolidated financial statements			
August 12, 2020		Q2 2020 consolidated financial statements			
November 11, 2020		Q3 2020 consolidated financial statements			
December 24, 2020	In writing	Appointment and compensation of the CPAs			All attending members approved; submitted to the Board of Directors for approval
		Assessment of the independence of CPAs for 2020			

(III) Corporate governance status, variance from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation Item	Implementation status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
I. Does the Company follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has the Company established and disclosed its own Corporate Governance Best Practice Principles?	✓		The Company has the “Corporate Governance Best Practice Principles” in place, and disclosed such in the “Corporate Governance Section” in the “Investors” section on the Company website and MOPS. Additionally, the 20th meeting of the Board of Directors approved to amend the “Corporate Governance Best Practice Principles” on March 20, 2020.	No variances.
II. The company's shareholding structure and shareholders' equity (I) Does the company stipulate internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation matters, and implement them according to procedures?  (II) Does the company have a list of the ultimate controllers of the major shareholders and major shareholders of the actual control company?  (III) Does the company establish, implement and control the risk control and firewall mechanism between the enterprises?  (IV) Does the company stipulate internal regulations and prohibit insiders from using the undisclosed information on the market to buy and sell securities?		✓	(I) The Company has a stock affairs unit, a spokesperson, and an e-mail box to handle shareholder suggestions or disputes pursuant to the Company’s internal operating procedures. The complaint filing, reporting, and suggestion functions are also provided on the Company’s website. If legal issues are involved, the legal department will take over. .  (II) As required, changes in the equity held by insiders are reported monthly, and during the period of book closures, the stock affairs agency provides the shareholder registry, to fully grasp the changes in the Company’s equity held by major shareholders.  (III) The management of transactions with related parties, endorsement/guarantee, loaning of funds between the Company and the affiliates are all controlled by regulations.  (IV) The Company has established “Procedures for Handling Material Internal Information”, regulating that Company insiders and people who have obtained information shall not use undisclosed information of the market to buy or sell securities.	(I) No significant variances  (II) No variances.  (III) No variances.  (IV) No variances.
III. the composition and duties of the board of directors (I) Does the board of directors formulate a diversified policy and implement it in terms of membership?	✓		(I) <ul style="list-style-type: none"> <li>■ The diversification policy of the Company’s Board of Directors is mainly to stipulate that the composition of the Board of Director should consider the diversification, and that appropriate diversification policies should be formulated based on its own operation, operation type and development needs, including but not limited to the following standards: <ul style="list-style-type: none"> <li>1. Basic conditions and values: Gender, age, nationality, culture, etc.</li> <li>2. Professional knowledge and skills: Professional background. (such as law, accounting, industry, finance, marketing, law or environmental protection), professional skills, and other experiences of industry.</li> </ul> </li> <li>■ The overall Board of Directors shall possess the following abilities: <ul style="list-style-type: none"> <li>1. Ability to make operational judgments.</li> <li>2. Ability to perform accounting and</li> </ul> </li> </ul>	(I) No variances.

Evaluation Item	Implementation status (Note 1)		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	YES	NO		
(II) Does the Company voluntarily set up other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	<p>financial analysis.</p> <p>3. Ability to conduct management administration.</p> <p>4. Ability to conduct crisis management.</p> <p>5. Knowledge of the industry.</p> <p>6. An international market perspective.</p> <p>7. Ability to lead.</p> <p>8. Ability to make policy decisions.</p> <p>■ ■The current Board of Directors consists of seven directors, including three independent directors (but one independent director resigned on June 15, 2020, due to personal reasons), and each director has rich experience and expertise in different fields.</p> <p>■ ■The Company’s directors concurrently serving as employees account for 29% and independent directors account for 43%. One independent director has a tenure of less than three years, two independent directors have a tenure of three to six years. Two directors are 70 years old or older, one director is over 60 years old, three directors are between 50 to 60 years old, and one director is under 50 years old.</p> <p>■ The Company values the gender equality in the composition of the Board of Directors, and the goal is to add one female director in the Board of Directors for the next term.</p> <p>■ The implementation of the diversification of the members of the Board of the Directors (June 11, 2018, to June 10, 2021) (Note 1). In addition, the “Board of Directors” page in the “Investors” section of the Company’s website discloses the Company’s Board of Directors diversification policy and implementation. :</p> <p>(II) The functions related to corporate governance have been implemented by the Board of Directors, Audit Committee, and Remuneration Committee. The operations of the functional committees are smooth, and they have performed a sound supervisory function and strengthened the functions of the Board of Directors.</p>	(II) The Company currently has no other functional committees, and will implement such pursuant to laws and regulations in the future.
(III) Does the company stipulate the performance appraisal methods of the board of directors and their assessment methods, and conduct performance evaluations every year and regularly, as well as report the appraisal results to the board of director, and serving as the reference for directors’ remuneration and nomination of re-election?	✓		<p>(III)</p> <p>■ On August 12, 2020, the Board of Directors approved the amendments to the “Evaluation Procedures for the Board of Directors Performance”. At the end of each year, the stock affairs unit of the Finance Department assists in collecting information about Board activities and then implements the internal Board of Directors self-assessment. Questionnaires are provided for self-assessment to the Board of Directors, directors and all functional committees (including the Audit Committee and the Remuneration Committee), and after the statistical evaluation results are collected and reported to the Board of Directors as a basis for review and improvement. The overall Board performance evaluation results will be used as a reference for selecting or nominating directors</p>	(III) No variances.



Evaluation Item	Implementation status (Note 1)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	YES	NO	
			<p>(including independent directors), and outcomes of the individual directors’ performance evaluation will be used as the reference basis for determining their individual compensation in the future.</p> <ul style="list-style-type: none"> <li>■ The measurements of the Board of Directors’ performance evaluation include the following five major aspects: <ol style="list-style-type: none"> <li>1. The level of involvement in the operation of the Company.</li> <li>2. Improvement of the quality of the Board of Directors’ decision making.</li> <li>3. The formation and composition of the Board of Directors.</li> <li>4. Election and continuing education of the directors.</li> <li>5. Internal control.</li> </ol> </li> <li>■ The measurements of individual Board members’ performance evaluation include the following six major aspects: <ol style="list-style-type: none"> <li>1. Grasp of the goals and missions of the company.</li> <li>2. Awareness of the duties of a director.</li> <li>3. The level of involvement in the operation of the Company.</li> <li>4. Operation and communication of internal relations.</li> <li>5. The specialty and advanced studies of the directors.</li> <li>6. Internal control.</li> </ol> </li> <li>■ The measurements of functional committees’ performance evaluation include the following five major aspects: <ol style="list-style-type: none"> <li>1. The level of involvement in the operation of the Company.</li> <li>2. The recognition of the duty of the functional committee.</li> <li>3. The quality of the decision-making of the functional committee.</li> <li>4. The formation of the functional committee and the election of its members.</li> <li>5. Internal control.</li> </ol> </li> <li>■ The Company completed the 2020 self-assessment of the overall Board of Directors, individual Board members and functional committees’ performance at the end of January 2021. The performance evaluation outcomes of the Company’s overall Board of Directors, individual board members, Audit Committees and Remuneration Committee are “significantly exceeding the standard” (90 points or more) or “exceeding the standard” (80 to 89 points).</li> <li>■ The results of the aforesaid evaluation were submitted to the 29th meeting of the Board of Directors for reporting on March 19, 2021, and the main improvement suggestions and the direction for continuous strengthening in the future were provided.</li> <li>■ The Company has disclosed the “Evaluation Procedures for the Board of Directors Performance” on MOPS and the Company website; the results of such performance evaluation of the Board of</li> </ul>

Evaluation Item	Implementation status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
(IV) Does the company regularly assess the independence of the visa accountant?	✓		<p>Directors are also disclosed on the Company website.</p> <p>(IV) According to Article 29 of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, listed companies should choose certified public accountants with specialty, responsibility and independency. The Company should assess the independency of certified public accountants employed regularly (at least once a year). The results of the assessment of the CPAs’ service in 2020 have been deliberated and approved by the 24th meeting of the 1st Term Audit Committee on December 24, 2020, and the 27th meeting of the Board of Directors on December 24, 2020. Yi-Lien Han and Ti-Nuan Chien, the accountant of KPMG, are in compliance with the assessment standards for independence and competence (Note 2).</p>	(IV) No variances.
IV. Whether the listed company has set up competent and suitable number of corporate governance personnel, as well as corporate governance officer, responsible for corporate governance related matters (including but not limited to providing information required by directors and supervisors to conduct business, assisting directors and supervisors to comply with laws and regulations, and handling matters related to meetings of the Board of Directors and shareholder meetings in accordance with the law, making board of directors and shareholders meeting minutes, etc.)?		✓	<ul style="list-style-type: none"> <li>■ The Company expects to complete the establishment of a corporate governance officer before June 30, 2021.</li> <li>■ The Company has a stock affairs unit under the Financial Department, and its main business is executed as follows: <ol style="list-style-type: none"> <li>1. Responsible for the general administrative affairs of the Board of Directors and the Audit Committee, such as convening, notifying, meeting, and recording minutes.</li> <li>2. Drafting the agenda of the Board of Directors and the Audit Committee, and notifying the directors seven days in advance, convening the meeting and providing meeting materials, reminding directors if there are proposals that require recusal, and completing the minutes of the Board of Directors meetings 20 days after the meetings.</li> <li>3. Responsible for providing shareholder relations services and handling relevant matters of the shareholder meeting.</li> <li>4. Evaluating and purchasing the appropriate directors’ liability insurance.</li> <li>5. Performance evaluation is conducted pursuant to the “Evaluation Procedures for the Board of Directors Performance”.</li> <li>6. Change the company registration, and handle the announcements and reporting of public information pursuant to related laws and regulations, and other shareholder relations matters.</li> </ol> </li> </ul>	No significant variances
V. Does the company establish communication channels with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up stakeholder areas on the company’s website, and respond appropriately to important corporate societies of concern to stakeholders, and responsibility issues?	✓		The Company’s website has an “Investors” section. Out of respect for the interests of investors, the Company regularly identifies the types of investors and establishes contact windows and communication channels for each investor. Through appropriate communication, the Company understands their reasonable expectations and needs for appropriately responding to important corporate social responsibility issues investors	No variances.

Evaluation Item	Implementation status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
			are concerned about.	
VI. Does the company appoint a professional stock agency to handle the affairs of the shareholders' meeting?	✓		The Company has appointed the professional stock agency, the agency department of Capital Securities Corporation to handle the affairs of the shareholder meeting.	No variances.
VII. Information disclosure				
(I) Has the company set up a website to disclose financial and corporate governance information?	✓		(I) The Company has set up a corporate website to disclose finance, business and corporate governance related information in a timely manner pursuant to relevant laws and regulations.	(I) No variances.
(II) Does the Company adopt other information disclosure methods (such as setting up an English website, appointing a dedicated person responsible for the collection and disclosure of company information, implementing a spokesperson system, posting the corporate briefing process on the Company website, etc.)?	✓		(II) The Company's corporate website is mainly in Chinese. The relevant units are in charge of the collection of the Company's information and the disclosure of material matters, and there are spokespersons and deputy spokespersons to implement the spokesperson system. The Company uploads the relevant information on the website after corporate briefing conferences.	(II) No variances.
(III) Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarter financial reports and monthly operating status reports before the stipulated deadlines?		✓	(III) Although the Company does not announce and declare the financial report within two months after the end of the accounting year, it announces and declare the financial reports of the first, second, and the third quarter and the monthly operational situation early before the deadline.	(III) No significant variances
VIII. Does the Company have any other important information that can help understand the operation of corporate governance (including but not limited to employees' rights, employee care, investor relations, supplier relationships, rights and interests of stakeholders, continuing education for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?	✓		The Company has other important information helpful to understand the operation of corporate governance:	No variances.

Evaluation Item	Implementation status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
<p>(I) Employee interests: The Company has always been people-oriented, observing all relevant labor laws and regulations, protecting the legitimate interests of employees, establishing a complete management system for employee benefits, occupational safety and health, and training, while distributing performance bonuses, year-end bonuses and employee remuneration based on operating results every year, to incorporate the personal interests of employees into interests of the Company, creating a belief of co-prosperity and coexistence.</p> <p>(II) Employee welfare: The Company appreciates the safety and health of employees, provides health care and assistance services. Employees are entitled to the group insurance and annual health checks; the welfare committee and various clubs were established to organize various events to promote employee interactions.</p> <ol style="list-style-type: none"> <li>1. Work-life balance: Subsidies for club activities and travelling subsidies.</li> <li>2. Parenting support: Parental leave without pay, contracting to registered babysitting institutions and breastfeeding rooms.</li> <li>3. Livelihood support: Group insurance for employees and their families, wedding subsidies, maternity subsidies, children’s education subsidies, new year gifts, birthday allowance, employee injury and illness condolences and care, and subsidies for hospitalization and medical care.</li> <li>4. Work assistance: Health checks and meal subsidies.</li> <li>5. Other: Year-end parties, recognition for senior staff and preferential offers for employees at contracted merchants.</li> </ol> <p>Note: The aforesaid benefits include the Company and the Employee Welfare Committee.</p> <p>(III) Investor relations:</p> <ol style="list-style-type: none"> <li>1. The Company has a spokesperson and deputy spokesperson, responsible for the Company’s external communications.</li> <li>2. The Company announces finance, business, and material information on the Company website and MOPS immediately, so that investors may fully understand the Company’s development direction and strategic orientation, maximizing the interests of shareholders.</li> <li>3. The Company’s general shareholder meetings provide shareholders with electronic ways to exercise their voting rights. When the shareholder meeting is held, extemporaneous motions are avoided as much as possible, in order to protect the interests of shareholders using electronic communication to vote.</li> </ol> <p>(IV) Supplier relationships: The Company is committed to growing and fulfilling corporate social responsibilities with suppliers, and innovating and improving quality together. The Company keeps good relations with suppliers and ensures stable contract implementation.</p> <ol style="list-style-type: none"> <li>1. The Company has set up the “Management Procedures for Suppliers”. New suppliers are reviewed in advance, and only those who pass the review may be traded with; if there is no transaction within three years, the qualification of qualified suppliers will be cancelled, and only after review and confirmation may they become qualified suppliers again. The review includes the supplier’s capacity, scale, industry reputation and financial credit, among other things.</li> <li>2. Supplier appraisal/management: For qualified suppliers, the procurement unit shall fill in the “Supplier Appraisal Form” before the end of January and July each year for suppliers with transaction amounts of NT\$200,000 (inclusive) or actual transaction performances of more than six times (inclusive). The forms will be evaluated by relevant units once. The appraisal includes delivery, quality, cooperation/service, and price of the supplier’s products. In addition, the supplier must satisfy relevant conditions such as labor, environmental and human rights. In case of violations, the Company may terminate or cancel the contract at any time, thereby urging all suppliers to fulfill their corporate social responsibilities.</li> <li>3. The procurement unit has completed the “Supplier Appraisal Report” on February 3, 2020, and July 14, 2020, respectively, and the results of the appraisal are all A-level qualified vendors.</li> </ol> <p>(V) Rights of stakeholders: In order to fulfill the promises to stakeholders, and to respect and protect their legitimate interests, the Company has established various communication and complaint filing channels, and upholds the principle of good faith to handle and respond immediately. By establishing communication channels, the Company understands the issues that stakeholders are concerned about and immediately responds to their needs in a proactive manner, and takes such as a reference for the future direction of corporate social responsibility. In addition, the “Communication and Response” page of the “Investors” section on the Company website discloses the performance of communication with stakeholders. The communication with stakeholders in 2020 was reported at the 27th meeting of this term of the Board of Directors on December 24, 2020.</p> <p>(VI) Continuing education of the directors: Pursuant to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”, the Company provides continuing education courses to the directors from time to time. Continuing education in 2020 is as follows:</p>				

Job Title	Name	Date of continuing education	Held by	Training Program	Duration (hour)
Independent Director	Li, Wen-Cheng	June 30, 2020, to June 30, 2020	Securities & Futures Institute	Analysis on the transactions between Directors, Supervisors and related parties and case studies	3 hours
		September 1, 2020, to September 1, 2020	Taiwan Corporate Governance Association	[CGP-Advanced] Legal responsibility of insider trading and case studies	3 hours
		September 8, 2020, to September 8, 2020	Taiwan Corporate Governance Association	The operation right dispute and case studies	3 hours
Independent Director	Yen, Yun-Chi	August 19, 2020, to August 19, 2020	Securities & Futures Institute	The 2020 seminar for listed companies to understand the hedge transaction of derivative and its practice	3 hours

Evaluation Item	Implementation status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons	
	YES	NO	Abstract Illustration		
Representative of Institutional Director	Hung, Ming-Yao	September 3, 2020, to September 3, 2020	Securities & Futures Institute	2020 Continued Training on the prevention of insider trading and insiders’ share transfers.	3 hours
		November 13, 2020, to November 13, 2020	Taiwan Stock Exchange Corporation	The 2020 Dissemination Meeting of Corporate Governance and Corporate Integrity for the Directors and Supervisors	3 hours
(VII) Execution of risk management policies and risk measuring standards:					
1. The Company’s major operating policies, bank financing and other major proposals have been evaluated and analyzed by appropriate units with authorities and implemented in accordance with the resolutions of the Board of Directors.					
2. The Company establishes an internal control system and regularly implements self-inspection. The Company also formulates supervisory measures for the subsidiaries, to ensure that all operating regulations and implementation are in compliance with the control elements and actually achieve risk management. The audit unit also drafts the annual audit plans based on the results of the risk assessment, and implements the plans in order to implement the supervision mechanism and control the implementation of various sorts of risk management.					
(VIII) Implementation of customer policy: The Company has set up a dedicated customer service unit and staff to deal with issues related to customers, and maintains good relationship with customers for creating profit.					
(IX) The Company’s purchase of liability insurance for the directors:					
1. The Company obtains directors’ liability insurance with respect to liabilities resulting from the exercise of their duties during their terms of directorship.					
2. The coverage of the Company’s “Directors’ Liability Insurance” for 2019 and 2020 has been reviewed and approved in 12th meeting of this term of the Board of Directors on May 8, 2019, and the 21st meeting of this term of the Board of Directors on May 8, 2020. The insurance amount is US\$3 million, and the insurance application has been completed.					
IX. Please state the improvements made to the items in the corporate governance evaluation results issued in the most recent year by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and indicate the enhancement and improvement measures for the items not yet improved.					
1. Already improved:					
①Question 1.3: Only three directors attended the 2019 general shareholder meeting (including one independent director), the attendance rate was 43%, which was less than 1/2; five directors attended the 2020 general shareholder meeting (including three independent directors), the attendance rate was 71%. Directors will be encouraged to attend general shareholder meetings continuously to increase attendance rate					
②Question 1.15: The Company’s website discloses the specific implementation of the prohibition of insider trading (including the date of training, the object and the content of the course).					
③Question 2.17: The Board of Directors regularly (at least once a year) assesses the independence of the CPAs and discloses the specific assessment in the annual report.					
④Question 2.25: In 2019, only one of the seven directors conducted six hours of training; in 2020, two of the six directors achieved the required continuing education hours for the year, and the hours of training for one director were three hours. The directors will be encouraged to continue with continuing education per the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”.					
⑤Question 1.15: The Company’s website discloses the specific implementation of the prohibition of insider trading (including the date of training, the object and the content of the course).					
⑥Question 3.15: The Company’s annual report discloses the amount and nature of non-audit professional service fees paid to the CPAs and their affiliated accounting firm, and lists their services in the remarks column.					
⑦Question 4.15: The Company’s website discloses the specific practices of the ethical management policy and the programs for preventing unethical conduct (including the date of the training, the object and the content of the course).					
2. Priority to enhance according to items that have not yet been improved:					
①Question 2.3: The Company will comply with Article 4 of the “Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board’s Exercise of Powers” issued by TWSE on January 2, 2020, through letter Tai-Zheng-Zhi-Li-Zi No. 10800242211. When the current directors’ term of office expires on June 10, 2021, a full re-election will be held in the general shareholder meeting on June 10, 2021. After the re-election, the new directors will convene a Board meeting to elect the new directors and president, to improve the current situation where the chairperson and the president are the same person.					
②Question 2.6: The Company values gender equality in the composition of the Board of Directors, and the goal is to add one female director in the Board of Directors for the next term (re-election will be held at the shareholder meeting on June 10, 2021).					

Note 1: The implementation of the diversification of members in the Board of the Directors (June 11, 2018, to June 10, 2021):

Job Title	Name	Formation					Experience in industry / specialty									
		Nationality	Gender	company	The employee of the Age	Seniority of tenure as independent director	Financial Accounting	Law	Marketing	Operational Judgment	Business Management	Crisis Management	Knowledge of the Industry	Perspective of Global Market	Leadership	Capability of Decision
Chairperson and Representative of Legal Person Director	Tsai, Chung-Ping	Republic of China	Male	√	> 50		√		√	√	√	√	√	√	√	√
Representative of Legal Person Director	Chiu, Ping-Tse	Republic of China	Male	√	< 50		√		√	√	√	√	√	√	√	√
Representative of Legal Person Director	Chen, Kuo-Yen	Republic of China	Male		> 50				√	√	√	√	√	√	√	√
Representative of Legal Person Director	Hung, Ming-Yao	Republic of China	Male		> 50					√	√	√	√	√	√	√
Independent Director	Yen, Yun-Chi	Republic of China	Male		> 50	> 3	√		√	√	√	√	√	√	√	√
Independent Director	Li, Wen-Cheng	Republic of China	Male		> 50	> 3		√		√	√	√	√	√	√	√
Independent Director	Wu, Gen-Cheng (Discharged on June 15, 2020)	Republic of China	Male		> 50	< 3	√		√	√	√	√	√	√	√	√

Note 2: Assessment criteria for CPAs' independence:

Item	Assessment Indicators	Assessment Outcomes	
		YES	NO
1	Whether the CPAs have not provided the Company's audit service for seven consecutive years	✓	
2	Whether the CPAs have no direct or significant indirect relationship involving financial interest with the Company	✓	
3	Whether the CPAs do not have financing or guarantee activities with the Company or the Company's directors	✓	
4	Whether the CPAs are not affected by the possibility of the Company's business loss	✓	
5	Whether the CPAs do not have any close business relationship with the Company	✓	
6	Whether the CPAs do not have any potential employment relationship with the Company	✓	
7	Whether the CPAs do not have any service fees related to the Company and the audit cases or possible fees	✓	
8	Whether the CPAs and its audit service team members are not been currently serving or have within the last two years served as directors, managerial officers or positions that have a significant impact on the audit case in the Company.	✓	
9	Whether the non-audit services provided by the CPAs to the Company do not directly affect important items of the audit case	✓	
10	Whether the CPAs do not intermediate the shares or other securities issued by the Company	✓	
11	Whether the CPAs have not acted as the Company's defender or represented the Company's defense against any legal proceedings with third parties or other disputes	✓	
12	Whether the CPAs are not related to the Company's directors, managers or persons who have significant influence on the audit case	✓	
13	Whether the CPAs have not served as directors or managerial officers, or positions having a significant influence on the audit case in the Company within a year of resignation	✓	
14	Whether the CPAs have not received valuable gifts from the Company or its directors or managerial officers	✓	
15	Does the Company not require CPAs to accept improper options made by management in accounting policies or improper disclosures in financial statements?	✓	
16	Whether the Company has not put pressure on CPAs to reduce professional service fees and thus prompt them to improperly reduce the audit tasks that should be performed	✓	

Assessment Outcomes:

After the assessment, the certified public accountants the company appoints all do not have cases described above. We can make sure that the certified public accountants are correspond with the rules of independency, and the financial reports written by them can be trust.

## (IV) Composition, duties, and operation of the Remuneration Committee

### 1. Remuneration Committee Member Information

April 12, 2021

Identity (Note 1)	Name	Meet one of the following professional qualification requirements, together with at least five years work experience			Independence criteria (Note 1)										No. of other listed companies working as remuneration committee member of	Remarks
		An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, or university	Judges, prosecutors, lawyers, accountants or other national examinations required for business with the company, and specialized professional and technical personnel with certificates	Business, legal affairs, finance, accounting or related work experience	1	2	3	4	5	6	7	8	9	10		
Independent Director	Li, Wen-Cheng		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	—
Independent Director	Wu, Gen-Cheng Note 2			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	—
Independent Director	Yen, Yun-Chi (Note 3)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—
Others	Tsai, Chi-Chan		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	—

Note 1: If any member meets any of the following conditions during the two years before being elected or during their term of office, please tick “✓” in the spaces below the conditions.

- (1) Is not an employee of the Company or its affiliate.
- (2) Not a director or supervisor of the Company or its affiliates. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (3) Not a natural-person shareholder who together with those held by the person’s spouse, minor children, or in another person’s name, holds shares in an aggregate amount of 1% 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 Managers stated in (1) or Personnel stated in (2), (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (6) Not if a majority of the company’s director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) Not if the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)



- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company. (The same does not apply, however, if the specified company or institution possesses shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the Company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent company or subsidiary).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer, or a spouse thereof, of a sole proprietorship, partnership, company, or institution, that provides auditing services or for the past two years has provided commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company amounting to less than a cumulative amount of NTD500,000. Provided that this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Does not have any of the circumstances in Article 30 of the Company Act.

Note 2: Mr. Wu, Gen-Cheng, Independent Director, has resigned from the position of “independent director”, and member of the “Audit Company” and “Remuneration Committee” from June 15, 2020.

Note 3: The Board of Directors resolved to appoint the independent director Yen, Yun-Chi as the the member of the Remuneration Committee of the 4th term on July 3, 2020. The term of office is from July 3, 2020, to June 10, 2021 when the term of office of the Board of Directors expires.

## 2. Authority of the Remuneration Committee

The remuneration committee of the Company convenes at least twice a year, and may hold meetings at any time as needed. The main responsibilities and annual work focus are to formulate and regularly review the policies, systems, standards and structures of directors and managers’ performance evaluation and remuneration, and regularly evaluate and determine the remuneration of directors and managers.

### 3. Remuneration Committee Operation Status

- (1) The Company's Remuneration Committee is composed of three members.
- (2) The 4th term members' term of office: From June 20, 2018, to June 10, 2021. In 2020, the Remuneration Committee held three meetings (A), and the member qualifications and attendance were as follows:

Job Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual no. of meetings attended (B/A)	Remarks
Convener	Li, Wen-Cheng Independent Director	3	0	100.00%	
Committee member	Wu Gen-Cheng (Note 1) Independent Director	1	0	100.00%	Discharged on June 15, 2020
Committee member	Yen, Yun-Chi (Note 2) Independent Director	1	1	50.00%	Newly appointed on July 3, 2020
Committee member	Tsai, Chi-Chan	3	0	100.00%	
Average actual attendance rate of members of the Remuneration Committee in 2020 (%) (Total actual attendances / total required attendances)				88.89%	
Other items to be recorded:					
I. Subjects and resolutions of the proposals of the Remuneration Committee during 2020 and 2021 as of March, and the Company's handling of the opinions of the Remuneration Committee:					
Date of meetings of the Remuneration Committee	Motion Contents	Resolutions of Remuneration Committee	The Company's treatment to the opinions of the Remuneration Committee	Date of Board of Directors Meeting	Resolution of the Board of Directors
March 20, 2020 4th meeting of the 4th term	Proposal to distribute remuneration to employees and directors for 2019	All attending members approved	Submitted to the Board of Directors for resolution	March 20, 2020 20th meeting of the term	All attending directors approved
September 28, 2020 5th meeting of the 4th term	Proposal for 2020 salary adjustment for managerial officers	All attending members approved	Submitted to the Board of Directors for resolution	September 28, 2020 25th meeting of the term	All attending directors approved
December 24, 2020 6th meeting of the 4th term	Proposal to distribute 2019 directors' remuneration	All attending members approved	Submitted to the Board of Directors for resolution	December 24, 2020 27th meeting of the term	All attending directors approved
	Proposal to distribute 2019 managerial officers' remuneration.	All attending members approved	Submitted to the Board of Directors for resolution		All attending directors approved
	Proposal to disburse the 2020 annual performance bonus of the managerial officers	All attending members approved	Submitted to the Board of Directors for resolution		All attending directors approved
January 14, 2021 7th meeting of the 4th term	Proposal for reappointment of Company staff	All attending members approved	Submitted to the Board of Directors for resolution	January 14, 2021 28th meeting of the term	All attending directors approved
March 19, 2021 8th meeting of the 4th term	Proposal to distribute remuneration to employees and directors for 2020	All attending members approved	Submitted to the Board of Directors for resolution	March 19, 2021 29th meeting of the term	All attending directors approved
II. If the Board of Directors did not adopt or amend the suggestions of the Remuneration Committee, please indicate the date and session number of the Board meeting, the contents of the motion, the result of the resolution and the Company's handling of the suggestions of the Remuneration Committee (if the remuneration passed by the Board is better than the suggestion of the Remuneration Committee, please state the difference and the reasons): No such situation.					
III. If any member had objections or reservations about the resolutions of the Remuneration Committee and there is a record or a written statement, please indicate the date and session number of the Remuneration Committee meeting, the contents of the motion, all the opinions of the members and how the opinions were handled: No such situation.					

Note 1: Independent Director Wu, Gen-Cheng has resigned from the position of "independent director", and member of the "Audit Company" and "Remuneration Committee" from June 15, 2020.

Note 2: The Board of Directors resolved to appoint the independent director Yen, Yun-Chi as the the member of the Remuneration Committee of the 4th term on July 3, 2020. The term of office is from July 3, 2020, to June 10, 2021 when the term of office of the Board of Directors expires.

(V) Fulfillment of Corporate Social Responsibility and Differences with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	YES	NO	Abstract Illustration	
I. Does the company assess the risk of the environment, society, and issue of management of the company and set up a policy or strategy of risk management, according to principle of importance? (note 1)		✓	<ul style="list-style-type: none"> <li>■ The Company established the “Corporate Governance Best Practice Principles Best Practice” on March 21, 2017, for enactment, specifying the corporate social responsibility policy.</li> <li>■ The Group upholds the concepts and material principles of “Ethical Principles” and “Sustainable Operations”. While pursuing the sustainable operations and profitability of the enterprise, it fulfills its corporate social responsibility and values the interests of its stakeholders. The Company emphasizes the environmental, social and governance issues and incorporates them into the Company’s management policies and operating activities to achieve the goal of sustainable operations.</li> </ul>	No significant variances
II. Does the company set up a unit to promote CSR, and authorized managerial level to handle by the board of the director, and report to the board of the director?	✓		The Company currently designates the Management Department as the unit concurrently in charge of the specific promotion and implementation of corporate social responsibility plans, and to report their implementation to the Board of Directors at least once per year. The report was made at the 27th meeting of this term of the Board of Directors on December 24, 2020.	No variances.
III. Environmental Issue				
(I) Does the company set up an appropriate environmental management system, according to the feature of the industry?	✓		(I) Green buildings: The Company emphasizes energy saving for buildings in the usage stage. Many projects have obtained green building candidate certificates, integrating greening design, base water retention, energy-saving outer shells, and energy-saving illumination design into the daily life of users, to realize the concept of energy saving during the life cycle of buildings.	(I) No variances.
(II) Does the company dedicate in promoting efficiency of the usage of any sources, and use renewable materials that have low impact to the environment.	✓		(II) Use advanced technologies to introduce building information modeling into the construction culture. Through technical applications, various sorts of analysis information are effectively integrated, and the construction process is under control, and thus the Company effectively improves the construction efficiency and greatly reduces errors and the waste of energy and resources.	(II) No variances.
(III) Does the company assess the risks and chances that the climate change makes	✓		(III) In response to the issues of global warming and climate change	(III) No variances.

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles Best Practice Principles for TWSE/TPEX Listed Companies and reasons									
	YES	NO	Abstract Illustration										
<p>to the present and the future of the company, and adapt measures against the climate issue?</p> <p>(IV) Does the company calculate the emission of green house gas, water consumption, and the amount of waste, and set up a managerial policy of energy saving and carbon reduction, reducing green house gas, reducing using water, or other waste.</p>	✓		<p>which are getting more serious every day, the government is actively promoting energy saving and carbon reduction measures and the use of green energy sources to reduce emission of carbon dioxide. For the comfort and health of our citizens, and to reduce the impact on the environment of manufacturing building materials and promote the upgrade of the traditional construction material industry, the company shall actively take measures in response to the issue of climate change and put in effort into developing green building techniques to improve the level of green buildings, in hope of building up an energy saving and carbon emission reducing housing environment. Planning construction cases with energy saving and carbon emission reducing products, such as building materials, energy saving machinery, housing facilities and new energy systems applied in green buildings. To implement government policy, the Company goes to great lengths in environmental protection to put corporate social responsibility into practice.</p> <p>(IV) The Company makes statistics on the information regarding the indirect greenhouse gas emissions generated by the power consumption and water consumption in office areas, to serve as basis for developing management measures regarding energy saving, carbon reduction, greenhouse gas reduction, water reduction, etc. The summary of the environmental information of the head office in the past two years is as follows:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Emission of GHG (ton/CO<sub>2</sub>e)</td> <td>82</td> <td>84</td> </tr> <tr> <td>Water usage (m<sup>3</sup>)</td> <td>192</td> <td>186</td> </tr> </tbody> </table> <p>The goal is to maintain greenhouse gas emissions in the office areas in 2021 below 80 tons.</p>	Item	2019	2020	Emission of GHG (ton/CO <sub>2</sub> e)	82	84	Water usage (m <sup>3</sup> )	192	186	(IV) No variances.
Item	2019	2020											
Emission of GHG (ton/CO <sub>2</sub> e)	82	84											
Water usage (m <sup>3</sup> )	192	186											
<p>IV. Social Issues</p> <p>(I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	✓		<p>(I) The Company complies with relevant labor laws and respects internationally recognized labor human rights regulations/principles, and has established working rules and related personnel management regulations, which cover the prohibition of child labor, gender</p>	(I) No variances.									

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	YES	NO	Abstract Illustration	
(II) Does the company set up and practice the measures of employees' welfare (including payment, vacation, and others), and adjust the payment according to the performance of the operation?	✓		<p>equality, the right of work and the prohibition of any illegal discrimination, and other provisions to protect human rights.</p> <p>Pursuant to the Act of Gender Equality in Employment, the Company creates a working environment with equal rights for both genders. Employees are entitled to menstrual leave, maternity leave (paternity leave), parental leave without pay, family care leave and other benefits, and equal salary and employment conditions, training and promotion are implemented.</p> <p>(II) The Company has working rules and related personnel management regulations, which cover the basic salaries, working hours, leaves, pension payments, labor and health insurance benefits, and occupational accident compensation for the employees hired by the Company; all of these are compliant with the relevant provisions of the Labor Standards Act. The Employee Welfare Committee is established to handle various welfare matters through the welfare committee elected by the employees; the Company's remuneration policy is to determine remunerations based on personal ability, contribution to the Company and performance, correlating positively to the operating performance.</p>	(II) No variances.
(III) Whether the company offers both safe and healthy working environment for its employees, and put into practice of safety and health education on a regular basis or not?	✓		<p>(III) The Company provides staff a safe and healthy work place. There are air conditioning systems, equipment providing sufficient light, work places good for eyes and ears, evacuation routes and emergency exits, regular elevator maintenance, fire protection equipment, regular sanitizing and disinfection of the work place, water testing, and entry control. Employee health checks are conducted every year, and health consultation lectures are arranged. The health check items are added and adjusted according to employee needs every year, so that employees better understand and pay attention to their own health. In addition, the Company has the Employee Welfare Committee responsible for handling various welfare measures and subsidies for</p>	(III) No variances.

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	YES	NO	Abstract Illustration	
(IV) Whether an effective career development training project is available for employees or not?	✓		<p>employees. The Company also handles labor insurance, national health insurance and group insurance pursuant to laws, to protect the interests of employees and fully support the balanced development of their bodies, minds and souls.</p> <p>(IV) The Company takes long-term talent cultivation as the top priority, and plans and arranges various internal and external training programs based on the needs of the organization and departments and the individual needs of employees, to improve and update employees' knowledge and skills and establish abundant human capital. For the development of career competence of employees, the development of core professional competence and the balanced development of employees' body, mind and soul shall be both taken into account.</p>	(IV) No variances
(V) Whether the health and security of the customers, privacy of the clients, and marketing and indication are following the rules, and related consumer protection policies and grievance procedures are available by the company?	✓		<p>(V) The Company has formulated relevant policies to protect the interests of consumers, such as signing sales contracts conforming to the Ministry of the Interior's standardized contract specifications, complying with marketing and promotion regulations, communicating with customers for their customized interior alterations, voluntary construction quality inspections and repairs, among other things, to ensure consumer rights. The Company maintains good communication channels with customers, and has dedicated departmental customer service personnel, who comply with confidentiality protocols and the Personal Information Protection Act for customer privacy. The Company's website has an Investors section, disclosing policies to protect consumer rights and provide a complaint filing channel.</p>	(V) No variances
(VI) Whether the company set up a managerial policy of supplier, asking them to follow the rules, such as environmental rules, workplace safety and health, and labor right?	✓		<p>(VI) The Company has set up the "Management Procedures for Suppliers". New suppliers are reviewed in advance, and only those who pass the review may be traded with; if there is no transaction within three years, the qualification of qualified suppliers will be cancelled, and only after review and confirmation may they become qualified suppliers again. The review includes the supplier's capacity, scale, industry</p>	(VI) No variances.

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	YES	NO	Abstract Illustration	
			<p>reputation and financial credit, among other things.</p> <p>For qualified suppliers, the procurement unit shall fill in the "Supplier Appraisal Form" before the end of January and July each year for suppliers with transaction amounts of NT\$200,000 (inclusive) or actual transaction performances of more than six times (inclusive). The forms will be evaluated by relevant units once. The appraisal includes delivery, quality, cooperation/service, and price of the supplier's products. In addition, the supplier must satisfy relevant conditions such as labor, environmental and human rights. In case of violations, the Company may terminate or cancel the contract at any time, thereby urging all suppliers to fulfill their corporate social responsibilities.</p>	
V. Does the company edit the report that disclose information not about financial information according to international principle or instruction of report editing? Are the report confirm and guarantee by third testing unit?		✓	<p>The "Corporate Social Responsibility Best Practice Principles" are disclosed on the Company website and MOPS for reference. The system and measures adopted by the Company for social responsibility and the implementation of social responsibility performance are disclosed in the annual report.</p> <p>The Company has not yet prepared a corporate social responsibility report, and it will be prepared in the future based on the Company's actual needs and legal requirements.</p>	In the future, a corporate social responsibility report will be prepared pursuant to laws and regulations.
<p>VI. If the Company has its own corporate social responsibility code in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, please describe the difference between its operation and the prescribed code:  The Company has established the "Corporate Social Responsibility Best Practice Principles" pursuant to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" for enhancing the the corporate sustainability and fulfillment of corporate social responsibility, and integrated it into the management and operation of the Company.  The Company currently designates the Management Department as the unit concurrently in charge of the specific promotion and implementation of corporate social responsibility plans, and to report their implementation to the Board of Directors at least once per year. There is no material difference from the Principles.</p>				
<p>VII. Other important information to help understand the operation of corporate social responsibility:  The Company expects that its own operations will bring positive developments to neighborhood communities. In addition to focusing on its major business, the Company will continue to manage and maintain the adopted roads and parks in order to establish good community relations:</p> <ol style="list-style-type: none"> <li>1. Adoption and maintenance of the sidewalk in front of Section 2, Chenggong Road, Neihu District, Taipei City. The adoption period is from February 17, 2015, to February 16, 2025, for ten years.</li> <li>2. Adoption of the sidewalk in front of Land No. 139, Huimin Section, Xitun District, Taichung City, which is adjacent to Shicheng N. 2nd Road and Chaofu Road sidewalk (approximately 292m<sup>2</sup>). The adoption period is from December 7, 2017, to December 6, 2021, for four years. Adoption content includes sidewalk pavement renewal, new planting of sidewalk trees, and regular maintenance and management.</li> <li>3. Adoption of parks, plazas, green spaces, beside Zhiyun Road in Hsinchu City (Land No. 1065, Guangwu Section). The adoption period is from October 25, 2018, to October 25, 2021. The adoption includes responsibilities such as maintaining the adopted parks and green spaces by collecting garbage and cleaning animal excrement. When the park, green space or plaza facility is damaged due to natural disasters or by people, the Hsinchu City Government shall be notified as soon as possible.</li> <li>4. Sponsoring the New Year's Eve Party in Taichung City at the end of 2020.</li> <li>5. Sponsoring the Taiwan Four Seasons Culture and Education Foundation to hold the second Hái-éng Festival in 2020.</li> </ol>				

Note 1: The principle of materiality refers to those related environmental, social and governance issues having significant impact on the Company's investors and other stakeholders.

(VI) Implementation of ethical corporate management and differences with Ethical Corporate Management Best Practice Principles for for TWSE/TPEX Listed Companies and reasons

Evaluation Item	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for Listed Companies and reasons
	YES	NO	Abstract Illustration	
I. Setting business integrity policies and programs				
(I) Does the company set the policy of trust management pass by the board of directors and express its commitment to the policies and practices of integrity management in its regulations and in the external documents, and do the board of directors and the management actively implement the business policies?	✓		(I) In order to establish a corporate culture of ethical management and sound development, and provide a good business operation structure, the Company has formulated the “Ethical Corporate Management Best Practice Principles” to follow and implement it in internal management and external business activities.	(I) No variances.
(II) Has the company set up a program for the prevention of dishonesty as well as analyzing and assessing the activity with high unethical risk, and include conducts specified in Article 7, paragraph 2 of the “Ethical Corporate Management Best Practice Principles for for TWSE/TPEX Listed Companies”?	✓		(II) The prevention programs adopted by the Company cover preventive measures against the following: <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2. Providing illegal political donations.</li> <li>3. Improper charitable donations or sponsorships.</li> <li>4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</li> <li>5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</li> <li>6. Engaging in unfair competitive practices.</li> <li>7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</li> </ol>	(II) No variances.
(III) Has the company set up procedures, conduct guidelines and a disciplinary in the program for the prevention of dishonesty and appeals system in various programs and implemented them?	✓		(III) Based on the business philosophy and policies of the preceding paragraph, the Company clearly and in detail specifies guidelines in the Principles to prevent unethical conduct, punishment and appeal systems for violations, and implements them. The Company reviewed and amended the Company’s “Ethical Corporate Management Best Practice Principles” by referring the amendments to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and the “Sample	(III) No variances.



Evaluation Item	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for Listed Companies and reasons
	YES	NO	Abstract Illustration	
			Template for XXX Co., Ltd. Procedures for Ethical Management and Guidelines for Conduct”.	
<p>II. Implementation of integrity management</p> <p>(I) Does the Company assess the integrity record of its business partners, and stipulate the terms of conduct on integrity in the contracts with business partners?</p> <p>(II) Has the Company set up a dedicated ethical corporate management promotion unit under the Board of Directors which regularly reports to the Board on the ethical corporate management polices and programs preventing unethical conducts, and the implementation of supervision (at least once a year)?</p> <p>(III) Has the company formulated policies to prevent conflicts of interest, provided appropriate channels for statements and implemented them?</p> <p>(IV) Has the Company established an effective accounting system and internal control system for the implementation of ethical management, and the internal audit unit formulate the related audit plans based on the assessment outcomes of the unethical conduct risks, to inspect the compliance with the prevention program for unethical conducts, or the CPAs are commissioned to audit?</p> <p>(V) Does the company hold regular internal and external training on business integrity?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company conducts commercial activities on the principle of fairness and transparency. When signing a contract with others, the legal personnel reviews the terms of the contract, and the contract includes the penalty terms; if the vendor fails to perform the contract truthfully, compensation will be made pursuant to the contract.</p> <p>(II) The Company designates the legal unit of the President’s Office as the unit in charge, responsible for handling the amendment, implementation, interpretation, consulting services, and reporting, registration and documentation of the Principles, as well as supervision and implementation. A report shall be made to the Board of Directors at least once a year. The implementation has been reported at the 26th meeting of the current term of the Board of Directors on November 11, 2020.</p> <p>(III) The Company has stipulated the directors to recuse themselves from participating in discussions and voting when any proposal involves their interests and conflicts with the Company’s interests; the directors, managerial officers, employees, and appointees shall not use their position in the Company and their influence to enable themselves or others to obtain improper interests.</p> <p>(IV) <ul style="list-style-type: none"> <li>■ The Company has established an effective accounting system and internal control system. The internal auditors schedule audit plans and perform audits based on the level of risk, and regularly report the audit status to the Board of Directors.</li> <li>■ Regularly commissioning CPAs to audit the financial statements and confirm the effectiveness of the internal control system.</li> </ul> </p> <p>(V) The Group conducted education and promotion for the current directors, managerial officers and employees on October 28,</p>	<p>(I) No variances.</p> <p>(II) No variances.</p> <p>(III) No variances.</p> <p>(IV) No variances.</p> <p>(V) No variances</p>

Evaluation Item	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for Listed Companies and reasons
	YES	NO	Abstract Illustration	
			2020. The course included the ethical management policy, the prohibition of insider trading and other related topics, so that they could fully understand the Company's determination, policies and preventive programs of ethical management, and the consequences of violations of unethical conduct, as well as the prohibition of the directors, managerial officers, and employees from using information that is not available in the market for profit. The course lasted for 120 minutes and the Company had 11 participants in total. The course briefing file was sent to all directors, managerial officers and employees for reference.	
III. The operation status of reporting system. (I) Has the company set up specific reporting and reward systems and a convenient reporting channel, and does the company assign appropriate personnel to investigate the person being reported? (II) Has the company set up standard investigation procedures and a related confidentiality mechanism for the matter being reported? (III) Does the company take measures to protect the reporter from improper treatment?	 ✓  ✓  ✓		The Company has formulated the "Reporting Management Procedures", clearly defined the reporting system, and provided legitimate reporting channels; the identity of the informant and the content of the report are kept fully confidential. The procedures are disclosed on the website.	(I) (I) No variances. (II) (II) No variances. (III) (III) No variances.
IV. Strengthening of Information Disclosure: Does the company disclose the contents of its Ethical Corporate Management Best Practice Principles and the effectiveness on its website and MOPS?	✓		The Company discloses the implementation of the Ethical Corporate Management Best Practice Principles on the Company's website, in the annual report and the prospectus.	No variances.
V. If the Company has its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between them: The Company has established the "Corporate Governance Best Practice Principles", and the operation is no different from the established principles.				
VI. Other important information that helps to understand the Company's ethical management operation (such as the Company's review and revision of the Company's integrity management code, etc.): The company adheres to the principle of good faith management and engages in all commercial activities. When signing a contract with others, its contents include compliance with the integrity management policy and the transaction relatives may terminate or cancel the terms of the contract at any time; Professional and diligent management to ensure fair, sustainable and competitive returns, to create the best interests of shareholders; to provide working conditions that guarantee the health and safety of each employee, to listen to employees and to face complaints from employees in good faith problems, encouragement and assist employees in developing relevant skills and knowledge, and avoid illegal activities, providing employees with sustainable employment opportunities. The Company values the interests of every stakeholder, to promote the sustainable development of the Company.				

Note: Regardless of whether "Yes" or "No" is checked for the operation, it should be stated in the summary description column.

(VII) If the Company has established corporate governance best practice principles and related regulations, it should disclose its inquiry method

The Company has established the “Corporate Governance Best Practice Principles” by referring to the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”.

Other than the “Corporate Governance Best Practice Principles”, the Company has also established the “Regulations Governing Procedure for Board of Directors Meetings”, the “Regulations for Election of Directors”, the “Principle of performance evaluation of the board of directors”, the “Audit Committee Charter”, the “Remuneration Committee Charter”, the “Code of Ethical Conduct”, the “Ethical Corporate Management Best Practice Principles” and the “Corporate Social Responsibility Best Practice Principles” as the regulations for the Company to advance corporate governance.

The aforementioned corporate governance related regulations of the Company are disclosed in the “Board of Directors”, “Functional Committees” and “Corporate Governance Related Information” pages in the “Investors” section on the Company’s website and in the “Formulation of relevant procedures and rules for corporate governance” under “Corporate Governance” on MOPS.

(VIII) Other important information that is sufficient to enhance understanding of the Company’s operation of corporate governance:

Material information of the Company is immediately announced on MOPS as required by the competent authority. The Company’s finance, business and corporate governance related information is also regularly or immediately updated in the “Investors” section on the Company’s website.

(IX) Implementation of the internal control system

1. Internal Control Statement

RUN LONG CONSTRUCTION CO., LTD.

Internal Control Statement



Date: March 19, 2021

The Company's internal control system of the year 2020, according to the result of self-assessment is thus stated as follows:

- I. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of the Board of Directors and management, and the Company has established such system. The internal control system is aimed to reasonably assure that goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance with applicable laws and regulations are achieved.
- II. An internal control system has its innate limitations. An effective internal control system can only ensure that the foregoing three goals are achieved. Moreover, due to the changes in the environment and conditions, the effectiveness of the internal control system will change accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
- III. According to the effective judgment items for the internal control system specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"), the Company judges whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by "Highlights" are, based on the process of management control, for classifying the internal control into five elements: 1.Control environment; 2.Risk assessments; 3.Control activities; 4.Information and communication; and 5.Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to "Highlights".
- IV. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of the design and execution of the internal control system.
- V. Based on the above-mentioned result of the evaluation, the Company believes that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operations, the reliability of financial reporting and the compliance with applicable laws and regulations, has been effective as of December 31, 2020, and they can reasonably assure the aforesaid goals have been achieved.
- VI. This statement will be the main content of the annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Law.
- VII. This statement has been approved by the meeting of the Board of Directors on March 19, 2021, and the six directors present all agreed with the contents of this statement.

RUN LONG CONSTRUCTION CO., LTD.

Chairperson: Tsai, Chung-Ping



Signature/Seal

President: Tsai, Chung-Ping



Signature/Seal

2. If the Securities and Futures Commission requires the company to commission an accountant to audit its internal control system, please disclose the accountant's audit report: None.

(X) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system during the most recent fiscal year and up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and conditions for improvement: None.

(XI) Important resolutions of the shareholder meeting and the Board meetings, in the latest year and as of the date of publication of the annual report

1. Key resolutions of shareholders meetings and implementation

The Company's 2020 general shareholder meeting was held on June 9, 2020, at No. 8 Zhifu Road, Zhongshan District, Taipei City (Dazhi Denwell Hotel, Cinderella Hall), and its important resolutions and implementation status are as follows:

I. Ratification Items

1. Proposal for the Company's 2019 business report and financial statements

Voting results: 251,048,601 rights in favor, 14,303 rights opposed, and 3,094,279 abstentions/non-voting rights; the rights in favor took 98.77% of the total voting rights of the shareholders attended. The proposal was passed as it was proposed.

Implementation status: Proceeded as the resolution.

2. Proposal to distribute 2019 earnings

Voting results: 251,156,601 rights in favor, 15,303 rights opposed, and 2,985,279 abstentions/non-voting rights; the rights in favor took 98.81% of the total voting rights of the shareholders attended. The proposal was passed as it was proposed.

Implementation situation: The distribution of earnings per share is stock dividend for NT\$1 and cash dividend for NT\$1 per share; October 1, 2020, was set as the ex-dividend and dividend distribution base date, and October 30, 2020, was the payment date of stock and cash dividends.

II. Discussion Items

1. Proposal for the Company's 2019 surplus and capital reserve transfer to capital increase to issue new shares

Voting results: 251,120,320 rights in favor, 32,414 rights opposed, and 3,004,449 abstentions/non-voting rights; the rights in favor took 98.80% of

the total voting rights of the shareholders attended. The proposal was passed as it was proposed.

Implementation status: The distribution of capital reserve is stock dividend for NT\$1 and cash dividend for NT\$1 per share; October 1, 2020, was set as the ex-dividend and dividend distribution base date, and October 30, 2020, was the payment date of stock and cash dividends.

2. Proposal to amend the Company's "Articles of Incorporation"

Voting results: 251,150,420 rights in favor, 14,308 rights opposed, and 2,992,455 abstentions/non-voting rights; the rights in favor took 98.81% of the total voting rights of the shareholders attended. The proposal was passed as it was proposed.

Implementation situation: The proposal was proceeded as the resolution, and the approval of the Ministry of Economic Affairs was obtained on July 6, 2020; the disclosure was made on the Company website.

3. Proposal to amend the Company's "Operational Procedures of Acquiring or Disposing Assets"

Voting results: 247,896,068 rights in favor, 3,264,660 rights against, and 2,996,455 abstentions/non-voting rights; the rights in favor took 97.53% of the total voting rights of the shareholders attended. The proposal was passed as it was proposed.

Implementation situation: The proposal was proceeded as the resolution, and the disclosure was made on MOPS and the Company website on June 12, 2020.

4. Proposal to amend the Company's "Operational Procedures for Loaning of Company Funds"

Voting results: 251,145,306 rights in favor, 16,422 rights opposed, and 2,995,455 abstentions/non-voting rights; the rights in favor took 98.81% of the total voting rights of the shareholders attended. The proposal was passed as it was proposed.

Implementation situation: The proposal was proceeded as the resolution, and the disclosure was made on MOPS and the Company website on June 12, 2020.

5. Proposal to amend the Company's "Operational Procedures for Endorsements and Guarantees"

Voting results: 251,142,306 rights in favor, 16,422 rights opposed, and 2,998,455 abstentions/non-voting rights; the rights in favor took 98.81% of the total voting rights of the shareholders attended. The proposal

was passed as it was proposed.

Implementation situation: The proposal was proceeded as the resolution, and the disclosure was made on MOPS and the Company website on June 12, 2020.

6. Proposal to amend the Company’s “Rules of Procedure for Shareholder Meetings”

Voting results: 251,150,420 rights in favor, 14,308 rights opposed, and 2,992,455 abstentions/non-voting rights; the rights in favor took 98.81% of the total voting rights of the shareholders attended. The proposal was passed as it was proposed.

Implementation situation: The proposal was proceeded as the resolution, and the disclosure was made on MOPS and the Company website.

2. Important resolutions of the Board of Director as of the year 2020 and the date of publication of the annual report are as follows:

Date of Meeting	Key resolution	Implementation situation
January 20, 2020 (18th meeting of the term)	<ol style="list-style-type: none"> <li>1. Proposal to appoint and compensate the CPAs.</li> <li>2. Proposal to assess the independence of CPAs for 2019.</li> <li>3. Proposal to amend the Company’s “Internal Control System Statement” and “Internal Audit System”.</li> <li>4. Proposal to amend the Company’s “Operational Procedures for Endorsement and Guarantee” and “Internal Control System” forms.</li> <li>5. Proposal to apply for a mid-term financing loan case from financial institutions.</li> <li>6. Proposal to apply for a financing credit facility from financial institutions.</li> <li>7. Proposal to apply for a secured financing loan case from a branch of a financial institution.</li> </ol>	<ul style="list-style-type: none"> <li>■ Approved as proposed and implemented as the resolution.</li> </ul>
March 3, 2020 (19th meeting of the term)	<ol style="list-style-type: none"> <li>1. The Company proposed to buy part of the land for the “Joint-Construction, Separate Sales Project of Guangwu, Hsinchu”</li> <li>2. Proposal to amend the Company’s “Articles of Incorporation”.</li> <li>3. Proposal to amend the Company’s “Handling Procedures of Acquiring or Disposing Assets.”</li> <li>4. Proposal for the Company’s “Evaluation of Internal Control System Effectiveness” and “Internal Control System Statement” for 2019.</li> <li>5. Proposal to provide additional land from Huian Section, Xitun District, Taichung city and entrust a financial institution to arrange the syndicated loans.</li> <li>6. Proposal to apply for a financing credit facility from financial institutions.</li> </ol>	<ul style="list-style-type: none"> <li>■ Approved as proposed and implemented as the resolution.</li> <li>■ The first discussion has been reported for completion on MOPS on March 3, 2020.</li> <li>■ The fourth discussion has been reported for completion on MOPS on March 5, 2020.</li> </ul>
March 20, 2020 (20th meeting of the term)	<ol style="list-style-type: none"> <li>1. Proposal for the Company’s 2019 distribution of remuneration to employees and directors.</li> <li>2. Proposal for the Company’s 2019 business report and financial statements.</li> <li>3. Proposal to replace the CPAs certifying the financial statements.</li> <li>4. Proposal to distribute the Company's 2019 earnings.</li> <li>5. Proposal to disburse capital reserve.</li> <li>6. Proposal for the Company’s 2019 surplus and capital reserve transfer to capital increase to issue new shares.</li> <li>7. Proposal to amend the Company’s “Rules of Procedure for Shareholder Meetings”.</li> </ol>	<ul style="list-style-type: none"> <li>■ Approved as proposed and implemented as the resolution.</li> <li>■ The 1st, 2nd, 4th, 5th, 6th, 10th, and 11th discussions have been reported for completion on MOPS on March</li> </ul>

Date of Meeting	Key resolution	Implementation situation
	8. Proposal to amend the “Ethical Corporate Management Best Practice Principles”. 9. Proposal to amend the “Corporate Governance Best Practice Principles” and the “Corporate Social Responsibility Best Practice Principles”. 10. Matters related to the convening of the Company’s 2020 general shareholder meeting. 11. Matters related to the acceptance of shareholders’ proposals for the Company’s 2020 general shareholder meeting.	20, 2020.
May 8, 2020 (21st meeting of the term)	1. The Company proposed to participate in the joint-construction on the land at the Yuanton Section, Chungho District, New Taipei City. 2. Proposal to amend Company’s “Internal Control System” forms. 3. Proposal to dispose the Company’s negotiable securities. 4. Proposal to renew the Company’s “Directors’ Liabilities Insurance”.	■ Approved as proposed and implemented as the resolution.
July 3, 2020 (22nd meeting of the term)	1. Proposal to re-appoint the vacancy of the members of the 4th term of the “Remuneration Committee”. 2. Proposal to sell the housing and parking space of the Company’s construction projects to related parties. 3. Proposal for the Company to apply for a financing credit facility from the Banqiao Branch of King’s Town Bank.	■ Approved as proposed and implemented as the resolution. ■ The first and second discussions have been reported for completion on MOPS on July 3, 2020.
August 12, 2020 (23rd meeting of the term)	1. Proposal to determine the ex-right and cash dividends distribution base dates for the 2019 surplus and capital reserve transferred to capital increase for issuing new shares (capital increase). 2. Proposal to amend the Company’s “Rules of Procedure for Shareholder Meetings” and the “Regulations for Election of Directors”. 3. Proposal to amend the “Code of Ethical Conduct”. 4. Proposal to amend the related operational standards. 5. Proposal to establish the “Rules Governing Financial and Business Matters Between the Company and its Affiliated Companies”.	■ Approved as proposed and implemented as the resolution. ■ The first discussion has been reported for completion on MOPS on August 12, 2020.
September 2, 2020 (24th meeting of the term)	1. The Company proposed to dispose of the properties at Huimin Section, Xitun District, Taichung city 2. Proposal to apply for a financing credit facility from financial institutions.	■ Approved as proposed and implemented as the resolution. ■ The first discussion has been reported for completion on MOPS on September 2, 2020.
September 28, 2020 (25th meeting of the term)	1. Proposal for 2020 salary adjustment for the Company’s managerial officers. 2. Proposal to apply for a financing credit facility and change of credit terms from financial institutions. 3. Proposal to apply for a financing credit facility from financial institutions. 4. Proposal to apply for a financing credit facility from financial institutions. 5. Proposal to apply for a financing credit facility from financial institutions. 6. Proposal to apply for a financing credit facility from financial institutions. 7. Proposal to apply for a financing credit facility from financial institutions.	■ Approved as proposed and implemented as the resolution.



Date of Meeting	Key resolution	Implementation situation
November 11, 2020 (26th meeting of the term)	There were only reports in the meeting but no discussion for resolution.	
December 24, 2020 (27th meeting of the term)	<ol style="list-style-type: none"> <li>1. The Company proposed to dispose of the Taipei office and leasing it after the sale.</li> <li>2. Proposal for the Company's 2021 audit plan.</li> <li>3. Proposal for the the Company's 2021 business plans and annual budgets.</li> <li>4. Proposal to appoint and compensate the CPAs.</li> <li>5. Proposal to assess the independence of CPAs for 2020.</li> <li>6. Proposal to distribute the 2019 remuneration for directors.</li> <li>7. Proposal to distribute the 2019 remuneration for managerial officers.</li> <li>8. Proposal to disburse the 2020 performance bonus for managerial officers.</li> <li>9. Proposal to apply for a financing credit facility from financial institutions.</li> <li>10. Proposal to apply for the escrow limits from financial institutions.</li> </ol>	<ul style="list-style-type: none"> <li>■ Approved as proposed and implemented as the resolution.</li> <li>■ The first and second discussions have been reported for completion on MOPS on December 24, 2020.</li> </ul>
January 14, 2021 (28th meeting of the term)	<ol style="list-style-type: none"> <li>1. The Company proposed to transfer some constructed units to be sold as investment properties.</li> <li>2. Proposal for reappointments of the Company's staff.</li> <li>3. Proposal to apply for a financing credit facility from financial institutions.</li> </ol>	<ul style="list-style-type: none"> <li>■ Approved as proposed and implemented as the resolution.</li> </ul>
March 19, 2021 (29th meeting of the term)	<ol style="list-style-type: none"> <li>1. Proposal to distribute remuneration to the Company's employees and directors for 2020.</li> <li>2. Proposal for the Company's 2020 business report and financial statements.</li> <li>3. Proposal for the Company's 2020 earnings distribution.</li> <li>4. Proposal for the Company's 2020 surplus and capital reserve transferred to capital increase to issue new shares.</li> <li>5. Proposal to amend the Company's "Rules of Procedure for Shareholder Meetings".</li> <li>6. Proposal for the Company's re-election of directors.</li> <li>7. Proposal to lift the non-competition restrictions for directors.</li> <li>8. Matters related to the convening of the Company's general shareholder meeting of 2021.</li> <li>9. Matters related to the acceptance of shareholders' proposals for the Company's general shareholder meeting of 2021 and the nomination of director (independent directors included) candidates</li> <li>10. Proposal of the Company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2020.</li> <li>11. Proposal to apply for a financing credit facility from financial institutions.</li> <li>12. Proposal to apply for a financing credit facility from financial institutions.</li> <li>13. Proposal to apply for a financing credit facility from financial institutions.</li> </ol>	<ul style="list-style-type: none"> <li>■ Approved as proposed and implemented as the resolution.</li> <li>■ The 1st to 4th, and 6th to 10th discussions have been reported for completion on MOPS on March 19, 2021.</li> </ul>

- (XII) In the most recent year and up to the date of publication of the financial report, directors that had different opinions on important resolutions passed by the Board of Directors for which there are records or written statements, specify the major content: None.
- (XIII) In the most recent year and up to the date of publication of the financial report, a summary of resignations of the Company's chairperson, president, accounting, financial, internal audit and management officers and R&D executives: None.

V. CPA public fee information

(I) CPA public fee information

Accounting firm name	CPA name		Check period	Remarks
KPMG Taiwan	Yi-Lien Han	Ti-Nuan Chien	January 1, 2020, to December 31, 2020	

Note: If the Company changes its accountant or accounting firm this year, please indicate its audit period separately and explain the reason for the replacement in the remarks column.

Unit: NT\$ thousand

Amount Level		Public Fee Item	Audit Fee	Non-audit Fee	Total
1	Below NT\$2,000,000			220	220
2	NT\$2,000 thousand (inclusive) to NT\$4,000 thousand		2,750		2,750
3	NT\$4,000 thousand (inclusive) to NT\$6,000 thousand				
4	NT\$6,000 thousand (inclusive) to NT\$8,000 thousand				
5	NT\$8,000 thousand (inclusive) to NT\$10,000 thousand				
6	More than NT\$10,000 thousand (inclusive)				

- (II) When non-audit fees paid to the CPAs, the accounting firm of the CPAs, or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:

Unit: NT\$ thousand

Accounting firm name	CPA name	Audit Fee	Non-audit Fee					CPAs' Audit Report	Remarks
			System design	Business registration	Human resource	Others Note 2	Subtotal		
KPMG Taiwan	Yi-Lien Han and Ti-Nuan Chien	2,750						January 1, 2020, to December 31, 2020	
	Yi-Lien Han and Ti-Nuan Chien					162	162		Public fees for issuance of ordinary corporate bonds, issuance of bonus shares, checking payrolls of non-manager full-time employees and seal certificates of financial statements
	Chang, Zhi			58			58		Audit fees for amendment to Articles of Incorporation and for the registration of changes related to capitalization of earnings and capital surplus

Note 1: If the Company changes its accountant or accounting firm this year, please indicate its check period separately and explain the reason for the replacement in the remarks column, and disclose the paid audit fees and non-audit fees in order.

Note 2: Please list non-audit public fees according to service item. If the "Other" non-audit public fees exceed 25% of the total non-audit public fees, the content of service shall be indicated in the remarks.

- (III) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.
- (IV) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reasons shall be disclosed: None.

VI. CPA Replacement Information

(I) Regarding the former CPAs:

Date of the replacement	Approved by the Board of Directors on March 20, 2020		
Reason for replacement and Description	To cope with the internal rotation of KPMG, the CPAs Ti-Nuan Chien and Tseng Guoyang will be replaced by Yi-Lien Han and Ti-Nuan Chien starting with the Company's Q1 2020 Financial Statements.		
Specify whether it was the CPA ending the engagement or declining further engagement, or the Company terminating or discontinuing the engagement.	Status	Counterparty	Certified Public Accountant
	Voluntarily terminated the engagement		Not applicable.
	Appointment declined (Discontinued)		Not applicable.
The Opinions other than unmodified Opinion issued in the last two years and the reasons for the said opinions	Not applicable.		
Is there any disagreement in opinion with the issuer	Yes	-	Accounting principle or practice
		-	disclosure of financial statements
		-	auditing scope or procedures
		-	Others
	None	✓	
Explanation:			
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

(II) Regarding the successor CPAs:

Name of the firm	KPMG Taiwan
CPA name	Yi-Lien Han and Ti-Nuan Chien
Date of Engagement	Approved by the Board of Directors on March 20, 2020
Prior to the Formal Engagement, Any inquiry or consultation on the accounting treatment or accounting principles for specific transactions, and the type of audit opinion that might be rendered on the financial report.	Not applicable.
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinion	Not applicable.

(III) The reply of the former CPAs regarding Article 10, Paragraph 10, Subparagraph 6 Items 1 and 2-3 of the Standards: Not applicable.

VII. Where the Company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPAs or at an affiliated enterprise of such accounting firm, the name and position of the person and the period during which the position was held shall be disclosed: None.

VIII. In the most recent fiscal year and up to the date of publication of the annual report, the directors, supervisors, managers and shareholders holding more than 10% of the equity transfer and equity pledge changes

(I) Changes in shareholdings of directors, supervisors, managers and major shareholders

Unit: Share

Title	Name	2020		Current year as of April 12	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledges held	Increase (decrease) in number of shares held	Increase (decrease) in number of pledges held
Institutional Director	Da-Li Investment Co., Ltd	2,414,303	0	0	0
Chairman and President	Tsai, Chung-Ping	2,526	0	0	0
Institutional Director	Kuang Yang Investment Co., Ltd.	3,982,402	0	0	0
Chairman & President	Chiu, Ping-Tse	(4,000)	0	0	0
Director	Chen, Kuo-Yen	0	0	0	0
Director	Hung, Ming-Yao	0	0	0	0
Independent Director	Yen, Yun-Chi	0	0	0	0
Independent Director	Li, Wen-Cheng	0	0	0	0
Independent Director	Wu Gen-Cheng (Note 1)	0	0	—	—
Associate Vice President	Wu, Chin-Ching	4,007	0	0	0
Associate Vice President	Yang, Li-Ren (Note 2)	0	0	—	—
Associate Vice President	Wang, Hsiao-Yeh (Note 3)	—	—	0	0
Financial Officer	Lu, Chia-Yin	6,372	0	0	0
Accounting Officer	Lin, Ya-Mei	0	0	0	0

Note 1: Independent Director Wu, Gen-Cheng has resigned from the position of “independent director”, and member of the “Audit Company” and “Remuneration Committee” from June 15, 2020.

Note 2: Associate Vice President Yang, Li-Ren was discharged on December 31, 2020.

Note 3: Special Assistant of the President’s Office Wang, Hsiao-Yeh was reappointed as Associate Vice President of the Planning Dept. on January 14, 2021.

(II) Information on equity transfers

Information of transfers of equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent, where the counterparty of any such transfer of equity interests is a related party: None.

(III) Information on equity pledges

Information of pledges of equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent, where the counterparty of any such pledge of equity interests is a related party: None.

IX. Shareholders who account for the top ten shareholders, and their relationships with each other

April 12, 2021; Unit: Share: %

Name (Note 1)	Personal Holding Share		Spouse, underage children holding shares		Holding shares in the name of others		Names and relationships of the top ten shareholders who have a relationship with each other or are relatives of a spouse or a second degree kinship. (Note3)		Remarks
	Shares	Holding shares ratio Note 2	Shares	Holding shares ratio Note 2	Shares	Holding shares ratio Note 2	Name (or Name)	Relationship	
Chin-Shi-Pan Investment Co., Ltd Representative: Cheng Chun-Fang	36,277,228	9.81	Note 4	Note 4	Note 4	Note 4	Cheng Xiuhui	Relative within Second Degree Kinship	
							Cheng Chiaowen	Relative within Second Degree Kinship	
Runying Investment Co., Ltd. Representative : Cheng Xiuhui	23,695,614	6.40	Note 4	Note 4	Note 4	Note 4	Cheng Junfang	Relative within Second Degree Kinship	
							Cheng Chiaowen	Relative within Second Degree Kinship	
							Cheng Yousheng	Relative within Second Degree Kinship	
							Cheng Chunmin	Relative within Second Degree Kinship	
							Tsai Chungping	Relative within Second Degree Kinship	
Wan Shengfa Investment Co., Ltd Representative : Cheng Yousheng	21,413,487	5.79	Note 4	Note 4	Note 4	Note 4	Cheng Xiuhui	Relative within Second Degree Kinship	
							Cheng Chunmin	Relative within Second Degree Kinship	
							Tsai Chungping	Relative within Second Degree Kinship	
Highwealth Construction Representative: Cheng Chihlung	21,153,600	5.72	Note 4	Note 4	Note 4	Note 4	None	None	
Kuang Yang Investment Co., Ltd. Representative: Cheng Chiaowen	20,792,415	5.62	Note 4	Note 4	Note 4	Note 4	Cheng Xiuhui	Relative within Second Degree Kinship	
							Cheng, Junfang	Relative within Second Degree Kinship	
Xing Ri-sheng Investment Co., Ltd. Representative : Cheng Xiuhui	20,604,301	5.57	Note 4	Note 4	Note 4	Note 4	Cheng, Jun-Fang	Relative within Second Degree Kinship	
							Cheng Chiaowen	Relative within Second Degree Kinship	
							Cheng Yousheng	Relative within Second Degree Kinship	
							Cheng Chunmin	Relative within Second Degree Kinship	
							Tsai Chungping	Relative within Second Degree Kinship	
Feng-Rao Investment Co., Ltd. Representative : Cheng Xiuhui	20,038,050	5.42	Note 4	Note 4	Note 4	Note 4	Cheng Junfang	Relative within Second Degree Kinship	
							Cheng Chiaowen	Relative within Second Degree Kinship	
							Cheng Yousheng	Relative within Second Degree Kinship	
							Cheng Chunmin	Relative within Second Degree Kinship	
							Tsai Chungping	Relative within Second Degree Kinship	
ChyiYuh Construction Co., Ltd. Representative: Cheng Chunmin	18,572,400	5.02	Note 4	Note 4	Note 4	Note 4	Cheng Xiuhui	Relative within Second Degree Kinship	
							Cheng Yousheng	Relative within Second Degree Kinship	
							Tsai Chungping	Relative within Second Degree Kinship	
Jing-Wei Investment Co., Ltd Representative : Huang Qingshui	17,500,093	4.73	Note 4	Note 4	Note 4	Note 4	None	None	
Da-Li Investment Co., Ltd Representative: Tsai, Chung-Ping	14,485,821	3.92	0	0.00	0	0.00	Cheng Xiuhui	Relative within Second Degree Kinship	
							Cheng Yousheng	Relative within Second Degree Kinship	
							Cheng Chunmin	Relative within Second Degree Kinship	

Note 1: All the top ten shareholders shall be listed. Those that are legal person shareholders should list the name of the legal person shareholder and the name of the representative separately.

Note 2: The calculation of the shareholding ratio refers to the calculation of the shareholding ratio in the name of oneself, the spouse, the minor child or the use of another person.

Note 3: The shareholders listed in the previous disclosure, including legal persons and natural persons, shall disclose their relationship with each other in accordance with the issuer's financial reporting standards.

Note 4: The shareholder is not an insider declared by the company, so the relevant materials of his spouse, minor children or holding shares in the name of others cannot be obtained.

- X. The number of shares held by the Company, the Company's directors, supervisors, managers and the companies directly or indirectly controlled by the Company in the same investment business, and combined to calculate the comprehensive shareholding ratio:

Unit: Shares; %

Re-investment business (Note)	Investment by the Company		Directors, supervisors, managerial officers and investments directly or indirectly controlling the business		Comprehensive Investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Chin Chun Construction Co., Ltd.	50,000,000	100%	0	0%	50,000,000	100%

Note: The Company's investments accounted for using the equity method.

## Four. Capital Overview

### I. Capital and Shares

#### (I) Source of share capital

##### 1. The types of shares issued by the Company in the most recent fiscal year and up to the date of publication of the annual report

Unit: NT\$; Shares

Month / Year	Issue Price	Authorized Shares		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Share Capital	Non-cash Capital Increase	Others
September 2006	10	120,000,000	1,200,000,000	62,490,000	624,900,000	Surplus transferred to capital increase 24,900,000	None	Effective per Letter Jin-Guan-Zheng-Yi-Zi No. 0950129041 issued by the Financial Supervisory Commission, Executive Yuan, dated July 7, 2006
September 2006	10	120,000,000	1,200,000,000	64,980,000	649,800,000	Surplus transferred to capital increase (Private placement) 24,900,000	None	Effective per Letter Jin-Guan-Zheng-Yi-Zi No. 0950131709 issued by the Financial Supervisory Commission, Executive Yuan, dated August 14, 2006.
September 2007	10	120,000,000	1,200,000,000	73,102,500	731,025,000	Surplus transferred to capital increase 81,225,000	None	Effective per Letter Jin-Guan-Zheng-Yi-Zi No. 0960044644 issued by the Financial Supervisory Commission, Executive Yuan, dated August 20, 2007.
September 2007	10	120,000,000	1,200,000,000	81,225,000	812,250,000	Surplus transferred to capital increase (Private placement) 81,225,000	None	Effective per Letter Jin-Guan-Zheng-Yi-Zi No. 0970034696 issued by the Financial Supervisory Commission, Executive Yuan, dated July 10, 2008.
August 2008	10	120,000,000	1,200,000,000	97,600,000	976,000,000	Surplus and employees' bonus transferred to capital increase 163,750,000	None	Effective per Letter Jin-Guan-Zheng-Yi-Zi No. 0980034483 issued by the Financial Supervisory Commission, Executive Yuan, dated July 10, 2009.
August 2009	10	120,000,000	1,200,000,000	113,216,000	1,132,160,000	Surplus transferred to capital increase 156,160,000	None	Effective per Letter Jin-Guan-Zheng-Yi-Zi No. 0990056467 issued by the Financial Supervisory Commission, Executive Yuan, dated October 15, 2010.
December 2010	10	160,000,000	1,600,000,000	135,859,200	1,358,592,000	Surplus transferred to capital increase 226,432,000	None	Tai-Zheng-Shang-Yi-Zi No. 10100013531 by the Taiwan Stock Exchange Corporation, dated January 18, 2012.
January 2012	10	250,000,000	2,500,000,000	136,484,404	1,364,844,040	Conversion of corporate bonds 6,252,040	None	Tai-Zheng-Shang-Yi-Zi No. 10100082201 by the Taiwan Stock Exchange Corporation, dated April 18, 2012.
April 2012	10	250,000,000	2,500,000,000	142,232,518	1,422,325,180	Conversion of corporate bonds 57,481,140	None	Tai-Zheng-Shang-Yi-Zi No. 10100169681 by the Taiwan Stock Exchange Corporation, dated July 26, 2012.
July 2012	10	250,000,000	2,500,000,000	143,723,712	1,437,237,120	Conversion of corporate bonds 14,911,940	None	Tai-Zheng-Shang-Yi-Zi No. 10100232901 by the Taiwan Stock Exchange Corporation, dated October 15, 2012.
October 2012	10	250,000,000	2,500,000,000	144,600,643	1,446,006,430	Conversion of corporate bonds 8,769,310	None	Tai-Zheng-Shang-Yi-Zi No. 10200010221 by the Taiwan Stock Exchange Corporation, dated January 17, 2013.
January 2013	10	250,000,000	2,500,000,000	144,634,298	1,446,342,980	Conversion of corporate bonds 336,550	None	



Month / Year	Issue Price	Authorized Shares		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Share Capital	Non-cash Capital Increase	Others
April 2013	10	250,000,000	2,500,000,000	144,699,139	1,446,991,390	Conversion of corporate bonds 648,410	None	Tai-Zheng-Shang-Yi-Zi No. 1020007491 by the Taiwan Stock Exchange Corporation, dated April 25, 2013.
October 2013	10	250,000,000	2,500,000,000	176,597,015	1,765,970,150	Conversion of corporate bonds 318,978,760	None	Tai-Zheng-Shang-Yi-Zi No. 1020021840 by the Taiwan Stock Exchange Corporation, dated October 22, 2013.
April 2014	10	250,000,000	2,500,000,000	177,008,875	1,770,088,750	Conversion of corporate bonds 4,118,600	None	Tai-Zheng-Shang-Yi-Zi No. 10300073421 by the Taiwan Stock Exchange Corporation, dated April 18, 2014.
July 2014	10	250,000,000	2,500,000,000	177,380,937	1,773,809,370	Conversion of corporate bonds 3,720,620	None	Tai-Zheng-Shang-Yi-Zi No. 1030014446 by the Taiwan Stock Exchange Corporation, dated July 17, 2014.
October 2014	10	250,000,000	2,500,000,000	185,008,864	1,850,088,640	Conversion of corporate bonds 76,279,270	None	Tai-Zheng-Shang-Yi-Zi No. 1030022108 by the Taiwan Stock Exchange Corporation, dated October 23, 2014.
January 2015	10	250,000,000	2,500,000,000	215,008,864	2,150,088,640	Issuance of common stock for cash 300,000,000	None	Effective per Letter Jin-Guan-Zheng-Fa-Zi No. 1030052644 issued by the Financial Supervisory Commission, Executive Yuan, dated January 8, 2015
August 2015	10	250,000,000	2,500,000,000	215,026,195	2,150,261,950	Conversion of corporate bonds 173,310	None	Tai-Zheng-Shang-Yi-Zi No.1040016174 by the Taiwan Stock Exchange Corporation, dated August 11, 2015.
October 2015	10	250,000,000	2,500,000,000	215,850,199	2,158,501,990	Conversion of corporate bonds 8,240,040	None	Tai-Zheng-Shang-Yi-Zi No.1040021557 by the Taiwan Stock Exchange Corporation, dated October 21, 2015.
January 2016	10	250,000,000	2,500,000,000	233,184,874	2,331,848,740	Conversion of corporate bonds 173,346,750	None	Approved by the Taiwan Stock Exchange Corporation on January 20, 2016, for reference.
May 2016	10	250,000,000	2,500,000,000	233,494,574	2,334,945,740	Conversion of corporate bonds 3,097,000	None	Approved by the Taiwan Stock Exchange Corporation on May 10, 2016, for reference.
July 2016	10	250,000,000	2,500,000,000	234,557,995	2,345,579,950	Conversion of corporate bonds 10,634,210	None	Approved by the Taiwan Stock Exchange Corporation on August 2, 2016, for reference.
October 2016	10	250,000,000	2,500,000,000	236,847,345	2,368,473,450	Conversion of corporate bonds 22,893,500	None	Approved by the Taiwan Stock Exchange Corporation on October 24, 2016, for reference.
January 2017	10	250,000,000	2,500,000,000	237,666,300	2,376,663,000	Conversion of corporate bonds 8,189,550	None	Approved by the Taiwan Stock Exchange Corporation on January 25, 2017, for reference.
April 2017	10	250,000,000	2,500,000,000	243,355,904	2,433,559,040	Conversion of corporate bonds 56,896,040	None	Approved by the Taiwan Stock Exchange Corporation on April 19, 2017, for reference.
October 2017	10	250,000,000	2,500,000,000	243,404,446	2,434,044,460	Conversion of corporate bonds 485,420	None	Approved by the Taiwan Stock Exchange Corporation on October 19, 2017, for reference.
April 2018	10	250,000,000	2,500,000,000	244,472,405	2,444,724,050	Conversion of corporate bonds 10,679,590	None	Approved by the Taiwan Stock Exchange Corporation on April 13, 2018, for reference.
July 2018	10	250,000,000	2,500,000,000	244,501,531	2,445,015,310	Conversion of corporate bonds 291,260	None	Approved by the Taiwan Stock Exchange Corporation on July 27, 2018, for reference.
September 2018	10	360,000,000	3,600,000,000	308,330,531	3,083,305,310	Conversion of corporate bonds 638,290,000	None	Approved by Taiwan Stock Exchange Corporation on September 27, 2018, for reference.

Month / Year	Issue Price	Authorized Shares		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Share Capital	Non-cash Capital Increase	Others
October 2020	10	500,000,000	5,000,000,000	369,996,637	3,699,966,370	Surplus transferred to capital increase 30,833,053 Capital surplus transferred to capital increase 30,833,053	None	Effective on the filing to the Financial Supervisory Commission on August 3, 2020 Approved by the Taiwan Stock Exchange Corporation on October 21, 2020, for reference.

2. Information on shelf registration: The Company has not applied to offer and issue securities by shelf registration.
3. Private placement of common shares in the most recent fiscal year and up to the date of publication of the annual report: None.

(II) Share type

April 12, 2021; Unit: Shares

Share Type	Authorized Shares			Remarks
	Outstanding Shares	Un-issued Shares	Total	
Ordinary share	500,000,000	130,003,363	369,996,637	Listed company stock

II. Status of shareholders

April 12, 2021; Unit: Shares

Item \ Type	Government Agencies	Financial Institutions	Other Juridical Persons	Individual	Foreign Institutions or Persons	Total
Shareholders	2	1	79	10,423	69	10,574
Shares	67	4,096	277,487,605	74,243,572	18,261,297	369,996,637
Shareholding ratio	0.00%	0.00%	75.00%	20.07%	4.93%	100.00%

III. Shareholding distribution status

(I) Common shares dispersion

April 12, 2021; Unit: Shares

Shareholding Tiers (Unit: Share)	Number of Shareholders	Shares	Shareholding ratio
1 to 999	3,915	805,834	0.23%
1,000 to 5,000	5,066	10,375,252	2.80%
5,001 to 10,000	732	5,236,164	1.42%
10,001 to 15,000	310	3,855,270	1.04%
15,001 to 20,000	113	2,005,070	0.54%
20,001 to 30,000	155	3,835,477	1.04%
30,001 to 40,000	48	1,678,696	0.45%
40,001 to 50,000	29	1,293,430	0.35%
50,001 to 100,000	81	5,559,825	1.50%
100,001 to 200,000	46	6,324,104	1.71%
200,001 to 400,000	23	6,509,033	1.76%
400,001 to 600,000	16	8,107,836	2.19%
600,001 to 800,000	5	3,445,600	0.93%
800,001 to 1,000,000	4	3,635,200	0.98%
More than 1,000,001	31	307,329,846	83.06%
Total	10,574	369,996,637	100.00%

(II) Preference share dispersion: The Company has not issued preferred shares.

IV. Names of major shareholders

April 12, 2021; Unit: Shares

Name	Shares	Shareholding ratio
Qingshiban Investment Co., Ltd.	36,277,228	9.81%
Jun Ying Investment Inc.	23,695,614	6.40%
Wan Shengfa Investment Co., Ltd	21,413,487	5.79%
Highwealth Construction Corporation	21,153,600	5.72%
Kuang Yang Investment Co., Ltd.	20,792,415	5.62%
Xing Ri-sheng Investment Co., Ltd.	20,604,301	5.57%
Feng-Rao Investment Co., Ltd.	20,038,050	5.42%
ChyiYuh Construction Co., Ltd.	18,572,400	5.02%
Jing-Wei Investment Co., Ltd.	17,500,093	4.73%
Da-Li Investment Co., Ltd	14,485,821	3.92%

V. Market price, net worth, earnings, and dividends per share for the two most recent years

Unit: NT\$

Item		Year	2019	2020	Current year up to March 31, 2021 (Note 8)
Market price per share (note 1)	Highest		70.10	77.50	63.10
	Lowest		53.00	40.10	56.50
	Average		64.16	61.90	59.86
Net worth per share Note 2	Before distribution		17.89	13.71	—
	After distribution		15.89	13.51	—
Earnings per share	Weighted average amount of shares (thousand shares)		308,330	369,997	369,997
Earnings per share	Earnings per share (Note 3)	Before Retrospectively Adjustment	2.13	0.32	—
		After Retrospectively Adjustment	1.77	0.3 (Note 10)	—
Dividends per share	Cash dividends		2.00	0.2 (Note 9)	—
	Issuance of bonus share	Earnings dividend	1.00	0.2 (Note 10)	—
		Capital reserve dividend	1.00	0.4 (Note 10)	—
	Accumulated unpaid dividend (note 4)		—	—	—
Analysis of ROI	Price-earnings ratio (Note 5)		29.49	192.84	—
	Price to dividend ratio (Note 6)		31.41	308.55 (Note 9)	—
	Dividend yield (Note 7)		0.032	0.003 (Note 9)	—

\*If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

- Note 1: Set forth the highest and lowest market price per share of common stock for each fiscal year and calculate each fiscal year's average market price based upon each fiscal year's actual transaction prices and volume.
- Note 2: Please set forth the distribution based on the issued shares at the end of the year and resolved by the general shareholder meeting in the next year.
- Note 3: In case retrospective adjustment is required due to bonus shares, the earnings-per-share before and after adjustment shall be set forth.
- Note 4: In the conditions for issuing equity securities, if it is specified that the undistributed dividends of the year may be accumulated until they are distributed in a year with surplus earnings, the accumulated unpaid dividends shall be disclosed respectively.
- Note 5: Price-earnings ratios = Average closing price per share of the year / earnings per share.
- Note 6: Price to dividend ratios = Average closing price per share of the year / cash dividend per share.
- Note 7: Cash dividend yield = Cash dividend per share / average closing price per share of the year.
- Note 8: For the net worth per share and earnings per share, the latest information until the latest quarter as of the publication date of the annual report audited (reviewed) by the CPAs shall be filled in; other columns shall be filled in with the current year information up to the publication date of the annual report. The Q1 2021 financial statements have not been reviewed by the CPAs and are thus not disclosed.
- Note 9: The distribution of dividends in cash from earnings for 2020 has been resolved by the Board of Directors on March 19, 2021.
- Note 10: The bonus shares from surplus and capital reserve for 2020 has been proposed by the Board of Directors on March 19, 2021, to be resolved by the 2021 general shareholder meeting.

## VI. Company dividend policy and implementation status

### (I) Dividend policy set in the Articles of Incorporation

Where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, except when the legal reserve has reached the amount of the Company's paid-in capital. Depending on the Company's operation and legal requirements, special reserve may be set aside or reversed. The Company's Board of Directors shall use any remaining profit together with any undistributed retained earnings as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.

The Company's dividend policy shall take into the Company's financial structure, operating situation and capital budget, as well as the interests of shareholders and balance of dividends. The distributable earnings may be retained or paid in shares or cash. The amount of dividend distribution shall be maintained at between 10% and 100% of the current year's distributable earnings. The dividends paid in cash shall be less than 10% of the total dividends distributed in the year.

### (II) Proposed dividend distribution by the current shareholder meeting

1. The distribution of dividends in cash from earnings for 2020 has been resolved by the Board of Directors on March 19, 2021. The cash dividend this year will be distributed of NT\$0.2 per share.
2. The bonus shares from the surplus and capital reserve for 2020 has been proposed by the Board of Directors on March 19, 2021, to be resolved by the 2021 general shareholder meeting. For this year, share dividend of NT\$0.6 per share will be distributed (i.e. for surplus, 20 bonus shares for every 1,000 shares; for capital reserve, 40 bonus shares for every 1,000 shares).

Item		Dividend per share (NT\$/share)
Cash dividends	Bonus share from surplus	0.2
	Bonus share from capital reserve	0.2
Issuance of bonus share	Earnings dividend	0
	Capital reserve dividend	0.4

(III) Significant changes to dividend policy: None.

VII. Impact on the Company's operating performance and earnings per share of the bonus shares proposed at this shareholder meeting:

Item		Year	2021 (Estimation)
Opening paid-in capital (thousand)			3,699,966
Dividend and stock dividend this year	Cash dividends per share (NT\$)		0.2 (Note 1)
	Stock dividend from retained earnings transferred to capital increase (shares)		0.02 (Note 2)
	Stock dividend from capital reserve transferred to capital increase (shares)		0.04 (Note 2)
Changes to operating performances	Operating profit		Not applicable. (Note3)
	Increasing (decreasing) percentage of operating profit compared with the same period last year		
	Net income after tax		
	Increasing (decreasing) percentage of net income after tax compared with the same period last year		
	Earnings per share		
	Increasing (decreasing) percentage of earnings per share compared with the same period last year		
	Average annual return on investment (inverse of the average annual price-earnings ratio)		
Proforma earnings per share and price-earnings ratio	If all the retained earnings transferred to the capital increase were distributed by the cash dividend	Proforma earnings per share (NT\$)	Not applicable. (Note3)
		Proforma annual average rate on investment	
	If capital reserve transferred to capital increase was not conducted	Proforma earnings per share (NT\$)	
		Proforma annual average rate on investment	
	If capital reserve transferred to capital increase and all the retained earnings transferred to capital increase distributed by cash dividend were not conducted	Proforma earnings per share (NT\$)	
		Proforma annual average rate on investment	

Note 1: The distribution of dividends in cash from earnings for 2020 has been resolved by the Board of Directors on March 19, 2021.

Note 2: The bonus shares from surplus and capital reserve for 2020 have been proposed by the Board of Directors on March 19, 2021, to be resolved by the 2021 general shareholder meeting.

Note 3: The Company did not officially announce the 2021 financial estimation. Hence, this item is not applicable.

VIII. Compensation of employees and directors

(I) Employees' and directors' compensation policies as stated in the Articles of Incorporation:

Pursuant to Article 29 of the Articles of Incorporation, if the Company records a profit in a year, it shall set aside not less than one-thousandth of the profit as remuneration to employees and not more than one-hundredth of the profit as remuneration to directors. The remuneration shall be distributed after the resolution of the Board of Directors and reported to the shareholder meeting. However, if the Company still has accumulated losses, the compensation amount shall be reserved in advance.

The employee remuneration may be determined by shares or cash and its receiving parties must include its serving employees in accordance who meet certain criteria established by the board of directors.

(II) The basis for the estimation of the amount of remuneration of employees and directors in the current period, and the accounting treatment if there is a difference between the estimated amount and the actual remuneration paid in shares or cash:

1. Estimation basis for the period: 1.95% of the net profit before tax of the period as employees' remuneration; 0.83% as the directors' remuneration.
2. The calculation basis for employees' remuneration distributed in shares: No employees' remuneration is paid in shares this period, and thus this is not applicable.
3. Accounting treatment if there is a discrepancy between the estimate and the actual amount paid: The difference will be recognized as profit or loss from changes in accounting estimates in the next fiscal year.

(III) Remuneration distribution as decided by the Board of Directors' meeting

1. Distribution of employees and directors' remunerations:

The Company's 2020 remunerations for employees and directors were approved by the Board of Directors in the meeting on March 19, 2021, described as follows:

- (1) Employees' remuneration in cash: NT\$3,500,000 (approximately 1.95%)
- (2) Directors' remuneration in cash: NT\$1,500,000 (approximately 0.83%)

2. Discrepant amount, reasons, and treatment, in the event of a discrepancy between the 2020 estimated amount and the actual remunerations paid in shares or cash to employees and directors: No discrepancy between the 2020 estimated amount and the actual remunerations paid.
3. Employee remuneration paid in shares as a percentage of the total amount of the current net profit after tax and the total employee remuneration as reported in the consolidated or individual financial statements: there is no remuneration in shares proposed for the period, so it is not applicable.

(IV) Actual distribution of employees and directors' remuneration (including distributed cash, shares, and share prices) in the prior year, and the accounting disclosures, treatments and explanations if discrepancies exist

1. Actual distribution of employees and directors' remuneration in the previous year

Distribution	2019			
	Distributed amount resolved by the Board of Directors	Actual distributed amount	Recognized amount	Discrepant amount
Employee cash remuneration	NT\$12,000 thousand	NT\$12,000 thousand	NT\$12,000 thousand	0
Directors' remuneration	NT\$6,000 thousand	NT\$6,000 thousand	NT\$6,000 thousand	0

2. Reason for discrepancy between the actual distributed amount and recognized amount and treatment: No discrepancy from the expense amount recognized in 2019.

IX. Buyback of treasury stock of the company: None.



## X. Corporate bonds

### (I) Issuance Status of Corporate Bonds

1. On December 9, 2016, approved with Letter Zheng-Gui-Zhai-Zi No. 10500352771 issued by the Taipei Exchange, the 2016 first batch of domestic secured ordinary convertible corporate bonds for NT\$1.5 billion was issued.
2. On August 16, 2017, approved with Letter Zheng-Gui-Zhai-Zi No. 10600222141 issued by the Taipei Exchange, the 2017 first batch of domestic secured ordinary convertible corporate bonds for NT\$ 2 billion was issued.
3. On March 27, 2019, approved with Letter Zheng-Gui-Zhai-Zi No. 10800017031 issued by the Taipei Exchange, the 2019 first batch of domestic secured ordinary convertible corporate bonds for NT\$2 billion was issued.
4. On March 27, 2019, approved with Letter Zheng-Gui-Zhai-Zi No. 10800017241 issued by the Taipei Exchange, the 2019 second batch of domestic secured ordinary convertible corporate bonds for NT\$2 billion was issued.
5. On December 17, 2019, approved with Letter Zheng-Gui-Zhai-Zi No. 10800138421 issued by the Taipei Exchange, the 2019 third batch of domestic secured ordinary convertible corporate bonds for NT\$1.9 billion was issued.
6. Each of the above batches of corporate bonds was issued as follows:

Type of Corporate Bonds	2016-1 Secured Ordinary Corporate Bonds (Code: B85103)	
Issuance (handling) date:	December 19, 2016	
Denomination	NT\$1,000,000	
Place of issuance and transaction (Note)	Not applicable.	
Issuing price	At face value	
Total	Face value of NT\$1.5 billion in total	
Interest rate	Coupon rate: fixed rate at 0.96% per annum	
Period	5-year period, maturity date: December 19, 2021	
Guarantee Organization	Mega International Bank Co., Ltd.	
Trustee	Land Bank of Taiwan Co., Ltd.	
Underwriting institution	Not applicable.	
Certified Lawyer	Zhong-jie Wei, attorney	
Certified Public Accountant	Chen, Chia-Hsiu	
Reimbursement Method	The principal of this corporate bond shall be repaid in full at the expiration of five-year duration from the issuance date.	
Outstanding principal amount	NT\$1,500,000,000	
Redemption and Advanced Redemption Provisions	Not applicable.	
Restrictions	None	
Credit rating agency, assessment date and results	Not applicable.	
Other rights attached	Amount of Converted (Exchanged or Subscribed) Ordinary shares, Overseas Depository Receipts or Other Negotiable Securities	Not applicable.
	Issuance and Conversion (Exchange or Subscription) Method	Please refer to the prospectus of the 2016-1 Secured Ordinary Corporate Bonds.
Potential impact of issuance, conversion, exchange, subscription, or issuing method and conditions on the dilution of equity and existing shareholders' rights	Please refer to the prospectus of the 2016-1 Secured Ordinary Corporate Bonds.	
Name of the Custodian Institution for Underlying Exchange	Not applicable.	

Note: Filled in by overseas bond holders

April 12, 2021

Type of Corporate Bonds	2017-1 Secured Ordinary Corporate Bonds (Code: B85104)	
Issuance (handling) date:	August 23, 2017	
Denomination	NT\$1,000,000	
Place of issuance and transaction (Note)	Not applicable.	
Issuing price	At face value	
Total	NT\$2 billion in total	
Interest rate	Coupon rate: fixed rate at 0.98% per annum	
Period	5-year period, maturity date: August 23, 2022	
Guarantee Organization	Land Bank of Taiwan Co., Ltd.	
Trustee	JihSun International Bank Co., Ltd.	
Underwriting institution	Not applicable.	
Certified Lawyer	Zhong-jie Wei, attorney	
Certified Public Accountant	Ti-Nuan Chien	
Reimbursement Method	The principal of this corporate bond shall be repaid in full at the expiration of five-year duration from the issuance date.	
Outstanding principal amount	NT\$2,000,000,000	
Redemption and Advanced Redemption Provisions	Not applicable.	
Restrictions	None	
Credit rating agency, assessment date and results	Not applicable.	
Other rights attached	Amount of Converted (Exchanged or Subscribed) Ordinary shares, Overseas Depository Receipts or Other Negotiable Securities	Not applicable.
	Issuance and Conversion (Exchange or Subscription) Method	Please refer to the prospectus of the 2017-1 Secured Ordinary Corporate Bonds.
Potential impact of issuance, conversion, exchange, subscription, or issuing method and conditions on the dilution of equity and existing shareholders' rights	Please refer to the prospectus of the 2017-1 Secured Ordinary Corporate Bonds.	
Name of the Custodian Institution for Underlying Exchange	Not applicable.	

Note: Filled in by overseas bond holders

April 12, 2021

Type of Corporate Bonds	2019-1 Secured Ordinary Corporate Bonds (Code: B85105)	
Issuance (handling) date:	April 2, 2019	
Denomination	NT\$1,000,000	
Place of issuance and transaction (Note)	Not applicable.	
Issuing price	At face value	
Total	NT\$2 billion in total	
Interest rate	Coupon rate: fixed rate at 0.85% per annum	
Period	5-year period, maturity date: April 2, 2024	
Guarantee Organization	Bank of Taiwan Co., Ltd.	
Trustee	Land Bank of Taiwan Co., Ltd.	
Underwriting institution	Not applicable.	
Certified Lawyer	Zhong-jie Wei, attorney	
Certified Public Accountant	Ti-Nuan Chien	
Reimbursement Method	The principal of this corporate bond shall be repaid in full at the expiration of five-year duration from the issuance date.	
Outstanding principal amount	NT\$2,000,000,000	
Redemption and Advanced Redemption Provisions	Not applicable.	
Restrictions	None	
Credit rating agency, assessment date and results	Not applicable.	
Other rights attached	Amount of Converted (Exchanged or Subscribed) Ordinary shares, Overseas Depository Receipts or Other Negotiable Securities	Not applicable.
	Issuance and Conversion (Exchange or Subscription) Method	Please refer to the prospectus of the 2019-1 Secured Ordinary Corporate Bonds
Potential impact of issuance, conversion, exchange, subscription, or issuing method and conditions on the dilution of equity and existing shareholders' rights	Please refer to the prospectus of the 2019-1 Secured Ordinary Corporate Bonds	
Name of the Custodian Institution for Underlying Exchange	Not applicable.	

Note: Filled in by overseas bond holders

April 12, 2021

Type of Corporate Bonds	2019-2 Secured Ordinary Corporate Bonds (Code: B85106)	
Issuance (handling) date:	April 2, 2019	
Denomination	NT\$1,000,000	
Place of issuance and transaction (Note)	Not applicable.	
Issuing price	At face value	
Total	NT\$2 billion in total	
Interest rate	Coupon rate: fixed rate at 0.85% per annum	
Period	5-year period, maturity date: April 2, 2024	
Guarantee Organization	Mega International Bank Co., Ltd.	
Trustee	Land Bank of Taiwan Co., Ltd.	
Underwriting institution	Not applicable.	
Certified Lawyer	Zhong-jie Wei, attorney	
Certified Public Accountant	Ti-Nuan Chien	
Reimbursement Method	The principal of this corporate bond shall be repaid in full at the expiration of five-year duration from the issuance date.	
Outstanding principal amount	NT\$2,000,000,000	
Redemption and Advanced Redemption Provisions	Not applicable.	
Restrictions	None	
Credit rating agency, assessment date and results	Not applicable.	
Other rights attached	Amount of Converted (Exchanged or Subscribed) Ordinary shares, Overseas Depository Receipts or Other Negotiable Securities	Not applicable.
	Issuance and Conversion (Exchange or Subscription) Method	Please refer to the prospectus of the 2019-2Secured Ordinary Corporate Bonds.
Potential impact of issuance, conversion, exchange, subscription, or issuing method and conditions on the dilution of equity and existing shareholders' rights	Please refer to the prospectus of the 2019-2Secured Ordinary Corporate Bonds.	
Name of the Custodian Institution for Underlying Exchange	Not applicable.	

Note: Filled in by overseas bond holders

April 12, 2021

Type of Corporate Bonds		2019-3 Secured Ordinary Corporate Bond (Code: B85107)
Issuance (handling) date:		December 24, 2019
Denomination		NT\$1,000,000
Place of issuance and transaction (Note)		Not applicable.
Issuing price		At face value
Total		Face value of NT\$1.9 billion in total
Interest rate		Coupon rate: fixed rate at 0.78% per annum
Period		5-year period, maturity date: December 24, 2024
Guarantee Organization		Taiwan Cooperative Bank Co., Ltd.
Trustee		Land Bank of Taiwan Co., Ltd.
Underwriting institution		Taiwan Cooperative Securities Co., Ltd. is the leading underwriter, and Land Bank of Taiwan Co., Ltd. is the co-underwriter
Certified Lawyer		Zhong-jie Wei, attorney
Certified Public Accountant		Ti-Nuan Chien
Reimbursement Method		The principal of this corporate bond shall be repaid in full at the expiration of five-year duration from the issuance date.
Outstanding principal amount		NT\$1,900,000,000
Redemption and Advanced Redemption Provisions		Not applicable.
Restrictions		None
Credit rating agency, assessment date and results		Not applicable.
Other rights attached	Amount of Converted (Exchanged or Subscribed) Ordinary shares, Overseas Depository Receipts or Other Negotiable Securities	Not applicable.
	Issuance and Conversion (Exchange or Subscription) Method	Please refer to the prospectus of the 2019-3 Secured Ordinary Corporate Bonds.
Potential impact of issuance, conversion, exchange, subscription, or issuing method and conditions on the dilution of equity and existing shareholders' rights		Please refer to the prospectus of the 2019-3 Secured Ordinary Corporate Bonds.
Name of the Custodian Institution for Underlying Exchange		Not applicable.

Note: Filled in by overseas bond holders

(II) Information on Corporate Bonds Maturing Within 1 Year:

Type of Corporate Bonds	B85103 2016-1 Secured Ordinary Corporate Bonds
Release Date	December 19, 2016
Period	December 19, 2016, to December 19, 2021
Outstanding principal amount	NT\$1,500,000,000
Reimbursement Method	Bullet repayment at maturity five years after the day of issuance

(III) Information on convertible corporate bonds: None.

(IV) Information on exchanged corporate bonds: None.

(V) Shelf registration of corporate bonds issuance: None.

(VI) Information on corporate bonds with share options: None.

(VII) Private placement of corporate bonds during the three most recent years and up to the publication date of the annual report: None.

XI. Preferred shares: None.

XII. Global depository receipts: None.

XIII. Employee share subscription warrants: None.

XIV. New restricted employee shares: None.

XV. Issuance of new shares in connection with mergers and acquisitions: None.

## XVI. Financial plans and implementation

### (I) Contents of the plans

For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits: None.

### (II) Implementation of the plans

1. The Company issued the 2016 first batch of secured ordinary corporate bonds on December 19, 2016, with par value of NT\$1.5 billion for the purpose of repaying bank loans, and has already completed the funding and execution. The funds have repaid the bank in full in Q4 2016, with visible effect.
2. The Company issued the 2017 first batch of secured ordinary corporate bonds on August 23, 2017, with par value of NT\$1.5 billion for the purpose of repaying bank loans, and has already completed the funding and execution. The funds have repaid the bank in full in Q3 2017, with visible effect.
3. The Company issued the 2019 first batch of secured ordinary corporate bonds on April 2, 2019, with par value of NT\$2 billion for the purpose of repaying the 2014 first and second batch of secured ordinary company bonds, and has already completed the funding and execution. The funds have repaid the principal of the 2014 first and second batch of secured ordinary corporate bonds in the Q2 and Q3 2019, respectively.
4. The Company issued the 2019 second batch of secured ordinary corporate bonds on April 2, 2019, with par value of NT\$2 billion for the purpose of repaying bank loans, and has already completed the funding and execution. The funds have repaid the bank in full in Q3 2019, with visible effect.
5. The Company issued the 2019 third batch of secured ordinary corporate bonds on December 24, 2019, with par value of NT\$1.9 billion for the purpose of repaying bank loans, and has already completed the funding and execution. The funds have repaid the bank in full in Q4 2019, with visible effect.



## Five. Operational Highlights

### I. Business Activities

#### (I) Business Activities

##### 1. Major lines of business

- (1) Lease and sale of public housing and commercial buildings commissioned by construction companies.
- (2) The subsidiary Chin Chun Construction mainly contracts construction projects.

##### 2. Major products and the business weight

2020	Business weight (%)
Construction revenue	51
Engineering revenue	49
Total	100

##### 3. New products or services in planned development

###### (1) Construction business

The Company's core values are planning capabilities, construction quality and after-sales service, and it actively promotes the brand. Its direction of project development is that of self-construction or joint construction, and it seeks to expand land development areas, accumulate land inventory, and advance into other types of real estate markets. In terms of product planning, the key appeals are the current rigid market needs for self-occupied and first time buyers, with safety, health and environmentally friendly housing demands. The Company is committed to construct sustainable and smart buildings. In terms of after-sales service, the Company continues to monitor the needs of customers and the market, actively handle customer complaints, and improve the trust of home buyers in the Company.

###### (2) Construction/engineering business of the subsidiary Chin Chun Construction

Chin Chun Construction is a comprehensive domestic construction company. Its main business is to contract construction and building projects. It is committed to providing high-quality construction services, upholding the high quality of construction projects, while continuously improving construction technologies and accumulating forward-looking construction management practices, and gradually expanding the business area in the construction industry.

#### (II) Industry Overview

##### 1. Industry status and overview

###### (1) Construction business

According to statistics from the Ministry of the Interior, in 2020, the number of buildings transferred for the whole year was 326,589 units, a record high in nearly seven years. It is obvious that the transaction volume of whole year in 2020 had a clear growing trend.

Looking forward into 2021, the global monetary easing and low interest rate environment will continue, and the subsequent changes after the COVID-19 pandemic will affect the economic growth of various countries. At the end of 2020, the Central Bank decided to adopt targeted prudential measures for real estate loans, to curb the excessive flow of bank credit resources to real estate as a suppression of the overheating investment in the real estate market. The Legislative Yuan also passed the actual price registration 2.0 on December 30, 2020. In the future, the door number registered with actual price must be fully disclosed, no resale of pre sold units, and pre sold units must be filed one by one within 30 days after signing the contract. A series of new measures for a healthy housing market have turned some

investors to the sidelines, but have little impact on self-buying. The housing market is expected to grow stably in 2021. The only variable is COVID-19, and its impact on Taiwan's economy and even the housing market remains to be seen.

(2) Construction/engineering business of the subsidiary Chin Chun Construction

① High risk due to price fluctuations

The project period is easily affected by factors such as the economy, prices and inflation. In recent years, the construction industry has been affected by the increase in bulk material prices and wages, which has led to large fluctuations in project costs that are difficult to control. To complete projects under the existing contractual conditions and costs on schedule, the construction industry has to bear higher risks.

② It is a regional and labor-intensive industry

Since most of the working processes of the construction project are completed by manpower, it is a labor-intensive industry. Workers in the construction industry are physical laborers under a subcontracting system; the turnover rate is high and difficult to control. In addition, it is often necessary to cooperate with local subcontractors and seek support of local workforce, machinery and materials. The regionality will affect the costs.

③ Loss and lack of labor in the construction industry

In recent years, loss and lack of labor, and gaps in skilled workers have occurred in Taiwan's construction industry. To cope with the current serious lack of labor, the Group is committed to researching and developing new technologies. Old construction means and working methods are greatly innovated, and in the future new construction methods will be used to improve construction technologies and construction quality as a whole.

2. Relationship among the industry's up-, mid-, and downstream

(1) Construction Industry

The construction industry combines the two sides of the manufacturing industry (house production) and the service industry (house sales and services), and is closely related to the steel industry, cement industry, sand and gravel industry, glass industry, tile industry, hardware industry, wire and cable industry, sanitary equipment manufacturing industry and furniture industry. In addition, it activates the advertising, realtors, decoration, utilities and other related industries, which will greatly help to boost the overall economic prosperity and benefits.

There are many upstream and downstream industries involved in the construction industry, and operation processes must rely on the cooperation and support of other industries such as manufacturing and mining. However, there may currently be joint ventures, shareholding, and investment for construction within domestic construction projects, construction companies and construction suppliers, which leads to a close cooperation among the upstream, midstream and downstream of the construction industry.

(2) Construction/engineering business of the subsidiary Chin Chun Construction

Its main source is the contracts commissioned by construction companies. The upstream industry includes the ready-mixed concrete industry, steel materials and products industry, cement industry, mechanical and electrical equipment industry, and ceramic tile industry; the downstream industry includes realtors, the furniture industry, home appliance industry, lighting industry and insurance industry, among other things. Therefore, the prosperity of the construction industry has a great impact on the industries of related raw materials, and also affects the development of other related industries.

3. Product development trends and competition

(1) Construction business

Low interest rates have become a global trend. In recent years, affected by changes in the government's taxation system, the cost of leasing has generally risen. In the past, rent was less than mortgage plus interest. Now the rent may be more than offset by the payment for houses with total prices of 10 million NTD. High rents and low interest rates have enabled a market atmosphere of "rather buying than leasing".

Real estate and land purchases are based on future trends. Understanding customer needs and finding suitable locations and products are the primary tasks of project promotion. Taiwan's rapid demographic change, declining birthrate and aging population make the current family structure very different from the past. From the large family in the past to the small family now, low-cost small units have gradually become the new mainstream of the housing market. Furthermore, young people now are keen on high-tech lives, and technology and decoration technology are ever evolving. More and more furniture or home appliances are getting more compact or versatile. A spacious environment may still be enjoyed living in a small house. It is fair to say that small houses are the winning product for both aggressive and conservative buyers.

(2) Construction/engineering business of the subsidiary Chin Chun Construction

The construction period of projects lasts for several years and single contract amounts are huge. During the construction period, it is easily affected by factors such as the economy, price fluctuations, and inflation. Therefore, the control of construction quality and progress have become one of the keys to profit.

In recent years, due to the requirements of large-scale construction, highly complicated exterior designs, high technical standards and exquisite decoration, large-scale construction companies have more competitive advantages. The Group has introduced Building Information Modeling (BIM) and integrated construction interfaces for professional competitive advantages that improve construction technologies, while growing in its areas of expertise, to meet customer needs from various aspects. At the same time, it is necessary to establish a reputation and brand image to increase one's own added value, and to strengthen cost control, establish early warning and risk assessment mechanisms, and meet the various customer needs for establishing a core-competitive niche. In addition, smart buildings and construction management have become another trend market for construction projects. With the fastest and latest smart management or R&D system, the brand advantages will be demonstrated in the market.

(III) Overview of technology and research and development: The Company and its subsidiaries have invested considerable human resources and costs over the years, and have continuously introduced new services and systems to meet consumer demands for real estate transactions. However, the Company and its subsidiaries are mainly engage in real estate construction and transactions, so R&D investment is not applicable.

(IV) Short-term and long-term operation plans

1. Short-term operation plans

(1) Construction business

① In 2020, the sales performance of the new completed housing project "Shicheng Run Long" in Taoyuan and the pre-sale project "Shicheng Aiyue" in Taichung had outstanding performance; meanwhile, "Kuobin Kuandi" and "Jinxin Wenhui" in Taipei, "Chungyen A+" in New Taipei City, "NTC National Trading Center" and "Taichung Dibao" in Taichung also performed well for the sales of remaining units.

② Promotions of major development projects are as follows:

a. Completed projects

Project name	Area	Product	Sale rate	Units/parking lots to be sold
Chungyen A+	Xizhi District, New Taipei City	Residence	95%	Two units; two parking lots
Bokelai Park	Banqiao, New Taipei	Residence and commercial	97%	Four units; four parking lots
Kuobin Dayuan	Xindian District, New Taipei City	Residence	71%	Seven units; 12 parking lots
Kuobin Yiton	Wenshan District, Taipei City	Residence	97%	Four units; four parking lots
Kuobin Kuandi	Neihu District, Taipei City	Residence and commercial	96%	Four units; eight parking lots
Jinxin Wenhui	Wenshan District, Taipei City	Residence and commercial	100%	Zero units; zero parking lots
Shicheng Run Long	Taoyuan District, Taoyuan City	Residence and commercial	98%	Five units; five parking lots
Kuobin Dayuan	Chubei City, Hsinchu County	Residence and commercial	99%	Four units; 11 parking lots
Taichung Dibao	Xitun District, Taichung City	Residence	64%	16 units; 44 parking lots
NTC National Trading Center	Xitun District, Taichung City	Commercial	97%	Four units; 64 parking lots
Run Long	Nantun District, Taichung City	Residence	100%	Zero units; zero parking lots
Jinai	Yongkang District, Tainan City	Residence and commercial	100%	Zero units; zero parking lots
Yuechen	Zuoying District, Kaohsiung City	Residence and commercial	97%	14 units; 22 parking lots

b. Pre-sale projects

Project name	Area	Product	Current progress of sales
Juke Run Long	East District, Hsinchu City	Residence and commercial	99%
Shicheng Aiyue	Xitun District, Taichung City	Residence and commercial	95%
Run Long (Jinai NO2)	Anping District, Tainan City	Residence and commercial	99%
Wenhua Run Long	Lingya District, Kaohsiung City	Residence and commercial	96%
Shuhoyuan	Sanmin District, Kaohsiung City	Residence and commercial	78%

### c. Future projects

Project name (provisional)	Area	Product	Schedule of promotion
Keelung De An	Zhongshan District, Keelung	Residence and commercial	Under planning
Zhonghe Yuantong	Chungho District, New Taipei	Residence	Under planning
Wanfang, Taipei City	Wenshan District, Taipei City	Residence	Under planning
Taoyuan Chinsheng	Zhongli District, Taoyuan City	Residence and commercial	Under planning
Taichung Chungcheng	Xitun District, Taichung City	Commercial	Under planning

#### (2) Construction/engineering business of the subsidiary Chin Chun Construction

- ① The business direction of vertical integration (civil engineering/electromechanical and construction/electromechanical).
- ② Cultivate relevant talents and improve the quality of professional human resources.
- ③ Deepen the application of BIM technology and smart technologies in construction management.

#### 2. Long-term operation plans

##### (1) Construction business

- ① Long-term business development should strengthen organizational efficiency, reduce unit costs, enhance market competitiveness, apply informatization, urban renewal plans and incentives, and flexibly use land development strategies to reduce land development costs and increase the Company's profits.
- ② Commit to product planning for meeting the diversified needs of buyers, while maintaining a good after-sales service system, so that customers may refer new customers to improve sales performance.

##### (2) Construction/engineering business of the subsidiary Chin Chun Construction

- ① Actively enhance brand (quality) recognition.
- ② Improve the breadth and depth of products.
- ③ Actively research and develop other highly professional construction methods and technologies.
- ④ Introduce digital technology and innovation.

## II. Market and Sales Overview

### (1) Market Analysis

#### 1. Geographic areas where the main products are sold

The Company's business is the construction and sale of real estate. The subsidiary mainly contracts construction projects from the Group's development projects. Real estate construction mainly selects areas with convenient transportation, complete living functions and with development potential.

## 2. Market share, analysis of future supply and demand and market growth

### (1) Construction business

Taiwan's housing market began to rise after SARS in 2003, leading to a twelve-year bull market. After hitting a 14-year high in 2014, the prices and volume rose, and a black swan was forced out into the housing market. The government then adopted the "combined house and land tax" to suppress the housing market. The number of transferred units has declined since. By 2016, there were only 240,000 units left, hitting a new historic low. In the second half of 2020, the housing market recovered, especially after the US presidential election ended, and the vaccine was released. The two housing market alarms were temporarily lifted. In addition, Taiwanese businesspeople returned, there was excessive capital and hot money, and the government announced an interest rate cut of 25 basis points to respond to COVID-19 pandemic in the first half of 2020. Amid the backdrop of low interest rate and banks' reduction in loan ratios, some speculators profited from the transfer of "red orders" of pre-sale units, and indirectly pushed up housing prices. Observing the housing market in 2020, there were mainly two pillars offering support: the deferred rigid buying in anticipation of a price decline, and investment buying. Rigid buying was still dominated by first-time purchases and house replacements, while investment buying was driven by capital out of fixed deposits due to ultra-low interest rates, gains from the equity market, investment capital from the returned Taiwanese businesspeople, overseas hot money, Hong Kong people, and life insurance.

Looking forward to the new year, while there are still variables in the regards to the pandemic, government policies, funding and finance, the outlook is still unclear. However, according to analysis, the real estate movement is highly positively correlated with GDP performance, which means that if the domestic economy performs well in 2021, housing prices will have room for growth. Therefore, under the generally optimistic sentiment toward the economy in 2021, real estate still has a chance to move forward in the direction of stable development.

### (2) Construction/engineering business of the subsidiary Chin Chun Construction

At present, Chin Chun Construction mainly undertakes the construction projects of affiliates for development. Chin Chun Construction continues to improve and strengthen its project management system, including talent cultivation, and progress, quality, and contract management and maintenance, to improve the overall management efficiency of the Company to improve external competitiveness.

The Group uses innovative digital technologies to improve productivity, such as using the 3D "Building Information Modeling" (BIM), and unmanned robots to move materials (with automated warehousing and moving systems), to help construction companies solve labor shortages and improve efficiency.

## 3. Competitive niches, long-term opportunities, threats, and countermeasures

### (1) Construction projects

#### a. Competitive niches and long-term opportunities

- (a) In response to the impact of the COVID-19 pandemic, various banks have lowered their mortgage lending benchmark interest rates, increasing the ability to purchase houses and the affordability of mortgages.
- (b) Rigid demand such as self-occupation and house replacement remains strong.
- (c) The Sino-US trade war continues, capital is returning, and the willingness of Taiwanese businesspeople to return to Taiwan to establish companies has increased.

- (d) The demands for commercial offices in major cities and plants with offices in second-tier cities are huge, and the supply is still insufficient.
  - (e) The government continues to promote urban renewal and the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings, not only extending the incentive bulk by five years, but also adding a “scale bulk incentive” to increase residents’ willingness to participate in renovation.
  - (f) The popular rezoning areas in northern, central and southern Taiwan remain the highlight of project promotion.
- b. Threats
- (a) Due to the recovery of the real estate market, more housing supply will be added, and domestically there are vacant houses or low-usage residual units to be sold.
  - (b) The government’s housing market suppression policy puts considerable pressure on investors and constrains the room for housing prices to rise.
  - (c) In December 2020, the Central Bank revised the requirements for mortgage loans to limit the percentage of “residual housing loans”, which restricts the the funds of builders who promote a lot of units.
  - (d) In the past two years, the number of construction permits issued for residential buildings has increased significantly; it is expected to pose a considerable headwind to subsequent housing price hikes.
  - (e) Land acquisition costs and construction costs have increased, and development costs have continued to increase.
  - (f) Government housing policies such as social housing and public housing continue to be introduced.
- c. Countermeasures
- (a) Increase the number of projects of unsafe and old buildings and urban renewals, and increase the market share of Taipei City and New Taipei City.
  - (b) Get an accurate grasp of the target market, and formulate product positioning and sales strategies based on customer needs.
  - (c) Carefully select development sites for projects and avoid areas with large residual units.
  - (d) Continue to refine calculation methods for precise control of the return rate of projects, and reasonably and prudently estimate the sales price after the development is completed.
  - (e) Continue to monitor development trends of commercial real estate, and invest in commercial or plant development when suitable.
  - (f) Monitor overseas real estate investment targets and assess the feasibility of development.
- (2) Construction/engineering business of the subsidiary Chin Chun Construction
- a. Competitive niches and long-term opportunities
- (a) As customers gradually come to care more about construction quality and technology, it is positive to comprehensive construction companies which specialize in construction engineering technologies with good corporate image and various achievements.
  - (b) Cooperate with the Group to develop the 3D building information modeling (BIM) system and unmanned robot material transporting (with automated warehousing and moving systems), to enhance construction value and competitiveness with all-round services.

b. Threats

- (a) Due to the fierce competition in the contracting construction market, coupled with the uncertainty of the price fluctuations of raw materials and building materials, it is expected that construction contractors will not see a significant rebound of profits.
- (b) The increase in turnkey projects has provided relatively high competitive advantages for large-scale construction companies with scale and records.
- (c) Low willingness to engage in the construction industry results in an increasingly severe shortage of labor.

c. Countermeasures

- (a) Through contracting diversified construction projects, accumulating various construction experience, establishing long-term operating core competitiveness, enhancing the technical capabilities of the more complex old and existing construction methods, and introducing new technical talents, it is possible to achieve technological optimization and the goal of expanding the technical field for reducing costs and improving competitiveness.
- (b) Construction technology is refined, the standard steps and detailed drawings of each construction project are established, and the function and substitution of each material are understood deeply. In the supervision process, it is necessary to be practical and get to the bottom, to ensure that all products are in compliance with customers' requirements and quality standards.
- (c) Upgrading the existing technical level and introducing new technical talents to enter new fields of the existing markets, new product markets and new regional markets.

(II) Main products and manufacturing process

1. Major products and their main uses

- (1) Development, construction, lease and sale of public residences and commercial buildings, while centering on the domestic market, to develop and construct community-type high-end residences, villas, buildings and other products.
- (2) Construction/engineering business of the subsidiary Chin Chun Construction  
Undertake residential, commercial and office building construction projects.

2. Production process of products

- (1) Construction projects: The self-build process of residences is as follows  
Land development → product planning → planning and design → marketing preparation → sales operation → construction → property title registration → handover → after-sales service
- (2) Construction/engineering business of the subsidiary Chin Chun Construction:  
Contracting for engineering:  
Business development → estimate → bidding (bargaining) → tender awarding with contract signing → construction budget → construction plan → material and manpower arrangement → construction management → completion → completion review

(III) Supply of major source materials

1. Construction business

(1) Land

The Company has the land development department. Besides the development department actively looking for suitable lands, suitable lands may be introduced through land brokers. In addition, the Company also cooperates with landlords in the



form of joint construction or participates in urban renewal development based actual needs. The supply of lands is stable.

(2) Construction projects

The Company selects robust construction companies to cooperate, and controls the construction progress and ensures the quality of construction.

(3) Materials

To reduce cost and for the construction progress, for more flexible utilization and control over outsourcing operations, material procurement takes place through in-house price comparison, combination of construction and material procurement, or joint-outsourcing. Therefore the supply of materials is stable.

2. Construction/engineering business of the subsidiary, Chin Chun Construction

For the main bulk materials for construction projects such as steel bars, steel sheets, concrete, sand, although there are price fluctuations from time to time, the subsidiary has long-term cooperation with vendors. Therefore, the domestic supply situation is still stable, but attention must be paid to international raw materials such as iron ore, coal, steel scraps; if their prices rise domestic steel prices will be affected.

(IV) Suppliers and clients accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the two most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each

1. Major supplier in the the two most recent fiscal years

(Expressed in Thousands of New Taiwan Dollar)

Item	2019				2020				2021 up to the previous quarter (Note 1)			
	Name	Amount	As a percentage of net purchases for the year (%)	Relation	Name	Amount	As a percentage of net purchases for the year (%)	Relation	Name	Amount	As a percentage to net purchases as of the previous quarter of the year (%)	Relation
1	Individual (Mr. Chang)	1,424,908	15%	None	ChyiYuh Construction Co., Ltd.	2,622,584	21%	Parent company of the Company	—	—	—	—
2	ChyiYuh Construction Co., Ltd.	1,414,519	15%	Parent company of the Company	Individual (Mr. Sheng)	2,159,028	18%	None	—	—	—	—
3	Hua-He Asset Management Co., Ltd.	979,785	10%	None	—	—	—	—	—	—	—	—
	Others	5,882,456	60%	None	Others	7,432,355	61%	None	Others	—	—	—
	Net Purchase	9,701,668	100%		Net Purchase	12,213,967	100%		Net Purchase	—	—	—

Note 1: The Q1 2021 financial statements have not been reviewed by the CPAs and have thus not been disclosed.

Note 2: Reason for changes: In 2020, the active engagement in project construction and purchase of lands for construction led to changes in the purchase amount and percentage of the major suppliers.

2. Major customers in the the two most recent fiscal years

(Expressed in Thousands of New Taiwan Dollar)

Item	2019				2020				2021 up to the previous quarter (Note 1)			
	Name	Amount	Percentage (%)	Relation	Name	Amount	Percentage (%)	Relation	Name	Amount	As a percentage to net sales as of the previous quarter of the year (%)	Relation
1	Highwealth Construction	2,252,220	54%	Ultimate parent company of the Company	Highwealth Construction	2,173,880	28%	Ultimate parent company of the Company	—	—	—	—
2	—	—	—	—	Shing-Yi-Fa Construction Co., Ltd.	847,810	11%	None	—	—	—	—
3	—	—	—	—	—	—	—	—	—	—	—	—
4	—	—	—	—	—	—	—	—	—	—	—	—
	Others	1,946,436	46%	None	Others	4,634,546	61%	None	Others	—	—	—
	Net Sales	4,198,656	100%		Net Sales	7,656,236	100%		Net Sales	—	—	—

Note 1: The Q1 2021 financial statements have not been reviewed by the CPAs and have thus not been disclosed.

Note 2: Reason for changes: In 2020, the subsidiary actively engaged in project construction.

## (V) Production volume and value in the two most recent years

(Expressed in Thousands of New Taiwan Dollar)

Product \ Volume \ Year	2019			2020		
	Capacity	Production volume	Production value	Capacity	Production volume	Production value
Houses	—	—	—	—	651 units	3,608,125
Construction	—	—	2,394,314	—	—	3,531,021
Others	—	—	4,740	—	—	6,227
Total	—	—	2,399,054	—	—	7,145,373

Note 1: The production volume and value of houses are the total units completed in the year and their total costs.

Note 2: Others are the leasing costs.

## (VI) Sales volume and value in the two most recent years

(Expressed in Thousands of New Taiwan Dollar)

Product \ Volume \ Year	2019				2020			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Houses	102 units	1,676,425	—	—	355 units	3,930,087	—	—
Construction project	—	2,514,231	—	—	—	3,711,639	—	—
Others	—	8,000	—	—	—	14,510	—	—
Total	—	4,198,656	—	—	—	7,656,236	—	—

Note 1: The sales volume and value of houses are the total sold units and amount recognized as the construction revenue in the year.

Note 2: Others is the leasing income.

III. Employee information in the two most recent fiscal years and up to the date of publication of the annual report

Year		2019	2020	Current year as of April 12, 2021
Number of employees	Clerks	162	157	156
	Engineers	144	111	91
	Total	306	268	247
Average age		38.99	38.81	39.04
Average years of service		4.32	4.94	5.29
Educational background distribution	Doctoral Degree	0.00	0.00	0
	Master degree	6.21	5.60	5.27
	College	86.27	85.45	85.02
	Senior high school	7.19	8.58	9.31
	Below senior high school	0.33	0.37	0.40

IV. Environmental Protection Expenditure

- (I) Any losses suffered by the Company in the most recent fiscal year and up to publication date of the annual report due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions):

Our main business activities consist of the construction and sales of buildings. We outsource construction with or without materials procurement to contractors, who will be responsible for the processing and disposal of wastes. The Company assumes a supervisory role, and therefore, did not recognize any losses from environmental pollution penalties during the last year and up to the publishing date.

- (II) An estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:
1. Responding measures expected to be taken: The Company stipulates in its contracts that construction partners shall take whole responsibility for any pollution during construction, and the Company is responsible for monitoring. The Company assumes a supervisory role. We have the following measures in place to prevent pollution:
    - ① Select the most appropriate construction methods based on the geology and the neighboring areas of the location to minimize noise and vibrations.
    - ② Some works (such as continuous wall construction or concrete grouting) require continuous construction, which may cause construction during the night. In addition to maintaining good relations with neighbors, it is necessary to control the progress of the project and reduce construction during the night.
    - ③ Set up protection nets around the site to prevent dust and stones from flying or falling.
    - ④ Vehicles accessing the sites are required to clean their tires and body at the car-washing platform before leaving the sites; gates are designated as the security

personnel's responsibility area, to enhance the the supervision of vehicle cleaning when accessing the gates; strengthen water spraying to clean roads.

- ⑤ Carry out the 5S (sort, set in order, shine, standardize, and sustain) cleanup campaign at the sites to keep the surrounding environment clean.
- 2. Expected environmental expenditure for the next three years: None.
- 3. Impact after the improvement: None.

#### V. Labor Relations

(I) Employee welfare measures, continuing education, training, retirement, and their implementation status; labor agreements and measures to safeguard employees' interests

##### 1. Employee welfare measures

The Company has always emphasized employee benefits and established the Joint Employee Welfare Committee, to regularly hold birthday celebrations, medical and various other activities. All in-service employees may participate. The source of funds is allocated from the Company's operating revenue, and the Employee Welfare Committee is responsible for management and utilization. The members of the Welfare Committee are elected by employees and are re-elected regularly to promote benefits. Employee welfare measures include labor and health insurance, group insurance, regular health checks, employee uniforms, birthday celebration and gifts, subsidies for weddings, funerals, and childbirth, emergency relief and other subsidies and holiday bonuses.

##### 2. Continuing education training of employees

The Company's employee training is based on internal management measures, and the management department formulates the training procedures, to conduct the pre-employment and on-the-job training for employees through internal training or by external organizations, so that employees may fully leverage their talents and continue to improve their knowledge and skills, to improve working efficiency.

Continuing education training received by employees of the Company and its subsidiaries in the most recent year (2020):

Training Program	Time of training	Training fee (NT\$)	Target
The analysis of the competent authority's policy to assist companies to improve their ability to prepare financial statements on their own and the internal control management in practice	6 hours	3,500	Audit officer
The competent authority required to set up auditing and law compliance for the corporate governance personnel.	6 hours	3,500	Audit officer
Research and discussion on the analysis of improving the company's ability in self-preparing financial statement policy, and practice of internal audit and internal control	6 hours	3,300	Auditors
XBRL Educational Training Courses	3.5 hours	0	Accounting staff Accounting staff
Seminar of Listed company's bushiness.	3 hours	0	Accounting staff and Audit officer

Training Program	Time of training	Training fee (NT\$)	Target
IFRS Adoption Seminar (Selective Package) (Taipei Class)	12 hours	8,000	Accounting Officer
	12 hours	8,000	Accounting staff
Analysis on most recent corporate governance policy and set up auditing and law compliance for the corporate governance personnel.	6 hours	3,500	Auditors
Accounting Officers of Issuers, Securities Firms, and Securities Exchanges—Continued Training	3 hours	0	Accounting Officer Accounting staff
Basic Engineering Education Training	5 hours	0	All engineers of sites throughout the nation
Advanced Engineering Professional Training	7 hours	0	Vice chief of engineering or personnel higher throughout the nation
Project Training	7 hours	0	All construction staff of sites throughout the nation
Potential Special Training Camp	16 hours	140,120	Director of engineering or personnel higher in the nation
Safety and Hygiene educational training	3 hours	0	All sites throughout the nation Construction staff Electrical engineering staff
BES Engineering Corporation District Observation and Learning Educational Training	8 hours	9,260	All sites throughout the nation Construction staff
Customization training	2 hours	0	All sites throughout the nation Construction staff

### 3. Retirement system

The Company accommodates the enforcement of the Labor Pension Act (hereinafter referred to as the “new system”). For employees to whom the old system originally applied who choose to use the new system, their service years after adopting the new system, and the service years of employees who are employed after the implementation of the new system, the definite contribution system will be applied. The payment of the pension is made by the Company on a monthly basis at a minimum of 6% of the monthly salary and deposited in their individual labor pension account.

The Company’s pension expenses under the definite contribution of pension schemes in 2019 and 2018 were NT\$9,816 thousand and NT\$8,313 thousand, respectively.

### 4. Other important agreements

The Company has always been people-oriented, abiding by relevant labor laws and regulations, protecting the legitimate rights and interests of employees, establishing a complete management system for employee welfare, work safety and health, education and training, etc., and issuing performance bonuses, year-end bonuses and employee remuneration based on operating results each year, so the personal interests of employees and the interests of the company are combined to create a belief in co-prosperity and coexistence.

- (II) List any losses suffered by the Company in the two most recent fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VI. Important Contracts

April 12, 2021

Type	Counterparty	Start and end date of contract	Content	Restrictive Provisions
Construction contract	DACIN Construction	Contract signing date: December 19, 2012 to Warranty expiry	Construction project contract (Kuobin Kuandi)	None
	Chiyuh Construction	Contract signing date: August 31, 2015 to Warranty expiry	Construction project contract (Chungyen A+)	None
	Guoyuan Construction Co., Ltd.	Contract signing date: June 1, 2018 to Warranty expiry	Construction project contract (Bokelai Park)	None
	Chiyuh Construction	Contract signing date: June 7, 2018 to Warranty expiry	Construction project contract (Yuechen)	None
	Chiyuh Construction	Contract signing date: June 12, 2018 to Warranty expiry	Construction project contract (Shicheng Run Long)	None
	Chiyuh Construction	Contract signing date: December 21, 2018 to Warranty expiry	Construction project contract (Wenhua Run Long)	None
	Taisei Corporation	Contract signing date: February 21, 2019 to Warranty expiry	Construction project contract (De An A)	None
	Taisei Corporation	Contract signing date: February 21, 2019 to Warranty expiry	Construction project contract (De An B)	None
	Taisei Corporation	Contract signing date: February 21, 2019 to Warranty expiry	Construction project contract (De An C)	None
	Chiyuh Construction	Contract signing date: April 15, 2019 to Warranty expiry	Construction project contract (De An A)	None
	Chiyuh Construction	Contract signing date: August 23, 2019 to Warranty expiry	Construction project contract (Juke Run Long)	None
	Hua Da Cheng	Contract signing date: January 20, 2015 to Warranty expiry	Construction project contract (Ocean Metropolitan Core)	None
	Highwealth	Contract signing date: September 25, 2017 to Warranty expiry	Construction project contract (Jiancui 176)	None
	Highwealth	Contract signing date: September 21, 2017 to Warranty expiry	Construction project contract (Guangwu 1022)	None
	Highwealth	Contract signing date: November 23, 2017 to Warranty expiry	Construction project contract (Yongcui 38)	None
	Highwealth	Contract signing date: November 13, 2017 to Warranty expiry	Construction project contract (Yongcui 103)	None
	Highwealth Sunglory Institution	Contract signing date: April 10, 2018 to Warranty expiry	Construction project contract (Xindu section)	None
	Wells	Contract signing date: January 22, 2020 to Warranty expiry	Construction project contract (Huimin 3)	None



Type	Counterparty	Start and end date of contract	Content	Restrictive Provisions
Joint construction contract	Chuangding Construction Co., Ltd.	Contract signing date: December 3, 2015 to Joint construction and house handover completed	Yuanton Section, Chungho District, New Taipei City	None
	Mr. Chang and two other people Kao Yun Investment	Contract signing date: November 28, 2017 to Joint construction and house handover completed	Guangwu, Hsinchu (Juke Run Long)	None
	Highwealth Construction	Contract signing date: August 13, 2019 to Joint construction and house handover completed	Huian Section, Xitun District, Taichung City (Shicheng Aiyue)	None
Joint investment	Huan Ding Development Hai Ju Construction	Contract signing date: April 19, 2013 to the completion and conclusion of the project	Dean Section, Chungshan District, Keelung City.	None

Note 1: Only includes construction contracts with value above NT\$ 300 million (before taxes).

Note 2: Only includes joint construction contracts with a deposit of at least NT\$ 30 million.

## Six. Financial Profile

### I. Condensed balance sheet, comprehensive income statement and audit opinion of CPAs in the five most recent years

#### (I) Condensed Balance Sheet and Comprehensive Income Statement

##### 1. Condensed Balance Sheet - consolidated financial statements

(Expressed in Thousands of New Taiwan Dollar)

Item	Year	Financial analysis in the five most recent years (Note 1)					Financial analysis as of March 31, 2021 (Note 4)
		2016 Note 2	2017 (After re-preparation) (Note3)	2018 (Note3)	2019 (Note3)	2020	
Current assets		—	23,622,120	19,416,911	24,473,681	32,877,608	—
Property, plant and equipment		—	2,004,388	1,970,122	1,601,532	243,860	—
Intangible assets		—	8,558	8,738	10,046	15,051	—
Other assets		—	782,739	1,008,909	3,034,120	3,661,471	—
Total assets		—	26,417,805	22,404,680	29,119,379	36,797,990	—
Current liabilities	Before distribution	—	14,615,068	10,110,691	12,901,157	23,527,423	—
	After distribution (Note 5)	—	15,480,068	12,577,335	13,517,818	23,601,423	—
Non-current liabilities		—	6,632,367	4,983,713	10,703,294	8,199,631	—
Total liabilities	Before distribution	—	21,247,435	15,094,404	23,604,451	31,727,054	—
	After distribution (Note 5)	—	22,112,435	17,561,048	24,221,112	31,801,054	—
Interests attributable to parent company owner		—	4,651,753	7,310,276	5,514,928	5,070,936	—
Share capital		—	2,434,044	3,083,305	3,083,305	3,699,966	—
Capital surplus	Before distribution	—	1,008,904	1,272,626	779,297	168,389	—
	After distribution (Note 5)	—	666,904	779,297	162,636	20,389	—
Retained earnings	Before distribution	—	1,155,551	2,868,826	1,551,272	1,052,113	—
	After distribution (Note 5)	—	632,551	895,511	934,611	904,113	—
Other interests		—	53,254	85,519	101,054	150,468	—
Treasury stock		—	0	0	0	0	—
Previous equity under joint control		—	518,617	0	0	0	—
Non controlling interests		—	Not applicable.	Not applicable.	Not applicable.	Not applicable.	—
Total equity	Before distribution	—	5,170,370	7,310,276	5,514,928	5,070,936	—
	After distribution (Note 5)	—	4,305,370	4,843,632	4,898,267	4,996,936	—

Note 1: The information above was certified by accountants.

Note 2: For 2016, the condensed balance sheet - International Financial Reporting Standards (consolidated) was not required.

Note 3: On September 7, 2018, the Board of Directors resolved to acquire the stake of Chin Chun Construction Co., Ltd. from the ultimate parent company, Highwealth Construction. The transaction was deemed a internal restructure in a group, and pursuant to Letter Ji-Mi-Zhi No. 301 issued by Accounting Research and Development Foundation, it shall be deemed as merged from the beginning. Therefore, when the Company prepared the 2018 Consolidated Statements, the 2017 Consolidated Statements were re-prepared retrospectively.

Note 4: the 2021 Q1 financial statements have not been reviewed by the CPAs and thus not to be disclosed.

Note 5: The figures after distribution for 2020 were presented based on the proposal of the Board of Directors in the meeting on March 19, 2021; ratification by the 2021 general shareholder meeting is required.

## 2. Condensed Balance Sheet - parent company-only financial statements

(Expressed in Thousands of New Taiwan Dollar)

Item		Financial analysis in the five most recent years (Note 1)					
		Year	2016	2017 (After re-preparation) Note 2	2018 Note 2	2019 Note 2	2020
Current assets			15,993,880	22,823,490	18,190,039	22,843,851	31,299,034
Property, plant and equipment			2,022,380	2,003,853	1,969,727	1,599,259	240,696
Intangible assets			2,161	2,134	2,250	2,878	2,129
Other assets			662,252	1,301,356	1,551,479	3,629,017	4,218,903
Total assets			18,680,673	26,130,833	21,713,495	28,075,005	35,760,762
Current liabilities	Before distribution		8,795,513	14,328,096	9,419,506	11,856,783	22,490,195
	After distribution (Note3)		10,030,513	15,193,096	11,886,150	12,473,444	22,564,195
Non-current liabilities			4,667,147	6,632,367	4,983,713	10,703,294	8,199,631
Total liabilities	Before distribution		13,462,660	20,960,463	14,403,219	22,560,077	30,689,826
	After distribution (Note3)		14,697,660	21,825,463	16,869,863	23,176,738	30,763,826
Interests attributable to parent company owner			Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Share capital			2,376,663	2,434,044	3,083,305	3,083,305	3,699,966
Capital surplus	Before distribution		1,236,351	1,008,904	1,272,626	779,297	168,389
	After distribution (Note3)		936,351	666,904	779,297	162,636	20,389
Retained earnings	Before distribution		1,514,700	1,155,551	2,868,826	1,551,272	1,052,113
	After distribution (Note3)		579,700	632,551	895,511	934,611	904,113
Other interests			90,299	53,254	85,519	101,054	150,468
Treasury stock			0	0	0	0	0
Previous equity under joint control			Not applicable.	518,617	0	0	0
Non controlling interests			Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Total equity	Before distribution		5,218,013	5,170,370	7,310,276	5,514,928	5,070,936
	After distribution (Note3)		3,983,013	4,305,370	4,843,632	4,898,267	4,996,936

Note 1: The information above was certified by accountants.

Note 2: On September 7, 2018, the Board of Directors resolved to acquire the stake of Chin Chun Construction Co., Ltd. from the ultimate parent company, Highwealth Construction. The transaction was deemed a internal restructure in a group, and pursuant to Letter Ji-Mi-Zhi No. 301 issued by Accounting Research and Development Foundation, it shall be deemed as merged from the beginning. Therefore, when the Company prepared the 2018 Parent Company-Only Statements, the 2017 Parent Company-Only Statements were re-prepared retrospectively.

Note 3: The figures after distribution for 2020 were presented based on the proposal of the Board of Directors in the meeting on March 19, 2021; ratification by the 2021 general shareholder meeting is required.

### 3. Condensed statement of comprehensive income - consolidated financial statements

(Expressed in Thousands of New Taiwan Dollar)

Item \ Year	Financial analysis in the five most recent years (Note 1)					Financial analysis as of March 31, 2021 (Note 4)
	2016 Note 2	2017 (After re-preparation) (Note3)	2018 (Note3)	2019	2020	
Operating revenue	—	4,708,124	13,845,007	4,198,656	7,656,236	—
Gross profit from operations	—	1,004,988	3,508,079	517,128	1,016,928	—
Operating income	—	589,216	2,641,655	(77,329)	404,454	—
Non-operating income and expenses	—	32,301	(115,760)	819,073	(194,424)	—
Income from continuing operations before income tax	—	621,517	2,525,895	741,744	210,030	—
Net income of continuing business units	—	577,583	2,186,147	655,920	117,248	—
Income of suspended business unit	—	0	0	0	0	—
Net income	—	577,583	2,186,147	655,920	117,248	—
Other comprehensive profits and losses (Net value after tax)	—	(37,045)	32,265	15,535	49,668	—
Total comprehensive income	—	540,538	2,218,412	671,455	166,916	—
Net income attributable to stockholders of the parent	—	575,851	2,186,464	655,920	117,248	—
Net profit attributable to the previous equity's net profit under joint control	—	1,732	(317)	0	0	—
Net income attributable to non-controlling interests	—	Not applicable.	Not applicable.	Not applicable.	Not applicable.	—
Total comprehensive income attributable to stockholders of the parent	—	538,806	2,218,729	671,455	166,916	—
Total comprehensive income attributable to the previous equity's net profit under joint control	—	1,732	(317)	0	0	—
Total comprehensive income attributable to non-controlling interests	—	Not applicable.	Not applicable.	Not applicable.	Not applicable.	—
Earnings per share(NT\$)	—	2.38	8.11	1.77	0.32	—

Note 1: The information above was certified by accountants.

Note 2: For 2016, the condensed statement of comprehensive income - International Financial Reporting Standards (consolidated) was not required.

Note 3: On September 7, 2018, the Board of Directors resolved to acquire the stake of Chin Chun Construction Co., Ltd. from the ultimate parent company, Highwealth Construction. The transaction was deemed a internal restructure in a group, and pursuant to Letter Ji-Mi-Zhi No. 301 issued by Accounting Research and Development Foundation, it shall be deemed as merged from the beginning. Therefore, when the Company prepared the 2018 Consolidated Statements, the 2017 Consolidated Statements were re-prepared retrospectively.

Note 4: the 2021 Q1 financial statements have not been reviewed by the CPAs and thus not to be disclosed.

4. Condensed statements of comprehensive income - parent company-only financial statements

(Expressed in Thousands of New Taiwan Dollar)

Item \ Year	Financial analysis in the five most recent years (Note 1)				
	2016	2017 (After re-preparation) Note 2	2018 Note 2	2019	2020
Operating revenue	5,729,654	4,378,108	12,576,070	1,684,425	3,944,597
Gross profit from operations	1,582,533	993,857	3,443,422	384,494	835,974
Operating income	1,095,289	585,126	2,610,382	(139,747)	308,835
Non-operating income and expenses	69,638	33,129	(94,846)	863,333	(134,164)
Income from continuing operations before income tax	1,164,927	618,255	2,515,536	723,586	174,671
Continuing operations Profit (loss)	1,035,778	577,583	2,186,147	655,920	117,248
Income of suspended business unit	0	0	0	0	0
Net income	1,035,778	577,583	2,186,147	655,920	117,248
Other comprehensive profits and losses (Net value after tax)	89,625	(37,045)	32,265	15,535	49,668
Total comprehensive income	1,125,403	540,538	2,218,412	671,455	166,916
Net income attributable to stockholders of the parent	Not applicable.	575,851	2,186,464	655,920	117,248
Net profit attributable to the previous equity's net profit under joint control	Not applicable.	1,732	(317)	0	0
Net income attributable to non-controlling interests	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Total comprehensive income attributable to stockholders of the parent	Not applicable.	538,806	2,218,729	671,455	166,916
Total comprehensive income attributable to the previous equity's net profit under joint control	Not applicable.	1,732	(317)	0	0
Total comprehensive income attributable to non-controlling interests	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Earnings per share(NT\$)	4.41	2.38	8.11	1.77	0.32

Note 1: The information above was certified by accountants.

Note 2: On September 7, 2018, the Board of Directors resolved to acquire the stake of Chin Chun Construction Co., Ltd. from the ultimate parent company, Highwealth Construction. The transaction was deemed a internal restructure in a group, and pursuant to Letter Ji-Mi-Zhi No. 301 issued by Accounting Research and Development Foundation, it shall be deemed as merged from the beginning. Therefore, when the Company prepared the 2018 Parent Company-Only Statements, the 2017 Parent Company-Only Statements were re-prepared retrospectively.

(II) Auditing CPAs and audit opinions in the past five years

Year	Name of the firm	CPA name	Opinion
2020	KPMG Taiwan	Yi-Lien Han Ti-Nuan Chien	Unqualified opinion
2019	KPMG Taiwan	Ti-Nuan Chien Gou-Yang Tseng	Unqualified opinion
2018 (Note)	KPMG Taiwan	Ti-Nuan Chien Gou-Yang Tseng	Unqualified opinion, paragraph with emphasis and paragraph with other matters
2017	KPMG Taiwan	Ti-Nuan Chien Gou-Yang Tseng	Unqualified opinion
2016	KPMG Taiwan	Chen, Chia-Hsiu, Gou-Yang Tseng	Unqualified opinion

Note: From 2018 to 2020, these are consolidated financial statements.

## II. Financial Analysis in the Past Five Years

### (I) Financial analysis - consolidated financial statements

Item		Year	Financial analysis in the five most recent years (Note 1)					Current year as of March 31, 2021 (Note 4)
			2016 (Note 2)	2017 (After re-preparation) (Note3)	2018 (Note3)	2019	2020	
Financial structure (%)	Debt to asset ratio	—	80.42	67.37	81.06	86.21	—	
	Long term capital to property, plant and equipment ratio	—	588.84	624.02	1,012.66	5,441.87	—	
Solvency	Current ratio (%)	—	161.62	192.04	189.70	139.74	—	
	Quick ratio (%)	—	40.09	61.5	42.46	33.17	—	
	Interest coverage ratio (times)	—	3.11	9.76	3.19	1.48	—	
Operating capacity	Receivable turnover rate (times)	—	5.35	14.51	6.80	11.91	—	
	Average cash recovery day	—	68.22	25.15	53.67	30.64	—	
	Inventory turnover rate (times)	—	0.25	0.68	0.22	0.3	—	
	Payable turnover rate (times)	—	3.25	8.86	2.65	3.47	—	
	Days sales outstanding	—	1,460	536.76	1,659.09	1,216.66	—	
	Property, plant and equipment turnover rate (times)	—	2.33	6.96	2.35	8.29	—	
	Total asset turnover rate (times)	—	0.2	0.56	0.16	0.23	—	
Profitability	Return on Assets (%)	—	3.57	9.89	3.59	1.4	—	
	Return on Equity (%)	—	10.99	35.03	10.22	2.21	—	
	Pre-tax net profit to paid-in capital ratio (%)	—	25.53	81.92	24.05	5.67	—	
	Net profit margin (%)	—	12.26	15.79	15.62	1.53	—	
	Earnings per share(NT\$)	—	2.38	8.11	1.77	0.32	—	
Cash Flow	Cash flow ratio (%)	—	(Note 5)	69.4	(Note 5)	(Note 5)	—	
	Cash flow adequacy ratio (%)	—	(Note 5)	65.54	(Note 5)	(Note 5)	—	
	Cash reinvestment ratio (%)	—	(Note 5)	52.15	(Note 5)	(Note 5)	—	
Leverage	Operating leverage	—	1.86	1.10	(2.12)	1.67	—	
	Financial leverage	—	1.41	1.08	0.31	1.56	—	

Please explain the reasons of the financial ratio changes in the past two years. (Analysis may be omitted if the changes did not reach 20%)

1. Long term capital to property, plant and equipment ratio increased by 437%: Because in 2020, the property, plant and equipment expected to be sold was transferred to non-current assets to be sold, the long term capital to property, plant and equipment ratio increased.
2. Current ratio decreased by 26%: Because the short-term borrowings in 2020 increased, the current ratio decreased.
3. Quick ratio decreased by 22%: Because the short-term borrowings in 2020 increased, the quick ratio decreased.
4. Interest coverage ratio decreased by 54%: Because the 2020 net income before tax decreased, the interest coverage ratio decreased.
5. Receivable turnover rate increased by 75%: Because the construction revenue increased in 2020, the receivable turnover rate increased.
6. Average cash recovery day decreased by 43%: Because the receivable turnover rate increased in 2020, the average cash recovery days decreased.
7. Inventory turnover rate increased by 36%: Because the sales costs of goods increased in 2020, the inventory turnover rate increased.
8. Payable turnover rate increased by 31%: Because the sales costs of goods increased in 2020, the payable turnover rate increased.
9. Sales outstanding days decreased by 27%: Because the inventory turnover rate increased in 2020, the sales outstanding days decreased.
10. Property, plant and equipment turnover rate increased by 253%: Because the net sales increased and the property, plant and equipment expected to be sold were transferred to non-current assets to be sold in 2020, the property, plant and equipment turnover rate increased.
11. Total asset turnover rate increased by 44%: Because the 2020 net sales increased, the total asset turnover rate increased.
12. Return on assets decreased by 61%: Because the 2020 net profit after tax decreased, the return on assets decreased.
13. Return on equity decreased by 78%: Because the 2020 net profit after tax decreased, the return on equity decreased.
14. Pre-tax net profit to paid-in capital ratio decreased by 76%: Due to a decrease in 2020 pre-tax net profit.
15. Net profit margin decreased by 90%: Due to a decrease in 2020 net profit after tax.
16. Earnings per share decreased by 82%: Due to a decrease in 2020 net profit after tax.
17. Operating leverage increased by 179%: Because the 2020 operating revenue and operating profit increased, the operating leverage increased.
18. Financial leverage increased by 403%: Because the 2020 operating profit increased, the financial leverage increased.

Note 1: The information above was certified by accountants.

Note 2: For 2016, the financial analysis - International Financial Reporting Standards (consolidated) was not required.

Note 3: On September 7, 2018, the Board of Directors resolved to acquire the stake of Chin Chun Construction Co., Ltd. from the ultimate parent company, Highwealth Construction. The transaction was deemed a internal restructure in a group, and pursuant to Letter Ji-Mi-Zhi No. 301 issued by Accounting Research and Development Foundation, it shall be deemed as merged from the beginning. Therefore, when the Company prepared the 2018 Consolidated Statements, the 2017 Consolidated Statements were re-prepared retrospectively.

Note 4: the 2021 Q1 financial statements have not been reviewed by the CPAs and thus not to be disclosed.

Note 5: The ratios in the cash flows are not calculated when the net cash flows from the operating activities are negative.

Note 6: Formulae for financial analysis calculation are as follows:

1. Financial structure
  - (1) Debt to asset ratio = total liabilities / total assets
  - (2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
  - (1) Current ratio = current assets / current liabilities
  - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities
  - (3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period
3. Operating capacity
  - (1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business)
  - (2) Average cash recovery date = 365 / receivables turnover rate
  - (3) Inventory turnover rate = sales cost / average inventory
  - (4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)
  - (5) Days sales outstanding = 365 / inventory turnover rate
  - (6) Property, plant and equipment turnover rate = net sales/net average property, plant and equipment value
  - (7) Total asset turnover rate = 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 equity = after tax profit and loss / average equity
  - (3) Net profit rate = after tax profit and loss / net sales
  - (4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted average number of issued shares (Note 7)
5. Cash flow
  - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
  - (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years



(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital) (Note 8)

6. Leverage

(1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit (Note 9)

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

Note 7: The above calculation formula for earnings per share should pay careful attention to following points:

1. Based on weighted average number of ordinary shares, but not the number of shares issued as of the end of the year.
2. Every capital increase or treasury stock transaction should consider calculating the weighted average number of shares during the circulation period.
3. The capital injection from the surplus or the capital reserve to increase its capital should retroactive adjustment calculate its earnings per share in the past year or the past six months in proportion of capital increase; no need to consider the period of capital increase.
4. If the preferred shares are non-convertible cumulative preferred stock, the dividends of the year, whether they're issued or not, should be deducted from the net profit after tax, or be added to the net loss after tax. If the preferred shares are non-cumulative and have net profit after tax, the dividends should be deducted from the net profit after tax; no need for adjustment if they have loss.

Note 8: When calculating the cash flow analysis careful attention should be paid to the following points:

1. Net cash flow from operating activities means the net income in the net cash flow table.
2. Capital expenditure means investment spending per year.
3. Inventory would only be counted when the closing balance of prepaid rent is bigger than the beginning one. If the inventory in the end of the year has decreased, it should be shown as zero.
4. Cash dividend includes common stock and preferred shares.
5. Gross property, plant and equipment is the total amount of net of property, plant and equipment accumulated depreciation

Note 9: Issuers should differentiate every fixed and variable operating cost and operating expense by their natures. If estimation or subjective judgement is involved, be aware of its rationality and consistency.

Note 10: The Company's shares without par value or a par value other than NT\$10 are calculated based on interests ratio attributable to the owner of the parent company in the balance sheet, instead of pre-tax net profit to paid-in capital ratio.

(II) Financial analysis - parent company-only financial statements

Item		Financial analysis in the five most recent years (Note 1)					
		Year	2016	2017 (After re-preparation) (Note 2)	2018 (Note 2)	2019	2020
Financial structure (%)	Debt to asset ratio		72.06	80.21	66.33	80.35	85.81
	Long term capital to property, plant and equipment ratio		488.78	589	624.14	1,014.1	5,513.41
Solvency	Current ratio (%)		181.84	159.29	193.11	192.66	139.16
	Quick ratio (%)		36.76	35.62	53.14	32.87	29.01
	Interest coverage ratio (times)		5.79	3.1	9.76	3.14	1.4
Operating capacity	Receivable turnover rate (times)		26.49	5.14	15.36	10.75	24.22
	Average cash recovery day		13.77	71.01	23.76	33.95	15.07
	Inventory turnover rate (times)		0.35	0.22	0.6	0.08	0.14
	Payable turnover rate (times)		5.29	3.3	10.91	1.81	2.92
	Days sales outstanding		1,042.85	1,659.09	608.33	4,562.5	2,607.14
	Property, plant and equipment turnover rate (times)		2.84	2.17	6.32	0.94	4.28
	Total asset turnover rate (times)		0.32	0.19	0.52	0.06	0.12
Profitability	Return on Assets (%)		7.00	3.65	10.09	3.72	1.44
	Return on Equity (%)		19.95	10.99	35.03	10.22	2.21
	Pre-tax net profit to paid-in capital ratio (%)		49.01	25.40	81.58	23.46	4.72
	Net profit margin (%)		18.07	13.19	17.38	38.94	2.97
	Earnings per share(NT\$)		4.41	2.38	8.11	1.77	0.32
Cash Flow	Cash flow ratio (%)		2.51	(Note3)	69.42	(Note3)	(Note3)
	Cash flow adequacy ratio (%)		11.57	(Note3)	61.85	(Note3)	(Note3)
	Cash reinvestment ratio (%)		(9.81)	(Note3)	48.07	(Note3)	(Note3)
Leverage	Operating leverage		1.13	1.31	1.09	(0.22)	1.6
	Financial leverage		1.14	1.41	1.09	0.45	1.89

Please explain the reasons of the financial ratio changes in the past two years. (Analysis may be omitted if the changes did not reach 20%)

1. Long term capital to property, plant and equipment ratio increased by 444%: because in 2020, the property, plant and equipment expected to be sold were transferred to non-current assets to be sold, the long term capital to property, plant and equipment ratio increased.
2. Current ratio decreased by 28%: Because the short-term borrowings in 2020 increased, the current ratio decreased.
3. Interest coverage ratio decreased by 55%: Because the 2020 net income before tax decreased, the interest coverage ratio decreased.
4. Receivable turnover rate increased by 125%: Because the construction revenue increased in 2020, the receivable turnover rate increased.
5. Average cash recovery day decreased by 56%: Because the receivable turnover rate increased in 2020, the average cash recovery day decreased.
6. Inventory turnover rate increased by 75%: Because the sales costs of goods increased in 2020, the inventory turnover rate increased.
7. Payable turnover rate increased by 61%: Because the sales costs of goods increased in 2020, the payable turnover rate increased.
8. Sales outstanding days decreased by 43%: Because the inventory turnover rate increased in 2020, the sales outstanding days decreased.
9. Property, plant and equipment turnover rate increased by 355%: Because the net sales increased and the property, plant and equipment expected to be sold were transferred to non-current assets to be sold in 2020, the property, plant and equipment turnover rate increased.
10. Total asset turnover rate increased by 100%: Because the net sales increased in 2020, the total asset turnover rate increased.
11. Return on assets decreased by 61%: Because the 2020 net profit after tax decreased, the return on assets decreased.
12. Return on equity decreased by 78%: Because the 2020 net profit after tax decreased, the return on equity decreased.
13. Pre-tax net profit to paid-in capital ratio decreased by 80%: Due to a decrease in 2020 pre-tax net profit.
14. Net profit margin decreased by 92%: Due to a decrease in 2020 net profit after tax.
15. Earnings per share decreased by 82%: Due to a decrease in 2020 net profit after tax.
16. Operating leverage increased by 827%: Because the 2020 operating revenue and operating profit increased, the operating leverage increased.
17. Financial leverage increased by 320%: Because the 2020 operating profit increased, the financial leverage increased.

Note 1: The information above was certified by accountants.

Note 2: On September 7, 2018, the Board of Directors resolved to acquire the stake of Chin Chun Construction Co., Ltd. from the ultimate parent company, Highwealth Construction. The transaction was deemed a internal restructure in a group, and pursuant to Letter Ji-Mi-Zhi No. 301 issued by Accounting Research and Development Foundation, it shall be deemed as merged from the beginning. Therefore, when the Company prepared the 2018 Parent Company-Only Statements, the 2017 Parent Company-Only Statements were re-prepared retrospectively.

Note 3: The ratio in the cash flows is not calculated when the net cash flows from the operating activities are negative.

Note 4: Formulae for financial analysis calculation are as follows:

1. Financial structure
  - (1) Debt to asset ratio = total liabilities / total assets
  - (2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment
2. Solvency
  - (1) Current ratio = current assets / current liabilities
  - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities
  - (3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period
3. Operating capacity
  - (1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business)
  - (2) Average cash recovery date = 365 / receivables turnover rate
  - (3) Inventory turnover rate = sales cost / average inventory
  - (4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)
  - (5) Days sales outstanding = 365 / inventory turnover rate
  - (6) Property, plant and equipment turnover rate = net sales/net average property, plant and equipment value
  - (7) Total asset turnover rate = 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 equity = after tax profit and loss / average equity
  - (3) Net profit rate = after tax profit and loss / net sales
  - (4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted average number of issued shares (Note 5)

5. Cash flow
    - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
    - (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years
    - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital) (Note 6)
  6. Leverage
    - (1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit (Note 7)
    - (2) Financial leverage = operating profit / (operating profit - interest expense)
- Note 5: Calculation formula for earnings per share above should pay careful attention to followed points:
1. Based on weighted average number of ordinary shares, but not the number of shares issued as of the end of the year.
  2. Every capital increase or treasury stock transaction should consider calculating the weighted average number of shares during the circulation period.
  3. The capital injection from the surplus or the capital reserve to increase its capital should retroactive adjustment calculate its earnings per share in the past year or the past six months in proportion of capital increase; no need to consider the period of capital increase.
  4. If the preferred shares are non-convertible cumulative preferred stock, the dividends of the year, whether they're issued or not, should be deducted from the net profit after tax, or be added to the net loss after tax. If the preferred shares are non-cumulative and have net profit after tax, the dividends should be deducted from the net profit after tax; no need for adjustment if they have loss.
- Note 6: Paying careful attention to the cash flow analysis as followed points:
1. Net cash flow from operating activities means the net income in the net cash flow table.
  2. Capital expenditure means investment spending per year.
  3. Inventory would only be counted when the closing balance of prepaid rent is bigger than the beginning one. If the inventory in the end of the year has decreased, it should be shown as zero.
  4. Cash dividend includes common stock and preferred shares.
  5. Gross property, plant and equipment is the total amount of net of property, plant and equipment accumulated depreciation
- Note 7: Issuer should differentiate every fixed and variable operating cost and operating expense by their natures. If estimation or subjective judgement is involved, be aware of its rationality and consistency.
- Note 8: The Company's shares without par value or a par value other than NT\$10 are calculated based on interests ratio attributable to the owner of the parent company in the balance sheet, instead of pre-tax net profit to paid-in capital ratio.

III. Audit Committee's review report on the latest financial report

  
RUN LONG CONSTRUCTION CO., LTD.  
Audit Committee's Review Report

The Board of Directors has submitted the Company's 2020 business report, financial statements (including consolidated financial statements) and the proposal for earnings distribution; among these, the financial statements (including consolidated financial statements) have been audited by Yilien Han and Ti-Nuan Chien of KPMG and the audit report has been issued. The said business report, financial statements and the proposal for earnings distribution have been audited by the Audit Committee, with no discrepancy found. We have presented you the reports based on the provisions stipulated in Article 14-4 in the Securities and Exchange Act and Article 219 in the Company Act.

Regards,  
2021 Annual General Meeting of Run Long construction Co., Ltd.

Audit Committee Convener: Li, Wencheng



March 19, 2021

- IV. For the financial statements of the most recent year, CPAs' Audit Report, balance sheet including two-year comparison, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes and attached tables: Please refer to Pages 134 to 198.
- V. Parent company-only financial statements audited by CPAs of the most recent year. However, the detailed tables of the key accounting items are excluded: Please refer to Pages 199 to 261.
- VI. If the Company and its affiliates have experienced financial difficulties in the most recent fiscal year and up to the date of publication of the annual report, the annual report shall explain how said difficulties affect the Company's financial situation: None.

## Seven. Review and Analysis of Financial Status and Business

### Results and Risk Issues

#### I. Financial Status

(Expressed in Thousands of New Taiwan Dollar)

Item	Year	2019	2020	Differences	
				Amount	%
Current assets		24,473,681	32,877,608	8,403,927	34.34
Property, plant and equipment		1,601,532	243,860	(1,357,672)	(84.77)
Intangible assets		10,046	15,051	5,005	49.82
Other assets		3,034,120	3,661,471	627,351	20.68
Total assets		29,119,379	36,797,990	7,678,611	26.37
Current liabilities		12,901,157	23,527,423	10,626,266	82.37
Non-current liabilities		10,703,294	8,199,631	(2,503,663)	(23.39)
Total liabilities		23,604,451	31,727,054	8,122,603	34.41
Interests attributable to parent company owner		5,514,928	5,070,936	(443,992)	(8.05%)
Share capital		3,083,305	3,699,966	616,661	20.00%
Capital surplus		779,297	168,389	(610,908)	(78.39%)
Retained earnings		1,551,272	1,052,113	(499,159)	(32.18%)
Other interests		101,054	150,468	49,414	48.90%
Treasury stock		0	0	0	0
Previous equity under joint control		0	0	0	0
Non controlling interests		0	0	0	0
Total equity		5,514,928	5,070,936	(443,992)	(8.05%)
<p>(I) Main reasons for significant changes in assets, liabilities and equity in the two most recent years and their impacts:</p> <ol style="list-style-type: none"> <li>1. Current assets: Because construction projects were actively constructed and sold in 2020, the amount of construction-in-progress and allowance accounts like escrows increased.</li> <li>2. Property, plant and equipment: Because the property, plant and equipment expected to be sold in 2020 was transferred to non-current assets to be sold.</li> <li>3. Intangible assets: Because in 2020 the actual price to acquire the stake of a subsidiary increased, there was a difference from the book value.</li> <li>4. Other assets: Because the amount of allowance accounts for corporate bonds increased in 2020.</li> <li>5. Current liabilities: Because the borrowings in 2020 increased.</li> <li>6. Non-current liabilities: Due to the corporate bonds maturing within a year and long-term borrowings that were transferred to current liabilities in 2020.</li> <li>7. Capital reserves: Because the capital reserves were distributed as shareholders' dividends in 2020.</li> <li>8. Retained earnings: Due to a decrease in 2020 net profit after tax.</li> <li>9. Other interests: Due to an increase in the unrealized gains (losses) measured at fair value through other comprehensive income in 2020.</li> </ol> <p>(II) Future responding plans shall be specified if the impacts are material: The aforesaid changes do not impact the Company's finance materially.</p>					

## II. Financial Performance

### (I) Comparative analysis table of financial performance

(Expressed in Thousands of New Taiwan Dollar)

Item	Year	2019	2020	Differences	
				Amount	%
Operating revenue		4,198,656	7,656,236	3,457,580	82.35%
Gross profit from operations		517,128	1,016,928	499,800	96.65%
Operating income		(77,329)	404,454	481,783	(623.03%)
Non-operating income and expenses		819,073	(194,424)	(1,013,497)	(123.74%)
Income from continuing operations before income tax		741,744	210,030	(531,714)	(71.68%)
Continuing operations Profit (loss)		655,920	117,248	(538,672)	(82.12%)
Income of suspended business unit		0	0	0	0
Net income		655,920	117,248	(538,672)	(82.12%)
Other comprehensive profits and losses (Net loss after tax)		15,535	49,668	34,133	219.72%
Total comprehensive income		671,455	166,916	(504,539)	(75.14%)
Net income attributable to stockholders of the parent		655,920	117,248	(538,672)	(82.12%)
Net profit attributable to the previous equity under joint control		0	0	0	0
Net income attributable to non-controlling interests		Not applicable.	Not applicable.	Not applicable.	Not applicable.
Total comprehensive income attributable to owners of the parent		671,455	166,916	(504,539)	(75.14%)
Total comprehensive income attributable to the previous equity under joint control		0	0	0	0
Total comprehensive income attributable to non-controlling interests		Not applicable.	Not applicable.	Not applicable.	Not applicable.
Earnings per share(NT\$)		1.77	0.32	(1.45)	(81.92%)
Main reasons for any material changes in operating revenues, operating income, or income before tax in the two most recent fiscal years:					
1. Operating revenue: Mainly because the construction revenue increased significantly in 2020.					
2. Operating gross profit: Please refer to (2) analysis of changes in operating gross profit.					
3. Operating income (loss): Mainly because the construction revenue increased significantly in 2020 with higher margins.					
4. Non operating income and expenses: Because fixed assets were sold in 2019, the disposal gains of non-current assets to be sold increased.					
5. Net profit before tax: Due to decreased other incomes and losses in 2020.					
6. Other comprehensive income of the period: Due to the increased unrealized gains from the financial assets recognized in 2020.					



## (II) Analysis of changes in operating gross profit

(Expressed in Thousands of New Taiwan Dollar)

Item	Changes between two consecutive period	Reason of difference
Construction revenue	434,075	The construction revenue increased, so the gross profit increased relatively.
Project gross profit	60,702	The contractual incomes from contracted projects increased, so the gross profit increased relatively.
Others	5,023	The leasing revenue increased, so the gross profit increased relatively.
Total	499,800	

## (III) Sales forecast and the basis, and possible impact on the Company's future financial status and the contingency plan

### 1. Construction business

Looking forward to 2021, a return to stability is expected with the commencement of the vaccination following the pandemic, and the global economy is expected to begin to recover. The low-interest rate environment will remain for the time being. In 2021, the housing market will continue the 2020 pattern of returning to self-use. It will still be a year dominated by self-occupation, which will not be affected by the Central Bank's policy to suppress speculative trading in the housing market. Moreover, with the continued return of Taiwanese businesspeople and the trend of plant expansions, the foundations of the real estate market will remain relatively stable.

Nowadays, the small-size light luxury housing for first time buyers is the mainstream in the market, which is not only for self-occupation but also for diversified use such as asset management or leasing. As long as the location is good and the space is well-planned, combined with brand awareness and planning experience, such products are bound to become the purchase indicators when consumer observe construction projects.

In 2021, the Company will strive to eliminate its remaining houses while focusing on apartments most favored by first-time buyers. At present, the projects that are planned and expected to launch include "De An" in Keelung, "Zhonghe Yuantong" in New Taipei, "Wenshan Wanfang" in Taipei and "Zhongli Chinsheng" Taoyuan.

### 2. Construction/engineering business of the subsidiary, Chin Chun Construction

Chin Chun Construction mainly contracts development projects from affiliates, and secures the construction quality, progress, and safety through standardized construction management, to establish the Group's reputation of high quality.

Looking forward to 2021, the enthusiasm for private investment will increase, including the increasing demand the construction of new housing and the active trend of plant and office construction projects. However, the construction industry is constrained by the recent high cost of steel bars, and the tight supply of concrete materials has not yet been relieved. The construction industry tends to take a cautious attitude when it comes to the outlook for the next six months.

### III. Cash flow

#### (I) Cash flow analysis in the most recent year

Item \ Year	2019	2020	% of increase (decrease)
Cash flow ratio	-	-	-
Cash flow adequacy ratio	-	-	-
Cash reinvestment ratio	-	-	-
Reasons for increase/decrease proportion analysis: The net cash flow in 2019 and 2020 were negative, and thus not calculated.			

#### (II) Analysis of cash flow in the coming year

(Expressed in Thousands of New Taiwan Dollar)

Beginning cash balance (A)	Net cash flow from operating activities throughout the year (B)	Estimated yearly net cash outflow (C)	Anticipated cash surplus (deficit) amount A+B-C	Remedies for cash deficits	
				Investment plan	Financial plans
2,109,643	(41,000)	1,126,791	941,852	—	—

##### 1. Analysis of cash flow changes for the year:

Mainly because increases in cash outflow from the payment input to construction projects, and the repayment of loans for lands and construction upon project completion expected to be increased in the next year.

##### 2. Remedies for illiquidity

There will be no shortage or deficit of cash in the next year.

IV. Impact of major capital expenditure on the financial status in the most recent year

(I) Utilization of major capital expenditures and source of funds: None.

(II) Expected effects: None.

V. Reinvestments in the most recent year

(I) Re-investment policy in the most recent year, the main reason for its profit or loss, the improvement plan and investment plan in the next year:

(Expressed in Thousands of New Taiwan Dollar)

Investor	Investee	Investment gains/losses recognized in 2020	Re-investment policy	Main reason of profit or loss	Improvement plans
The Company	Chin Chun Construction	73,387	The Company's reinvestment policy currently focuses on the upstream and downstream construction related industries, seeking to increase reinvestment income	Profit from reinvested business operations	Focus on the steady operation of existing businesses and actively strive for new projects

(II) Investment plan in the next year: Based on future operational needs, prudently evaluate relevant industries with stable profitability as investment targets.

VI. Risks in the most recent fiscal year and up to the date of publication of the annual report

(I) The impact of interest and exchange rate changes and inflation on the Company's profit and loss and future countermeasures

1. The short-term and long-term borrowings of the Company and its subsidiaries are debts with floating interest rates. Therefore, changes in market interest rates will cause the effective interest rates of short-term and long-term borrowings to change accordingly, which will cause future cash flow fluctuations; When the interest rate increases or decreases by 0.5% with all other variables remaining unchanged, the interest expenses of the consolidated company in the year of 2020 and 2019 will increase by NT\$66,535 thousand and NT\$49,390 thousand, taking into account the net profit after interest capitalization, it will decrease or increase by NT\$22,493 thousand and NT\$24,697 thousand.
2. The main operating income and expenditures and capital expenditures of the Company and its subsidiaries are mostly denominated in New Taiwan dollar, so exchange rate changes

have no significant impact on the Company's profit and loss.

3. The Company and its subsidiaries continue to monitor changes in prices and raw material prices, maintain good interaction with customers and suppliers, and adopt appropriate procurement strategies to reduce inflation risks.

- (II) Policies of engagement in high-risk and highly leveraged investments, loans to others, endorsements and guarantees and derivative trading, main reasons for profit or loss and future countermeasures

The Company and its subsidiaries focus on their major businesses and have not conducted high-risk and highly leveraged investments in the most recent year.

The Company provides necessary endorsements and guarantees to subsidiaries when required by the business.

The Company and its subsidiaries do not conduct derivative trading.

The Company has the "Operational Procedures for Loaning of Funds to Others", the "Operational Procedures for Endorsement and Guarantee", and the "Handling Procedures of Acquiring or Disposing Assets" for compliance. The subsidiaries are supervised and required to establish related operational procedures and observe such procedures.

- (III) Future R&D projects and estimated R&D expenses: None.

- (IV) The impact of important domestic and overseas policy and regulation changes on the financial status of the Company and countermeasures

1. The following newly released, amended and revised standards and interpretations have been recognized by the Financial Supervisory Commission, and start to be applicable from 2021:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"

The consolidated company has assessed that the application of the aforesaid amendments will not create material changes in the consolidated financial statements.

2. In 2021, the global monetary easing and low interest rate environment will continue, and subsequent changes in the pandemic will affect the economic growth of various countries. At the end of 2020, the Central Bank adopted selective credit control, and the Ministry of the Interior also passed various measures at the third reading at the end of the year including amendments to the actual price registration and the prohibition of transferring pre-sold units. The government's policies responding to the housing market are expected to continue to be enforced to specific targets, and will not fully interfere with the housing market. The housing market is expected to still have a stable foundation for development in 2021.

(V) The impact of technological and industrial changes on the financial status of the Company and countermeasures: None.

(VI) The impact of corporate image changes on the Company's crisis management and countermeasures

The Company and its subsidiaries insist on the operating principles of steadiness, pragmatism, innovation and evolution, and have a good corporate image. So many outstanding talents are attracted to serve the Company and build the strength of the management team. The Company also regularly provides feedback on the operating results to investors. There is nothing jeopardizing the corporate image, nor are there risks of corporate crises.

(VII) Expected benefits and possible risks of mergers and acquisitions and countermeasures

The Company and its subsidiaries have not had mergers and acquisitions during the most recent year and up to the date of publication of the annual report.

(VIII) Expected benefits and possible risks of plant expansion, and countermeasures

The Company and its subsidiaries have not had plant expansions during the most recent year and up to the date of publication of the annual report.

(IX) The impact of concentration of purchases or sales and countermeasures

1. Construction business

Real estate sales business is for general customers, so there is no concentration of sales. The purchases are mainly the amounts of purchases from outsourcing to well-known level A construction companies, and the number of purchase transactions is small with significant payable amounts, so there will likely not be a concentration of purchases.

2. Construction/engineering business of the subsidiary Chin Chun Construction:

The major businesses are project contracting, and there is no concentration of purchases (material purchases and construction contractors) and sales (customers of contracted projects).

(X) The impact of mass share transfers or changes of directors, supervisors or shareholders holding more than 10% of the Company's shares, the risks and countermeasures

During the most recent year and up to the date of publication of the annual report, there were no mass share transfers or changes of directors or shareholders holding more than 10% of the Company's shares.

(XI) The impact of changes of management on the Company, the risks and countermeasures

During the most recent year and up to the date of publication of the annual report, there were no changes of management in the Company or its subsidiaries.

(XII) Lawsuits and non-contentious cases

1. Material litigation, non-litigation or administrative litigation with its judgment already made or pending in the most recent year and up to the date of the publication of the annual report, the result of which may have a significant impact on the shareholders'

equity or the price of the Company's shares: None.

2. Material litigation, non-litigation or administrative litigation with its judgment already made or pending in the most recent years and up to the date of the publication of the annual report related to the Company's directors, supervisors, president, actual person in charge, shareholders holding more than 10% of the Company's shares or affiliates, the result of which may have a significant impact on the shareholders' equity or the price of the Company's shares: None.

(XIII) Other important risks and countermeasures

1. Effect of damage to information systems upon the company's business affairs, as well as response measures being or to be taken:

The Company's information staff in the management department is the executive unit of information security management, carrying out specific management plans such as information security prevention and crisis handling, and implementing corresponding security control measures, while continuously improving internal abnormality detection and protection methods to reduce corporate information security risks. The Company reports the "Information Security Risk Management Situation" to the Board of Directors at least once a year.

The Company's information system is under construction. In the hardware area servers with high stability have been set up and in the software area the information systems, software and default system parameters are regularly backed up and there is a complete data back-up mechanism to ensure service downtime is shortened.

With uninterrupted information services and information safety, the information unit under the management department regularly sends back-up data for storage in other places and there are regular drills for post-disaster recovery measures, to prevent the interruption of information services and shorten the recovery time from natural disasters or human accidents.

In order to get the information system smoothly back on track and reduce losses after damage has occurred, in addition to regular drills for post-disaster recovery measures, the Company shall continue to plan, design and establish the virtualization of information system hardware and cloud-based software services as new technologies are developed, to improve the resource efficiency of software and hardware equipment, and to construct a network protection mechanism with a high security level to reduce the risks of system damage.

In the recent analysis of information security threats, the major source of threats come from external hacker attacks, followed by the negligence of internal employees and lack of information security awareness. The root cause of these information security incidents is that users fail to pay attention to the content of emails and click on malicious phishing links and execute unknown malicious programs. Therefore, information security protection requires a comprehensive Company-wide consensus

and the full participation of all employees. Only by gradually developing employees' risk awareness and information security protection capabilities through working habits and company culture, can the information security defense capabilities truly be strengthened.

2. The implementation of information security management in 2020 is as follows:

① Internal Audit Office

From February 3 to 21, 2020, the audit unit inspected the security control of files and equipment, and the control of information security management operations; no abnormal or deficient items were found.

② For employees who violate information security regulations

Certain employees in the Company installed software packages not purchased for business needs without consulting the information staff.

❶ The information staff issued verbal warnings and removed the software immediately.

❷ In order to implement information security incident reporting and related response handling, the head of the management department reported the above incidents in the management meeting, and asked the department heads to communicate to the employees not to reproduce, install, download and use unauthorized software and other information protected by intellectual property copyrights on the Company's computers. If an incident involves violation of the law, the parties concerned shall bear their own legal liabilities.

③ Mail threat statistics

Currently, the Company has installed a spam control mechanism to filter and intercept malicious or advertisement mail.

④ Anti-virus interception

Anti-virus software is installed on the Company's computers to prevent viruses from getting into computers and spreading.

⑤ Information security incidents in the year

Time	Information security incident	Treatment
May 2020	Webpage control	Blocking audio and video streaming and shopping websites
June 2020	Control software installation permissions	Applied GPO principles
October 2020	Updated the Microsoft operating system	From October 1, 2020, to December 31, 2020, the version has been updated to Windows 10 Ver.2004.
October 2020	Updated the version of the document processing software	From October 1, 2020, to December 31, 2020, the version has been updated to 2016
November 2020	Updated the version of the anti-virus software to 7.3.2041	Updated the version to 7.3.2041

- ⑥ The information security risk management situation in 2020 has been submitted to the 27th meeting of the current term of the Board of Directors on December 24, 2020.
3. As of the date of publication of the annual report in 2020, the Company has not discovered any major internet attacks and events, negative influences that have harmed or may harm the Company's business and operation, and not been involved in any law cases or monitoring investigation.
4. Effect of the climate change upon the Company's business affairs and the response measures being or to be taken:

In recent years, extreme climate has gradually become normalized. Record-breaking high summer temperatures, short-term high-intensity flooding and heavy rainfall have caused serious damage and impact on Taiwan. In response to increasingly serious global warming and climate change issues, the government actively promotes energy-saving and carbon-reduction measures and the use of various green energy sources to reduce carbon dioxide emissions. For the comfort and health of our citizens, and to reduce the impact on the environment of manufacturing building materials and promote the upgrade of the traditional construction material industry, the company shall actively take measures in response to the issue of climate change and put in effort into developing green building techniques to improve the level of green buildings, in hope of building up an energy saving and carbon emission reducing housing environment. Planning construction cases with energy saving and carbon emission reducing products, such as building materials, energy saving machinery, housing facilities and new energy systems applied in green buildings. To implement government policy, the Company goes to great lengths in environmental protection to put corporate social responsibility into practice.

5. Others:

Compared to 2020, the latest "2021 Global Risk Report" pointed out that environmental risks still remain high in terms of the degree of impact and the probability of occurrence. After a whole year of the COVID-19 pandemic, "spread of infectious diseases" has leapt to the risk with the greatest impact.

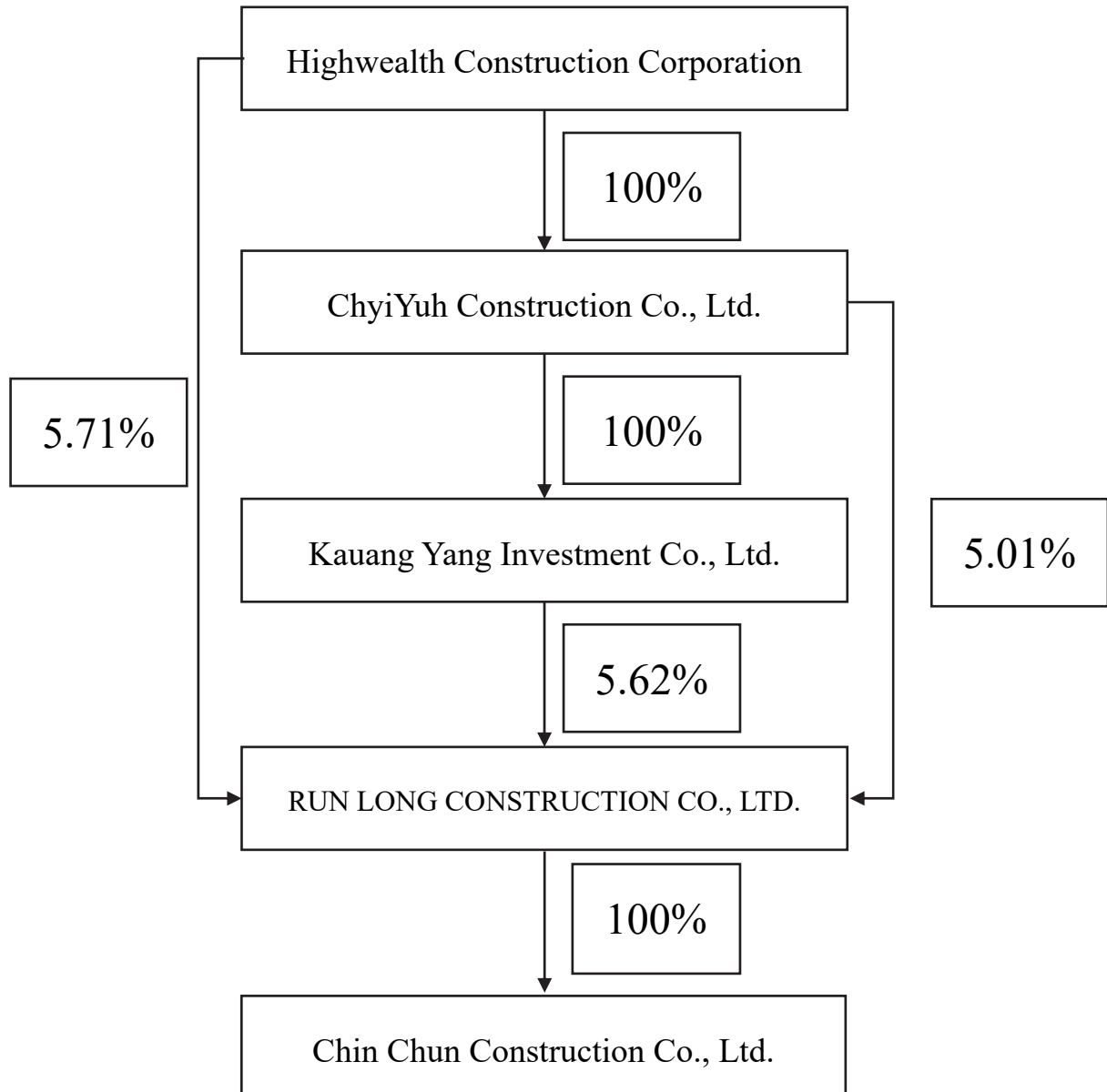
VII. Other important matters: None



## Eight. Special Notes

### I. Information about the Company's Affiliates

#### (I) Organization Chart of Affiliates



## (II) Consolidated business reports of affiliated enterprises

### 1. Basic data of affiliates

(Expressed in Thousands of New Taiwan Dollar)

Affiliate	Date of establishment	Address	Paid-in capital	Major business
<u>Controlling company</u> Run Long Construction Co., Ltd.	January 10, 1977	8F., No. 267, Lequn 2nd Rd, Zhongshan District, Taipei City	3,699,966	Development, sales and leasing of real estate
<u>Affiliates</u> Chin Chun Construction Co., Ltd.	November 01, 2012	19F., No. 1507-1, Yucheng Rd., Gushan Dist., Kaohsiung City	500,000	Construction, housing and building development, lease, sale business.

2. Information about common shareholders of entities presumed to have a controlling and subordinate relationship: None.

3. All affiliated companies' operating business cover industries such as:

① Construction industry

② Part of the construction work of Run Long Construction Co., Ltd. is contracted to Chin Chun Construction Co., Ltd.

4. Information about the directors, supervisors and general managers of the affiliates:

Affiliate	Job Title	Name or representative	Shareholdings	
			Shares	Shareholding ratio
<u>Controlling company</u> Run Long Construction Co., Ltd.	Chairman	Da-Li Investment Co., Ltd Representative: Tsai Chungping	14,485,821	3.92%
	Director	Kuang Yang Investment Co., Ltd. Representative: Chiu Pingtse	20,792,415	5.62%
	Director	Kuang Yang Investment Co., Ltd. Representative: Chen Kuoyen	20,792,415	5.62%
	Director	Kuang Yang Investment Co., Ltd. Representative: Hung Mingyao	20,792,415	5.62%
	Independent Director	Yen Yunchi	0	0%
	Independent Director	Li Wencheng	0	0%
<u>Affiliates</u> Chin Chun Construction Co., Ltd.	Chairperson	Run Long Construction Co., Ltd. Representative: Chiu Pingtse	50,000,000	100%
	Director	Run Long Construction Co., Ltd. Representative: Lin Chihlung	50,000,000	100%
	Director	Run Long Construction Co., Ltd. Representative: Lu Xiren	50,000,000	100%
	Supervisor	Run Long Construction Co., Ltd. Representative: Hung Mingyao	50,000,000	100%

5. Overview of the operations of the affiliates:

(Expressed in Thousands of New Taiwan Dollar)

Affiliate	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Net operating income (loss)	Net income (after tax)	Earnings per share (after tax/NT\$)
<b><u>Controlling company</u></b> Run Long Construction Co., Ltd.	3,699,966	35,760,762	30,689,826	5,070,936	3,944,597	308,835	117,248	0.32
<b><u>Affiliates</u></b> Chin Chun Construction Co., Ltd.	500,000	2,076,461	1,375,514	701,948	5,154,033	166,024	143,791	2.88

(III) Consolidated financial statements of affiliates:

The entities the Company is required to include in the consolidated financial statements of affiliates for 2020 (from January 1, 2020, to December 31, 2020) under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements of the parent company prepared in conformity with the International Accounting Standards (IAS) No. 27 approved by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements of affiliates is included in the consolidated financial statements of the parent company. Consequently, the consolidated financial statements of affiliates are not prepared separately.

(IV) Relationship Report

Statement

The Company's 2020 Relation Report (from January 1, 2020, to December 31, 2020) has been prepared pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and the disclosed information is materially consistent with the related information disclosed in the notes of financial statements of the abovementioned period.

Very truly yours,

The name of the company :

RUN LONG CONSTRUCTION CO., LTD.



Person in Charge : Tsai, Chung-Ping

March 19, 2021



## CPAs' Review Opinion on the Affiliation Report

To: RUN LONG CONSTRUCTION CO., LTD.,

The Affiliation Report for 2020 of Run Long Construction Co., Ltd. has been reviewed by the accountant in accordance with the provisions of Ministry of Finance Securities & Futures Commission Letter No. Taiwan-Finance-Securities-(6)-04448 issued on November 30, 1999. This review work, is based on whether the Affiliation Report for 2020 of Run Long Construction Co., Ltd. is prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and whether the disclosed information is not materially inconsistent with the information disclosed in the notes to the financial statements of the period audited by the accountant on March 19, 2021, with the review opinions issued.

According to the review result of the accountant, no violation has been found in the preparation of the above affiliation report to the provisions of the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and no material discrepancy has been found between the information disclosed in the foregoing affiliation report and the information disclosed in the notes to the financial statements of the same period.

KPMG Taiwan

Certified Public :  
Accountant

The original Ministry of : No. (88) Taiwan-Finance-  
Finance Securities & Securities-(6)-18311  
Futures Commission : Financial Supervisory  
Letter No. Certified No. Commission Order No.  
Financial-Supervisory-  
Securities-Corporate-  
1090332798

March 19, 2021

1. Overview of the relationship between the controlling company and subordinate companies

Name of the controlling company	Reason for controlling	Shareholding and share pledging of the controlling company			Director, supervisor, managerial officers appointed by controlling company	
		Shares	Shareholding ratio	Shares pledged	Job Title	Name
Highwealth Construction	100% shares of ChyiYuh Construction Co., Ltd.	205,000,000	100%	-	Representative of Legal Person Director (Chairperson) ChyiYuh Construction Co., Ltd.	Cheng Chunmin
					Representative of Legal Person Director (Director) ChyiYuh Construction Co., Ltd.	Hsiung, Meng-Chi
					Representative of Legal Person Director (Director) ChyiYuh Construction Co., Ltd.	Fan Huajun
ChyiYuh Construction Co., Ltd.	100% shares of Kauang Yang Investment Co., Ltd.	29,900,000	100%	-	Representative of Legal Person Director (Chairperson) Kauang Yang Investment Co., Ltd.	Cheng Zhilong
Kauang Yang Investment Co., Ltd.	Parent company of the Company	20,792,415	5.62%	-	Representative of Legal Person Director (Director) of the Company	Chiu, Ping-Tse
					Representative of Legal Person Director (Director) of the Company	Chen, Kuo-Yen
					Representative of Legal Person Director (Director) of the Company	Hung, Ming-Yao

2. Purchase (sale) of goods

(Expressed in Thousands of New Taiwan Dollar)

Purchase (sale)	Status of transactions with the controlling company			Terms of transactions with the controlling company		General transaction terms		Reason of difference	Notes / accounts receivables (payables)		Overdue accounts receivables			Remarks
	Amount	Percentage to the total purchase (sale)	Gross margin	Unit price (NT\$)	Credit Period	Unit price (NT\$)	Payment Terms		Balance	Percentage to total notes / accounts receivables (payables)	Amount	Actions Taken	Allowance for non-performing loans	
Purchase	2,623,087	30.64	—	—	With common equivalent	Equivalent	With common equivalent	—	(532,921)	(41.40)	—	—	—	—

3. Property transaction: None.

4. Financing: None.

5. Asset leasing:

(Expressed in Thousands of New Taiwan Dollar)

Lease counterparty	Transaction type (Lessor or lessee)	Underlying property		Lease term	Lease type	Basis of rent	Receipt (payment) method	Compared to general rent level	Total rent for the period	Receipt and payment status for the period	Other agreements
		Name	Location								
Kauang Yang Investment Co., Ltd.	Leasing	Building	8F-6, No. 267, Lequn 2nd Rd, Zhongshan District, Taipei City	July 1, 2019, to June 30, 2020	Operating lease	Determined by referring the local market level	Monthly receipt	Equivalent	57	57	None
				July 01, 2020, to June 30, 2021							
Highwealth Construction Corporation	Leased	Building	20F., No. 1507-2, Yucheng Rd., Gushan Dist., Kaohsiung City	August 1, 2019 to July 31, 2020	Operating lease	Determined by referring the local market level	Monthly payment	Equivalent	57	57	None
				August 1, 2020, to July 31, 2021							
Highwealth Construction Corporation	Leased	Land	Land No. 891-1, Yuguang Sec., Anping District, Tainan City	January 01, 2020, to March 31, 2020	Operating lease	Determined by referring the local market level	Monthly payment	Equivalent	114	114	None
Highwealth Construction Corporation	Leased	Land	Land No. 310, 342, 343, and 344, Xindu Section, Sanmin District, Kaohsiung City	January 1, 2020, to December 31, 2020	Operating lease	Determined by referring the local market level	Monthly payment	Equivalent	4,457	4,457	None



6. Other key transactions:
- (1) The Company outsourced projects to Chyi Yuh Construction Co., Ltd., and received bond notes for NT\$34,178 thousand.
  - (2) The Company entered a joint-construction agreement with Highwealth Construction, and paid a refundable deposit for NT\$150,000 thousand and refundable deposit notes for NT\$200,000 thousand
  - (3) The Company pre-paid Highwealth Construction NT\$33 thousand as rent for leasing an office in Kaohsiung.
  - (4) The Company pre-paid Highwealth Construction NT\$390 thousand as rent for leasing a piece of land for a reception center.
  - (5) The Company and Highwealth Construction's joint construction project resulted in receivables of NT\$47,323 thousand for house-land exchange tax.
7. Endorsement/guarantee: None.
8. Other matters materially affecting finance and business: None.

- II. Where the Company has carried out a private placement of securities during the most recent fiscal year and up to the date of publication of the annual report, disclose the date on which the placement was approved by the Board of Directors or by a shareholders meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, the reasons why the private placement method was necessary, the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the Company, participation in the operations of the Company, actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the effect of the private placement on shareholders' equity, and, for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan: None.
- III. Holding or disposal of the Company's shares by affiliates in the most recent year and up to the date of publication of the annual report: None.
- IV. Other Necessary Supplementary Notes: none.
- V. Occurrence of any of the situations listed in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities during the most recent fiscal year and up to the date of publication of the annual report: None.



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666  
Fax 傳真 + 886 2 8101 6667  
Internet 網址 home.kpmg/tw

## Independent Auditors' Report

To the Board of Directors of Run Long Construction Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of Run Long Construction Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, 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 Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### 1. Revenue recognition on sales of properties and land

Please refer to note 4(o), and 6(u) for the consolidated financial statements for the accounting policy on revenue recognition and the details of revenue.



#### Description of key audit matter

The real estate industry, in which the Group is into, has a higher tendency of revenue fluctuation, therefore the management has set up relevant internal control procedures. The Group's sales revenue was \$3,930,087 thousand in 2020, whether revenue is presented fairly has a significant impact on financial statement. Therefore, the recognition of sales revenue is one of the most important evaluation in performing our audit procedures.

#### Auditing procedures performed

Our principal audit procedures included the following: We test the effectiveness of the design and implementing the internal control system of sales revenue; Inspect of sales contracts, bank account transaction record and real estate ownership transfer document, etc.; Test the samples of sales transaction before and after the end of the year to ensure the correctness of sales revenue.

### 2. Construction contracts

Please refer to note 4(o), 5, and 6(u) of the consolidated financial statements for the accounting policies on revenue recognition, assumption used, and uncertainties considered in determining the total estimated costs, and revenue recognized from contracts.

#### Description of key audit matter

The Group is into industry of civil engineering and building construction contractors. The Group's sales revenue from these contracts was \$3,711,639 thousand in 2020, the revenue constituted 49% of the consolidated revenue. Revenues and costs of construction contracts are recognized and evaluated according to IFRS15. Management judgment and estimation may be involved in determining total revenue, total estimated cost, and the extent of completion. Therefore, the recognition of revenue and cost of construction contracts is one of the most important evaluation in performing our audit procedures.

#### Auditing procedures performed

Our principal audit procedures included the following: We test the effectiveness of internal controls system of engineering revenue, receivable collection, contracting out and purchasing, payments and budgeting, which are relevant to financial report; compare and evaluate whether there is significant exception of change in total revenue, total estimated cost and the extent of completion; We obtain the revenue and cost the business estimated, review the completion and rationality in total contract price, budget, and accumulated involvement, to assess whether there is significant exception in contract revenue and cost that the business recognized.

### 3. Inventory valuation

Please refer to note 4(g), 5, and 6(e) of the consolidated financial statements for the accounting policies on measuring inventory, assumption used, and uncertainties considered in determining the net realizable value and the details of inventory.

#### Description of key audit matter

As of December 31, 2020, inventory of the Group valued \$24,811,953 thousand, constituting 67% of the consolidated total assets, which was presented with lower of cost or net realizable value method. The judgment of net realizable value of inventory relies on management since the Group focuses on real estate industry, which is not only deeply affected by politics, macroeconomics, prosperity, and revolution of housing and land taxation, but also an industry involving a large portion of capital infusion and long-term payback. Thus, the valuation of inventory is one of the most important evaluation in performing our audit procedures.



### Auditing procedures performed

Our principal audit procedures included the following: We understand the Group's operating and accounting procedures for inventory valuation; Obtain the Group management's data of inventory valuation; verify and inspect market value of the afore mentioned information. The net realizable value can be assessed in the following ways: through reviewing the recent selling price of the premises, by inquiring the selling price of premises nearby from the "Actual Selling Price of Real Estate" website, or by obtaining project investment analysis tables, inspecting and recalculating the net realizable value of inventory to ensure if it is adequate.

### **Other Matter**

Run Long Construction Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China 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 auditing standards generally accepted in the Republic of China, 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 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control 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 control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Yilien Han and Ti-Nuan Chien.

KPMG

Taipei, Taiwan (Republic of China)

March 19, 2021

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 2,109,643	6	2,097,780	7
1110 Current financial assets at fair value through profit or loss (notes 6(b) and 8)	-	-	146,269	1
1120 Current financial assets at fair value through other comprehensive income (notes 6(c) and 8)	602,698	2	553,285	2
1140 Current contract assets (note 6(u))	114,388	-	56,047	-
1150 Notes receivable, net (note 6(d))	160,692	-	129,820	-
1170 Accounts receivable, net (note 6(d))	113,103	-	276,924	1
1180 Accounts receivable due from related parties, net (notes 6(d) and 7)	197,249	1	407,430	2
1200 Other receivables	1,594	-	1,405	-
1210 Other receivables due from related parties (note 7)	47,457	-	2,037	-
1220 Current tax assets	4,869	-	-	-
1310 Inventories, manufacturing business (note 6(e))	10,598	-	11,085	-
1320 Inventories (for construction business) (notes 6(e), 7 and 8)	24,811,953	67	18,866,447	65
1410 Prepayments	248,904	1	118,225	-
1461 Non-current assets held for sale (notes 6(f) and 8)	1,187,386	3	-	-
1476 Other current financial assets (notes 6(j), 7 and 8)	2,799,983	8	1,482,516	5
1479 Other current assets, others	56,616	-	107,351	-
1480 Current assets recognized as incremental costs to obtain contract with customers (note 6(j))	410,475	1	217,060	1
	<u>32,877,608</u>	<u>89</u>	<u>24,473,681</u>	<u>84</u>
<b>Non-current assets:</b>				
1600 Property, plant and equipment (notes 6(g) and 8)	243,860	1	1,601,532	6
1755 Right-of-use assets (note 6(h))	12,173	-	6,702	-
1760 Investment property, net (notes 6(i) and 8)	681,434	2	687,661	2
1780 Intangible assets	15,051	-	10,046	-
1840 Deferred tax assets (note 6(r))	3,555	-	858	-
1915 Prepayments for business facilities	58,424	-	-	-
1984 Other non-current financial assets, others (notes 6(j) and 8)	2,905,885	8	2,338,899	8
	<u>3,920,382</u>	<u>11</u>	<u>4,645,698</u>	<u>16</u>
<b>Total assets</b>	<u>\$ 36,797,990</u>	<u>100</u>	<u>29,119,379</u>	<u>100</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
Short-term borrowings (note 6(k))	\$ 11,936,172	32	8,450,133	29
Short-term notes and bills payable (note 6(k))	2,758,113	8	561,300	2
Current contract liabilities (notes 6 (u) and 9)	3,365,105	9	1,773,839	6
Notes payable	71	-	-	-
Accounts payable	1,616,669	5	1,285,732	5
Accounts payable to related parties (note 7)	562,306	2	351,816	1
Other payables (note 7)	342,077	1	295,124	1
Current tax liabilities (note 6(r))	98,983	-	21,125	-
Current provisions (notes 6(o) and (q))	21,262	-	8,565	-
Current lease liabilities (note 6(n))	8,827	-	3,400	-
Bonds payable, current portion or puttable bonds (note 6(m))	1,481,281	4	-	-
Long-term borrowings, current portion (note 6(l))	1,018,091	3	57,947	-
Other current liabilities, others	318,466	1	92,176	-
	<u>23,527,423</u>	<u>65</u>	<u>12,901,157</u>	<u>44</u>
<b>Non-Current liabilities:</b>				
Bonds payable (note 6(m))	7,851,491	21	9,336,292	32
Long-term bank loans (note 6(l))	344,482	1	1,363,388	5
Deferred tax liabilities (note 6(r))	2,844	-	2,844	-
Non-current lease liabilities (note 6(n))	814	-	770	-
	<u>8,199,631</u>	<u>22</u>	<u>10,703,294</u>	<u>37</u>
<b>Total liabilities</b>	<u>31,727,054</u>	<u>87</u>	<u>23,604,451</u>	<u>81</u>
<b>Equity attributable to owners of parent (note 6(s)):</b>				
Ordinary share	3,699,966	10	3,083,305	11
Capital surplus	168,389	-	779,297	3
Retained earnings	1,052,113	3	1,551,272	5
Other equity interest	150,468	-	101,054	-
<b>Total equity</b>	<u>5,070,936</u>	<u>13</u>	<u>5,514,928</u>	<u>19</u>
	<u>\$ 36,797,990</u>	<u>100</u>	<u>29,119,379</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2020		2019	
		Amount	%	Amount	%
<b>Operating Revenues (notes 6(p), (u) and 7):</b>					
4511	Construction revenue	\$ 3,930,087	51	1,676,425	40
4521	Engineering service revenue	3,711,639	49	2,514,231	60
4800	Other operating revenue	<u>14,510</u>	-	<u>8,000</u>	-
		<u>7,656,236</u>	<u>100</u>	<u>4,198,656</u>	<u>100</u>
5000	<b>Operating costs (notes 6(v) and 7)</b>	<u>6,639,308</u>	<u>87</u>	<u>3,681,528</u>	<u>88</u>
	<b>Gross profit from operations</b>	<u>1,016,928</u>	<u>13</u>	<u>517,128</u>	<u>12</u>
<b>Operating expenses:</b>					
6100	Selling expenses (notes 6(j) 、(v) and 7)	347,003	5	357,317	8
6200	Administrative expenses (note 6(v))	<u>265,471</u>	<u>3</u>	<u>237,140</u>	<u>6</u>
		<u>612,474</u>	<u>8</u>	<u>594,457</u>	<u>14</u>
	<b>Operating income (loss)</b>	<u>404,454</u>	<u>5</u>	<u>(77,329)</u>	<u>(2)</u>
<b>Non-operating income and expenses (note 6(w) and 7):</b>					
7100	Interest income	11,278	-	14,506	-
7010	Other income	31,774	-	63,575	2
7020	Other gains and losses, net	(91,353)	(1)	910,287	22
7050	Finance costs	<u>(146,123)</u>	<u>(2)</u>	<u>(169,295)</u>	<u>(4)</u>
	<b>Profit from continuing operations before tax</b>	210,030	2	741,744	18
7950	<b>Less: Income tax expenses (note 6(r))</b>	<u>92,782</u>	<u>1</u>	<u>85,824</u>	<u>2</u>
	<b>Profit</b>	<u>117,248</u>	<u>1</u>	<u>655,920</u>	<u>16</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	<u>49,668</u>	<u>1</u>	<u>15,535</u>	-
8300	<b>Other comprehensive income (net after tax)</b>	<u>49,668</u>	<u>1</u>	<u>15,535</u>	-
8500	<b>Total comprehensive income</b>	<u>\$ 166,916</u>	<u>2</u>	<u>671,455</u>	<u>16</u>
<b>Earnings per share (note 6(t))</b>					
	Basic earnings per share (NT dollars)	<u>\$ 0.32</u>		<u>1.77</u>	
	Diluted earnings per share (NT dollars)	<u>\$ 0.32</u>		<u>1.77</u>	

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent						
	Share capital			Retained earnings		Total other equity	
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total equity
<b>Balance on January 1, 2019</b>	\$ 3,083,305	1,272,626	605,303	2,263,523	2,868,826	85,519	7,310,276
Effects of retrospective application	-	-	-	(159)	(159)	-	(159)
Balance on January 1, 2019 after adjustments	3,083,305	1,272,626	605,303	2,263,364	2,868,667	85,519	7,310,117
Profit	-	-	-	655,920	655,920	-	655,920
Other comprehensive income	-	-	-	-	-	15,535	15,535
Total comprehensive income	-	-	-	655,920	655,920	15,535	671,455
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	218,646	(218,646)	-	-	-
Cash dividends of ordinary share	-	-	-	(1,973,315)	(1,973,315)	-	(1,973,315)
Cash dividends from capital surplus	-	(493,329)	-	-	-	-	(493,329)
Balance on December 31, 2019	3,083,305	779,297	823,949	727,323	1,551,272	101,054	5,514,928
Profit	-	-	-	117,248	117,248	-	117,248
Other comprehensive income	-	-	-	-	-	49,668	49,668
Total comprehensive income	-	-	-	117,248	117,248	49,668	166,916
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	65,576	(65,576)	-	-	-
Cash dividends of ordinary share	-	-	-	(308,330)	(308,330)	-	(308,330)
Stock dividends of ordinary share	308,331	-	-	(308,331)	(308,331)	-	-
Cash dividends from capital surplus	-	(308,331)	-	-	-	-	(308,331)
Stock dividends from capital surplus	308,330	(308,330)	-	-	-	-	-
Due to donated assets received	-	73	-	-	-	-	73
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	254	254	(254)	-
Other changes in capital surplus	-	5,680	-	-	-	-	5,680
<b>Balance on December 31, 2020</b>	<b>\$ 3,699,966</b>	<b>168,389</b>	<b>889,525</b>	<b>162,588</b>	<b>1,052,113</b>	<b>150,468</b>	<b>5,070,936</b>

Disposal of investments in equity instruments designated at fair value through other comprehensive income

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 210,030	741,744
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	19,475	27,608
Amortization expense	3,045	1,919
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	62	(9,633)
Interest expense	146,123	169,295
Interest income	(11,278)	(14,506)
Dividend income	(23,900)	(56,204)
Gain on disposal of property, plant and equipment	(1,944)	(735)
Gain on disposal of non-current assets held for sale	-	(886,639)
Impairment loss on disposal of non-current assets held for sale	165,479	-
Gain on lease modifications	(142)	(254)
<b>Total adjustments to reconcile profit (loss)</b>	296,920	(769,149)
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets or liabilities at fair value through profit or loss	146,207	-
Decrease (increase) in contract assets	(58,341)	48,202
Decrease (increase) in notes receivable	(30,872)	53,335
Decrease (increase) in accounts receivable	163,821	(209,456)
Decrease (increase) in accounts receivable due from related parties	210,181	(237,886)
Decrease (increase) in other receivables	(198)	1,445
Increase in other receivables due from related parties	(45,420)	(2,037)
Decrease in inventories	487	-
Increase in inventories (construction)	(5,659,393)	(5,935,044)
Increase in prepayments	(135,860)	(139,507)
Decrease (increase) in other current assets	50,735	(80,526)
Increase in other financial assets— current	(1,315,124)	(913,587)
Increase in assets recognized as incremental costs to obtain contract with customers	(193,415)	(157,081)
Decrease (increase) in other financial assets—non-current	(822)	1,067
Increase in contract liabilities	1,288,602	1,281,968
Increase in notes payable	71	-
Increase in accounts payable	330,937	286,022
Increase in accounts payable to related parties	210,490	212,423
Increase in other payables	45,515	87,553
Increase (decrease) in provisions	12,697	(4,615)
Increase in other current liabilities	226,290	65,400
<b>Total adjustments</b>	(4,456,492)	(6,411,473)
Cash outflow generated from operations	(4,246,462)	(5,669,729)
Income taxes paid	(22,490)	(400,590)
<b>Net cash flows used in operating activities</b>	(4,268,952)	(6,070,319)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows (CONT'D)**

**For the years ended December 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	2020	2019
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(10,523)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	10,777	-
Proceeds from disposal of non-current assets held for sale	302,664	1,286,739
Acquisition of property, plant and equipment	(10,145)	(50,868)
Proceeds from disposal of property, plant and equipment	4,290	2,107
Acquisition of intangible assets	(2,369)	(3,227)
Increase in prepayments for business facilities	(58,424)	-
Interest received	8,944	10,833
Dividends received	23,900	56,204
<b>Net cash flows from investing activities</b>	<b>269,114</b>	<b>1,301,788</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	8,200,610	7,530,900
Decrease in short-term loans	(4,712,910)	(4,957,664)
Increase in short-term notes and bills payable	10,638,000	3,348,400
Decrease in short-term notes and bills payable	(8,440,000)	(2,786,400)
Proceeds from issuing bonds	-	5,900,000
Repayments of bonds	-	(2,000,000)
Proceeds from long-term debt	-	365,800
Repayments of long-term debt	(58,762)	(452,265)
Payment of lease liabilities	(444)	(7,319)
Other financial liabilities—current	-	508,559
Other financial liabilities—non-current	(566,164)	(1,609,023)
Cash dividends paid	(616,661)	(2,466,644)
Interest paid	(431,968)	(327,037)
<b>Net cash flows from financing activities</b>	<b>4,011,701</b>	<b>3,047,307</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>11,863</b>	<b>(1,721,224)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,097,780</b>	<b>3,819,004</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,109,643</b>	<b>2,097,780</b>

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Run Long Construction Co., Ltd. (the “Company”) was incorporated in January 1977 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The Company's registered address is 8F., No. 267, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.). On August 3, 1994, the Company's shares were listed on the Taiwan Stock Exchange (TWSE). The consolidated financial statements of the Company as of and for the year ended December 31, 2020, comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group primarily engages in the business of construction, sales, leasing of residential and commercial buildings. Please refer to note 14 for the Group's main business activities.

**(2) Approval date and procedures of the consolidated financial statements:**

The consolidated financial statements were authorized for issue by the Board of Directors on March 19, 2021.

**(3) New standards, amendments and interpretations adopted:**

- (a) Impact of adopting new, revised, or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”)

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) Impact of IFRS endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rates Benchmark Reform – Phase 2”

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (c) Impact of the IFRS issued by International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the IASB, but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.  The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: <ul style="list-style-type: none"> <li>● the incremental costs – e.g. direct labor and materials; and</li> <li>● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.</li> </ul>	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(4) Summary of significant accounting policies:**

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as “IFRS endorsed by the FSC”).

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following significant accounts.

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Financial instruments measured at fair value through other comprehensive income are measured at fair value;

(ii) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency. All the financial information presented in NTD has been rounded to the nearest thousands.

(c) Basis of consolidation

(i) Principles of preparing consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, 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.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

- (ii) List of subsidiaries in the consolidated financial statements:

<u>Name of investor</u>	<u>Subsidiaries</u>	<u>Principal activity</u>	<u>Shareholding</u>		<u>Description</u>
			<u>December 31, 2020</u>	<u>December 31, 2019</u>	
The Company Co., Ltd.	Jin Jyun Construction	Construction industry, residence and building lease construction	100.00 %	100.00 %	

- (iii) List of subsidiaries which are not included in the consolidated financial statements: None.

- (d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent:

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

- (e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) –equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment losses, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)



**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and account receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Loss allowance for account receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. An evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity instruments

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

(i) Manufacturer Industries

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(ii) Construction industry

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in bringing them to their existing location and condition, and capitalized borrowing costs.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The methods of determining the net realizable value are as follows:

1) Construction site

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value (development analytical method or comparison method).

2) Construction in progress

Net realizable value is the estimated selling price (prevailing market condition) less the estimated costs and selling expenses needed to complete.

3) Real estate for sale

Net realizable value is the estimated selling price (prevailing market condition) in the ordinary course of business, less the estimated selling costs and expenses needed to sell the estate.

(h) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. The depreciation expense is appropriated in accordance with the depreciable amount after the initial recognition. The depreciation methods, useful lives, and residual values of investment property are same as the practice of the property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings	3 ~ 50 years
2) Equipment	3 ~ 5 years
3) Transportation and office equipment	5 years
4) Other equipment	3 ~ 10 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(k) Lease

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 1) The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) The Group has the right to direct the use of the asset throughout the period of use only if either:
  - the Group has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

An inception or on reassessment of a contract that contains a lease and components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Lease payments included in the measurement of the lease liability comprise the following:

- 1) Fixed payments; including in-substance fixed payments;
- 2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) Amounts expected to be payable under a residual value guarantee; and
- 4) Payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

- 1) There is a change in future lease payments arising from the change in an index or rate; or
- 2) There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) There is a change of its assessment on whether it will exercise an option to purchase the underlying assets; or
- 4) There is a change of its assessment of lease period on whether it will exercise an extension or termination option; or
- 5) There is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)



**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs incurred in negotiating and arranging an operating lease is added to the net investment of the leased asset. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable flow into the Group and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

1) Patent and trade mark	1 ~ 10 years
2) Computer software	1 ~ 3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Warranties

A provision for warranties is recognized by expected warranty expense in warranty period of construction. When warranty expense occurs, it would be written off the warranty provision which was recognized before, or warranty expense would be recognized as expense in the current period.

(o) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

1) Land development and sale of real estate

The Group develops and sells residential properties and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. An enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. For pre selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

2) Construction contracts

The Group enters into contracts to build residential properties, commercial buildings and public constructions. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For some variable considerations (for example, a penalty payment calculated based on delay days) the Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For residential properties, and commercial buildings, the Group offers a standard warranty to provide assurance that they comply with agreed upon specifications and has recognized warranty provisions for this obligation.

3) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Income Taxes

Income taxes comprise both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either
  - 1) The same taxable entity; or
  - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Earnings per share

The Group disclose the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as remuneration of employees and employee stock options.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows: None.

Information for the assumptions of uncertainty and the estimation having significant risks that will result in significant adjustments in the following year is as follows:

(a) Estimates of total revenue and cost of construction contracts

The Group recognizes revenue and cost on the basis of the extent of progress toward completion, which is estimated by the construction costs incurred to date as a proportion of the total estimated costs of the contract. The Group considers the extent of construction, estimated construction period, construction items, processes of construction, and estimated amount to contract out, to estimate total contract cost. Any change to above mentioned estimation basis may result in significant adjustments to total estimated construct cost.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Valuation of inventories

Inventories are measured at the lower of cost and net realizable value. The Group's evaluate the selling price in the market is below the cost, and write off the cost of inventory to net realizable value. The estimation of net realizable value is based on current market conditions . Please refer note 6(e) for inventory valuation.

Valuation process

The Group's accounting policies and disclosures included financial and non-financial assets and liabilities measured at fair value. The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The fair value measurement of investment property is based on the website of Department of Land Administration and estate agency's website or the close deal in similar district.

Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

The transfers policy between levels of the fair value hierarchy

If there is any movement of financial instruments measured at fair value between level 1, level 2 and level 3, the Group recognizes the movement at the reporting date. For assumptions used in measuring fair value. Please refer notes as follows:

- (a) Note 6(i) Investment property.
- (b) Note 6(x) Financial instruments.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand and petty cash	\$ 684	693
Demand Deposits (including foreign currency)	2,108,614	2,097,077
Check Deposits	<u>345</u>	<u>10</u>
Cash and cash equivalents	<b><u>\$ 2,109,643</u></b>	<b><u>2,097,780</u></b>

Please refer to note 6(x) for the disclosure of the Group's financial assets and liabilities interest risk and sensitivity analysis.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Financial assets at fair value through profit or loss

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Mandatorily measured at fair value through profit or loss:		
Stocks listed on domestic markets	\$ -	146,269

For the net gain or loss on fair value on financial instruments at FVTPL, please refer to note 6(w).

As of December 31, 2020, the disposal gain or loss on financial assets at fair value through profit and loss of the Group was \$146,207 thousand.

As of December 31, 2019, the financial assets at fair value through profit and loss of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic market	\$ 602,698	553,285

(i) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity investment at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes and not hold for sale.

During the years ended December 31, 2020 and 2019, the dividends of \$23,900 thousand and \$53,775 thousand, respectively, related to equity investments at fair value through other comprehensive income, were recognized;

In 2020, the Group has sold its equity investments at fair value through other comprehensive income. The investments sold had a fair value of \$10,777 thousand and the Group realized a gain of \$254 thousand.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2019.

(ii) For credit risk and market risk, please refer to note 6(x).

(iii) The financial assets at fair value through other comprehensive income of the Group had been pledged as collateral for its long-term borrowings. Please refer to note 8.

(Continued)



**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Note and account receivables, net (including related parties)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Note receivable	\$ 160,692	129,820
Trade receivables—measured as amortized cost	<u>310,352</u>	<u>684,354</u>
Total	<u>\$ 471,044</u>	<u>814,174</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information. The expected credit losses of the note receivables and trade receivables were as follows:

	<u>December 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance Provision</u>
Current	<u>\$ 471,044</u>	-	<u>-</u>
	<u>December 31, 2019</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance Provision</u>
Current	<u>\$ 814,174</u>	-	<u>-</u>

For the years ended December 31, 2020 and 2019, there is no credit losses recognized or reversed.

As of December 31, 2020 and 2019, note receivables had been pledged as collateral; please refer to note 8.

(e) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Manufacturer industry:		
Spare parts	\$ 10,598	11,085
Construction industry:		
Prepaid for land purchase	310,679	601,528
Land held for construction sites	762,128	2,775,022
Construction in progress	20,035,513	12,377,898
Properties and land held for sale	<u>3,703,633</u>	<u>3,111,999</u>
Subtotal	<u>24,811,953</u>	<u>18,866,447</u>
Total	<u>\$ 24,822,551</u>	<u>18,877,532</u>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2019, the Group changed the usage of partial asset, and reclassified properties and land held for sale to investment property according to definition of investment property. Please refer to Note 6(i).

For the years ended December 31, 2020 and 2019, there is no write-offs or reversals of inventories.

For the years ended December 31, 2020 and 2019, construction in progress of the Group is calculated using a capitalization rate 1.85% and 2.04%, respectively. For the amount of capitalized interest, please refer to note 6(w).

As of December 31, 2020 and 2019 the inventories of the Group had been pledged as collateral, please refer to note 8.

(f) Non-current assets held for sale

The Group disposed its land and buildings in DeChang section, Yingge district based on the resolution made during the Board meeting on September 25, 2019. Following the resolution, the disposal of land and buildings was on the progress. Consequently, the land and buildings were presented as non-current assets held for sale. No impairment loss resulting from measuring at the lower of carrying amount of property, plant and equipment and fair value to sell shall be disclosed. The total contract price from selling contract of disposal on land and buildings was \$1,299,474 thousand (VAT included). The real estate ownership transfer procedures were completed in December 2019; relevant payments were received. Please refer to note 6(w) for relevant disposal gain or loss.

The Group leased back its land and buildings in ChinTai section, Zhongshan district based on the resolution made during the Board meeting on December 24, 2020. The selling price was \$1,221,710 thousand (VAT included), and the disposal of land and buildings was on the progress. Consequently, the land and buildings were classified as non-current assets held for sale. Impairment loss resulting from measuring at the lower of carrying amount of the property plant and equipment and fair value to sell was \$165,479 thousand. The loss was presented as other operating income and loss in statements of comprehensive income, please refer to note 6(w). By December 31, 2020, the amount of the non-current asset held for sale was \$1,187,386 thousand.

The non-current assets held for sale of the Group had been pledged as collateral, please refer to note 8.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(g) Property, plant and equipment

The property, plant and equipment of the Group for the years ended December 31, 2020 and 2019, were as follows:

	<u>Land (Including improvement)</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Other equipment (Including transportation, office, leased improvements and other equipment)</u>	<u>Total</u>
Cost:					
Balance on January 1, 2020	\$ 1,335,587	330,660	-	44,040	1,710,287
Additions	-	5,306	1,699	3,140	10,145
Disposals	-	-	-	(28,914)	(28,914)
Reclassification to non-current assets held for sale	(1,121,704)	(256,649)	-	-	(1,378,353)
Transfer to (from)	-	(29,689)	-	29,689	-
Balance on December 31, 2020	<u>\$ 213,883</u>	<u>49,628</u>	<u>1,699</u>	<u>47,955</u>	<u>313,165</u>
Balance on January 1, 2019	\$ 1,671,706	513,162	239,853	63,863	2,488,584
Additions	44,143	2,762	-	3,963	50,868
Disposals	-	-	(239,853)	(15,592)	(255,445)
Reclassification to non-current assets held for sale	(380,262)	(185,264)	-	(8,194)	(573,720)
Balance on December 31, 2019	<u>\$ 1,335,587</u>	<u>330,660</u>	<u>-</u>	<u>44,040</u>	<u>1,710,287</u>
Depreciation and Impairment:					
Balance on January 1, 2020	\$ 3,849	69,487	-	35,419	108,755
Depreciation	571	9,277	177	2,581	12,606
Disposals	-	-	-	(26,568)	(26,568)
Reclassification to non-current assets held for sale	-	(25,488)	-	-	(25,488)
Transfer to (from)	-	(11,102)	-	11,102	-
Balance on December 31, 2020	<u>\$ 4,420</u>	<u>42,174</u>	<u>177</u>	<u>22,534</u>	<u>69,305</u>
Balance on January 1, 2019	\$ 3,279	221,592	238,410	55,181	518,462
Depreciation	570	13,510	533	3,373	17,986
Disposals	-	-	(238,943)	(15,130)	(254,073)
Reclassification to non-current assets held for sale	-	(165,615)	-	(8,005)	(173,620)
Balance on December 31, 2019	<u>\$ 3,849</u>	<u>69,487</u>	<u>-</u>	<u>35,419</u>	<u>108,755</u>
Carrying amounts:					
Balance on December 31, 2020	<u>\$ 209,463</u>	<u>7,454</u>	<u>1,522</u>	<u>25,421</u>	<u>243,860</u>
Balance on January 1, 2019	<u>\$ 1,668,427</u>	<u>291,570</u>	<u>1,443</u>	<u>8,682</u>	<u>1,970,122</u>
Balance on December 31, 2019	<u>\$ 1,331,738</u>	<u>261,173</u>	<u>-</u>	<u>8,621</u>	<u>1,601,532</u>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (i) In order to manage activating strategies of assets and obtain the maximum effectiveness, the Group transferred the sold assets to the non-current assets held for sale in December, 2020 and September, 2019. Please refer to note 6(f) for details. Please refer to note 6(w) for the related gain or loss of disposal.
- (ii) The property, plant and equipment of the Group had been pledged as collateral for long-term borrowings please refer to note 8.
- (h) Right-of-use assets

The Group leases assets including land and buildings. Information about leases for which the Group as a lessee was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b>Cost:</b>			
Balance on January 1, 2020	\$ 8,547	-	8,547
Additions	8,581	-	8,581
Lease modification	(4,681)	-	(4,681)
Balance on December 31, 2020	<u>\$ 12,447</u>	<u>-</u>	<u>12,447</u>
Balance on January 1, 2019	\$ -	-	-
Effects of retrospective application	-	9,913	9,913
Additions	8,547	-	8,547
Lease modification	-	(9,913)	(9,913)
Balance on December 31, 2019	<u>\$ 8,547</u>	<u>-</u>	<u>8,547</u>
<b>Depreciation and impairment losses:</b>			
Balance on January 1, 2020	\$ 1,845	-	1,845
Depreciation	642	-	642
Lease modification	(2,213)	-	(2,213)
Balance on December 31, 2020	<u>\$ 274</u>	<u>-</u>	<u>274</u>
Balance on January 1, 2019	\$ -	-	-
Depreciation	1,845	3,037	4,882
Lease modification	-	(3,037)	(3,037)
Balance on December 31, 2019	<u>\$ 1,845</u>	<u>-</u>	<u>1,845</u>
<b>Carrying amounts:</b>			
Balance on December 31, 2020	<u>\$ 12,173</u>	<u>-</u>	<u>12,173</u>
Balance on December 31, 2019	<u>\$ 6,702</u>	<u>-</u>	<u>6,702</u>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Investment Property

The information of investment properties of the Group were as follows:

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Total</u>
Cost:			
Balance on January 1, 2020	\$ <u>375,656</u>	<u>317,575</u>	<u>693,231</u>
Balance on December 31, 2020	\$ <u>375,656</u>	<u>317,575</u>	<u>693,231</u>
Balance on January 1, 2019	\$ 150,232	127,004	277,236
Transfer from inventory	<u>225,424</u>	<u>190,571</u>	<u>415,995</u>
Balance on December 31, 2019	\$ <u>375,656</u>	<u>317,575</u>	<u>693,231</u>
Depreciation and Impairment:			
Balance on January 1, 2020	\$ -	5,570	5,570
Depreciation	<u>-</u>	<u>6,227</u>	<u>6,227</u>
Balance on December 31, 2020	\$ <u>-</u>	<u>11,797</u>	<u>11,797</u>
Balance on January 1, 2019	\$ -	830	830
Depreciation	<u>-</u>	<u>4,740</u>	<u>4,740</u>
Balance on December 31, 2019	\$ <u>-</u>	<u>5,570</u>	<u>5,570</u>
Carrying amounts:			
Balance on December 31, 2020	\$ <u>375,656</u>	<u>305,778</u>	<u>681,434</u>
Balance on January 1, 2019	\$ <u>150,232</u>	<u>126,174</u>	<u>276,406</u>
Balance on December 31, 2019	\$ <u>375,656</u>	<u>312,005</u>	<u>687,661</u>
Fair value:			
Balance on December 31, 2020			\$ <u>837,250</u>
Balance on December 31, 2019			\$ <u>837,250</u>

The investment property includes several commercial buildings for that are owned by the Group for renting to the third party. Please refer to note 6(p) for more information.

The fair value measurement of investment property is based on the website of Department of Land Administration and estate agencies website or the close deal in similar district. The fair value measurement of investment property has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

As of December 31, 2020 and 2019, the Group's investment property had been pledged as collateral for bank borrowings, please refer to note 8.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (j) Other financial assets and incremental costs of obtaining a contract

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other current and non-current financial assets	\$ 5,705,868	3,821,415
Current incremental costs of obtaining a contract	410,475	217,060
Total	<b>\$ 6,116,343</b>	<b>4,038,475</b>

- (i) Other financial assets

Other financial assets include certificate of deposit as collateral, restricted deposit and construction deposit.

- (ii) Incremental costs of obtaining a contract

The Group expects that incremental commission fees paid to intermediaries, and the bonus for the internal sales department are recoverable. The Group has therefore capitalized them as contract costs. Capitalized commission fees are amortized when the related revenues are recognized. For the years ended December 31, 2020 and 2019, the Group recognized \$120,387 thousand and \$27,111 thousand of selling expenses.

- (k) Short-term borrowings, notes and bills payable

The details of short-term borrowings, notes and bills payable of the Group were as follows:

<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	1.72%~2.14%	2021~2025	\$ 10,605,172
Unsecured bank loans	TWD	1.23%	2021	1,331,000
Short-term notes and bills payable	TWD	0.41%~1.82%	2021	2,758,113
Total				<b>\$ 14,694,285</b>
<b>December 31, 2019</b>				
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	1.90%~2.40%	2020~2024	\$ 5,860,133
Unsecured bank loans	TWD	1.43%~2.00%	2020~2021	2,590,000
Short-term notes and bills payable	TWD	1.65%	2020	561,300
Total				<b>\$ 9,011,433</b>

- (i) The issue of bank loan and repayment

For the years ended December 31, 2020 and 2019, the incremental amounts were \$18,838,610 thousand and \$10,879,300 thousand, respectively; the repayment amounts were \$13,152,910 thousand and \$7,744,064 thousand, respectively.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Collateral for bank Loans

The Group had pledged as collateral for bank loans, please refer to note 8.

(l) Long-term borrowings/Long-term borrowings, current portion

The details of long-term borrowings of the Group were as follows:

<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	1.44%	2034~2035	\$ 1,362,573
Less: current portion				(1,018,091)
Total				<b>\$ 344,482</b>
<b>December 31, 2019</b>				
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	1.69%	2034~2035	\$ 1,421,335
Less: current portion				(57,947)
Total				<b>\$ 1,363,388</b>

(i) The issue of bank loan and repayment

For the years ended December 31, 2020 and 2019, the incremental amounts were \$0 thousand and \$365,800 thousand, respectively; the repayment amounts were \$58,762 thousand and \$452,265 thousand, respectively.

(ii) Collateral for bank Loans

The Group had pledged as collateral for bank loans, please refer to note 8.

(m) Bonds payable

The details of the Group's bonds payable were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Secured ordinary corporate bond — current	\$ 1,481,281	-
Secured ordinary corporate bond — non-current	7,851,491	9,336,292
Total	<b>\$ 9,332,772</b>	<b>9,336,292</b>

(i) The Group did not issue, redeem or repay the corporate bond for the year ended December 31, 2020.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) The Group issued a secured ordinary corporate bond amounting to \$5,900,000 thousand, \$1,500,000 thousand, and \$2,000,000 thousand with an interest rate of 0.78%-0.85%, 0.96%, and 0.98% in 2019, December 2016, and August 2017, respectively. The secured ordinary corporate bonds were issued for 5 years.

(iii) For the details of collateral of bonds payable, please refer to note 8.

(n) Lease liabilities

The carrying amount of lease liabilities were as follows :

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Current	\$ <u>8,827</u>	<u>3,400</u>
Non-current	\$ <u>814</u>	<u>770</u>

For the maturity analysis, please refer to note 6(x).

The amounts recognized in profit or loss were as follows:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	\$ <u>33</u>	<u>136</u>
Expenses relating to short-term leases	\$ <u>27,688</u>	<u>36,337</u>

The amounts recognized in the statement of cash flows for the Group were as follows :

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>28,165</u>	<u>43,792</u>

(i) Real estate lease

As of December 31, 2020 and 2019, the Group leases land buildings and construction for its reception center and parking lot. The leases run for a period of 2-20 years. The Group also leases office equipment and outdoor advertising. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Provisions

	<u>Warranty</u>
Balance on January 1, 2020	\$ 4,290
Provisions made during the year	<u>13,488</u>
Balance on December 31, 2020	\$ <u>17,778</u>
Balance on January 1, 2019	\$ 7,801
Provisions used at current period	<u>(3,511)</u>
Balance on December 31, 2019	\$ <u>4,290</u>

(Continued)



**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2020 and 2019, the Group's warranty provision is related to construction contract. The warranty measured by the historical record, the Group expects most of the liabilities will realize within 1-3 years after construction completion.

(p) Operating lease

The Group leases out its investment property and some machinery. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(i) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Less than one year	\$ 15,431	14,783
One to two years	15,585	14,831
Two to three years	15,345	14,865
Three to four years	8,672	14,553
Four to five years	5,576	7,880
More than five years	-	4,784
Total undiscounted lease payments	<u><u>\$ 60,609</u></u>	<u><u>71,696</u></u>

For the years ended December 31, 2020 and 2019, the Group's rental income from investment properties were \$14,510 thousand and \$8,000 thousand, respectively.

(q) Employee benefits

(i) Defined benefit plans

The Group's employee benefit liabilities were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Short-term paid leave liability	<u><u>\$ 3,484</u></u>	<u><u>4,275</u></u>

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$9,816 thousand and \$8,313 thousand for the years ended December 31, 2020 and 2019, respectively.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Income tax

- (i) The components of income tax expenses for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax expense		
Current period	\$ 107,156	33,857
Land value increment tax	2,480	104,092
Adjustment for prior periods	(14,157)	-
Additional surtax on unappropriated earnings	-	3,676
	<u>95,479</u>	<u>141,625</u>
Deferred tax expense		
Origination and reversal of temporary differences	(2,697)	(55,801)
Income tax expense	<u>\$ 92,782</u>	<u>85,824</u>

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax	\$ 210,030	741,744
Income tax expense at domestic statutory tax rate	42,006	148,349
Book –tax difference between deferred interest expense	(6,982)	7,749
Land tax exempt income	2,890	(153,365)
Book –tax difference between deferred sales commission	25,187	43,348
Reversal of deferred tax liabilities	-	(56,503)
Adjustment for prior periods	(14,157)	-
Pay an extra income tax on all unappropriated earnings	-	3,676
Financial assets measured at fair value through profit and loss	12	(1,927)
Impairment loss	33,096	-
Land value increment tax	2,480	104,092
Dividend income	(4,780)	(11,241)
Others	13,030	1,646
	<u>\$ 92,782</u>	<u>85,824</u>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Deferred tax asset and liability

Recognized deferred tax asset and liability

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

	<b>Warranty</b>
<u>Deferred tax asset:</u>	
Balance on January 1, 2020	\$ 858
Credit income statement	2,697
Balance on December 31, 2020	<b><u>\$ 3,555</u></b>
Balance on January 1, 2019	\$ 1,560
Debit income statement	(702)
Balance on December 31, 2019	<b><u>\$ 858</u></b>
	<b><u>Provision for land value increment tax</u></b>
<u>Deferred tax liabilities:</u>	
Balance on January 1, 2020	\$ 2,844
Balance on December 31, 2020	<b><u>\$ 2,844</u></b>
Balance on January 1, 2019	\$ 59,347
Credit income statement	(56,503)
Balance on December 31, 2019	<b><u>\$ 2,844</u></b>

(iii) Assessment of tax

The Company's income tax had been examined by the tax authorities till the year 2018.

(s) Capital and other equity

As of December 31, 2020 and 2019, the total value of authorized ordinary shares were \$5,000,000 thousand and \$3,600,000 thousand, respectively, with par value of \$10 per share. The paid-in capital were 369,997 thousand and 308,330 thousand, respectively.

(i) Ordinary shares

A resolution was passed during the general meeting of shareholders held on June 9, 2020 for the issuance of 200 new shares per thousand shares by retained earnings and capital surplus, amounting to \$616,661 thousand. The Company has received approval from the Financial Supervisory Commission for this capital increase on August 3, 2020. And a resolution was passed during the board meeting, to set October 1, 2020 as the date of capital increase. The relevant statutory registration procedures have since been completed.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Capital surplus

The components of the capital surplus were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Conversion of bonds	\$ -	294,830
Premium on issuance of capital stock	160,021	481,852
Donation from shareholders	2,598	2,525
Other	<u>5,770</u>	<u>90</u>
	<u>\$ 168,389</u>	<u>779,297</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

On June 9, 2020, a resolution was approved during the general meetings of the shareholders for the distribution of cash dividends amounting to \$308,331 thousand, and increasing of capital amounting to \$308,330 thousand by capital surplus. And on June 10, 2019, a resolution was approved during the general meetings of the shareholders for the distribution of cash dividends amounting to \$493,329 thousand.

A resolution was proposed during the general meeting of shareholders held on March 19, 2021 for the issuance of 14,800 thousand new shares for capital surplus with par value of \$10 per share amounting to \$148,000 thousand.

(iii) Retained earnings

The Company's Articles of Incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

When distributing dividends, the Company determines the stock or cash dividends to be paid. The cash dividends shall not be below 10% of total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Special reserve

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of unappropriated earnings prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for the years ended December 31, 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on June 9, 2020 and June 10, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	<b>For the years ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount per share (dollars)</b>	<b>Amount</b>	<b>Amount per share (dollars)</b>	<b>Amount</b>
Dividends distributed to ordinary shareholders:				
Cash	\$ 1.00	308,330	6.40	1,973,315
Shares	1.00	<u>308,331</u>	-	<u>-</u>
Total		<u>\$ <b>616,661</b></u>		<u><b>1,973,315</b></u>

The amount of cash dividends on the appropriations of earnings for the year ended December 31, 2020, and the amount of shares dividends of appropriations of earnings for the year ended December 31, 2020, had been approved and proposed, respectively during the board meeting on March 19, 2021, as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	
	<b>Amount per share</b>	<b>Total Amount</b>
Dividends distributed to ordinary shareholders:		
Cash	\$ 0.20	74,000
Shares	0.20	<u>74,000</u>
Total		<u>\$ <b>148,000</b></u>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Other equity items (net after tax)

	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>
Balance on January 1, 2020	\$ 101,054
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	49,668
Disposal of investments in equity instruments designated at fair value through other comprehensive income	<u>(254)</u>
Balance on December 31, 2020	<u><u>\$ 150,468</u></u>
Balance on January 1, 2019	\$ 85,519
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	<u>15,535</u>
Balance on December 31, 2019	<u><u>\$ 101,054</u></u>

(t) Earnings per share

The calculations of basic and diluted earnings per share were as follows:

(i) Basic earnings per share

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
1) Profit attributable to ordinary	<u>\$ 117,248</u>	<u>655,920</u>
2) Weighted-average number of ordinary shares	<u>369,997</u>	<u>369,997</u>

(ii) Diluted earnings per share

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
1) Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 117,248</u>	<u>655,920</u>
2) Weighted-average number of ordinary shares (basic)	369,997	369,997
Effect of restricted employee shares unvested	<u>124</u>	<u>274</u>
Weighted-average number of ordinary shares (diluted)	<u><u>370,121</u></u>	<u><u>370,271</u></u>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the year ended December 31, 2020</b>		
	<b>Sales of real estate department</b>	<b>Construction contractor department</b>	<b>Total</b>
Primary geographical markets:			
Taiwan	\$ <u>3,944,597</u>	<u>3,711,639</u>	<u>7,656,236</u>
Major products/services lines:			
Sales revenue (sales of real estate)	\$ 3,930,087	-	3,930,087
Construction contractor	-	3,711,639	3,711,639
Other revenue	<u>14,510</u>	<u>-</u>	<u>14,510</u>
	<u>\$ 3,944,597</u>	<u>3,711,639</u>	<u>7,656,236</u>
Timing of revenue recognition:			
Products and services transferred over time	\$ 14,510	3,711,639	3,726,149
Revenue transferred at a point in time	<u>3,930,087</u>	<u>-</u>	<u>3,930,087</u>
Total	<u>\$ 3,944,597</u>	<u>3,711,639</u>	<u>7,656,236</u>
	<b>For the year ended December 31, 2019</b>		
	<b>Sales of real estate department</b>	<b>Construction contractor department</b>	<b>Total</b>
Primary geographical markets:			
Taiwan	\$ <u>1,684,425</u>	<u>2,514,231</u>	<u>4,198,656</u>
Major products/services lines:			
Sales revenue (sales of real estate)	\$ 1,676,425	-	1,676,425
Construction contractor	-	2,514,231	2,514,231
Other revenue	<u>8,000</u>	<u>-</u>	<u>8,000</u>
	<u>\$ 1,684,425</u>	<u>2,514,231</u>	<u>4,198,656</u>
Timing of revenue recognition:			
Products and services transferred over time	\$ 8,000	2,514,231	2,522,231
Revenue transferred at a point in time	<u>1,676,425</u>	<u>-</u>	<u>1,676,425</u>
Total	<u>\$ 1,684,425</u>	<u>2,514,231</u>	<u>4,198,656</u>

(ii) Contract balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Contract assets – Construction	\$ 114,388	56,047	104,249
Less: Allowance for impairment	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 114,388</u>	<u>56,047</u>	<u>104,249</u>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>December 31, 2019</b>
Contract liabilities – Construction	\$ 50,395	180,095	108,230
Contract liabilities – Sales of real estate	3,308,906	1,593,488	383,622
Contract liabilities – Advance receipt	5,804	256	19
<b>Total</b>	<b><u>\$ 3,365,105</u></b>	<b><u>1,773,839</u></b>	<b><u>491,871</u></b>

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability – Construction balance at the beginning of the period were \$143,594 thousand and \$173,884 thousand, respectively.

The major change in the balance of contract assets and liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2020 and 2019.

(v) Employee compensation and directors' and supervisors' remuneration

In accordance with the Articles of Incorporation revised in June 2020 and Articles of Incorporation before revision, the Company should contribute no less than 0.1% and 1% of the profit as employee compensation and less than 1% and 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$3,500 thousand and \$12,000 thousand, respectively, and directors' and supervisors' remuneration amounting to \$1,500 thousand and \$6,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's Articles. If there is difference between the estimated amount and actual distribution of next year, the Company recognizes it in profit and loss of the next year, as a change in accounting estimates. If a resolution is made by the meeting of Board of Directors to distribute employee remuneration by shares, the number of shares to be distributed will be calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. These remunerations were expensed under operating costs or operating expenses for the years ended December 31, 2020 and 2019. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for the years ended December 31, 2020 and 2019.

(Continued)



**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(w) Non-operating income and expense

(i) Interest income

The details of interest income for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest income from construction deposit	\$ 2,344	3,681
Interest income from bank deposit and bills	2,275	4,132
Other	6,659	6,693
	<b>\$ 11,278</b>	<b>14,506</b>

(ii) Other income

The details of other income for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Dividend income	\$ 23,900	56,204
Rent income	7,874	7,371
	<b>\$ 31,774</b>	<b>63,575</b>

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gains (losses)	\$ (924)	(488)
Gains (losses) on financial assets at fair value through profit or loss	(62)	9,633
Gain (losses) on disposal of property, plant and equipment	1,944	735
Gain on disposals of non-current assets held for sale	-	886,639
Impairment loss on non-current assets	(165,479)	-
Other Income	73,195	13,975
Other expenses	(27)	(207)
	<b>\$ (91,353)</b>	<b>910,287</b>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Finance costs

The details of finance cost for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest expense		
Bank loans and collateral	\$ 344,168	264,340
Guarantee fees	6,303	321
Interest on corporate bonds	81,732	73,769
Other financial expenses	33	136
Less: capitalized interest	(286,113)	(169,271)
	<b>\$ 146,123</b>	<b>169,295</b>

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The most of trade receivables of the Group are from sales of real estate department and construction contractor department. Receivables generated from construction contractor department are mostly from companies in the Group or listed companies, which are considered to have good credit. Thus, the Group evaluates there is no significant credit risk.

Receivables generated from sales of real estate department are mostly from individuals, and the payments are usually completed with transferring, check, or loans from the bank, which are considered to have low credit risk and no past-due condition. Thus, the Group evaluates there is no need to recognize loss allowance provision.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2020</b>						
Non derivative financial liabilities:						
Secured bank loans	\$ 11,967,745	12,673,345	1,815,644	3,523,716	7,080,273	253,712
Unsecured bank loans	1,331,000	1,346,420	1,346,420	-	-	-
Short-term transaction instrument payables	2,758,113	2,760,000	2,760,000	-	-	-
Ordinary corporate bonds	9,332,772	9,648,880	1,582,820	2,117,240	5,948,820	-
Notes payable, accounts payable and other payables	2,521,123	2,521,123	2,521,123	-	-	-
Lease liabilities	<u>9,641</u>	<u>10,030</u>	<u>4,629</u>	<u>4,319</u>	<u>139</u>	<u>943</u>
	<u><b>\$ 27,920,394</b></u>	<u><b>28,959,798</b></u>	<u><b>10,030,636</b></u>	<u><b>5,645,275</b></u>	<u><b>13,029,232</b></u>	<u><b>254,655</b></u>
<b>December 31, 2019</b>						
Non derivative financial liabilities:						
Secured bank loans	\$ 7,281,468	7,966,650	257,839	1,759,827	4,830,967	1,118,017
Unsecured bank loans	2,590,000	2,630,124	1,899,679	730,445	-	-
Short-term transaction instrument payables	561,300	562,000	562,000	-	-	-
Ordinary corporate bonds	9,336,292	9,731,700	82,820	3,651,240	5,997,640	-
Notes payable, accounts payable and other payables	1,932,672	1,932,672	1,932,672	-	-	-
Lease liabilities	<u>4,170</u>	<u>4,455</u>	<u>2,927</u>	<u>377</u>	<u>139</u>	<u>1,012</u>
	<u><b>\$ 21,705,902</b></u>	<u><b>22,827,601</b></u>	<u><b>4,737,937</b></u>	<u><b>6,141,889</b></u>	<u><b>10,828,746</b></u>	<u><b>1,119,029</b></u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

If the interest rate had increased / decreased by 0.5% basis points, the Group's interest expenses would have increased / decreased by \$66,535 thousand and \$49,390 thousand, respectively, for the years ended December 31, 2020 and 2019, with all other variable factors remaining constant. Taking into account that capitalized interest of profit may decrease or increase by \$22,493 thousand and \$24,697 thousand, respectively. This is mainly due to the Group's borrowing at variable rates.

2) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31			
	2020		2019	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
<b>Price of securities at reporting date</b>				
Increasing 10%	\$ <u>60,270</u>	<u>-</u>	\$ <u>55,329</u>	<u>14,627</u>
Decreasing 10%	\$ <u>(60,270)</u>	<u>-</u>	\$ <u>(55,329)</u>	<u>(14,627)</u>

(iv) Information of fair value

1) Valuation techniques for financial instruments measured at fair value

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ <u>602,698</u>	<u>602,698</u>	<u>-</u>	<u>-</u>	<u>602,698</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,109,643	-	-	-	-
Notes and accounts receivable (including related-party)	471,044	-	-	-	-
Other receivables (including related-party)	49,051	-	-	-	-
Other financial assets — current	2,799,983	-	-	-	-
Other financial assets — non-current	<u>2,905,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>8,335,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,938,304</u>	<u>602,698</u>	<u>-</u>	<u>-</u>	<u>602,698</u>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

		<b>December 31, 2020</b>			
		<b>Fair Value</b>			
	<b>Book Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 11,936,172	-	-	-	-
Short-term transaction instrument payables	2,758,113	-	-	-	-
Notes payable, accounts payable and other payables	2,521,123	-	-	-	-
Lease liabilities	9,641	-	-	-	-
Corporate bonds payable (including current portion)	9,332,772	-	-	-	-
Long-term loans (including current portion)	<u>1,362,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$27,920,394</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
		<b>December 31, 2019</b>			
		<b>Fair Value</b>			
	<b>Book Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss					
Derivative financial assets mandatorily measured at fair value through profit or loss	\$ 146,269	146,269	-	-	146,269
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	<u>\$ 553,285</u>	<u>553,285</u>	<u>-</u>	<u>-</u>	<u>553,285</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,097,780	-	-	-	-
Notes and accounts receivable (including related-party)	814,174	-	-	-	-
Other receivables (including related-party)	3,442	-	-	-	-
Other financial assets — current	1,482,516	-	-	-	-
Other financial assets — non-current	<u>2,338,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>6,736,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 7,436,365</u></b>	<b><u>699,554</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>699,554</u></b>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 8,450,133	-	-	-	-
Short-term transaction instrument payables	561,300	-	-	-	-
Notes payable, accounts payable and other payables	1,932,672	-	-	-	-
Lease liabilities	4,170	-	-	-	-
Corporate bonds payable	9,336,292	-	-	-	-
Long-term loans (including current portion)	<u>1,421,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$21,705,902</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Fair values and extents of financial instruments quoted in active markets are listed as follows:

i) Fair value of listed stocks and corporate bonds are determined by market prices, for they are issued with standard terms and conditions, and are quoted in active markets.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate. Structured Interest Rate Derivatives financial instruments are based on appropriate option pricing models (such as the Black – Scholes model) or other evaluation methods.

The discounted cash flow method is used to estimate the fair value. The main assumptions are considering the probability of occurrence based on the surplus before the tax, interest, depreciation and amortization to estimate the price to be paid, and are estimated as the present value after discounting, whose discount rate is adjusted based on the risk.

3) Transfers between levels

Stock held by the Group quoted in an active market is sorted to Level 1. There is no difference regarding valuation techniques for the years ended December 31, 2020 and 2019. There is no transfer between levels measured at fair value for the years ended December 31, 2020 and 2019.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(y) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks.

(ii) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

1) Trade and other receivables

The Group's credit risk is affected by its clients. Accounts receivable generated by selling real estate has a lower credit risk since the payment is completed by the masses with transferring, check, or loans from the bank. Receivables generated from construction contractor department are mostly from companies in the Group or listed companies, which are considered to have low credit risk.

The Group discloses the estimation of accounts receivables' and other receivables' loss with allowance for bad debt account. Allowance for bad debt account is composed with specific losses and batch of unrecognized losses components. Unrecognized losses components are determined by historically statistical data from similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. On December 31, 2020 and 2019, no other guarantees were outstanding.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(z) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, 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 dividend payment to the shareholders, or issue new shares.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of 2020, the Group's capital management strategy is consistent with the prior year as of 2019. The gearing ratio is maintained so as to ensure financing at reasonable cost. The Group's debt-to-equity ratio as of December 31, 2020 and 2019, were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 31,727,054	23,604,451
Less: cash and cash equivalents	<u>(2,109,643)</u>	<u>(2,097,780)</u>
Net debt	29,617,411	21,506,671
Total Equity	<u>5,070,936</u>	<u>5,514,928</u>
Adjusted equity	<u><b>\$ 34,688,347</b></u>	<u><b>27,021,599</b></u>
Debt-to-equity ratio	<u><b>85%</b></u>	<u><b>80%</b></u>

Increasing of debt-to-equity ratio at December 31, 2020 was because the Group increased in borrowings to put into construction and increased in contract liabilities generated from sales of properties in advance and from disposal of property, plant and equipment. Consequently, the net debt increased. The debt-to-equity ratio will decrease after construction completion and transfer to customers.

(Continued)



**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(aa) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

- (i) By the lease to get the right-of-use asset, please refer to notes 6(h).

**(7) Related-party transactions:**

(a) Parent company and ultimate controlling company

On December 31, 2020 and 2019, Guang Yang Investment Co., Ltd. (Guang Yang) is the parent company of the Group and owns 5.62% and 5.45% of all shares outstanding of the Company. Chyi Yuh Construction Co., Ltd. is the parent company of Guang Yang. Highwealth Construction Corp. is the ultimate controlling party of the Group and has issued the Consolidated Financial Statements Available for Public Use.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Guang Yang Investment Co., Ltd.	Parent company of the Group
Chyi Yuh Construction Co., Ltd.	Parent company of Guang Yang Investment Co., Ltd.
Highwealth Construction Corp. (Highwealth)	Ultimate controlling company of the Group
Well Rich International Co., Ltd.	Same ultimate controlling company with the Group
Bo Yuan Construction Co., Ltd. (Bo Yuan)	"
Highwealth Real Estate Co., Ltd.	"
Ju Feng Hotel Management Consultant Co., Ltd. (Ju Feng)	"
Da Li Investment Co., Ltd.	Same president with the Group
Goyu Construction Co., Ltd	The entity is a joint venture under the parent company of the Group
○○, Wu	The second immediate family of key management personnel of the Group

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Significant transactions with related parties

(i) Operating Revenue

1) Construction revenue

The amounts of significant sales and amount unsettled by the Group to related parties were as follows:

	<b>Construction Revenue</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
○○, Wu	\$ 7,329	-

There were no significant differences of the price and conditions for related parties and ordinary contract mentioned above.

2) Engineering service revenue

The engineering service revenue recognized by the Group to related parties were as follows:

	<b>Engineering service recognized</b>	
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Parent company – Highwealth	\$ 2,173,880	2,252,220

	<b>Amount charged</b>	
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Parent company – Highwealth	\$ 2,055,676	2,281,987

The Group determines the price of construction contract to related parties on the basis of construction budget adding reasonable fees and margin, after approvals from managements. There were no significant differences from the margin rates and payment terms given to other customers.

(ii) Purchase

1) The amounts of purchases from contract construction by the Group from related parties were as follows:

	<b>Purchase (charged)</b>	
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Parent company:		
Chyi Yuh	\$ 2,622,584	1,414,519
Other related parties	50,281	7,255
	\$ 2,672,865	1,421,774

There were no significant differences of the price and conditions for related parties and ordinary contract mentioned above.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 2) The Group commissioned related parties to administer construction properties. Administration fees were as follows:

	<b>Expense paid</b>	
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Parent company – Highwealth	\$ <b>3,333</b>	<b>4,857</b>

- (iii) Receivables from Related Parties

The receivables from related parties were as follows:

<b>Accounted items</b>	<b>Categories</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Accounts receivable	Parent company – Highwealth	\$ 197,249	407,430
Other receivables	Parent company – Highwealth	47,323	2,037
"	Other related parties	134	-
		<b>\$ 244,706</b>	<b>409,467</b>

- (iv) Payables to related parties

The payables to related parties were as follows:

<b>Accounted items</b>	<b>Categories</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Accounts payable	Parent company – Highwealth	\$ 952	-
"	Parent company – Chyi Yuh	531,969	348,399
"	Other related parties	29,385	3,416
Other payables	Parent company	1,718	7,105
"	Other related parties	17,680	3,248
		<b>\$ 581,704</b>	<b>362,168</b>

- (v) Leases

The leases between the Group and related parties were as follows:

- 1) Rent income

	<b>Guarantee deposits</b>		<b>Rent income</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>For the years ended December 31</b>	
			<b>2020</b>	<b>2019</b>
Parent company	\$ -	-	57	57
Other related parties :				
Bo Yuan	1,140	1,240	6,964	7,086
Other related parties	-	-	41	41
	<b>\$ 1,140</b>	<b>1,240</b>	<b>7,062</b>	<b>7,184</b>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Rent expense

	<u>Refundable deposits</u>		<u>Rent expense</u>	
	<u>For the years ended December 31</u>		<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Parent company	\$ 215	-	5,896	4,972
Other related parties	140	140	2,119	800
	<u>\$ 355</u>	<u>140</u>	<u>8,015</u>	<u>5,772</u>

As of December 31, 2020, The Group prepaid to parent company were \$33 thousand for the leases mentioned above.

(vi) Others

- 1) As of December 31, 2020 and 2019, the Group's contracts with related parties for construction cooperation were as follows:

<u>Property</u>	<u>Land owner</u> <u>/Investor</u>	<u>Type</u>	<u>Portion</u>	<u>Construction deposits</u>
<b><u>December 31, 2020</u></b>				
Yue Cheng (Guo Mau Project)	Parent company – Highwealth	Redistribution under cooperative construction	40%	Refundable deposits \$ 50,000
Shr Jeng Ai Yue (Huei An section)	Parent company – Highwealth	Redistribution under cooperative construction	57%	Refundable deposits \$ 100,000 Refundable notes \$ 200,000
<b><u>December 31, 2020</u></b>				
Yue Cheng (Guo Mau Project)	Parent company – Highwealth	Redistribution under cooperative construction	40%	Refundable deposit \$ 100,000
Shr Jeng Ai Yue (Huei An section)	Parent company – Highwealth	Redistribution under cooperative construction	57%	Refundable deposit \$ 100,000

The consumption of Yue Chen (Guo Mau Project) and the exchange of buildings for land with the Parent Company had been completed by 2020. By the end of December 31, 2020, for the asset pledged from joint construction contract, please refer to note 8.

- 2) As of December 31, 2020 and 2019, the Group received guarantee notes from Chyi Yuh were \$34,178 thousand and \$27,323 thousand for the construction contracts.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 3) The Group commissioned related parties to sell real estate and administer the construction sites. Related consulting fees and commission were as follows:

	<b>Expense paid</b>	
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Parent company	\$ 11,429	14,000
Other related parties:		
Ju Feng	28,960	29,239
Highwealth Real Estate Co., Ltd.	-	1,086
	<u>\$ 40,389</u>	<u>44,325</u>

- 4) The sales expense paid to related parties were as follows:

	<b>Expense paid</b>	
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Parent company	\$ -	204
Other related parties	24,784	3,940
	<u>\$ 24,784</u>	<u>4,144</u>

- 5) The administer services of sales properties provided by the Group to related parties were as follows:

	<b>Other income</b>	
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Parent company	\$ -	2,037

- (d) Key management personnel compensation

Key management personnel transaction

Key management personnel compensation comprised:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	Short-term employee benefits	<u>\$ 16,496</u>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets at FVTPL	Bank loans	\$ -	70,550
Financial assets at FVOCI	Bank loans	602,698	472,260
Notes receivable	Bank loans and short-term notes and bills payable	60,849	-
Other financial assets — current and non-current	Real estate trust account, performance bonds, mortgage, and bonds payable	5,193,040	3,314,338
Inventories (construction)	Bank loans, short-term notes and bills payable, performance bonds and bonds payable	18,524,172	12,127,377
Property, plant and equipment	Long-term loans	18,587	1,379,248
Investment property at net value	Long-term loans and short-term notes and bills payable	672,655	687,661
Non-current asset held for sale	Long-term borrowings, current portion	1,187,386	-
		<u>\$ 26,259,387</u>	<u>18,051,434</u>

As of December 31, 2020 and 2019, the book value of pledged assets providing undrawn guaranteed loan are \$1,173,710 thousand and \$860,582 thousand, respectively. For the year ended in December 31, 2020 the Group provided notes receivable of presale cases \$1,157,804 thousand, and for the year ended in December 31, 2019, the Group provided notes receivable of presale cases \$305,980 thousand and subsidiaries' 50,000 thousand stock shares, as collateral for the bank loans.

**(9) Commitments and contingencies:**

(a) Unrecognized contractual commitments

- (i) Amount of signed contract and received amount from contracts for construction released, for properties sold in advance and sold after completion, and for property, plant and equipment were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Amounts of signed contracts	<u>\$ 28,211,418</u>	<u>16,447,268</u>
Received amount from contracts	<u>\$ 3,308,906</u>	<u>1,593,488</u>

- (ii) As of December 31, 2020 and 2019, the refundable deposits paid, through cooperation with the land owners, amounted to \$475,000 thousand; the refundable notes submitted amounted to \$220,000 thousand and \$20,000 thousand, respectively.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) As of December 31, 2020 and 2019, the contract price of administer services the Group provided to joint investors were \$14,286 thousand, the amounts received were \$11,429 thousand.

(iv) Unrecognized commitments generated by signing contracts for purchasing inventories were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Acquisition of inventory (construction)	<b>\$ 4,014,262</b>	<b>5,299,990</b>

(v) Construction contract price signed by subsidiaries was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Amount of signed contracts	<b>\$ 5,022,489</b>	<b>9,095,496</b>
Received amount from contracts	<b>\$ 4,389,516</b>	<b>3,903,624</b>

(vi) As of December 31, 2020, the Group expect to pay the rent for total \$160,276 thousand because of the unrecognized lease-back transaction. The lease term was expected to be from January, 2021 to July, 2026.

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:None**

**(12) Other:**

A summary of current-period employee benefits, depreciation, and amortization expenses, by function, is as follows:

		<b>For the years ended December 31</b>					
		<b>2020</b>			<b>2019</b>		
<b>By item</b>	<b>By function</b>	<b>Operating Cost</b>	<b>Operating Expense</b>	<b>Total</b>	<b>Operating Cost</b>	<b>Operating Expense</b>	<b>Total</b>
Employee benefits							
	Salary	96,932	117,680	214,612	88,563	122,296	210,859
	Labor and health insurance	8,912	11,693	20,605	4,662	13,243	17,905
	Pension	4,710	5,106	9,816	2,372	5,941	8,313
	Others	3,953	15,038	18,991	2,645	9,893	12,538
Depreciation expenses							
		6,804	12,671	19,475	5,904	21,704	27,608
Amortization expenses							
		-	3,045	3,045	22	1,897	1,919

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties:

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The company	Jin Jyun Construction Co., Ltd.	2	1,014,187	200,000	-	-	-	%	2,535,468	Y	N	N

Note 1: The relationship between the guarantee and the guarantor are as follows:

- 1) Transactions between the companies.
- 2) The Company directly or indirectly holds more than 50% voting right.
- 3) When other companies directly or indirectly hold more than 50% voting rights of the Company.
- 4) The Company directly or indirectly holds more than 90% voting right.
- 5) A company that is mutually protected under contractual requirements based on the needs of the contractor.
- 6) A company that is endorsed by all the contributing shareholders in accordance with their shareholding ratio due to joint investment relationship.
- 7) Under the Consumer Protection Act, performance guarantees for pre-sale contracts for companies in the same industry.

Note 2: The Company and subsidiaries endorsed the operation method for the total amount of guarantees and the limit for endorsement of a single enterprise:

- 1) The total amount of guarantee for external endorsement shall not exceed 50% of the net value of the Company.
- 2) The guarantee amount for a single enterprise endorsement shall not exceed 20% of the current net value of the Company.

Note 3: Reconciliated in the preparation of consolidated report.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Stock- Highwealth Construction Corp.	Ultimate parent company of the Company	Financial assets at fair value through other comprehensive income-current	13,145,000	602,698	1.02 %	602,698	1.04 %	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None



**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Hsinchu Guangwu section	March 3, 2020	1,981,707	65,000	Gau Yun Investment Co., Ltd., Chang, oo, and other 3 people	Not related parties	-	-	-	-	Appraisal	Construction	

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal (Note 5)	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
The Company	National Trade Center-Inventory	September 2, 2020	Not applicable	Inventory sold thus not applicable	736,380 (Note 1)	All amount was received	Inventory sold thus not applicable	Trans Globe Life Insurance Inc.	Not related parties	Business purpose	Appraisal	-
The Company	Times Square-Property, plant and equipment	December 24, 2020	December 25, 2015	1,187,386	1,221,710 (Note 2)	305,428 (Note 3)	(165,479) (Note 4)	Taiwan Life Insurance Co., Ltd.	Not related parties	Business purpose	Appraisal	Will be disposed by lease-back

Note1 : Construction price \$294,552 thousand (including tax) was included.

Note2 : Construction price \$232,125 thousand (including tax) was included.

Note3 : Construction price \$58,031 thousand (including tax) was included.

Note4 : Impairment loss had been recognized and classified as other gains and losses in 2020 financial reports.

Note5 : Cost and expenditure of disposal incurred were excluded.

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chyi Yuh Construction Co., Ltd.	Parent company of the Company	Contracting project	2,619,754	30.60%		-	-	(531,969)	(41.33)%	Note 2
The Company	Jin Jyun Construction Co., Ltd.	Subsidiary of the Company	Contracting project	1,117,126	13.05%		-	-	(284,628)	(22.11)%	Note 2, 3
Jin Jyun Construction Co., Ltd.	Highwealth Construction Corp.	Ultimate parent company	Contracting project	(2,173,880)	(42.18)%		-	-	197,249	35.23%	Note 1
Jin Jyun Construction Co., Ltd.	The Company	Parent company	Contracting project	(1,442,394)	(27.99)%		-	-	284,628	50.84%	Note 1, 3

Note 1: The contracted company recognizes its construction revenue through percentage of completion method, and the amount of sales included.

Note 2: The contracting company records its import price through estimates of amount of purchase through number of trials.

Note 3: Reconciliated in the preparation of consolidated report.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Jin Jyun Construction Co., Ltd.	Highwealth Construction Corp.	Ultimate parent company	197,249	7.19	-	-	183,014	-
Jin Jyun Construction Co., Ltd.	The Company	Parent company	284,628	6.83	-	-	284,628	-

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Jin Jyun Construction Co., Ltd.	1	Accounts payable	284,628	Same with peer terms	0.77%
			1	Operating cost	1,442,394	Same with peer terms	18.84%
1	Jin Jyun Construction Co., Ltd.	The Company	2	Accounts receivable	284,628	Same with peer terms	0.77%
			2	Operating revenue	1,442,394	Same with peer terms	18.84%

Note 1: The numbering is as follows:

- 1) "0" represents the parent company
- 2) Subsidiaries are sequentially numbered from 1 by company

Note 2: Relation between related parties are as follows:

- 1) Parent company and its subsidiaries
- 2) Subsidiaries and its parent company

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value				
Run Long Construction Co., Ltd.	Stock- Jin Jyun Construction Co., Ltd.	Taiwan	Construction, housing and building development rental services etc.	518,300	518,300	50,000,000	100.00 %	619,822	100.00 %	143,791	73,387	

Note: Reconciled in the preparation of consolidated report.

(c) Information on investment in mainland China: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Ching Shr Ban Investment Co., Ltd.		36,277,228	9.80 %
Ruen Ying Investment Co., Ltd.		23,695,614	6.40 %
Wan Sheng Fa Investment Co., Ltd.		21,413,487	5.78 %
Highwealth Construction Corp.		21,153,600	5.71 %
Guang Yang Investment Co., Ltd.		20,792,415	5.62 %
Shing R Sheng Investment Co., Ltd.		20,604,301	5.56 %
Feng Rau Investment Co., Ltd.		20,038,050	5.41 %
Chyi Yuh Construction Co., Ltd.		18,572,400	5.01 %

(Continued)

**RUN LONG CONSTRUCTION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:**

The Group used to engage in the business of construction, sales of residential and commercial buildings. Information about reportable segments and reconciliations of the Group for the years ended December 31, 2020 and 2019 were detailed below:

	<u>Developing segment</u>	<u>Constructing segment</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
<b>For the year ended December 31, 2020</b>				
Revenue:				
Revenue from external customers	\$ 3,944,597	3,711,639	-	7,656,236
Intersegment	-	1,442,394	(1,442,394)	-
Interest revenue	10,849	429	-	11,278
<b>Total revenue</b>	<b>\$ 3,955,446</b>	<b>5,154,462</b>	<b>(1,442,394)</b>	<b>7,667,514</b>
Interest expenses	<u>145,783</u>	<u>340</u>	<u>-</u>	<u>146,123</u>
Depreciation and amortization	<u>20,223</u>	<u>2,297</u>	<u>-</u>	<u>22,520</u>
<b>Reportable segment profit or loss</b>	<b>\$ 174,671</b>	<b>179,150</b>	<b>(143,791)</b>	<b>210,030</b>
Capital expenditure	<u>9,253</u>	<u>61,685</u>	<u>-</u>	<u>70,938</u>
<b>Reportable segment assets</b>	<b>\$ 35,760,762</b>	<b>2,076,461</b>	<b>(1,039,233)</b>	<b>36,797,990</b>
<b>Reportable segment liabilities</b>	<b>\$ 30,689,826</b>	<b>1,374,514</b>	<b>(337,286)</b>	<b>31,727,054</b>
<b>For the year ended December 31, 2019</b>				
Revenue:				
Revenue from external customers	\$ 1,684,425	2,514,231	-	4,198,656
Intersegment	-	456,904	(456,904)	-
Interest revenue	13,914	592	-	14,506
<b>Total revenue</b>	<b>\$ 1,698,339</b>	<b>2,971,727</b>	<b>(456,904)</b>	<b>4,213,162</b>
Interest expenses	<u>168,585</u>	<u>710</u>	<u>-</u>	<u>169,295</u>
Depreciation and amortization	<u>28,563</u>	<u>964</u>	<u>-</u>	<u>29,527</u>
<b>Reportable segment profit or loss</b>	<b>\$ 723,586</b>	<b>78,820</b>	<b>(60,662)</b>	<b>741,744</b>
Capital expenditure	<u>50,573</u>	<u>3,522</u>	<u>-</u>	<u>54,095</u>
<b>Reportable segment assets</b>	<b>\$ 28,075,005</b>	<b>1,803,013</b>	<b>(758,639)</b>	<b>29,119,379</b>
<b>Reportable segment liabilities</b>	<b>\$ 22,560,077</b>	<b>1,189,856</b>	<b>(145,482)</b>	<b>23,604,451</b>



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666  
Fax 傳真 + 886 2 8101 6667  
Internet 網址 home.kpmg/tw

## Independent Auditors' Report

To the Board of Directors of Run Long Construction Co., Ltd.:

### Opinion

We have audited the financial statements of Run Long Construction Co., Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020 of the group. 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, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### 1. Revenue recognition on sales of properties and land

Please refer to note 4(n), and 6(u) of the financial statements for the accounting policy on revenue recognition and the details of revenue.



#### Description of key audit matter

The real estate industry, in which the Company is into, has a higher tendency of revenue fluctuation, therefore the management has set up relevant internal control procedures. The Company's sales revenue was \$3,930,087 thousand in 2020, whether revenue is presented fairly has a significant impact on financial statement. Therefore, the recognition of sales revenue is one of the most important evaluation in performing our audit procedures.

#### Auditing procedures performed

Our principal audit procedures included the following: We test the effectiveness of the design and implementing the internal control system of sales revenue; Inspect of sales contracts, bank account transaction record and real estate ownership transfer document, etc.; Test the samples of sales transaction before and after the end of the year to ensure the correctness of sales revenue.

#### 2. The share of profit of subsidiaries accounted for using equity method

Please refer to note 4(h), and 6(g) of the financial statements for the accounting policies on investments in subsidiaries and the details of investments in subsidiaries accounted for using equity method.

#### Description of key audit matter

The Jin Jyun Construction Co., Ltd., a subsidiary of Run Long Construction Co., Ltd.'s, is into industry of civil engineering and building construction contractors. Revenue and cost of construction contracts are recognized and evaluated according to IFRS15. Management judgment and estimation may be involved in determining total revenue, total estimated cost, and the extent of completion. Those including contract addition and reduction, the alternation of design, the inflation or deflation in cost, or other sub-cost, and the degree of completion based on contract activities on the end date of financial report, etc. High degree of uncertainty of accounting estimates are involved in all activities. Therefore, income recognition of the subsidiaries is one of the most critical assessments of financial reporting audit matters we perform.

#### Auditing procedures performed

Our principal audit procedures included the following: We test the effectiveness of internal controls system of engineering revenue, receivable collection, contracting out and purchasing, payments and budgeting of Jin Jyun Construction Co., Ltd., those mentioned above are relevant to financial report; compare and evaluate whether there is significant exception of change in total revenue, total estimated cost and the extent of completion; We obtain the revenue and cost the business estimated, review the completion and rationality in total contract price, budget, and accumulated involvement, to assess whether there is significant exception in contract revenue and cost that the business recognized.

#### 3. Inventory valuation

Please refer to note 4(f), 5, and 6(e) of the financial statements for the accounting policies on measuring inventory, assumption used, and uncertainties considered in determining the net realizable value and the details of inventory.

#### Description of key audit matter

As of December 31, 2020, inventory of the Company valued \$24,570,742 thousand, constituting 69% of the total assets, which was presented with lower of cost or net realizable value method. The judgment of net realizable value of inventory relies on management since the Company focuses on real estate industry, which is not only deeply affected by politics, macroeconomics, prosperity, and revolution of housing and land taxation, but also an industry involving a large portion of capital infusion and long-term payback. Thus, the valuation of inventory is one of the most important evaluation in performing our audit procedures.



### Auditing procedures performed

Our principal audit procedures included the following: We understand the Company's operating and accounting procedures for inventory valuation; Obtain the Company management's data of inventory valuation; verify and inspect market value of the afore mentioned information. The net realizable value can be assessed in the following ways: through reviewing the recent selling price of the premises, by inquiring the selling price of premises nearby from the "Actual Selling Price of Real Estate" website, or by obtaining project investment analysis tables, inspecting and recalculating the net realizable value of inventory to ensure if it is adequate.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China 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 financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control 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 control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Yilien Han and Ti-Nuan Chien.

KPMG

Taipei, Taiwan (Republic of China)

March 19, 2021

#### **Notes to Readers**

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)  
**RUN LONG CONSTRUCTION CO., LTD.**

**Balance Sheets**

**December 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
<b>Assets</b>									
<b>Current assets:</b>									
1100 Cash and cash equivalents (note 6(a))	\$ 1,286,398	4	1,312,881	5	2100 Short-term borrowings (note 6(l))	\$ 11,936,172	34	8,450,133	30
1110 Current financial assets at fair value through profit or loss (notes 6(b) and 8)	-	-	146,269	1	2110 Short-term notes and bills payable (note 6(l))	2,758,113	8	561,300	2
1120 Current financial assets at fair value through other comprehensive income (notes 6(c) and 8)	602,698	2	553,285	2	2130 Current contract liabilities (notes 6 (w) and 9)	3,314,710	9	1,593,744	6
1150 Notes receivable, net (note 6(d) and 8)	160,692	-	129,820	-	2170 Accounts payable	440,218	1	349,180	1
1170 Accounts receivable, net (note 6(d))	35,096	-	-	-	2180 Total accounts payable to related parties (note 7)	846,934	2	486,436	2
1200 Other receivables	1,584	-	930	-	2200 Other payables (note 7)	309,284	1	266,548	1
1210 Other receivables due from related parties (note 7)	47,457	-	2,037	-	2230 Current tax liabilities	68,785	-	9,114	-
1220 Current tax assets	4,869	-	-	-	2251 Current provisions for employee benefits (note 6(q))	2,321	-	2,443	-
1310 Inventories, manufacturing business (note 6(e))	10,598	-	11,085	-	2280 Current lease liabilities (notes 6(o))	8,827	-	3,400	-
1320 Inventories (for construction business) (note 6(e), 7 and 8)	24,570,742	69	18,832,995	67	2321 Bonds payable, current portion of putable bonds (note 6(n))	1,481,281	4	-	-
1410 Prepayments (note 7)	192,136	-	102,397	-	2322 Long-term borrowings, current portion (note (m))	1,018,091	3	57,947	-
1460 Non-current assets held for sale, net (note 6(f))	1,187,386	3	-	-	2399 Other current liabilities, others	305,459	1	76,538	-
1476 Other current financial assets (notes 6(k), 7 and 8)	2,786,119	8	1,472,635	5		22,490,195	63	11,856,783	42
1479 Other current assets, others	2,784	-	62,457	-	<b>Non-Current liabilities:</b>				
1480 Current assets recognized as incremental costs to obtain contract with customers (notes 6(k))	410,475	1	217,060	1	Bonds payable (note 6(n))	7,851,491	22	9,336,292	33
	31,299,034	87	22,843,851	81	Long-term bank loans (note 6(m))	344,482	1	1,363,388	5
					Deferred tax liabilities (note 6(r))	2,844	-	2,844	-
					Non-current lease liabilities (note 6(o))	814	-	770	-
<b>Non-current assets:</b>						8,199,631	23	10,703,294	38
1550 Investments accounted for using equity method (notes 6(g) and 8)	619,822	2	595,755	2		30,689,826	86	22,560,077	80
1600 Property, plant and equipment (note 6(h) and 8)	240,696	1	1,599,259	6	<b>Total liabilities</b>				
1755 Right-of-use assets (note 6(i))	12,173	-	6,702	-	<b>Equity attributable to owners of parent (note 6(s)):</b>				
1760 Investment property, net (note 6(j) and 8)	681,434	2	687,661	3	Ordinary shares	3,699,966	11	3,083,305	11
1780 Intangible assets	2,129	-	2,878	-	Capital surplus	168,389	-	779,297	3
1984 Other non-current financial assets, others (notes 6(k), 7 and 8)	2,905,474	8	2,338,899	8	Retained earnings	1,052,113	3	1,551,272	6
	4,461,728	13	5,231,154	19	Other equity interest	150,468	-	101,054	-
					<b>Total equity</b>	5,070,936	14	5,514,928	20
<b>Total assets</b>	\$ 35,760,762	100	28,075,005	100	<b>Total liabilities and equity</b>	\$ 35,760,762	100	28,075,005	100



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**RUN LONG CONSTRUCTION CO., LTD.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		2020		2019	
		Amount	%	Amount	%
<b>Operating Revenues (note 6(p), (u)):</b>					
4511	Construction revenue	\$ 3,930,087	100	1,676,425	100
4800	Other operating revenue	14,510	-	8,000	-
		<u>3,944,597</u>	<u>100</u>	<u>1,684,425</u>	<u>100</u>
5000	<b>Operating costs (note 6(v) and 7)</b>	<u>3,108,623</u>	<u>79</u>	<u>1,299,931</u>	<u>77</u>
	<b>Gross profit from operations</b>	<u>835,974</u>	<u>21</u>	<u>384,494</u>	<u>23</u>
<b>Operating expenses:</b>					
6100	Selling expenses (note 6(k) 、(v) and 7)	347,003	9	357,317	21
6200	Administrative expenses (note 6(v))	180,136	4	166,924	10
		<u>527,139</u>	<u>13</u>	<u>524,241</u>	<u>31</u>
	<b>Operating income (loss)</b>	<u>308,835</u>	<u>8</u>	<u>(139,747)</u>	<u>(8)</u>
<b>Non-operating income and expenses: (note 6(w) and 7)</b>					
7100	Interest income	10,849	-	13,914	1
7010	Other income	31,615	1	63,575	4
7020	Other gains and losses, net	(104,232)	(3)	902,804	53
7050	Finance costs	(145,783)	(4)	(168,585)	(10)
7070	Share of profit of associates and joint ventures accounted for using equity method, net	73,387	2	51,625	3
		<u>(134,164)</u>	<u>(4)</u>	<u>863,333</u>	<u>51</u>
	<b>Profit from continuing operations before tax</b>	174,671	4	723,586	43
7950	<b>Less: Income tax expenses (note 6(r))</b>	<u>57,423</u>	<u>1</u>	<u>67,666</u>	<u>4</u>
	<b>Profit</b>	<u>117,248</u>	<u>3</u>	<u>655,920</u>	<u>39</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	49,668	1	15,535	1
8300	<b>Other comprehensive income (net after tax)</b>	<u>49,668</u>	<u>1</u>	<u>15,535</u>	<u>1</u>
8500	<b>Total comprehensive income</b>	<u>\$ 166,916</u>	<u>4</u>	<u>671,455</u>	<u>40</u>
<b>Earnings per share (note 6(u))</b>					
9750	Basic earnings per share (NT dollars)	\$ <u>0.32</u>		\$ <u>1.77</u>	
	Diluted earnings per share (NT dollars)	\$ <u>0.32</u>		\$ <u>1.77</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**RUN LONG CONSTRUCTION CO., LTD.**

**Statements of Changes in Equity**

**For the years ended December 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	Share capital				Retained earnings			Total other equity interest		Total equity
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
<b>Balance on January 1, 2019</b>	\$ 3,083,305	1,272,626	605,303	2,263,523	2,868,826	-	85,519		7,310,276	
Effects of retrospective application	-	-	-	(159)	(159)	-	-	-	(159)	
Equity on January 1, 2019	3,083,305	1,272,626	605,303	2,263,364	2,868,667	-	85,519	-	7,310,117	
Profit	-	-	-	655,920	655,920	-	-	-	655,920	
Other comprehensive income	-	-	-	-	-	-	15,535	-	15,535	
Total comprehensive income	-	-	-	655,920	655,920	-	15,535	-	671,455	
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	218,646	(218,646)	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	(1,973,315)	(1,973,315)	-	-	-	(1,973,315)	
Cash dividends from capital surplus	-	(493,329)	-	-	-	-	-	-	(493,329)	
Balance at December 31, 2019	3,083,305	779,297	823,949	727,323	1,551,272	-	101,054	-	5,514,928	
Profit	-	-	-	117,248	117,248	-	-	-	117,248	
Other comprehensive income	-	-	-	117,248	117,248	-	49,668	-	49,668	
Total comprehensive income	-	-	-	(65,576)	-	-	49,668	-	166,916	
Legal reserve appropriated	-	-	65,576	(65,576)	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	(308,330)	(308,330)	-	-	-	(308,330)	
Stock dividends of ordinary share	308,331	-	-	(308,331)	(308,331)	-	-	-	-	
Cash dividends from capital surplus	-	(308,331)	-	-	-	-	-	-	(308,331)	
Stock dividends from capital surplus	308,330	(308,330)	-	-	-	-	-	-	-	
Due to donated assets received	-	73	-	-	-	-	-	-	73	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	254	254	-	(254)	-	-	
Other changes in capital surplus	-	5,680	-	-	-	-	-	-	5,680	
<b>Balance at December 31, 2020</b>	\$ 3,699,966	168,389	889,525	162,588	1,052,113	-	150,468	-	5,070,936	

Disposal of investments in equity instruments designated at fair value through other comprehensive income

Other changes in capital surplus

Balance at December 31, 2020

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**RUN LONG CONSTRUCTION CO., LTD.**

**Statements of Cash Flows**

**For the years ended December 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 174,671	723,586
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	18,361	27,080
Amortization expense	1,862	1,483
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	62	(9,633)
Interest expense	145,783	168,585
Interest income	(10,849)	(13,914)
Dividend income	(23,900)	(56,204)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(73,387)	(51,625)
Gain on disposal of property, plant and equipment	(1,944)	(735)
Gain on disposal of non-current assets held for sale	-	(886,639)
Impairment loss on disposal of non-current assets held for sale	165,479	-
Gain on lease modifications	(142)	(254)
<b>Total adjustments to reconcile profit (loss)</b>	221,325	(821,856)
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease in financial assets or liabilities at fair value through profit or loss	146,207	-
Decrease (increase) in notes receivable	(30,872)	53,335
Decrease (increase) in accounts receivable	(35,096)	198
Decrease (increase) in other receivables	(656)	1,904
Increase in other receivables due from related parties	(45,420)	(2,037)
Decrease in inventories	487	-
Increase in inventories (construction)	(5,451,634)	(5,908,348)
Increase in prepayments	(94,920)	(131,035)
Decrease (increase) in other current assets	59,673	(56,519)
Increase in other financial assets—current	(1,311,143)	(905,575)
Increase in assets recognized as incremental costs to obtain contract with customers	(193,415)	(157,081)
Decrease (increase) in other financial assets—non-current	(411)	1,067
<b>Total changes in operating assets</b>	(6,957,200)	(7,104,091)
<b>Changes in operating liabilities:</b>		
Increase in contract liabilities	1,418,302	1,210,103
Increase (decrease) in accounts payable	91,038	(80,246)
Increase in accounts payable to related parties	360,498	316,760
Increase in other payables	41,298	71,773
Decrease in provisions	(122)	(204)
Increase in other current liabilities	228,921	58,938
<b>Total changes in operating liabilities</b>	2,139,935	1,577,124
<b>Total changes in operating assets and liabilities</b>	(4,817,265)	(5,526,967)
<b>Total adjustments</b>	(4,595,940)	(6,348,823)
Cash outflow generated from operations	(4,421,269)	(5,625,237)
Income taxes paid	(2,620)	(384,696)
<b>Net cash flows used in operating activities</b>	(4,423,889)	(6,009,933)

**(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)**  
**RUN LONG CONSTRUCTION CO., LTD.**

**Statements of Cash Flows (CONT'D)**

**For the years ended December 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(10,523)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	10,777	-
Proceeds from disposal of non-current assets held for sale	302,664	1,286,739
Acquisition of property, plant and equipment	(8,140)	(48,462)
Proceeds from disposal of property, plant and equipment	4,290	2,107
Acquisition of intangible assets	(1,113)	(2,111)
Interest received	8,510	10,237
Dividends received	78,900	56,204
<b>Net cash flows from investing activities</b>	<b>385,365</b>	<b>1,304,714</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	8,000,610	7,230,900
Decrease in short-term loans	(4,512,910)	(4,657,664)
Increase in short-term notes and bills payable	10,588,000	3,148,400
Decrease in short-term notes and bills payable	(8,390,000)	(2,586,400)
Proceeds from issuing bonds	-	5,900,000
Repayments of bonds	-	(2,000,000)
Proceeds from long-term debt	-	365,800
Repayments of long-term debt	(58,762)	(452,265)
Other financial liabilities – current	-	508,559
Other financial liabilities – non – current	(566,164)	(1,609,023)
Payment of lease liabilities	(444)	(7,319)
Cash dividends paid	(616,661)	(2,466,644)
Interest paid	(431,628)	(326,327)
<b>Net cash flows from financing activities</b>	<b>4,012,041</b>	<b>3,048,017</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(26,483)</b>	<b>(1,657,202)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,312,881</b>	<b>2,970,083</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,286,398</b>	<b>1,312,881</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**RUN LONG CONSTRUCTION CO., LTD.**

**Notes to the Financial Statements**

**For the years ended December 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Run Long Construction Co., Ltd. (the “Company”) was incorporated in January 1977 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The Company's registered address is 8F., No. 267, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.). On August 3, 1994, the Company's shares were listed on the Taiwan Stock Exchange (TWSE). A resolution was passed during the general meeting of shareholders held on June 3, 2011 for alternation of company name to “Run Long Construction Co., Ltd.” The Company primarily engages in the business of construction, sales, leasing of residential and commercial buildings.

**(2) Approval date and procedures of the financial statements:**

The parent company only financial statements were authorized for issue by the Board of Directors on March 19, 2021.

**(3) New standards, amendments and interpretations adopted:**

- (a) Impact of adopting new, revised, or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”)

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) Impact of IFRS endorsed by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its parent company only financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(Continued)

## RUN LONG CONSTRUCTION CO., LTD.

### Notes to the Financial Statements

- (c) The impact of the International Financial Reporting Standards (“IFRS”) issued by International Accounting Standards Board (IASB) but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	<p>The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows:</p> <ul style="list-style-type: none"> <li>● the incremental costs – e.g. direct labor and materials; and</li> <li>● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.</li> </ul>	

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

**(4) Summary of significant accounting policies:**

The significant accounting policies have been applied consistently to all periods presented in the parent company only financial statements except for that mentioned in note 3.

(a) Statement of compliance

These partner company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

The accompanying parent company only financial statements have been prepared on the historical cost basis except for the following significant accounts.

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Financial instruments measured at fair value through other comprehensive income are measured at fair value;

(ii) Functional and presentation currency

The functional currency of each Company entities is determined based on the primary economic environment in which the entities operate. The parent company only financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency. All the financial information presented in New Taiwan Dollar has been rounded to the nearest thousands.

(c) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

- (i) It is expected to be settled in its normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(d) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(e) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) –equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(Continued)



## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

#### 2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

#### 3) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

#### 4) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. °

#### 5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and account receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for account receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses over the expected life of financial instrument. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(Continued)

## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### 6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### 2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(Continued)

## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

#### 3) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

#### 4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

#### 5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### 6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

(f) Inventories

(i) Manufacturer Industries

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(ii) Construction industry

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in bringing them to their existing location and condition, and capitalized borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The methods of determining the net realizable value is estimated are as follows:

1) Construction site

Net realizable value is by referring to the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value (development analytical method or comparison method).

2) Construction in progress

Net realizable value is the estimated selling price (prevailing market condition) less the estimated costs and selling expenses needed to complete.

3) Real estate held for sale

Net realizable value is the estimated selling price (prevailing market condition) in the ordinary course of business, less the estimated selling costs and expenses.

(g) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Company's accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

(Continued)

## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(h) Investing subsidiaries

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 parent company only financial 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 parent company only financial statement shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

The Company's changes in equity interests in subsidiaries that did not lead to loss of control, deemed as equity transactions between owners.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is initially recognized at cost, and then subsequently measured at cost. The depreciation expense is appropriated in accordance with the depreciable amount after the initial recognition. The depreciation method, useful lives, and residual value of the investment property are same as the practice of investment property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(Continued)

## RUN LONG CONSTRUCTION CO., LTD.

### Notes to the Financial Statements

#### (iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings	3~50 years
2) Equipment	3~5 years
3) Transportation and office equipment	5 years
4) Other equipment	3~10 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

#### (k) Lease

##### (i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) The Company has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(Continued)

## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) Fixed payments; including in-substance fixed payments;
- 2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) Amounts expected to be payable under a residual value guarantee; and
- 4) Payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

- 1) There is a change in future lease payments arising from the change in an index or rate; or
- 2) There is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) There is a change of its assessment on whether it will exercise an option to purchase the underlying asset; or
- 4) There is a change of its assessment of lease period on whether it will exercise an extension or termination option; or
- 5) There is any lease modifications

(Continued)



## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **(iii) As a lessor**

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the the sub-lease separately assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs incurred in negotiating and arranging an operating lease is added to the net investment of the leased asset. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

#### **(l) Intangible assets**

##### **(i) Recognition and measurement**

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

(Continued)

## RUN LONG CONSTRUCTION CO., LTD.

### Notes to the Financial Statements

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable flow into the Company and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

1) Patent and trademark	1 ~ 10 years
2) Computer software	1 ~ 3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

(Continued)

## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **(n) Revenue**

##### **(i) Revenue from contracts with customers**

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

##### **1) Land development and sale of real estate**

The Company develops and sells residential properties and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. An enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. For pre selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

##### **2) Financing components**

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(Continued)

## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income Taxes

Income taxes comprise both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

(Continued)

## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either
  - 1) The same taxable entity; or
  - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares, such as remuneration of employees and employee stock options.

(r) Operating segments

The Company has disclosed operating segments information in the consolidated financial statements. Therefore, the Company does not disclose operating segment information in the parent company only financial statements.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

(Continued)

## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

Information about judgements made in applying accounting policies that have significant effects on the amounts recognized in the parent only company financial statements is as follows: None.

Information for the assumptions of uncertainty and the estimation having significant risks that will result in significant adjustments in the following year is as follows:

(a) Valuation of inventories

Inventories are measured at the lower of cost and net realizable value, the Company's evaluate the selling price in the market is below the cost, and write off the cost of inventory to net realizable value. The estimation of net realizable value is based on current market conditions . Please refer note 6(e) for inventory valuation.

#### Valuation process

The Group's accounting policies and disclosures included financial and non-financial assets and liabilities measured at fair value. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The fair value measurement of investment property is based on the website of Department of Land Administration and estate agency's website or the close deal in similar district.

Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

The transfers policy between levels of the fair value hierarchy

If there is any movement of financial instruments measured at fair value between level 1, level 2 and level 3, the Company recognizes the movement at the reporting date. For assumptions used in measuring fair value. Please refer notes as follows:

- (a) Note 6(j) Investment property.
- (b) Note 6(x) Financial instruments.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand and petty cash	\$ 344	343
Demand Deposits (including foreign currency)	1,285,719	1,312,538
Check Deposits	335	-
Cash and cash equivalents	<b>\$ 1,286,398</b>	<b>1,312,881</b>

Please refer to note 6(x) for the disclosure of the Company's financial assets and liabilities interest risk and sensitivity analysis.

(b) Financial assets at fair value through profit or loss

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Mandatorily measured at fair value through profit or loss:		
Stocks listed on domestic markets	\$ -	146,269

For the net gain or loss on fair value on financial instruments at FVTPL, please refer to note 6(w).

As of December 31, 2020, the disposal gain or loss on financial assets at fair value through profit and loss of the Company was \$146,207 thousand.

As of December 31, 2020 and 2019 the financial assets at fair value through profit and loss of the Company had been pledged as collateral for long-term borrowings; please refer to note 8.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic market	\$ 602,698	553,285

(i) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity investment at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes and not hold for sale.

During the years ended December 31, 2020 and 2019, the dividends of \$23,900 thousand and \$53,775 thousand, respectively, related to equity investments at fair value through other comprehensive income, were recognized;

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

In 2020, the Company has sold its equity investments at fair value through other comprehensive income. The investments sold had a fair value of \$10,777 thousand and the Company realized a gain of \$254 thousand.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2019.

- (ii) For credit risk and market risk, please refer to note 6(x).
  - (iii) The financial assets at fair value through other comprehensive income of the Company had been pledged as collateral for its long-term borrowings. Please refer to note 8.
- (d) Note and account receivables, net

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Note receivable	\$ 160,692	129,820
Trade receivables—measured as amortized cost	35,096	-
Total	<b>\$ 195,788</b>	<b>129,820</b>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information. The expected credit losses of the note receivables and trade receivables were as follows:

<b>December 31, 2020</b>			
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance Provision</b>
Current	\$ 195,788	-	-
<b>December 31, 2019</b>			
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance Provision</b>
Current	\$ 129,820	-	-

For the years ended December 31, 2020 and 2019, there is no credit losses recognized or reversed.

As of December 31, 2020 and 2019, note receivables had been pledged as collateral; please refer to note 8.

(Continued)



**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

(e) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Manufacturer industry:		
Spare parts	\$ 10,598	11,085
Construction industry:		
Prepaid for land purchase	310,679	601,528
Land held for construction sites	762,128	2,775,022
Construction in progress	19,794,302	12,344,110
Properties and land held for sale	3,703,633	3,112,335
Subtotal	24,570,742	18,832,995
Total	<b>\$ 24,581,340</b>	<b>18,844,080</b>

For the years ended December 31, 2019, the Company changed the usage of partial asset, and reclassified properties and land held for sale to investment property according to definition of investment property. Please refer to Note 6(j).

For the years ended December 31, 2020 and 2019, there is no write-offs or reversals of inventories.

For the years ended December 31, 2020 and 2019, construction in progress of the Company is calculated using a capitalization rate 1.85% and 2.04%, respectively. For the amount of capitalized interest, please refer to note 6(w).

As of December 31, 2020 and 2019 the inventories of the Company had been pledged as collateral, please refer to note 8.

(f) Non-current assets held for sale

The Company disposed its land and buildings in DeChang section, Yingge district based on the resolution made during the Board meeting on September 25, 2019. Following the resolution, the disposal of land and buildings was on the progress. Consequently, the land and buildings were presented as non-current assets held for sale. No impairment loss resulting from measuring at the lower of carrying amount of property, plant and equipment and fair value to sell shall be disclosed. The total contract price from selling contract of disposal on land and buildings was \$1,299,474 thousand (VAT included). The real estate ownership transfer procedures were completed in December 2019; relevant payments were received. Please refer to note 6(w) for relevant disposal gain or loss.

The Company leased back its land and buildings in ChinTai section, Zhongshan district based on the resolution made during the Board meeting on December 24, 2020. The selling price was \$1,221,710 thousand (VAT included), and the disposal of land and buildings was on the progress. Consequently, the land and buildings were classified as non-current assets held for sale. Impairment loss resulting from measuring at the lower of carrying amount of the property plant and equipment and fair value to sell was \$165,479 thousand. The loss was presented as other operating income and loss in statements of comprehensive income, please refer to note 6(w). By December 31, 2020, the amount of the non-current asset held for sale was \$1,187,386 thousand.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

The non-current assets held for sale of the Group had been pledged as collateral, please refer to note 8.

(g) Investments accounted for using equity method

The investments accounted for using equity method of the Company for the year ended December 31, 2020 and 2019, were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiaries	<b>\$ 619,822</b>	<b>595,755</b>

(i) Subsidiaries

Please refer to consolidated financial statement of 2020.

(ii) As of December 31, 2020 and 2019, the investments accounted for using equity method had been pledged as collateral for bank borrowings, please refer to note 8.

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

	<b>Land (Including improvement)</b>	<b>Buildings and construction</b>	<b>Machinery and equipment</b>	<b>Other equipment (including transportation, office, leasehold improvements, and other equipment)</b>	<b>Total</b>
Cost:					
Balance on January 1, 2020	\$ 1,335,587	330,660	-	40,352	1,706,599
Additions	-	5,306	1,699	1,135	8,140
Disposals	-	-	-	(28,914)	(28,914)
Reclassification to non-current assets held for sale	(1,121,704)	(256,649)	-	-	(1,378,353)
Transfer to (from)	-	(29,689)	-	29,689	-
Balance on December 31, 2020	<b>\$ 213,883</b>	<b>49,628</b>	<b>1,699</b>	<b>42,262</b>	<b>307,472</b>
Balance on January 1, 2019	\$ 1,671,706	513,162	239,853	62,581	2,487,302
Additions	44,143	2,762	-	1,557	48,462
Disposals	-	-	(239,853)	(15,592)	(255,445)
Reclassification to non-current assets held for sale	(380,262)	(185,264)	-	(8,194)	(573,720)
Balance on December 31, 2019	<b>\$ 1,335,587</b>	<b>330,660</b>	<b>-</b>	<b>40,352</b>	<b>1,706,599</b>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

	<u>Land (Including improvement)</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Other equipment (including transportation, office, leasehold improvements, and other equipment)</u>	<u>Total</u>
Depreciation and Impairment:					
Balance on January 1, 2020	\$ 3,849	69,487	-	34,004	107,340
Depreciation	571	9,277	177	1,467	11,492
Disposals	-	-	-	(26,568)	(26,568)
Reclassification to non-current assets held for sale	-	(25,488)	-	-	(25,488)
Transfer to (from)	-	(11,102)	-	11,102	-
Balance on December 31, 2020	<u>\$ 4,420</u>	<u>42,174</u>	<u>177</u>	<u>20,005</u>	<u>66,776</u>
Balance on January 1, 2019	\$ 3,279	221,592	238,410	54,294	517,575
Depreciation	570	13,510	533	2,845	17,458
Disposals	-	-	(238,943)	(15,130)	(254,073)
Reclassification to non-current assets held for sale	-	(165,615)	-	(8,005)	(173,620)
Balance on December 31, 2019	<u>\$ 3,849</u>	<u>69,487</u>	<u>-</u>	<u>34,004</u>	<u>107,340</u>
Carrying amounts:					
Balance on December 31, 2020	<u>\$ 209,463</u>	<u>7,454</u>	<u>1,522</u>	<u>22,257</u>	<u>240,696</u>
Balance on December 31, 2019	<u>\$ 1,331,738</u>	<u>261,173</u>	<u>-</u>	<u>6,348</u>	<u>1,599,259</u>

- (i) In order to manage activating strategies of assets and obtain the maximum effectiveness, the Company transferred the sold assets to the non-current assets held for sale in December, 2020 and September, 2019. Please refer to note 6(f) for details. Please refer to note 6(w) for the related gain or loss of disposal.
- (ii) As of December 31, 2020 and 2019, the property, plant and equipment of the Company had been pledged as collateral for bank borrowings and bonds payable, please refer to note 8.
- (i) Right of use assets

The Company leases assets including land and buildings. Information about leases for which the Company as a lessee was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b>Cost:</b>			
Balance on January 1, 2020	\$ 8,547	-	8,547
Additions	8,581	-	8,581
Lease modification	(4,681)	-	(4,681)
Balance on December 31, 2020	<u>\$ 12,447</u>	<u>-</u>	<u>12,447</u>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**

**Notes to the Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance on January 1, 2019	\$ -	-	-
Effects of retrospective application	-	9,913	9,913
Additions	8,547	-	8,547
Lease modification	-	(9,913)	(9,913)
Balance on December 31, 2019	<u>\$ 8,547</u>	<u>-</u>	<u>8,547</u>
<b>Depreciation and impairment losses:</b>			
Balance on January 1, 2020	\$ 1,845	-	1,845
Depreciation	642	-	642
Lease modification	(2,213)	-	(2,213)
Balance on December 31, 2020	<u>\$ 274</u>	<u>-</u>	<u>274</u>
Balance on January 1, 2019	\$ -	-	-
Depreciation	1,845	3,037	4,882
Lease modification	-	(3,037)	(3,037)
Balance on December 31, 2019	<u>\$ 1,845</u>	<u>-</u>	<u>1,845</u>
Carrying amounts:			
Balance on December 31, 2020	<u>\$ 12,173</u>	<u>-</u>	<u>12,173</u>
Balance on December 31, 2019	<u>\$ 6,702</u>	<u>-</u>	<u>6,702</u>

(j) Investment Property

The information of investment properties of the Company were as follows:

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Total</u>
Cost:			
Balance on January 1, 2020	<u>\$ 375,656</u>	<u>317,575</u>	<u>693,231</u>
Balance on December 31, 2020	<u>\$ 375,656</u>	<u>317,575</u>	<u>693,231</u>
Balance on January 1, 2019	\$ 150,232	127,004	277,236
Transfer from inventory	225,424	190,571	415,995
Balance on December 31, 2019	<u>\$ 375,656</u>	<u>317,575</u>	<u>693,231</u>
Depreciation and Impairment:			
Balance on January 1, 2020	\$ -	5,570	5,570
Depreciation	-	6,227	6,227
Balance on December 31, 2020	<u>\$ -</u>	<u>11,797</u>	<u>11,797</u>
Balance on January 1, 2019	\$ -	830	830
Depreciation	-	4,740	4,740
Balance on December 31, 2019	<u>\$ -</u>	<u>5,570</u>	<u>5,570</u>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Total</u>
Carrying amounts:			
Balance on December 31, 2020	\$ <u>375,656</u>	<u>305,778</u>	<u>681,434</u>
Balance on January 1, 2019	\$ <u>150,232</u>	<u>126,174</u>	<u>276,406</u>
Balance on December 31, 2019	\$ <u>375,656</u>	<u>312,005</u>	<u>687,661</u>
Fair value:			
Balance on December 31, 2020			\$ <u>837,250</u>
Balance on December 31, 2019			\$ <u>837,250</u>

The investment property includes several commercial buildings for that are owned by the Company for renting to the third party. Please refer to note 6(p) for more information.

The fair value measurement of investment property is based on the website of Department of Land Administration and estate agencies website or the close deal in similar district. The fair value measurement of investment property has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

As of December 31, 2020 and 2019, the Company's investment property had been pledged as collateral for bank borrowings, please refer to note 8.

(k) Other financial assets and incremental costs of obtaining a contract

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other current and non-current financial assets	\$ 5,691,593	3,811,534
Current incremental costs of obtaining a contract	<u>410,475</u>	<u>217,060</u>
Total	<u>\$ 6,102,068</u>	<u>4,028,594</u>

(i) Other financial assets

Other financial assets include certificate of deposit as collateral, restricted deposit and construction deposit.

(ii) Incremental costs of obtaining a contract

The Company expects that incremental commission fees paid to intermediaries, and the bonus for the internal sales department are recoverable. The Company has therefore capitalized them as contract costs. Capitalized commission fees are amortized when the related revenues are recognized. For the years ended December 31, 2020 and 2019, the Company recognized \$120,387 thousand and \$27,111 thousand of selling expenses.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

(l) Short-term borrowings, notes and bills payable

The details of short-term borrowings, notes and bills payable of the Company were as follows:

<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	1.72%~2.14%	2021~2025	\$ 10,605,172
Unsecured bank loans	TWD	1.23%	2021	1,331,000
Short-term notes and bills payable	TWD	0.41%~1.82%	2021	2,758,113
Total				<b>\$ 14,694,285</b>
<b>December 31, 2019</b>				
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	1.90%~2.40%	2020~2024	\$ 5,860,133
Unsecured bank loans	TWD	1.43%~2.00%	2020~2021	2,590,000
Short-term notes and bills payable	TWD	1.65%	2020	561,300
Total				<b>\$ 9,011,433</b>

(i) The issue of bank loan and repayment

For the years ended December 31, 2020 and 2019, the incremental amounts were \$18,588,610 thousand and \$10,379,300 thousand, respectively; the repayment amounts were \$12,902,910 thousand and \$7,244,064 thousand, respectively.

(ii) Collateral for bank Loans

The Company had pledged as collateral for bank loans, please refer to note 8.

(m) Long-term borrowings/Long-term borrowings, current portion

The details of long-term borrowings of the Company were as follows:

<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	1.44%	2034~2035	\$ 1,362,573
Less: current portion				(1,018,091)
Total				<b>\$ 344,482</b>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

	<b>December 31, 2019</b>			
	<b>Currency</b>	<b>Range of interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	TWD	1.69%	2034~2035	\$ 1,421,335
Less: current portion				(57,947)
Total				<b>\$ 1,363,388</b>

(i) The issue of bank loan and repayment

For the years ended December 31, 2020 and 2019, the incremental amounts were \$0 thousand and \$365,800 thousand, respectively; the repayment amounts were \$58,762 thousand and \$452,265 thousand, respectively.

(ii) Collateral for bank Loans

The Company had pledged as collateral for bank loans, please refer to note 8.

(n) Bonds payable

The details of the Company's bonds payable were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Secured ordinary corporate bond – current	\$ 1,481,281	-
Secured ordinary corporate bond – non-current	7,851,491	9,336,292
Total	<b>\$ 9,332,772</b>	<b>9,336,292</b>

(i) The Company did not issue, redeem or repay the corporate bond for the year ended December 31, 2020.

(ii) The Company issued a secured ordinary corporate bond amounting to \$5,900,000 thousand, \$1,500,000 thousand, and \$2,000,000 thousand with an interest rate of 0.78%~0.85%, 0.96% and 0.98% in 2019, December 2016, and August 2017, respectively. The secured ordinary corporate bonds were issued for 5 years.

(iii) For the details of collateral of bonds payable, please refer to note 8.

(o) Lease liabilities

The carrying amount of lease liabilities were as follows :

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current	<b>\$ 8,827</b>	<b>3,400</b>
Non-current	<b>\$ 814</b>	<b>770</b>

For the maturity analysis, please refer to note 6(x).

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

The amounts recognized in profit or loss were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	\$ <u>33</u>	<u>136</u>
Expenses relating to short-term leases	\$ <u>25,637</u>	<u>36,299</u>

The amounts recognized in the statement of cash flows for the Company were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	\$ <u>26,114</u>	<u>43,754</u>

(i) Real estate lease

As of December 31, 2020 and 2019, the Company leases land for its reception center and parking lot. The leases run for a period of 2-20 years. The Company also leases office equipment and outdoor advertising. These leases are short-term and leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(p) Operating lease

The Company leases out its investment property and some machinery. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(j) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Less than one year	\$ 15,431	14,783
One to two years	15,585	14,831
Two to three years	15,345	14,865
Three to four years	8,672	14,553
Four to five years	5,576	7,880
More than five years	-	4,784
Total undiscounted lease payments	\$ <u>60,609</u>	<u>71,696</u>

For the years ended December 31, 2020 and 2019, the Company's rental income from investment properties were \$14,510 thousand and \$8,000 thousand, respectively.

(Continued)



**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

(q) Employee benefits

(i) Defined benefit plans

The Company's employee benefit liabilities were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Short-term paid leave liability	<b>\$ 2,321</b>	<b>2,443</b>

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$2,987 thousand and \$3,241 thousand for the years ended December 31, 2020 and 2019, respectively.

(r) Income tax expenses

(i) Income tax expenses

The components of income tax expenses for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax expense		
Current period	\$ 68,925	17,861
Land value increment tax	2,480	104,092
Adjustment for prior periods	(13,982)	-
Additional surtax on unappropriated earnings	-	2,216
Deferred tax expense		
Origination and reversal of temporary differences	-	(56,503)
Income tax expense	<b>\$ 57,423</b>	<b>67,666</b>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2020 and 2019 were follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax	\$ <u>174,671</u>	<u>723,586</u>
Income tax expense at domestic statutory tax rate	34,934	144,717
Book –tax difference between deferred interest expense	(6,982)	7,749
Land tax exempt income	2,890	(153,365)
Adjustment for prior periods	(13,982)	-
Book –tax difference between deferred sales commission	25,187	43,348
Financial assets measured at fair value through profit and loss	12	(1,927)
Impairment loss	33,096	-
Land value increment tax	2,480	104,092
Reversal of deferred tax liabilities	-	(56,503)
Dividend income	(4,780)	(11,241)
Pay an extra income tax on all unappropriated earnings	-	2,216
Others	<u>(15,432)</u>	<u>(11,420)</u>
	<b>\$ <u>57,423</u></b>	<b><u>67,666</u></b>

(ii) Deferred tax asset and liability

Recognized deferred tax liability

Changes in the amount of deferred tax liabilities for the years ended December 31, 2020 and 2019 were as follows:

	<b><u>Provision for land value increment tax</u></b>
<u>Deferred tax liabilities:</u>	
Balance on January 1, 2020	\$ <u>2,844</u>
Balance on December 31, 2020	<b>\$ <u>2,844</u></b>
Balance on January 1, 2019	\$ 59,347
Credit income statement	<u>(56,503)</u>
Balance on December 31, 2019	<b>\$ <u>2,844</u></b>

(iii) Assessment of tax

The Company's income tax had been examined by the tax authorities till the year 2018.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

(s) Capital and other equity

As of December 31, 2020 and 2019, the total value of authorized ordinary shares were \$5,000,000 thousand and \$3,600,000 thousand, respectively, with par value of \$10 per share. The paid-in capital were 369,997 thousand and 308,330 thousand, respectively.

(i) Ordinary shares

A resolution was passed during the general meeting of shareholders held on June 9, 2020 for the issuance of 200 new shares per thousand shares by retained earnings and capital surplus, amounting to \$616,661 thousand. The Company has received approval from the Financial Supervisory Commission for this capital increase on August 3, 2020. And a resolution was passed during the board meeting, to set October 1, 2020 as the date of capital increase. The relevant statutory registration procedures have since been completed.

(ii) Capital surplus

The components of the capital surplus were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Conversion of bonds	\$ -	294,830
Premium on issuance of capital stock	160,021	481,852
Donation from shareholders	2,598	2,525
Other	5,770	90
	<b><u>\$ 168,389</u></b>	<b><u>779,297</u></b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

On June 9, 2020, a resolution was approved during the general meetings of the shareholders for the distribution of cash dividends amounting to \$308,331 thousand, and increasing of capital amounting to \$308,330 thousand by capital surplus. And on June 10, 2019, a resolution was approved during the general meetings of the shareholders for the distribution of cash dividends amounting to \$493,329 thousand.

A resolution was proposed during the general meeting of shareholders held on March 19, 2021 for the issuance of 14,800 thousand new shares for capital surplus with par value of \$10 per share amounting to \$148,000 thousand.

(Continued)

## RUN LONG CONSTRUCTION CO., LTD.

### Notes to the Financial Statements

(iii) Retained earnings

The Company's Articles of Incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

When distributing dividends, the Company determines the stock or cash dividends to be paid. The cash dividends shall not be below 10% of total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of unappropriated earnings prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for the years ended December 31, 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on June 9, 2020 and June 10, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31			
	2019		2018	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 1.00	308,330	6.40	1,973,315
Shares	1.00	<u>308,331</u>	-	<u>-</u>
Total		<u>\$ 616,661</u>		<u>1,973,315</u>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

The amount of cash dividends on the appropriations of earnings for the years ended December 31, 2020, and the amount of shares dividends of appropriations of earnings for the years ended December 31, 2020, had been approved and proposed, respectively during the board meeting on March 19, 2021, as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	
	<b>Amount per share</b>	<b>Total Amount</b>
Dividends distributed to ordinary shareholders:		
Cash	\$ 0.20	74,000
Shares	0.20	74,000
Total		<b>\$ 148,000</b>

(iv) Other equity items (net after tax)

	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>	
Balance on January 1, 2020	\$	101,054
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		49,668
Disposal of investments in equity instruments designated at fair value through other comprehensive income		(254)
Balance on December 31, 2020	\$	<b>150,468</b>
Balance on January 1, 2019	\$	85,519
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		15,535
Balance on December 31, 2019	\$	<b>101,054</b>

(t) Earnings per share

The calculations of basic and diluted earnings per share were as follows:

(i) Basic earnings per share

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
1) Profit attributable to ordinary	\$ 117,248	655,920
2) Weighted-average number of ordinary shares	369,997	369,997

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

(ii) Diluted earnings per share

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
1) Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>117,248</u>	<u>655,920</u>
2) Weighted-average number of ordinary shares (basic)	369,997	369,997
Effect of restricted employee shares unvested	<u>124</u>	<u>274</u>
Weighted-average number of ordinary shares (diluted)	<u><u>370,121</u></u>	<u><u>370,271</u></u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Primary geographical markets:		
Taiwan	\$ <u>3,944,597</u>	<u>1,684,425</u>
Major products/services lines:		
Sales revenue (sales of real estate)	\$ 3,930,087	1,676,425
Other revenue	<u>14,510</u>	<u>8,000</u>
	<u><u>\$ 3,944,597</u></u>	<u><u>1,684,425</u></u>
Timing of revenue recognition:		
Products and services transferred over time	\$ 14,510	8,000
Revenue transferred at a point in time	<u>3,930,087</u>	<u>1,676,425</u>
	<u><u>\$ 3,944,597</u></u>	<u><u>1,684,425</u></u>

(ii) Contract balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Contract liabilities – Sales of real estate	\$ 3,308,906	1,593,488	383,622
Contract liabilities – Advance receipt	<u>5,804</u>	<u>256</u>	<u>19</u>
Total	<u><u>\$ 3,314,710</u></u>	<u><u>1,593,744</u></u>	<u><u>383,641</u></u>

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability – Construction balance at the beginning of the period were \$143,594 thousand and \$173,884 thousand, respectively.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

The major change in the balance of contract assets and liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2020 and 2019.

(v) Employee compensation and directors' and supervisors' remuneration

In accordance with the Articles of Incorporation revised in June 2020 and Articles of Incorporation before revision, the Company should contribute no less than 0.1% and 1% of the profit as employee compensation and less than 1% and 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$3,500 thousand and \$12,000 thousand, respectively, and directors' and supervisors' remuneration amounting to \$1,500 thousand and \$6,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's Articles. If there is difference between the estimated amount and actual distribution of next year, the Company recognizes it in profit and loss of the next year, as a change in accounting estimates. If a resolution is made by the meeting of Board of Directors to distribute employee remuneration by shares, the number of shares to be distributed will be calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. These remunerations were expensed under operating costs or operating expenses for the years ended 2020 and 2019. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for the years ended 2020 and 2019.

(w) Non-operating income and expense

(i) Interest income

The details of interest income for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest income from construction deposit	\$ 2,341	3,681
Interest income from bank deposit and bills	1,849	3,540
Other	6,659	6,693
	<b>\$ 10,849</b>	<b>13,914</b>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

(ii) Other income

The details of other income for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Dividend income	\$ 23,900	56,204
Rent income	7,715	7,371
	<b>\$ 31,615</b>	<b>63,575</b>

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gains (losses)	\$ (924)	(488)
Gains (losses) on financial assets at fair value through profit or loss	(62)	9,633
Gain on disposal of property, plant and equipment	1,944	735
Gain on disposals of non-current assets held for sale	-	886,639
Impairment loss on non-current assets	(165,479)	-
Other Income	60,316	6,492
Other expenses	(27)	(207)
	<b>\$ (104,232)</b>	<b>902,804</b>

(iv) Finance costs

The details of finance cost for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest expense		
Bank loans and collateral	\$ 343,828	263,630
Guarantee fees	6,303	321
Interest on corporate bond	81,732	73,769
Other financial expenses	33	136
Less: capitalized interest	(286,113)	(169,271)
	<b>\$ 145,783</b>	<b>168,585</b>

(Continued)



**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The most of trade receivables of the Company are from sales of real estate department. Receivables generated from sales of real estate department are mostly from individuals, and the payments are usually completed with transferring, check, or loans from the bank, which are considered to have low credit risk and no past-due condition. Thus, the Company evaluates there is no need to recognize loss allowance provision.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2020</b>						
Non derivative financial liabilities:						
Secured bank loans	\$ 11,967,745	12,673,345	1,815,644	3,523,716	7,080,273	253,712
Unsecured bank loans	1,331,000	1,346,420	1,346,420	-	-	-
Short-term transaction instrument payables	2,758,113	2,760,000	2,760,000	-	-	-
Ordinary corporate bonds	9,332,772	9,648,880	1,582,820	2,117,240	5,948,820	-
Notes payable, accounts payable and other payables	1,596,436	1,596,436	1,596,436	-	-	-
Lease liabilities	<u>9,641</u>	<u>10,030</u>	<u>4,629</u>	<u>4,319</u>	<u>139</u>	<u>943</u>
	<b><u>\$ 26,995,707</u></b>	<b><u>28,035,111</u></b>	<b><u>9,105,949</u></b>	<b><u>5,645,275</u></b>	<b><u>13,029,232</u></b>	<b><u>254,655</u></b>
<b>December 31, 2019</b>						
Non derivative financial liabilities:						
Secured bank loans	\$ 7,281,468	7,966,650	257,839	1,759,827	4,830,967	1,118,017
Unsecured bank loans	2,590,000	2,630,124	1,899,679	730,445	-	-
Short-term transaction instrument payables	561,300	562,000	562,000	-	-	-
Ordinary corporate bonds	9,336,292	9,731,700	82,820	3,651,240	5,997,640	-
Notes payable, accounts payable and other payables	1,102,164	1,102,164	1,102,164	-	-	-
Lease liabilities	<u>4,170</u>	<u>4,455</u>	<u>2,927</u>	<u>377</u>	<u>139</u>	<u>1,012</u>
	<b><u>\$ 20,875,394</u></b>	<b><u>21,997,093</u></b>	<b><u>3,907,429</u></b>	<b><u>6,141,889</u></b>	<b><u>10,828,746</u></b>	<b><u>1,119,029</u></b>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5% basis points, the Company's interest expenses would have increased / decreased by \$66,535 thousand and \$49,390 thousand, respectively, for the years ended December 31, 2020 and 2019, with all other variable factors remaining constant. Taking into account that capitalized interest of profit may decrease or increase by \$22,458 thousand and \$24,645 thousand, respectively. This is mainly due to the Company's borrowing at variable rates.

2) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31			
	2020		2019	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
<u>Price of securities at reporting date</u>				
Increasing 10%	\$ <u>60,270</u>	<u>-</u>	\$ <u>55,329</u>	<u>14,627</u>
Decreasing 10%	\$ <u>(60,270)</u>	<u>-</u>	\$ <u>(55,329)</u>	<u>(14,627)</u>

(iv) Information of fair value

1) Valuation techniques for financial instruments measured at fair value

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

		<b>December 31, 2020</b>			
		<b>Fair Value</b>			
	<b>Book Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 602,698	602,698	-	-	602,698
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,286,398	-	-	-	-
Notes and accounts receivable (including related-party)	195,788	-	-	-	-
Other receivables (including related-party)	49,041	-	-	-	-
Other financial assets – current	2,786,119	-	-	-	-
Other financial assets – non-current	2,905,474	-	-	-	-
Subtotal	7,222,820	-	-	-	-
Total	<b>\$ 7,825,518</b>	<b>602,698</b>	<b>-</b>	<b>-</b>	<b>602,698</b>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 11,936,172	-	-	-	-
Short-term transaction instrument payables	2,758,113	-	-	-	-
Notes payable, accounts payable and other payables	1,596,436	-	-	-	-
Lease liabilities	9,641	-	-	-	-
Corporate bonds payable (including current portion)	9,332,772	-	-	-	-
Long-term loans (including current portion)	1,362,573	-	-	-	-
Total	<b>\$ 26,995,707</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<b>December 31, 2019</b>			
		<b>Fair Value</b>			
	<b>Book Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss					
Derivative financial assets mandatorily measured at fair value through profit or loss	\$ 146,269	146,269	-	-	146,269
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 553,285	553,285	-	-	553,285

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**

**Notes to the Financial Statements**

		December 31, 2019			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,312,881	-	-	-	-
Notes and accounts receivable (including related-party)	129,820	-	-	-	-
Other receivables (including related-party)	2,967	-	-	-	-
Other financial assets – current	1,472,635	-	-	-	-
Other financial assets – non- current	2,338,899	-	-	-	-
Subtotal	5,257,202	-	-	-	-
Total	\$ 5,956,756	699,554	-	-	699,554
Financial liabilities measured at amortized cost					
Short-term loans	\$ 8,450,133	-	-	-	-
Short-term transaction instrument payables	561,300	-	-	-	-
Notes payable, accounts payable and other payables	1,102,164	-	-	-	-
Lease liabilities	4,170	-	-	-	-
Corporate bonds payable	9,336,292	-	-	-	-
Long-term loans (including current portion)	1,421,335	-	-	-	-
Total	\$ 20,875,394	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

(Continued)

## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

Fair values and extents of financial instruments quoted in active markets are listed as follows:

i) Fair value of listed stocks and corporate bonds are determined by market prices, for they are issued with standard terms and conditions, and are quoted in active markets.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate. Structured Interest Rate Derivatives financial instruments are base on appropriate option pricing models (such as the Black – Scholes model) or other evaluation methods.

The discounted cash flow method is used to estimate the fair value. The main assumptions are considering the probability of occurrence base on the surplus before the tax, interest, depreciation and amortization to estimate the price to be paid, and are estimated as the present value after discounting, whose discount rate is adjusted base on the risk.

3) Transfers between levels

Stock held by the Company quoted in an active market is sorted to Level 1. There is no difference regarding valuation techniques for the years ended December 31, 2020 and 2019. There is no transfer between levels measured at fair value for the years ended December 31, 2020 and 2019.

(y) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks.

(ii) Structure of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(Continued)

## **RUN LONG CONSTRUCTION CO., LTD.**

### **Notes to the Financial Statements**

#### (iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

##### 1) Trade and other receivables

The Company's credit risk is affected by its clients. Accounts receivable generated by selling real estate has a lower credit risk since the payment is completed by the masses with transferring, check, or loans from the bank.

The Company discloses the estimation of accounts receivables' and other receivables' loss with allowance for bad debt account. Allowance for bad debt account is composed with specific losses and batch of unrecognized losses components. Unrecognized losses components are determined by historically statistical data from similar financial assets.

##### 2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

##### 3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. The Company provided other guarantees to wholly owned subsidiaries for the year ended December 31, 2019. Please refer to note 7 to this situation. On December 31, 2020, no other guarantees were outstanding.

#### (iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

#### (v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(Continued)

## RUN LONG CONSTRUCTION CO., LTD.

### Notes to the Financial Statements

(z) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, 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 dividend payment to the shareholders, or issue new shares.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of 2020, the Company's capital management strategy is consistent with the prior year as of 2019. The gearing ratio is maintained so as to ensure financing at reasonable cost. The Company's debt-to-equity ratio as of December 31, 2020 and 2019, were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 30,689,826	22,560,077
Less: cash and cash equivalents	<u>(1,286,398)</u>	<u>(1,312,881)</u>
Net debt	29,403,428	21,247,196
Total Equity	<u>5,070,936</u>	<u>5,514,928</u>
Adjusted equity	<u><b>\$ 34,474,364</b></u>	<u><b>26,762,124</b></u>
Debt-to-equity ratio	<u><b>85%</b></u>	<u><b>79%</b></u>

Increasing of debt-to-equity ratio at December 31, 2020 was because the Company increased in borrowings to put into construction and increased in contract liabilities generated from sales of properties in advance and from disposal of property, plant and equipment. Consequently, the net debt increased. The debt-to-equity ratio will decrease after construction completion and transfer to customers.

(aa) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

- (i) By the lease to get the right-of-use asset, please refer to notes 6(i).

**(7) Related-party transactions:**

(a) Parent company and ultimate controlling company

On December 31, 2020 and 2019, Guang Yang Investment Co., Ltd. (Guang Yang) is the parent company of the Company and owns 5.62% and 5.45% of all shares outstanding of the Company. Chyi Yuh Construction Co., Ltd. is the parent company of Guang Yang. Highwealth Construction Corp. is the ultimate controlling party of the Company and has issued the Consolidated Financial Statements Available for Public Use.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

(b) Names and relationship with related party

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Guang Yang Investment Co., Ltd.	Parent company of the Company
Chyi Yuh Construction Co., Ltd.	Parent company of Guang Yang Investment Co., Ltd.
Highwealth Construction Corp. (Highwealth)	Ultimate controlling company of the Company
Well Rich International Co., Ltd.	Same ultimate controlling company with the Company
Bo Yuan Construction Co., Ltd. (Bo Yuan)	"
Highwealth Real Estate Co., Ltd.	"
Ju Feng Hotel Management Consultant Co., Ltd. (Ju Feng)	"
Jin Jyun Construction Co., Ltd	Subsidiary Company
Da Li Investment Co., Ltd.	Same president with the Company
○○, Wu	The second immediate family of key management personnel of the Company

(c) Significant transactions with related parties

(i) Operating Revenue

The amounts of significant sales and amount unsettled by the Company to related parties were as follows:

	<u>Revenue</u>	
	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
○○, Wu	<u>\$ 7,329</u>	<u>-</u>

There were no significant differences of the price and conditions for related parties and ordinary contract mentioned above.

(Continued)



**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

(ii) Purchase

- 1) The amounts of purchases from contract construction by the Company from related parties were as follows:

	<b>Purchase (charged)</b>	
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Parent company:		
Chyi Yuh	\$ 2,619,754	1,414,519
Subsidiary company:		
Jin Jyun Construction Co., Ltd	1,117,126	464,716
Other related parties	42,524	4,190
	<b>\$ 3,779,404</b>	<b>1,883,425</b>

There were no significant differences of the price and conditions for related parties and ordinary contract mentioned above.

- 2) The Company commissioned related parties to administer construction properties. Administration fees were as follows:

	<b>Expense paid</b>	
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Parent company – Highwealth	\$ 3,333	4,857

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

<b>Accounted items</b>	<b>Categories</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other receivables	Parent company – Highwealth	\$ 47,323	2,037
"	Other related parties	134	-
		<b>\$ 47,457</b>	<b>2,037</b>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Accounted items</u>	<u>Categories</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Accounts payable	Parent company – Chyi Yuh	\$ 531,969	348,399
"	Parent company – Highwealth	952	-
"	Subsidiary company – Jin Jyun	284,628	137,839
"	Other related parties	29,385	198
Other payables	Parent company	390	430
"	Other related parties	17,680	3,248
		<u>\$ 865,004</u>	<u>490,114</u>

(v) Guarantees

The Company provided guarantees to subsidiary company Jin Jyun Co., Ltd. As of December 31, 2019, the guarantee balance was \$200,000 thousands, the amount were zero dollars.

(vi) Leases

The leases between the Company and related parties were as follows:

1) Rent income

	<u>Guarantee deposit</u>		<u>Rent income</u>	
			<u>For the years ended December 31</u>	
	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>2020</u>	<u>2019</u>
Parent company	\$ -	-	57	57
Other related parties:				
Bo Yuan	1,140	1,240	6,964	7,086
Other related parties	-	-	41	41
	<u>\$ 1,140</u>	<u>1,240</u>	<u>7,062</u>	<u>7,184</u>

2) Rent expense

	<u>Refundable deposits</u>		<u>Rent expense</u>	
			<u>For the years ended December 31</u>	
	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>2020</u>	<u>2019</u>
Parent company	\$ -	-	4,629	4,938
Other related parties	140	140	2,119	800
	<u>\$ 140</u>	<u>140</u>	<u>6,748</u>	<u>5,738</u>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

As of December 31, 2020, The Company prepaid to parent Company were \$33 thousand for the leases mentioned above.

(vii) Others

- 1) As of December 31, 2020 and 2019, the Company's contracts with related parties for construction cooperation were as follows:

<u>Property</u>	<u>Land owner /Investor</u>	<u>Type</u>	<u>Portion</u>	<u>Refundable deposit</u>
<b><u>December 31, 2020</u></b>				
Yue Cheng (Guo Mau Project)	Parent company — Highwealth	Redistribution under cooperative construction	40%	Refundable deposit \$ 50,000
Shr Jeng Ai Yue (Huei An Section)	Parent company — Highwealth	Redistribution under cooperative construction	57%	Refundable deposit \$ 100,000 Refundable notes \$ 200,000
<b><u>December 31, 2020</u></b>				
Yue Cheng (Guo Mau Project)	Parent company — Highwealth	Redistribution under cooperative construction	40%	Refundable deposit \$ 100,000
Shr Jeng Ai Yue (Huei An Section)	Parent company — Highwealth	Redistribution under cooperative construction	57%	Refundable deposit \$ 100,000

The consumption of Yue Chen (Guo Mau Project) and the exchange of buildings for land with the Parent Company had been completed by 2020. By the end of December 31, 2020, for the asset pledged from joint construction contract, please refer to note 8.

- 2) As of December 31, 2020 and 2019, the Company received guarantee notes were as follows:

	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2019</u></b>
Parent company — Chyi Yuh	\$ 34,178	27,323
Subsidiary company — Jin Jyun	8,098	8,098
	<b><u>\$ 42,276</u></b>	<b><u>35,421</u></b>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**

**Notes to the Financial Statements**

- 2) The Company commissioned related parties to sell real estate. Related consulting fees and commission were as follows:

	<b>Expense paid</b>	
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Other related parties:	\$ 28,960	29,239
Ju Feng		
Other related parties	-	1,086
	<b>\$ 28,960</b>	<b>30,325</b>

- 3) The sales expense paid to related parties were as follows:

	<b>Expense paid</b>	
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Parent company	\$ -	204
Other related parties	21,784	3,940
	<b>\$ 21,784</b>	<b>4,144</b>

- 4) The administer services of sales properties provided by the Company to related parties were as follows:

	<b>Other income</b>	
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Parent company	\$ -	<b>2,037</b>

- (d) Key management personnel compensation

Key management personnel transaction

Key management personnel compensation comprised:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 15,772	14,560

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets at FVTPL	Bank loans	\$ -	70,550
Financial assets at FVOCI	Bank loans	602,698	472,260
Notes receivable	Bank loans and short-term notes and bills payable	60,849	-
Other financial assets – current and non-current	Real estate trust account, performance bonds, mortgage, and bonds payable	5,193,040	3,314,338
Inventories (construction)	Bank loans, short-term notes and bills payable, performance bonds and bonds payable	18,394,764	12,127,377
	Long-term loans	-	595,755
Property, plant and equipment	Long-term loans	18,587	1,379,248
Investment property	Long-term loans and short-term notes and bills payable	672,655	687,661
Non-current asset held for sale	Long-term borrowings, current portion	1,187,386	-
		<u>\$ 26,129,979</u>	<u>18,647,189</u>

As of December 31, 2020 and 2019, the book value of pledged assets providing undrawn guaranteed loan are \$1,173,710 thousand and \$1,456,336 thousand, respectively. For the year ended in December 31, 2020 the Company provided notes receivable of presale cases \$1,157,804 thousand, and for the year ended in December 31, 2019, the Company provided notes receivable of presale cases \$305,980 thousand, as collateral for the bank loans.

**(9) Commitments and contingencies:**

(a) Unrecognized contractual commitments

- (i) Amount of signed contract and received amount from contracts for construction released, for properties sold in advance and sold after completion, and for property, plant and equipment were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Amounts of signed contracts	<u>\$ 28,211,418</u>	<u>16,447,268</u>
Received amount from contracts	<u>\$ 3,308,906</u>	<u>1,593,488</u>

- (ii) As of December 31, 2020 and 2019, the refundable deposits paid, through cooperation with the land owners, amounted to \$475,000 thousand; the refundable notes submitted amounted to \$220,000 thousand and \$20,000 thousand, respectively.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**

**Notes to the Financial Statements**

(iii) As of December 31, 2020 and 2019, the contract price of administer services the Company provided to joint investors were \$14,286 thousand, the amounts received were \$11,429 thousand.

(iv) Unrecognized commitments generated by signing contracts for purchasing inventories were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Acquisition of inventory (construction)	<b>\$ 4,014,262</b>	<b>5,299,990</b>

(v) As of December 31, 2020, the Company expect to pay the rent for total \$160,276 thousand because of the unrecognized lease-back transaction. The lease term was expected to be from January, 2021 to July, 2026.

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:None**

**(12) Other:**

A summary of current-period employee benefits, depreciation, and amortization expenses, by function, is as follows:

	For the years ended December 31					
	2020			2019		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
<b>By item</b>						
Employee benefits						
Salary	2,780	67,045	69,825	4,373	83,313	87,686
Labor and health insurance	307	7,125	7,432	438	7,212	7,650
Pension	164	2,823	2,987	231	3,010	3,241
Remuneration of directors	-	3,900	3,900	-	8,880	8,880
Others	480	9,574	10,054	187	2,695	2,882
Depreciation expenses	6,227	12,134	18,361	5,622	21,458	27,080
Amortization expenses	-	1,862	1,862	22	1,461	1,483

For the year ended December 31, 2020 and 2019, the information on the number of employees and employee benefit expense of the Company is as follows:

	For the years ended December 31	
	2020	2019
Number of employees	<b>98</b>	<b>106</b>
Number of directors who were not employees	<b>4</b>	<b>5</b>
The average employee benefit	<b>\$ 961</b>	<b>1,005</b>
The average employee salary	<b>\$ 743</b>	<b>868</b>
Percentage of average employee salary expense	<b>(14.40)%</b>	
Remuneration to supervisors	<b>\$ -</b>	<b>-</b>

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

The item of the Company's salary and remuneration about directors, independent director, managers, and employees are as follows:

- (a) Independent directors
  - (i) Regardless of the Company's profit or loss, independent directors' salary and remuneration need to be paid in monthly basis (or quarterly, half yearly) and be adjusted according to the value of his/her participation in the contribution to Company's operation.
  - (ii) The independent directors cannot participate in the distribution of director's compensation and other bonus distribution.
- (b) Other directors
  - (i) The Company pays other directors' remuneration, according to the value of his/her participation in the contribution to Company's operation and refer to peer remuneration levels.
  - (ii) Other directors' remuneration is allocated at a rate specified in the Company's articles of incorporation.
  - (iii) According to the needs of the actual execution of the business, the Company has to pay for the traffic allowance.
- (c) Managerial officer
  - (i) The monthly fixed salary is determined by salary level of each rank.
  - (ii) According to the result of the operation performance assessment, the Company distributes the performance bonus.
  - (iii) Year-end bonuses will be issued based on the results of employee performance appraisal.
  - (iv) Employees' remuneration is allocated at a rate specified in the Company's articles of incorporation.
  - (v) Traffic allowance and supervisor allowance are paid in accordance to duties and standards.
- (d) Other employees:

The salary of the Company's employees is handled in accordance with the regulations of the "post ranks table" and "post salary benchmark table". The employee salary is divided into recurring and non-recurring salaries.

  - (i) Recurring salaries include basic salaries, duties allowance, construction site allowance, professional allowance, meal allowance and other allowance.
  - (ii) Non-recurring salaries include overtime pay, Dragon Boat festival bonus, Mid-Autumn Festival bonus and year-end bonus.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties:

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The company	Jin Jyun Construction Co., Ltd.	2	1,014,187	200,000	-	-	-	%	2,535,468	Y	N	N

Note 1: The relationship between the guarantee and the guarantor are as follows:

- 1) Transactions between the companies.
- 2) The Company directly or indirectly holds more than 50% voting right.
- 3) When other companies directly or indirectly hold more than 50% voting rights of the Company.
- 4) The Company directly or indirectly holds more than 90% voting right.
- 5) A company that is mutually protected under contractual requirements based on the needs of the contractor.
- 6) A company that is endorsed by all the contributing shareholders in accordance with their shareholding ratio due to joint investment relationship.
- 7) Under the Consumer Protection Act, performance guarantees for pre-sale contracts for companies in the same industry.

Note 2: The Company and subsidiaries endorsed the operation method for the total amount of guarantees and the limit for endorsement of a single enterprise:

- 1) The total amount of guarantee for external endorsement shall not exceed 50% of the net value of the Company.
- 2) The guarantee amount for a single enterprise endorsement shall not exceed 20% of the current net value of the Company.

Note 3: Reconciliated in the preparation of consolidated report.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock- Highwealth Construction Corp.	Ultimate parent company of the Company	Financial assets at fair value through other comprehensive income- current	13,145,000	602,698	1.02 %	602,698	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None



**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Hsinchu Guangwu section	March 3, 2020	1,981,707	65,000	Gau Yun Investment Co., Ltd., Chang, ○○, and other 3 people	Not related parties	-	-	-	-	Appraisal	Construction	

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal (Note 5)	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
The Company	National Trade Center-Inventory	September 2, 2020	Not applicable	Inventory sold thus not applicable	736,380 (Note 1)	All amount was received	Inventory sold thus not applicable	Trans Globe Life Insurance Inc.	Not related parties	Business purpose	Appraisal	-
The Company	Times Square-Property, plant and equipment	December 24, 2020	December 25, 2015	1,187,386	1,221,710 (Note 2)	305,428 (Note 3)	(165,479) (Note 4)	Taiwan Life Insurance Co., Ltd.	Not related parties	Business purpose	Appraisal	Will be disposed by lease-back

Note1 : Construction price \$294,552 thousand (including tax) was included.

Note2 : Construction price \$232,125 thousand (including tax) was included.

Note3 : Construction price \$58,031 thousand (including tax) was included.

Note4 : Impairment loss had been recognized and classified as other gains and losses in 2020 financial reports.

Note5 : Cost and expenditure of disposal incurred were excluded.

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chyi Yuh Constructon Co., Ltd.	Parent company of the Company	Contracting project	2,619,754	30.60%		-	-	(531,969)	(41.33)%	Note 2
The Company	Jin Jyun Construction Co., Ltd.	Subsidiary of the Company	Contracting project	1,117,126	13.05%		-	-	(284,628)	(22.11)%	Note 2
Jin Jyun Construction Co., Ltd.	Highwealth Construction Corp.	Ultimate parent company	Contracting project	(2,173,880)	(42.18)%		-	-	197,249	35.23%	Note 1
Jin Jyun Construction Co., Ltd.	The Company	Parent company	Contracting project	(1,442,394)	(27.99)%		-	-	284,628	50.84%	Note 1

Note 1: The contracted company recognizes its construction revenue through percentage of completion method, and the amount of sales included.

Note 2: The contracting company records its import price through estimates of amount of purchase through number of trials.

(Continued)

**RUN LONG CONSTRUCTION CO., LTD.**  
**Notes to the Financial Statements**

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Jin Jyun Construction Co., Ltd.	Highwealth Construction Corp.	Ultimate parent company	197,249	7.19	-	-	183,014	-
Jin Jyun Construction Co., Ltd.	The Company	Parent company	284,628	6.83	-	-	284,628	-

(ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(Amount in Thousands of New Taiwan Dollars, Unless specified Otherwise)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value			
Run Long Construction Co., Ltd.	Stock- Jin Jyun Construction Co., Ltd.	Taiwan	Construction, housing and building development rental services etc.	518,300	518,300	50,000,000	100.00 %	619,822	143,791	73,387	

(c) Information on investment in mainland China: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Ching Shr Ban Investment Co., Ltd.		36,277,228	9.80 %
Ruen Ying Investment Co., Ltd.		23,695,614	6.40 %
Wan Sheng Fa Investment Co., Ltd.		21,413,487	5.78 %
Highwealth Construction Corp.		21,153,600	5.71 %
Guang Yang Investment Co., Ltd.		20,792,415	5.62 %
Shing R Sheng Investment Co., Ltd.		20,604,301	5.56 %
Feng Rau Investment Co., Ltd.		20,038,050	5.41 %
Chyi Yuh Construction Co., Ltd.		18,572,400	5.01 %

**(14) Segment information:**

Please refer to the consolidated financial statements.

RUN LONG CONSTRUCTION CO., LTD.



潤隆建設股份有限公司

Chairperson: Tsai, Chung-Ping

