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Dream City, Taichung



**Highwealth Construction
Corporation**

**2019
Annual Report**

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KPMG

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I Letter to the Shareholders

Hello, ladies and gentlemen,

On behalf of all my colleagues in Highwealth Construction Corporation, I would like to thank all shareholders again for your support and care over the past year!

2019 marks the 50th anniversary of the first humans landing on the Moon. Humans have always gazed into the vast sky and dreamed about being astronauts in the cosmos. However, the ecology system of the Earth, we relied on, is suffering from extreme climate and our environmental health has been challenged. 2019 also celebrates 30th anniversary of the fall of the Berlin Wall. On the other hand, Europe is facing new split. Brexit is like a sitcom hard to expect its scenario. In addition, the sustained US-China trade war shocked the world came along with Hong Kong Anti-Extradition Movement, affecting the sensitive nerve of the money investment in the Mainland, Taiwan and Hong Kong; in Taiwan, in respond to the trend of Global Anti-Tax Avoidance CRS, the Legislative Yuan proposed “Special Act Promoting Foreign Fund Investment in Taiwan”. Hence, the willingness for return of funds from Taiwanese business increased. According to the data issued by the Directorate General of Budget, Accounting and Statistics, the exceeding deposit around Taiwan has make a breakthrough of 200 billion NT dollars for consecutive five years. As a result, it shows that the current funds in the market is abundant. The real estate will become purchase-money target.

In 2020, US-China conflict, deceleration of China’s economic and risk distribution awareness raised by coronavirus have accelerated the removal of foreign funds from China, people and funds from Taiwanese businessman return to Taiwan. After the epidemic had passed, housing market in Taiwan will welcome the “golden five to ten years”. This is an opportunity for Taiwan. In addition to an increase of domestic fund investments, the huge demands of buying rather than renting in the housing market make the investment core of the corporate group in Taiwan for the next 5 to 10 years. Taiwan has gone through 2 to 3 years of first-purchase markets. The presidential election this year had given us a direction, that is, there are 4,700,000 people aged in the range of 20~34 in Taiwan, where the first-time voters group of 20~24 years old is up to 1,180,000 people. Assume that people were to form a family of two, there would be nearly 600,000 household with first purchase demands in the next 3 to 4 years. For Highwealth, our annual number of property settlement is around 3,000 to 4,000 properties. This is a potential opportunity for future housing market.

In 2019, Highwealth and the subsidiaries, in such a situation, the Company achieved the revenue of 23.8 billion NT dollars and maintained its leading position in the industry, which sufficiently showed that Highwealth Construction had always adhered to the stable, self-disciplined and professional philosophy, and could flexibly adjust its business strategy to meet the market demand and maintain a stable number of promoted cases in spite of the fast-changing environment with many uncertainties. Through multiple marketing channels and flexible housing purchase schemes, Highwealth had gained recognition in the market, of

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which the overall performance was stable and remarkable. The capital stock of Highwealth has reached 11.6 billion NT dollars. Our corporate management required transformation, crossing from the original simple role as a construction company to development of land property. The Company shall also place its business focus on long-term and stable income. According to the current plans, in addition to the original housing cases, we also operate commercial real estate, such as commercial office building, hotels and even engage in community department stores. Recently, the Company obtained lands in the city center, which are expected for office buildings and luxurious hotels.

For the year 2020, we will continue to actively promote the land-purchasing cases in the north, central and south; if successful, the eye-catching new cases will include the North District Banqiao “Dahe” and Taoyuan Qingxi Section “New Forest Life” cases; for Taichung City, it will include Seventh Redeveloped Zone Taiwan Boulevard “Government Love”, top commercial office building “TOP 1”, Xitun District Huian Section; for Tainan City, it will include Anping District “Aegean Sea”; for Kaohsiung City, it will include Sanmin District Xin Du Section, Zuoying District Fushan Section, the Qianjin District Boxiao Section and Gushan District Qinghai Section. Meanwhile, the Company continues to pay attention to all kinds of changes to national economy, business environment changes related to livelihood wealth. This year, the number of promoted cases is expected to maintain steady growth, of course, we will also work harder to return the support and affirmation of shareholders.

Next, I would like to report to shareholders Highwealth’s good performances of recognized consolidated revenue, 23.8 billion NT dollars, in 2019, where the construction cases of recognized revenue include: Xinzhuang JieShiBao, Shuanghu Hui, Shuangmei Pavilion, Taipei CBD Times Square, Yuanshan No. 1 Courtyard, Taipei No.1 Courtyard, Haiyang Duxin, Mangrove Manor, Highwealth Manor, A+ in front of Chungpu Station, Chubei Giants, Water Park Case and disposal of Xinzhuang FuDoXin Land, etc. Construction cases of Taichung recognized revenue include Taichung Heng Yong, Shuhe Courtyard, Zhen Ai, and the Taichung National No.1 Courtyard, etc. In the south, recognized revenue cases include Huaren Hui, Minsheng Xiangxie, Bo Yue, Da Yue, and King’s No.1 Courtyard. Coupled with the revenue contributions from the Qiyu Construction Project - Group subsidiary, Taipei Chungshan Kaiyan, and Hanlin Town from Boyuan Construction, and the construction cases from Runlong Construction: Jingxin Wenhui, Taichung NTC State Commercial and Trade Center, Taichung Di Bao, Runlong, these figures enabled us to create an after-tax profit of 2.66 NT dollars per share in the year of 2019!

2020 will be the starting year for Highwealth to change and innovate. In addition to the recognizable performance of the continuing sales of existing houses, including sales cases of consolidated subsidiaries, there are new cases planned to be promoted in response to market demand in northern, central, and southern Taiwan. We will have 10 billion case entering the market. In the next four years, we expect to have completion of new housing expected to exceed 170 billion NT dollars. We will continue to maintain the leading position in the industry, store lands and anticipate the corporate group can have good results in the promoting

cases at all areas.

Managing assets is our best skill. Facing competitiveness from the same industry, we think of how to grow by doubling the income in the future. Our main focus will still be placed in construction industry where an important key is to get hold of consumers' demands. The Company has many promoting cases all over Taiwan. In respond to serious problem of lacking labors, we have acted out a year and a half ago. In addition to BIM Architectural Information Center, which has been promoted for 10 years, and the precast method, we will add in the R&D of aluminum mold in the future to enhance efficiency and environmental-friendly quality. Though the costs will also be enhanced, however, the new technology can be demonstrated and implemented in our sites at northern, central and southern Taiwan, which is helpful for engineering quality and the comprehensive enhancement of construction technology.

Real estate is the locomotive industry for economic growth. As the leading brand in Taiwan, we continue to invest more to build Taiwan and provide local job opportunities. The number of employees in the Group has increased eight times from 165 when it went public in 2000 to 1,288 so far. At the same time, with the expansion of the Group's new business, more partners will join us in the future to work together for Taiwan's economic growth!

Looking forward to the future, Highwealth Group will adhere to the "integrity principle" and "sustainable management" concept, continue to pay attention to the real estate market demand and economic environment changes, adhere to product refinement and high-quality service, and adhere to safety, active development, sound finance and other aspects, to create the greatest benefits and value for customers, shareholders, employees and Taiwan society.

Finally, I would like to thank all gentlemen and ladies who are here today for your continued support and care.

Thank you!

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I. Operating Condition of 2019

(I) Business results

The Company's net consolidated revenue of 2019 was 23,798,201,000 NT dollars, representing a decrease of 20,406,770,000 NT dollars compared with 44,204,971,000 NT dollars of 2018.

The Company's consolidated net profit before tax of 2019 was 3,951,772,000 NT dollars, representing a decrease of 5,499,100,000 NT dollars compared with 9,450,872,000 NT dollars of 2018.

Mainly due to the previous transformation in real estate market, turning into small-size and low-price products with self-lived and rigid demands. As a result, the total amount of the closed cases of the current period has decreased. Also, the operating profits have also decreased compared with the previous period. Therefore, the net operating profit has decreased compared with the previous period.

(II) Budget implementation status

In accordance with the public standards for information processing of the Company's public financial forecasting, there's no need for the Company to prepare financial forecasting of 2019.

(III) Financial revenue and expenditure status

The consolidated financial revenue and expenditure status of the Company and subsidiaries for the last two years is summarized as follows:

Unit: 1,000 NT dollars

Items	Year 2019	Year 2018
Net operating profit	3,505,992	9,503,362
Non-operating income and expense	445,780	(52,490)
Pre-tax net profit	3,951,772	9,450,872
Net profit for the current period	3,489,017	8,738,331
Total comprehensive income for the current period	3,511,020	8,785,858

(IV) Profitability Capacity Analysis

The consolidated profitability analysis of the Company and subsidiaries for the last two years is summarized as follows:

Items	Year 2019	Year 2018
Return on Assets (%)	3.02	7.40
Return on Equity (%)	9.36	23.49
Pre-tax net profit to paid-in capital ratio (%)	33.87	81.01
Net Profit Ratio (%)	14.66	19.77
Earnings per share (NT dollar)	2.66	6.01

(V) Research and development status

1. In terms of construction planning and design: the most appropriate products shall be planned to meet the needs of consumers taking count of the three major principles of practicality, firmness and aesthetics in accordance with the

- characteristics of the promoted cases position and surrounding environment.
2. In terms of construction project and management: develop the most suitable construction technology and project management for different types of construction sites, strictly control the construction quality, cost and progress, and ensure the safety of the construction site.
 3. In terms of market research and development: master the real estate market information, collect the land and housing market data of various districts, conduct regular discussions and analysis, provide the basis for product positioning and marketing strategy, and take creating high sales rate as the purpose.

II. Prospects of 2020

Highwealth Group will continue to purchase land in Keelung, Taipei, Hsinpei, Taoyuan, Hsinchu, Taichung, Tainan, and Kaohsiung districts in 2020, and set foot in restaurants, shopping malls, hotels, and other new businesses. We will continue to strive to achieve new record through diversification operating method.

The objectives for the coming years are declared as follows:

(I) Operating Policy

1. In terms of development: expand product development to professionalism, diversify operating risks, ensure project quality, effectively control project progress, and plan vertical integration of upstream, midstream and downstream dealers, such as water electricity industry, building material industry, decoration industry, and housing intermediary companies with diversified operating strategies to reduce operating costs, to ensure profitability capacity, and provide consumers with more comprehensive services.
2. In terms of exploitation: Train professionals and establish project teams, strengthen inter-industry strategic alliances, and establish national land information systems, so as to enable the Company to obtain reliable and useful information for the land acquisition and development plans, as well as actively develop urban renewal plan cases.
3. In terms of planning: collect the characteristics of the design and planning of real estate buildings in various countries extensively, attach importance to the fire prevention labels, green buildings, building materials labels, intelligent building labels and earthquake-resistant building labels in public areas, and add the concepts of energy conservation, water conservation, ecology and environmental protection to encourage the improvement of building quality. Depending on the market demand differences and regional differences, plan and design exquisite and humanized high-quality products, and provide perfect after-sales service to establish a good brand image and reputation of the Company, so as to further enhance customer trust in the Company.
4. In terms of management system: in order to cope with the increasing business scale, strengthen the internal control, budget management and corporate governance, and make efforts to computerize various operations, so that the management process can be smooth, the internal control system can be perfected, and the Company can still improve its work and operating efficiency under the circumstance of performance growth.
5. In terms of finance: enhance the financial operating capability, maintain the appropriate ratio of equity capital, and raise the required long-term and short-term fund through the capital and money markets to enhance the competitiveness in the

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face of changes in market interest rate.

6. In terms of resources: continuously strengthen human resources training programs, train professionals and attract investment of talented people to enhance the competitiveness of the Company, in order to provide service of higher level.

(II) Important production and marketing policies

1. Production policies:

- (1) Based on the solid professional foundation of land development, fully grasp the information of land sources, closely screen, actively participate in urban renewal land development and joint development of MRT stations, and actively expand and reserve land resources of high-quality lots.
- (2) Give full play to the functions of design material selection and construction management to achieve the objectives of product refinement, cost control, shortening construction period, and residential safety, and ensure the realization of the rate of return on investment.
- (3) In respond to lack of labors in the current status, the Company will continue to develop BIM Architectural Information Center, precast method, aluminum mold, enhance engineering techniques, quality, efficiency and environmental friendly and promote renovation to construction technology in Taiwan comprehensively.

2. Sales strategies:

- (1) Conduct analysis of market demand and work well in product positioning.
- (2) Establish enterprise brand identification and “customer-oriented” service orientation.
- (3) Adopt the most appropriate construction method to work well in quality control and cost control.
- (4) Sales conception of zero-residue house.
- (5) Establish diversified marketing channels and apply big data technology.
- (6) Strengthen the discussion of relevant laws and decrease the possibility of house purchase disputes.

(III) The expected sales and its basis

1. Intensively concentrate on the industry: for the Company’s existing building cases, effectively integrate the resources of all parties, strengthen the research and development of building materials, implement the policy of good quality, simplified cost and high speed to create the highest benefit of each case.
2. Sustainable development: In the future, continuously search for development plans with special niches at home and abroad and make use of the Company’s established management team and intelligence to continuously enhance the unique product value competitiveness of the Company.
3. Development of a second core industry: make use of existing commercial immovable property of construction cases to develop a fixed-income business entity to support the stable dividend policy.

(IV) Influences of external competitive environment, regulatory environment and the overall business environment

1. External competition: the real estate market in 2019 continues to recover. The number of annual transferred buildings has been grown for 4 years consecutively, reaching over 300 thousand this year. The transaction volume in the real estate market has also continued to rise up. It is expected that self-lived products will

remain as the main player in the market; and on the other hand, commercial real estate has shown great results with annual transaction volume reaching 96.4 NT dollars billion and exceeding the 10-year average line of 92.6 billion NT dollars; as for the land transaction, it has reached the new threshold of 300 billion NT dollars, which made an unprecedented record in the land transaction market in Taiwan. Among them, the public sector contributed the most with an annual bid of 110.1 billion NT dollars, reflecting the confidence and ambition of developers in the housing market in general. At present, most of the same trade mainly caters to the owner-occupied rigid demand for small square and low total price products, the turnover is growing slowly compared with the previous years, and the commercial office will become the focus of attention in the future market. Only by strengthening the brand, innovating the products, and simultaneously raising the value demand and flexible precision marketing, we can continue to lead the market and win the largest market share.

2. Regulatory environment: the regulatory environment widely includes Construction Regulations, taxes and government policies, such as integration system for dividend taxation, house tax, land increment tax, financial and fiscal policy, transportation and housing policy, land policy, urban renewal plan, green building promotion and improvement of the transparency of transaction information, proposal of third-party certificate responsibility, and many other regulation changes. The Company will focus more on the study of regulations to ensure the rights and interests of all shareholders.
3. Overall business environment: starting from the first quarter of 2019, the global economic layout was influenced by the coronavirus, the economic outlook has become conservative. However, looking at the fundamental aspect, low capital cost attracts enterprises to make investments in Taiwan. Also, the returning of Taiwanese businessman has increased investments and driven economic and employment opportunities, enhancement in income, increasing internal demands of first purchase (4,700 thousand people under the age of 34), rising construction costs (wages, construction materials), global trend of negative interest on excess reserves, etc. As a result, this shows that the construction industry has a strong development momentum in the future. In conclusion, the Company is optimistic about the future of the housing market. For house buyers, this year will be a good time to conduct owner-occupation and investment in the property market. In particular, the profits of commercial office investment are stable, which is worth grasping.

In the end, I, only on behalf of the Company, would like to show my thanks to ladies and gentlemen for your encouragement and support, and wish you

All the best and family peace

Chairman: Zheng Zhilong



Manager: Fan Huajun Accountant



Officer: Li Xiutai



II Company Profile

1. Date of establishment: January 23, 1980

2. Company History

The company was established on January 23, 1980, formerly known as Yufu Construction Co., Ltd., and commissioned the construction of commercial buildings and national residential rental sales as the main business, with a paid-up capital of NT\$40 million. In May of 1989, the company merged with Hongju Construction Co., Ltd. and changed its name to Hongju Construction Co., Ltd., and merged with Highwealth Construction Co., Ltd. in the 89th shareholders' meeting in 2000, and Hongju is a surviving company. And on May 6, 2003, the Ministry of Economic Affairs formally approved the official name change to " Highwealth Construction Co., Ltd." Since its establishment, the company has been striving to promote the building case. The majority of the cases have concentrated in the best districts of Greater Taipei, Taichung and Kaohsiung Cities. They have maintained a high-quality service spirit, met the needs of social housing, and pursued reasonable profits in order to achieve stable growth. Major events of the company in recent years are as follows:

YEAR	MAJOR EVENTS
2006	<p>(1) Driven by the theme of “cross-strait, three-links”, Taiwan’s real estate sales market continued a hot selling. Especially under the warming of the "Zhongke effect", the company is optimistic about the real estate market and office building rental market in Taichung, and is more active on Zhonggang Road of the city. And the seven-phase re-zoning area launched nearly NT\$8 billion sales cases, and successively set a bright sales performance, and did not hesitate to increase the construction cost to introduce the "shock-proof system" technology to reduce the damage of the main structure of the earthquake and improve the safety of home buyers and residential quality.</p> <p>(2) On May 26, the Financial Supervisory Commission of the Executive Yuan (the Cabinet) approved the surplus and capital reserve to increase capital by NT\$5,728.3 million. On June 13, the Committee approved the issuance of the second domestic guaranteed conversion corporate bond of NT\$1 billion. After the conversion of capital increase and corporate bonds were converted into ordinary shares, the amount of paid-in capital was increased to NT\$3,863.25million.</p>
2007	<p>On July 10, the Financial Supervisory Commission of the Executive Yuan approved the surplus and capital reserve to increase capital by NT\$1,622.67 million. After the transfer of capital and corporate bonds were converted into ordinary shares, the paid-in capital increased to NT\$5,530.4 million.</p>

YEAR	MAJOR EVENTS
2008	<ol style="list-style-type: none">(1) On July 9, the Financial Supervisory Commission of the Executive Yuan approved the surplus and capital reserve to increase capital by NT\$346.29 million. After the transfer of capital and corporate bonds were converted into ordinary shares, the paid-in capital increased to NT\$5,894.32 million.(2) In July and September, the second implementation of the treasury shares was expected to be transferred to employees, and a total of 21,462 thousand shares were bought back.(3) In line with the Taipei City Urban Renewal Policy, the company's Jintai section of Dazhi Land Readjustment District will participate in the "Taipei Good Look" program to apply for floor area rewards.
2009	<ol style="list-style-type: none">(1) On April 16th, the Financial Supervisory Commission of the Executive Yuan approved the issuance of the fourth domestic guaranteed convertible corporate bond of NT\$1,000 million.(2) On June 26, the Financial Supervisory Commission of the Executive Yuan approved the surplus and capital reserve to increase capital by NT\$29,912 million. After the transfer of capital and corporate bonds were converted into ordinary shares, the paid-up capital increased to NT\$6,697.23 million.(3) Driven by the bullish policies such as the continued appreciation of the New Taiwan dollar and the improvement of cross-strait interactive relations, especially after the financial tsunami, the confidence of the real estate sales market has risen from the bottom, and the upgrade effect of Taipei County, sales of the "Xinzhuang NO.1, NO.2" consecutive two-phase cases were nearly completed in a short period for an amount of nearly NT\$3 billion. The company is optimistic about the real estate market in Xinzhuang's secondary city center, and is more active in buying land to win the title of "king of land acquisition" in 2009.
2010	<ol style="list-style-type: none">(1) After the company bonds were converted into ordinary shares, the amount of paid-up capital approved by the Ministry of Economic Affairs increased to NT\$7,068.71 million.(2) In 2010, the operating revenue reached NT\$27.5 billion, achieving the profitability of earning a share capital. The after-tax earnings per share reached a record high of NT\$10.43.
2011	After three years of the implementation to purchase back treasury shares in 2008, the board of directors resolved, in its meeting held on December 13, to cancel the treasury shares totaling 21,462,000 shares. And after the company bonds were converted into ordinary shares, the Ministry of Economic Affairs approved the change of registered paid-in capital of NT\$7,280.17 million.

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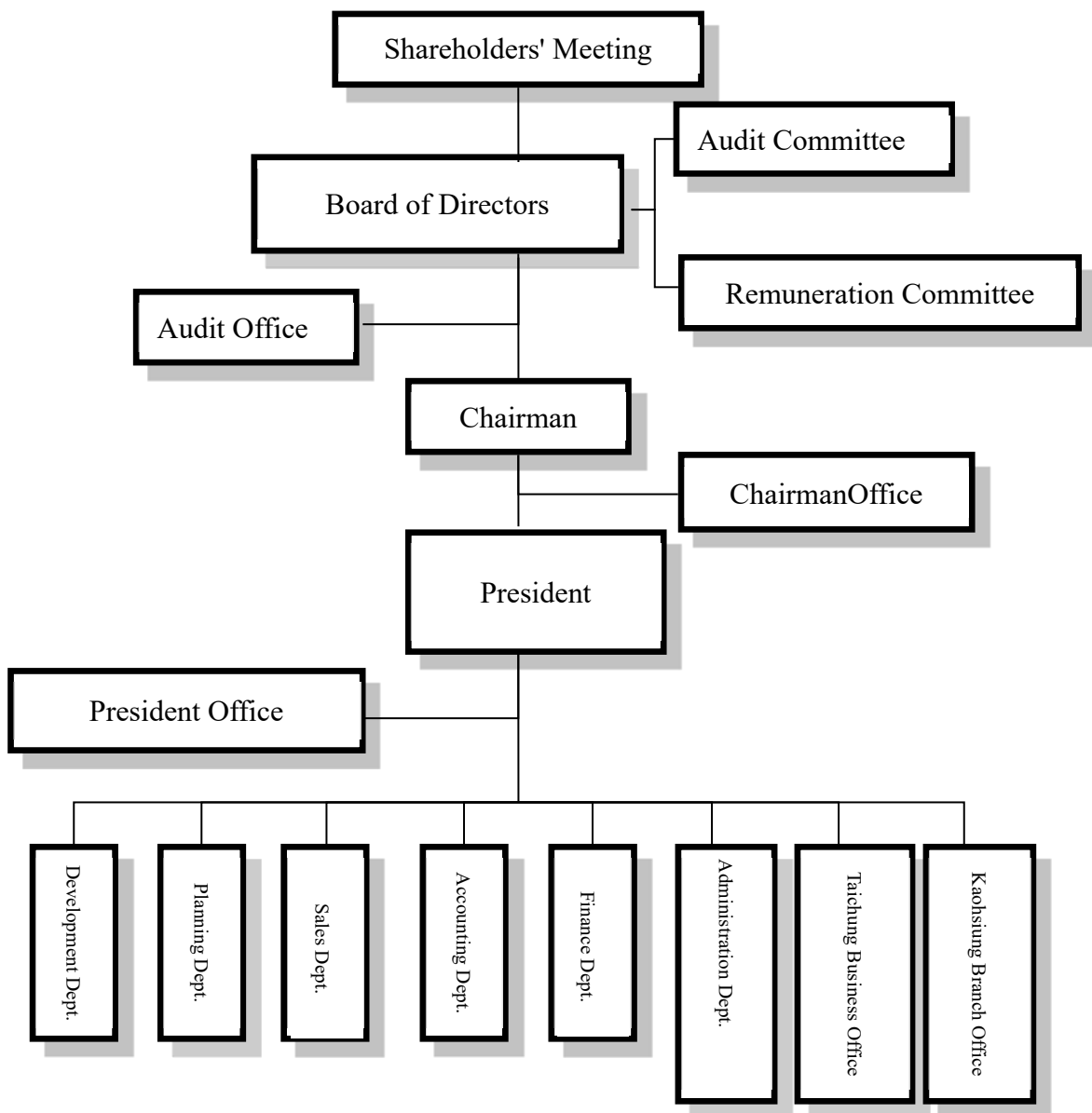
YEAR	MAJOR EVENTS
2012	In order to reduce idle funds and increase the return on shareholders' equity, the shareholders' regular meeting resolution on June 12 passed the cash reduction of NT\$1,496.00 million. After the capital reduction, the paid-in capital of the company was NT\$ 5,982.70 million.
2013	In 2013, the consolidated operating revenue reached NT\$28.31 billion, and the post-tax earnings per share reached NT\$10.85, rewriting a new high.
2014	(1) On August 5, the company was approved by the Financial Supervisory Commission to handle the transfer of surplus shares to new shares issued by NT\$2,991.35 million. After the capital increase, the paid-in capital of the company was NT\$8,974.05 million. (2) The consolidated operating income for 2014 reached NT\$37.5 billion, and the after-tax earnings per share reached NT\$11.44, rewriting a record high.
2015	(1) On September 3, the Financial Supervisory Commission issued the letter No. 1040036020 to approve the transfer of surplus shares to the newly issued shares of NT\$2,692.11 million. After the capital increase, the paid-in capital of the company was NT\$11,666.27 million. (2) The consolidated operating revenue for 2015 reached NT\$34.6 billion. After the capital increase, the after-tax earnings per share reached NT\$7.06, and the operating revenue was the second highest in history.
2016	The consolidated operating revenue in 2016 reached NT\$35.1 billion, the second highest in history.
2017	On May 22, the Financial Supervisory Commission of the Executive Yuan approved the issuance of fifth domestic guaranteed conversion corporate bonds worth NT\$10,020.00 million.
2018	In 2018, the consolidated operating revenue reached NT\$44.2 billion, a historical high.
2019	Kaohsiung “Joy Plaza”, the bazaar under Healthware, has officially open on July 3 ^r .

III Corporate Governance Report

1. Company Organization

(1) Organization System

i. Organizational Structure



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ii. Work Description of Major Departments

Department Name	Work Description
President Office	<ol style="list-style-type: none"> 1. Company-wide regulation and integration planning, and integrated planning. 2. The vertical and horizontal integration of the company's various departments. 3. Propaganda of corporate culture and decision-makers' management philosophy, and spiritual incentives for all colleagues. 4. The company's business visions, goals, and guidelines. 5. The integration of the company's operation and management system, the establishment of the company's rules and regulations and assistance in the formulation. 6. Analyses of the investment value and feasibility of the new business.
Audit Office	<ol style="list-style-type: none"> 1. Specification, integration, implementation and review of internal control operations. 2. Auditing execution and report preparation, and tracking improvement after imperfect period. 3. Assisting the supervision of various departments to carry out internal control self-evaluation, internal control, internal knowledge and education. 4. Submitting audit reports and explanations to the Board of Directors and the Audit Committee on a periodical period.
Administration Department	<ol style="list-style-type: none"> 1. According to work objectives and guidelines of the company, plan individual business of each department to reach the company's mission requirements. 2. Coordination of various computerization schedules and effects, recommendations and signing of various operation plans. 3. Planning, design, management and security maintenance of soft and hardware equipment. 4. Compile the contents of the agreements, litigation documents and correspondence. 5. Contract document review, collection of laws and regulations, research on legal issues, collection of data, and filing. 6. Responsible for manpower needs, personnel recruitment, salary, assessment, welfare and education and training. 7. Responsible for the management of general affairs and service supplies.

Department Name	Work Description
Sales Department	<ol style="list-style-type: none"> 1. Agency sales appraisal, marketing research, reporting, sales target setting, promotion, price adjustment proposal and execution of comprehensive sales contract signing, period payment, bank loan insurance, appropriation, house transfer, property rights transfer, etc. 2. Preparation of pre-case operations and sales and advertising strategies. 3. Crisis prevention and response to related business handling of customer complaints, and the management committee holds an inaugural meeting to assist clients in handling loans.
Planning Department	Comprehensive case building design, license application, project budget summary preparation, project check, management and acceptance of sampling and inspection of construction materials, collection of relevant new material data specifications, research and evaluation.
Development Department	<ol style="list-style-type: none"> 1. Land development strategy recommendations and investment analysis and research, and environmental information collection. 2. Comprehensive management of land purchase, joint venture land case signing, payment, transfer, tax payment and other matters.
Accounting Department	Handle various accounting, and tax report operations.
Finance Department	Receiving and paying cashiers, fund scheduling operations, financial analysis, annual budgeting and share-related operations, and financing of contacts and visits.
Kaohsiung Branch Office	South Taiwan's development and sales of business processing and accounting, capital scheduling operations.
Taichung Business Office	Development, sales, and other business processing in central Taiwan.

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

(1) Information of Directors and Supervisors

April 12, 2020 Unit: share: %

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 Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
							Legal Person Chairman	Republic of China	Lishuo Investment Co., Ltd <small>Note 1</small>	N. A.	June 13, 2017	3 years	June 10, 2005	54,244,429			4.65%	29,244,429	2.51%	
Legal Person Chairman Representative <small>Note 1</small>	Republic of China	Zheng Zhilong	Male	June 13, 2017	N.A.	N.A.	0	0%	0	0%	2,203	0%	625,354	0.05%	Department of Interior Design, China University of Technology Highwealth Advertising	Chairman of the compan	No	No	No	No
Legal Person Director Representative <small>note 1</small>	Republic of China	Fan Huajun	Male	June 13, 2017	N.A.	N.A.	14,202	0%	202	0%	780	0%	0	0%	Electrical Engineering Dept. Kun Shan University Sales Executive Highwealth Advertising	President of the company	No	No	No	No
Director	Republic of China	Zheng Qintian	Male	June 13, 2017	3 years	Feb 23, 2000	26,611,304	2.28%	26,611,304	2.28%	8,151,512	0.70%	0	0%	Civil Engineering Division, Cheng Shiu University Director, Highwealth Construction	Group CEO	Director	Zheng Xiuhui	Couple	No
Director	Republic of China	Zheng Xiuhui	Female	June 13, 2017	3 years	Feb. 23, 2000	8,151,512 ^{note 2}	0.70%	8,151,512	0.70%	26,611,304	2.28%	25,612,992	2.20%	Civil Engineering Division, National Kaohsiung University of Science and Technology Vice President, Highwealth Construction Corp	The company's special assistant & Chairman of Xing Ri-sheng Investment Co., Ltd. Chairman of Runying Investment Co., Ltd. Chairman of Feng- Rao Investment Co., Ltd.	Director	Zheng Qintian	Couple	No

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 Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Republic of China	Hong Xiyao	Male	June 13, 2017	3 years	June 13, 2017	0	0%	0	0%	0	0%	0	0%	Honorary Business PhD, Barrington University Chairman, Taiyn Biotech Co., Ltd	No	No	No	No	No
Independent Director	Republic of China	Li Wencheng	Male	June 13, 2017	3 years	June 13, 2017	0	0%	0	0%	0	0%	0	0%	Central Police University Division-Chief Judge, Taiwan High Court	Independent Director, Run Long Construction Co., Ltd.	No	No	No	No
Independent Director	Republic of China	Yan Yunqi	Male	June 13, 2017	3 years	June 13, 2017	0	0%	0	0%	0	0%	0	0%	Public Health Division, China University of Technology	Chairman Tungyue Advertising Co., Ltd. Independent Director Run Long Construction Co., Ltd	No	No	No	No

Note: 1. Lishuo Investment Co., Ltd representative: Fan Huajun, Zheng Zhilong

2. The number of shares includes “reservation of the number of trust shares.”

3. The number of shares held above is based on the number of shares registered on the transfer date of shareholders on April 12, 2020; the total number of shares actually issued is 1,166,628,752 shares.



i. Director or supervisor is a substantial shareholder of the legal person shareholder

Name of Legal Person Shareholder	Major shareholders of legal person shareholder
Lishuo Investment Co., Ltd	Highwealth Construction Corporation(19%),XieShuying(18%),Zheng Shulan(14%),Zheng Junmin(11%),Zheng Qiaowen(12%),Zheng Junfang(14.53%),Xing Ri-sheng Investment Co., Ltd. (8%),Wan Shengfa Investment Co., Ltd (3.47%)

ii. The principal shareholder of legal person shareholder is legal person and its major shareholders

Legal Person Name	Legal Person's Major shareholders
Highwealth Construction Corporation	Xing Ri-sheng Investment Co., Ltd.(7.66%),Era Winner Investment Co., Ltd (6.15%),Wu Chaohong(4.75%),Da-Li Investment Co., Ltd (4.55%),Wan Shengfa Investment Co., Ltd (3.64%),Qingshiban Investment Co., Ltd.(3.18%),Lishuo Investment Co., Ltd(2.51%),Zheng Qintian(2.28%),Runying Investment Co., Ltd. (2.20%),Chang Gung Medical Foundation(2.06%)
Wan Shengfa Investment Co., Ltd	Zheng Shulan(80%),Cai Congbin(8.33%),Zheng Yousheng(5.6%),Era Winner Investment Co., Ltd(2.73%),Xing Ri-sheng Investment Co., Ltd.(3.34%)
Xing Ri-sheng Investment Co., Ltd.	Zheng Xiuhui(60.3%),Zheng Zhilong(20%),Zheng Junfang(9.1%),Xing Ri-sheng Investment Co., Ltd.(9.7%),Qingshiban Investment Co., Ltd.(0.9%)

iii. The professional knowledge and independence of the director or supervisor,
and in accordance with the following:

April 12, 2020

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 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				
Director : Zheng Qintian	—	—	✓	—	—	—	—	—	—	—	—	—	—	—	—	—	—	No
Director : Zheng Xiuhui	—	—	✓	—	—	—	—	—	—	—	—	—	—	—	—	—	—	No
Director : Lishuo Investment Co., Ltd Representative : Zheng Zhilong	—	—	✓	—	—	—	—	—	—	—	—	—	—	—	—	—	—	No
Director : Lishuo Investment Co., Ltd Representative : Fan Huajun	—	—	✓	—	—	—	—	—	—	—	—	—	—	—	—	—	—	No
Independent Director : Hong Xiyao	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	No
Independent Director : Li Wencheng	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director : Yan Yunqi	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

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

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not applicable in cases where the person is an independent director of the company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

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

April 12, 2020 Unit: Share; %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Currently holding the position of other companies	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	Republic of China	Fan Huajun	Male	Jun. 2014	202	0	780	0	0	0	Electronical Engineering Division, Kun Shan University Sales of Highwealth Advertising	Director of Qiyu Construction Co., Ltd	No	No	No	No
Development Dept. Vice President	Republic of China	Liao Zhaoxiong	Male	Jun. 2006	157,276	0.01	78,000	0.01	0	0	Land Economics Dept., National Chung Hsing University Sales Assistant Manager, Hongju Construction	No	No	No	No	No
Kaohsiung Branch Vice President	Republic of China	Cao Yuanbo	Male	Mar. 2011	0	0	0	0	0	0	Specialized class Section 43, ROC Military Academy Vice President, Gia Shilin Construction Co., Ltd	No	No	No	No	No
Finance Dept. Vice President	Republic of China	Wang Suyue	Female	Mar. 2005	335,241	0.03	0	0	0	0	Accounting Dept., Tunghai University Audit Supervisor, Ho Wang Construction Co., Ltd	No	No	No	No	No
Planning Dept. Associate Manager	Republic of China	Song Guozong	Male	Oct. 2003	36,223	0	0	0	0	0	Civil Engineering Division, Nanya Institute of Technology Shi Bangxing Architects	No	No	No	No	No
Sales Dept. Associate Manager	Republic of China	Chen Qiuwei	Male	Dec. 2009	31,605	0	0	0	0	0	Mechanical Engineering Dept., Feng Chia University Yuan Fu Advertising Co., Ltd	No	No	No	No	No

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Currently holding the position of other companies	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Accounting Dept. Associate Manager	Republic of China	Li Xiutai	Female	Apr. 2018	0	0	0	0	0	0	Accounting Dept., Soochow University Senior Associate Manager, KPMG Taiwan	No	No	No	No	No
Kaohsiung Branch Finance Dept. Manager	Republic of China	Chen Qiulan	Female	Mar. 2005	35,437	0	0	0	0	0	Taitung Senior Commercial Vocational School Associate Manager, Financial Dept., Hon-yuang Construction Co., Ltd.	No	No	No	No	No
Supervisor of Corporate Governance	Republic of China	Lin Wenlong	Male	Aug. 2019	0	0	0	0	0	0	Department of Business Administration, National Taichung University of Science and Technology. Vice President of Taiwan Cooperative Bank. Chairman of Taiwan Cooperative Securities.	No	No	No	No	No

Note: The number of shares held above is based on the number of shares registered on the transfer date of shareholders on April 12, 2020; the total number of shares actually issued is 1,166,628,752 shares.



3. Remuneration of Directors, Supervisors, President, and Vice Presidents in latest year

(1) Remuneration of Directors and Independent Directors

Dec. 31, 2019 Unit: NT\$ Thousand

Title	Name	Remuneration								Ratio of Total Remuneration(A+B+C+D) to Net Income (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation(A+B+C+D+E+F+G) to Net Income (%) (Note10)		Compensation Paid from an Invested Company Other than the company's Subsidiary or parent company (Note11)	
		Base Compensation (A)(Note2)		Severance Pay (B)		Directors Compensation (C)(Note3)		Allowances (D) (Note4)				Salary, Bonuses, and Allowances (E) (Note5)		Severance Pay (F)		Employee Compensation (G) (Note6)							
		The company	Companies in the consolidated financial statements (Note7)	The company	Companies in the consolidated financial statements (Note7)	The company	Companies in the consolidated financial statements (Note7)	The company	Companies in the consolidated financial statements (Note7)	The company	Companies in the consolidated financial statements (Note7)	The company	Companies in the consolidated financial statements (Note7)	The company		Companies in the consolidated financial statements (Note7)		The company	Companies in the consolidated financial statements (Note7)				
		Cash Amount	Stock Amount	Cash Amount	Stock Amount																		
Director	Director	Zheng Qintian																					
	Director	Zheng Xiuhui																					
	Chairman	Lishuo Investment Co., Ltd Representative: Zheng Zhilong	4,783	4,783	0	0	8,400	8,400	0	0	0.44%	0.44%	12,361	12,961	0	0	10,700	0	10,700	0	1.20%	1.22%	0
	Currently Director & President	Lishuo Investment Co., Ltd Representative : Fan Huajun																					
Independent Director	Independent Director	Hong Xiyao																					
	Independent Director	Li Wencheng	3,600	5,580	0	0	0	0	0	0	0.12%	0.18%	0	0	0	0	0	0	0	0	0.12%	0.18%	0
	Independent Director	Yan Yunqi																					

1. Please describe the policy, system, standard and construction 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 impact on the Board of Directors and the operation of the company and maintain independence, the company has to pay the independent directors of the company monthly (or every quarter, or every half a year) no matter how much it earns. Moreover, the payment should be adjusted according to the level of participant and the value of the contribution. The independent directors do not involve with the assignment of consideration and other incentives.

2. Besides what is disclosed above, the payment of the directors provide all companies reported in the financial report with service in recent year: None

Range of Remuneration

Range of Remuneration Paid for Each Director of the Company	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note9)	Companies in the consolidated financial statements (Note10) (H)	The Company (Note9)	Companies in the consolidated financial statements (Note10) (I)
Below NT\$1,000,000				
NT\$1,000,000 (Included) ~ NT\$2,000,000 (Not Included)	Hong Xiyao,Li Wencheng, Yan Yunqi	Hong Xiyao	Hong Xiyao	Hong Xiyao
NT\$2,000,000 (Included) ~ NT\$3,500,000 (Not Included)	Fan Huajun,Zheng Qintian	Fan Huajun,Zheng Qintian, Li Wencheng,Yan Yunqi	Li Wencheng,Yan Yunqi	Li Wencheng,Yan Yunqi
NT\$3,500,000 (Included) ~ NT\$5,000,000 (Not Included)	Zheng Qintian	Zheng Qintian		
NT\$5,000,000 (Included) ~ NT\$10,000,000 (Not Included)	Zheng Zhilong	Zheng Zhilong	Zheng Zhilong, Fan Huajun,Zheng Qintian	Zheng Zhilong, Fan Huajun,Zheng Qintian
NT\$10,000,000 (Included) ~ NT\$15,000,000 (Not Included)				
NT\$15,000,000 (Included) ~ NT\$30,000,000 (Not Included)			Zheng Qintian	Zheng Qintian
NT\$30,000,000 (Included) ~ NT\$50,000,000 (Not Included)				
NT\$50,000,000 (Included) ~ NT\$100,000,000 (Not Included)				
Over NT\$100,000,000				
Total	7 Persons	7 Persons	7 Persons	7 Persons

Note 1: The names of directors should be separately listed (the legal person shareholder should list the name of the legal person shareholder and the representative separately), and disclose the amount of each payment in a summary manner. If the director is also the president or vice president, the remuneration of the president and the vice president of the following table and the following appendix (1-3) should be filled out.

Note 2: Refers to the remuneration of directors in the most recent year (including directors' salary, job title, severance pay, various bonuses, bonuses, etc.).

Note 3: The amount of directors' remuneration distributed by the board of directors in the most recent year is included.

Note 4: Refers to the relevant business execution expenses of the directors in the most recent year (including car and transport fees, special expenses, various allowances, housing, car and other physical supplies, etc.). In the case of the provision of housing, motor vehicles and other means of transport or exclusive individuals, the nature and cost of the assets provided, the actual or at a fair market price, rent, oil and other payments should be disclosed. If there is a driver, please note the company's payment for the driver, but not including the remuneration.

Note 5: Refers to the salary of the director, the vice president, other managers and employees in the most recent year, including salary, job addition, severance payment, various bonuses, incentives, travel fees, special expenses, various subsidies, dormitories, car rentals, etc. In the case of the provision of housing, motor vehicles and other means of transport or exclusive individuals, the nature and cost of the assets provided, the actual or at a fair market price, rent, oil and other payments should be disclosed. The figures of this item include NT\$ 681 thousand as the cost for directors' vehicles provided by the company, and NT\$ 4,001 thousand paid to their drivers and retainues.

Note 6: Refers to the employee of the director (including the president, vice president, other managers and employees) who has obtained employee compensation (including stocks and cash) in the most recent year, and should disclose the amount of compensation paid by the board of directors in the most recent year. If it is not possible to estimate, the proposed distribution amount for this year will be calculated based on the proportion of the actual distribution amount last year, and the appendix (1-3) should be filled out.

Note 7: The total amount of remuneration paid by all companies (including the Company) to the directors of the Company should be disclosed.

Note 8: The Company pays the total amount of each director's remuneration and exposes the director's name in the range of remuneration.

Note 9: All the companies (including the company) in the consolidated report should be exposed to the total remuneration of each director of the company, and the names of the directors should be disclosed in the range of remuneration.

Note 10: After-tax net profit refers to the net profit in the most recent year; if the international financial reporting standard has been adopted, the after tax net profit represents the individual's after-tax net profit report in the most recent year.



Note 11:

- a. This column should clearly state the amount of remuneration paid by the company's directors for the transfer of investment from the subsidiary or the parent company.
- b. If a director of a company receives remuneration from a subsidiary or a parent company other than an investment enterprise, the director shall transfer the remuneration received by the director of the company to the investment enterprise outside the subsidiary or a parent company, and merge it into the column of the remuneration range, and alter the item as "Parent company and all re-investment business".
- c. Remuneration refers to rewards of the Company's directors to conduct business execution expenses as directors, supervisors, or managers of other subsidiaries or parent company, including rewards of employees, directors, and supervisors.

* The contents of the remuneration disclosed in this form are different from the income concept of the income tax law. Therefore, the purpose of this form is for information disclosure and is not taxable.

(2) Regulator's remuneration: On June 13, 2017, the Company established the Audit Committee to replace the supervisor's functions, and the supervisor's remuneration was not paid in 2019.

(3) Remuneration of president and vice president

Dec. 31, 2019 Unit: NT\$Thousand

Title	Name (Note 1)	Salary(A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 8)		Compensation Paid from an Invested Company Other than the Company's Subsidiary or the parent company (Note 9)
		The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)	The company		Companies in the consolidated financial statements (Note 6)		The company	Companies in the consolidated financial statements (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Fan Huajun	7,511	7,511	0	0	6,789	8,387	4,200	0	4,200	0	0.61%	0.66%	No
Development Dept. Vice President	Liao Zhaoxiong													
Finance Dept. Vice President	Wang Suyue													
Kaohsiung Branch Vice President	Cao Yuanbo													

Range of Remuneration

Range of Remuneration Paid for President and Each Vice President of the Company	Name of President and Vice Presidents	
	The company (Note 7)	Companies in the consolidated financial statements (Note 8) (E)
Below NT1,000,000		
NT\$1,000,000 (Included) ~ NT\$2,000,000		
NT\$2,000,000 (Included) ~ NT\$3,500,000	Cao Yuanbo	Cao Yuanbo
NT\$3,500,000 (Included) ~ NT\$5,000,000	Fan Huajun, Wang Suyue	Wang Suyue
NT\$5,000,000 (Included) ~ NT\$10,000,000	Liao Zhaoxiong	Fan Huajun, Liao Zhaoxiong
NT\$10,000,000 (Included) ~ NT\$15,000,000		
NT\$15,000,000 (Included) ~ NT\$30,000,000		
NT\$30,000,000 (Included) ~ NT\$50,000,000		
NT\$50,000,000 (Included) ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	4 persons	4 persons

Note 1: The President's and the Vice presidents' names should be listed separately, and the payments should be consolidated for disclosure.

Note 2: The latest amount of the President's and the Vice presidents' remunerations (including salary, job allowances and severance payment).

Note 3: The latest annual business execution expenses of the President and the Vice presidents (including transportation costs, special expenses, various subsidies, dormitory expenses, car expenses and other physical provisions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration. According to IFRS 2's recognition of remuneration in "Share-Based Payments", the remuneration shall also include employee stock options, restricted-right employee shares and share subscription from participation in cash capital increase.

Note 4: The employee remuneration (including stock and cash) distributed to the President or Vice president as passed by the board of directors in the latest year. If the amount cannot be estimated, it should be calculated based on the percentage of the actual amount distributed last year, and Appendix 1-3 should be filled out. Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.

Note 5: The total remuneration paid by all the companies (including the Company) in the consolidated report to the Company's President and Vice presidents.

Note 6: The total remuneration paid by the Company to each President and Vice president; the President's and the Deputy General Managers' names are to be disclosed in the respective tiers.

Note 7: The total remuneration paid by all the companies (including the Company) in the consolidated report to each of the Company's President and Deputy General Managers should be disclosed, and the President's and the Vice presidents' names should be disclosed in the respective tier.

Note 8: Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.

Note 9: a. In this field the amount of remuneration paid to the General Manager or the Vice presidents by the Company's re-invested businesses other than the subsidiaries or the parent company should be clearly indicated. (if there is none, please fill in "none")

b. If the President and Vice presidents receive remuneration from the Company's re-invested businesses other than the subsidiaries or the parent company, such remuneration should be incorporated into column D of the Remuneration Tiers Table, and the name of the field should be changed to "Parent company and all re-invested businesses".

c. Remuneration refers to the compensation, reward (including that for an employee, director or supervisor) and business execution expenses received by the Company's President or Vice president for acting as a director, supervisor or manager of the Company's re-invested businesses other than the subsidiaries or the parent company.

* The contents of the remuneration disclosed in this table are different from those in the Income Tax Law. Therefore, this statement is for the purpose of disclosure but not for taxation.



Highwealth Construction

(4)Managers with Employee Remuneration Distribution

Dec. 31, 2019 Unit: NT\$Thousand

	Title (Note 1)	Name (Note 1)	Stock Bonus	Cash Bonus	Total	Ratio of Total Amount to Net Income (%)
MANAGERS	CEO	Zheng Qintian	0	15,450	15,450	0.51%
	Chairman	Zheng Zhilong				
	President	Fan Huajun				
	Special Assistant to Chairman	Zheng Xiuhui				
	Supervisor of corperative governmance	Lin Wenlong				
	Kaohsiung Branch Vice President	Cao Yuanbo				
	Development Dept. Vice President	Liao Zhaoxiong				
	Finance Dept. Vice President	Wang Suyue				
	Planning Dept. Associate Manager	Song Guozong				
	Sales Dept. Associate Manager	Chen Qiuwei				
	Accounting Dept. Associate Manager	Li Xiutai				
	Kaohsiung Branch Finance Manager	Chen Qiulan				

Note 1: The names and titles should be listed separately, and the remuneration distribution may be consolidated for disclosure.

Note 2: The latest amount of the manager's employee remuneration as passed by the board of directors (including shares and cash) in the latest year. If the amount cannot be estimated, it should be calculated based on the percentage of the actual amount distributed last year. Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.

Note 3: The definition of manager, as governed by the letter of the SFC on March 27, 2003 with a reference no. of Tai-Tsai-Cheng III 0920001301, is as follows:

- (1) President and equivalent.
- (2) Vice president and equivalent.
- (3) Associate and equivalent.
- (4) Head of financial department.
- (5) Head of accounting department
- (6) Other people who have the right to manage the company's affairs and are the company's authorized signatories.

(5) Analysis of the ratio of total remuneration (paid to the Directors, Supervisors, President and Vice presidents of the Company by the Company and all the companies in the consolidated statements in the last two years) to net profit after tax:

Title	2018		2019	
	Ratio of Total Remuneration to Net profit after tax		Ratio of Total Remuneration to Net profit after tax	
	The company	Companies in the consolidated financial report	The company	Companies in the consolidated financial report
Directors	0.69%	0.69%	1.32%	1.40%
Supervisor	-	-	-	-
President and Vice President	0.28%	0.30%	0.61%	0.66%

The salary structure of the directors, presidents and vice presidents is the basic salary, food allowance, supervisor addition, job addition, and professional addition. The salary varies from NT\$120,000 to NT\$250,000 depending on their experience, performance, and seniority.

The merits of business performance affect the issuance of bonuses for business executives:

A. The policy of director payment

The payment of director in the company is authorized by the board of directors and drew up based on the participant level and contribution to the company and the level of the same business. Then, it proposed to the board of directors to resolute the standard of the payment after passing the deliberation from the “Compensation Committee”, which considered the company low and the rules of administrations.

B. The policy of manager payment

The company adapted the policy that the payment equals to incentives. The company paid with taking the payment level in the same business and the responsibility and authority and contribution of the position as reference. Then, it proposed to the board of directors to resolute the standard of the payment after passing the deliberation from the “Compensation Committee”. The procedures of payment making are based on the entire operational performance of the company, fill rate of personal performance, and the contribution to the performance of the company are also affect the payment.

4. Implementation of Corporate Governance

(1) Operation of the board meeting: (A) Fifteen board meetings were held in 2019, and the attendance of Directors (including Independent Directors) is as follows:

Title	Name (Note 1)	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) [B/A] (Note 2)	Remarks
Chairman	Lishuo Investment Co., Ltd Representative : Zheng Zhilong	15	0	100%	None
Director	Zheng Qintian	15	0	100%	
Director	Lishuo Investment Co., Ltd Representative : Fan Huajun	15	0	100%	
Director	Zheng Xiuhui	15	0	100%	
Independent Director	Hong Xiyao	14	0	93%	
Independent Director	Yan Yunqi	1	14	7%	
Independent Director	Li Wencheng	15	0	100%	

Other matters to be recorded:

1. If any of the following circumstances occurs 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) Matters listed in Article 14-3 of the Securities Exchange Act.

(2) Other than the aforementioned matters, the company had elected three independent directors on June 13, 2017, and formed the audit committee. There are no board resolutions which Independent Directors are against with or have qualified opinions, and having records or written statements in 2019.

2. For the situation where a Director avoids a motion related to his/her own interests, please specify the director's names, the contents of the motion, the reasons for the avoidance of interests and the voting results:

Date of Board of Directors Meeting	Name of Directors	Motion Contents	Reason for Interest Avoidance	Participation in voting
August 13, 2019	Li Wencheng	The third case of discharging and appointing committee member from Compensation Committee.	The stakeholder of the case	Avoiding participation in the voting according to law
August 13, 2019	Li Wencheng	The company plans to sign a joint construction contract with Runlong Construction Co., Ltd	Directors of the stakeholder of the case and the subsidiary	Avoiding participation in the voting according to law
	Yan Yunqi			

3. The listed company should disclose the information about the period, duration, range, methods and content of the self (or peer) evaluation of the board of director, and fill the situation of the execution in the following table.

4. The goals for strengthening the board's functions in the current and the previous year (e.g., establishment of an audit committee, promotion of information transparency, etc.) and assessment of the implementation: The Company has established the "Regulations on Board Meetings" in accordance with the law to comply with and strengthen the functions of the Board of Directors. In the most recent year (2019.01.01~2019.12.31), a total of 15 board meetings were held. The important bills were announced in

accordance with the law at the public information observatory. The company's website exposes the minutes of the board of directors and does disclose the information. On June 13, 2017, the Company established the Audit Committee to replace the supervisor's authority. All the independent directors formed the "Audit Committee" and set up the remuneration committee and the remuneration according to law on December 19, 2011. Yan Yunqi was elected as the convener and chairman of the Remuneration Committee. In the future, information will be disclosed to facilitate the public to understand the company's financial and business operations and enhance information transparency.

Note 1: If a director or supervisor is a legal entity, please disclose the name of the corporate shareholder and of its representative.

Note 2: (1) If there is a director or supervisor leaving the company before the end of the year, please indicate the date of departure in the note field. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

(2) If there is a director or supervisor election before the end of the year, please list both the new and the old directors and supervisors, and indicate in the Remarks column whether the director or supervisor is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

Execution situation of assessment of the board of directors

Period of Evaluation	Duration of Evaluation	Range of Evaluation	Methods of Evaluation	Content of Evaluation
Every year	2019/01/01 to 2019/12/31	The board of directors	Internal evaluation of the board of directors	(1) The level of involvement to the operation of the company. (2) The quality of the decision of the board of directors. (3) The formation and construction of the board of directors. (4) The election and advanced studies of the directors. (5) Internal control
		members	Self evaluation of the members in the board of directors	(1) The control of the goals and missions of the company. (2) The recognition of the duty and the participant level to the company. (3) Internal operation and communication. (4) The specialty and advanced studies of the directors. (5) Internal control
		Functional committee	Self evaluation of the member in committee	(1) The level of involvement to the operation of the company. (2) The recognition of the duty of functional committee. (3) The quality of the decision of functional committee. (4) The formation of the functional committee and the election of the members. (5) Internal control

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(2) The operation of the audit committee or the supervisor's participation in the operation of the board of directors

i. The operation of the audit committee

The most recent annual audit committee meeting 6 times (A), the independent directors are listed as follows:

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) [B/A] (Note)	Remarks
Independent Director	Hong Xiyao	6	0	100%	According to law, an audit committee was set up to replace supervisor's authority on June 13, 2017.
	Li Wencheng	6	0	100%	
	Yan Yunqi	1	5	17%	

Other items to be recorded:

1. The operation of the Audit Committee shall state the date and time of the Board of Directors, 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 if there is one of the following circumstances: None.

(1) The matters listed in Article 14-5 of the Securities Exchange Law.

(2) 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.

2. The independent directors shall state the name of the independent directors, the content of the proposal, the reasons for avoiding the interests, and the participation in the voting.

Date of Board of Directors Meeting	Name of Independent Directors	Motion Contents	Reason for Interest Avoidance	Participation in voting
August 13, 2019	Li Wencheng	The company plans to sign a joint construction contract with Runlong Construction Co., Ltd.	Director of the stakeholder of the case and the subsidiary.	Avoiding participation in the voting according to law.
	Yan Yunqi			

3. Communication between the independent directors and the internal audit supervisors and accountants (shall include the major issues, methods and results of the company's financial and business conditions).

(1) To carry out the duty of supervising the operation of the company, the independent directors should demand the board of directors or the manager to hand in the related financial report if it is necessary; fully communicate with the accountants according to the financial report. The details of the items and the consequences that communicated by the independent directors, internal auditing officer, and accountants are on our website.

(2) The internal auditing officer presents and reports to the board of director and audit committee the follow-up situation of the mistakes and their traces that found through the internal control and auditing recently according to the regular auditing report. As a result, the independent directors can control the operation of the internal procedures immediately and offer related advices, and manage the company. The Accountant will

fully communicate with the independent directors in writing or face-to-face communication on the findings of the audit or review and the review or review process, and will attend the Audit Committee to provide relevant advice.

(3) Summary of the communication between directors (including independent directors) and internal auditing officer:

Date	Methods	Items
2019/01/29	The board of directors	Internal audit report in December, 2018.
2019/02/26	The board of directors	Internal audit report in January, 2019.
2019/03/07	The board of directors	Internal audit report in February, 2019.
2019/04/29	The board of directors	Internal audit report in March, 2019.
2019/05/10	The board of directors	Internal audit report in April, 2019.
2019/06/05	The board of directors	Internal audit report in May, 2019.
2019/08/01	The board of directors	Internal audit report in June~July, 2019.
2019/09/25	The board of directors	Internal audit report in August, 2019.
2019/11/13	The board of directors	Internal audit report in September~October, 2019.
2019/12/27	The board of directors	Internal audit report in November, 2019. Proposal of audit plan for 2020.
2020/01/10	The board of directors	Internal audit report in December, 2019.
2020/03/03	The board of directors	Internal audit report in January, 2020.
2020/03/20	The board of directors	Internal audit report in February, 2020. Statement of the internal control system.
	Audit Committee	Internal audit report in January~ February, 2020.

Note: * If there is an independent director leaving before the end of the year, the date of resignation should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the audit committee during its incumbency and its actual attendance.

* Before the end of the year, if there is an independent director re-election, both the new and the old independent directors should be filled in, and the remarks should be indicated in the remarks column as the old, new or re-election and re-election date. The actual attendance rate (%) is calculated based on the number of meetings of the Audit Committee during its incumbency and its actual attendance.

ii. The supervisor's participation in the operation of the board of directors: The company has abolished the supervisor system since June 13, 2017, and therefore does not apply.

(3) Corporate Governance Status, Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y E S	N O		
1. 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 established and disclosed a code of practice on corporate governance in accordance with the “Code of Practice for Corporate Governance on the Listed Companies”.	No significant variances
2. The company's shareholding structure and shareholders' equity				
(1) Does the company stipulate internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation matters, and implement them according to procedures?	✓		(1) There are service unit, spokesman, and e-mail address in the company. The company handle the problem, such as advices or conflicts of the shareholders, according to the internal procedures. There are functions of complains, reports, and suggestions on the company's website. If the problem involves with the law, it will be handle by justice unit.	(1) No significant variances
(2) Does the company have a list of the ultimate controllers of the major shareholders and major shareholders of the actual control company?	✓		(2) At present, most of the major shareholders of the Company are owned by the operation team or their relatives. The Company can grasp the list of major shareholders of the actual control company at any time to ensure the stability of the operation rights.	(2) No significant variances
(3) Does the company establish, implement and control the risk control and firewall mechanism between the enterprises?	✓		(3) The management authority of personnel, assets and finance between the Company and its related companies is clear, and it does handle risk assessment and establish appropriate firewall mechanisms. The business dealings with the related companies are based on the principle of fairness and reasonableness, and are subject to the relevant management measures such as “specified company, group company and related party transaction procedures” and internal control. The price conditions and	(3) No significant variances

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y E S	N O	
(4) Does the company stipulate internal regulations and prohibit insiders from using the undisclosed information on the market to buy and sell securities?	✓		<p>payment methods are clearly defined for the signing of the contract, and the unconventional trading situation is prohibited and the interest transfer is prohibited. In addition, the competition behavior of directors and managers is submitted to the shareholders' meeting and the board of directors to approve the dismissal of competition</p> <p>(4) The Company has established ethical code of conduct and established procedures for preventing internal transaction transactions, prohibiting insiders from using market unpublished information to buy and sell securities.</p> <p>(4) No significant variances</p>
<p>3.the composition and duties of the board of directors</p> <p>(1) Does the board of directors formulate a diversified policy and implement it in terms of membership?</p>	✓		<p>(1) The company has established policy of company governance. The members of the board of directors draw up proper diversification policy and carry our it. The directors (including independent directors) are elected by nominating the candidates.</p> <p>(a) Elementary condition and value: Gender, Ages, Nationality, and cultures, and so on.</p> <p>(b) Professional knowledge and techniques: professional background. (such as law, accounting, industry, financial, sell, or technology), professional skills, and other experiences of industry.</p> <p>The situation that the members of the board of directors ccarry out the diversification policy is in Note 9, The diversification policy has been disclosed on the company’s website.</p> <p>(1) No significant variances</p>
(2) Does the company voluntarily set up other functional committees in addition to the salary remuneration committee and the audit committee?	✓		<p>(2) At present, the Company has set up salary compensation committees and audit committees according to law.</p> <p>(2) In the future, other functional committees will be set up in accordance with relevant laws and regulations.</p>

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Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons	
	Y E S	N O		
(3) 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?	✓		(3) The company has established a “Board Performance Evaluation Method”, and we will have performance assessment executed by the member of the board of directors in the first quarter every year. Moreover, the council unit will evaluate by index of the evaluation and it will be the reference of the director’s payment and nominating for the next directors. The items of the self evaluation of the member of the board of directors and the audit of performance: Participants to the operation, increasing the quality of the decision of the board of directors, the formation and construction of the board of directors, the elections and advanced studies of directors, and internal control. The detail of evaluation of performance has disclosed on the website.	(3) No significant variances
(4) Does the company regularly assess the independence of the visa accountant?	✓		(4) The directors of the Company regularly assess the independence of the visa accountant, and present the consequence to the board of directors to consult. The consequence of the assessment of the certified public accountant’s service in 2019 has been consult by the board of directors and passed on March 20, 2020. JIAN,DI-NUAN and ZENG,GUO-YANG, the accountant of KPMG are in compliance with visa independence and the standard of the competence assessment.	(4) No significant variances
4. Whether the listing company has set up a corporate governance special (part-time) unit or personnel responsible for corporate governance related matters (including but not limited to providing information required by directors and supervisors to conduct business, and handling matters related to meetings of the board of directors and shareholders	✓		In order to strengthen corporate governance and enhance the effectiveness of the Board of Directors, the Company has set a corporate governance officer responsible for corporate governance in accordance with Article 3 of the Code of Practice for Corporate Governance on the Listed Companies and the Main Points of the Board of Directors for the Establishment and Exercise of Duties of Listed Companies. Related matters.	No significant variances

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y E S	N O		
meeting in accordance with the law, handling company registration and change registration, making board of directors and shareholders meeting, etc.)?				
5. 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 has spokesman and the agent of spokesman, its communication channels with stakeholders are smooth and the stakeholder relationship area is set up on the company's website, and it is appropriate to respond to important corporate social responsibility issues of concern to stakeholders, such as landlords, third parties, correspondents, and company employees. The exclusive department is responsible for communication and coordination.	No significant variances
6. Does the company appoint a professional stock agency to handle the affairs of the shareholders' meeting?	✓		The company has appointed agency department of Capital Securities Corporation to handle the affairs of the shareholders' meeting.	No significant variances
7. Information disclosure (1) Has the company set up a website to disclose financial and corporate governance information?	✓		(1) The Company regularly discloses its financial and material information on the Exchange's Market Observation Post System; the Company has set up a website and a department responsible for collecting and disclosing information. (http://www.highwealth.com.tw).	(1) No significant variances
(2) 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 the spokesman system, and posting the company's corporate briefing process on the website, etc.)?	✓		(2) The website of the company is mostly Chinese version, and the collection of the information and the disclosure of significant matters is in charge of the related unit. The company has spokesman and the agent of spokesman in order to carry out the system of spokesman. If there is a road show, it will be announced based on the rules, and the relevant financial information will be put on the website.	(2) No significant variances
(3) Does the Company announce 2 month after		✓	(3) At present, the company declares the financial report 3 month after the end of	(3) No significant variances

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Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y E S	N O	
the end of the accounting year, declare the financial report, and announce previously and declare the financial report of the first, second, and the third quarter and the monthly operational situation before the date-line?			accounting year and declare the financial report of the first, second, and the third quarter and the monthly operational situation 45 days after the end of accounting year. We will assess the possibility of execution depends on the situation of operation in the future.
(8) Does the Company have any other important information (including but not limited to employees' rights, employee care, investor relations, supplier relationship, rights and interests of interested parties, training 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.)?	✓		(1) Employee's rights and interests: the Company adheres to the principle of people foremost and values employees as an important asset of the Company. It has established a complete set of management systems regarding employees' working environment, education and training, so as to integrate the employees' personal interests and the Company's interests under the preconditions of employees' assurance and safety, hoping that employees can make contributions to creating benefits for the Company wholeheartedly. In order to take care of the employees' retirement life, the Company has allocated individual salary to the pension account for each employee in accordance with the new retirement system stipulated by the labor insurance bureau, in order to ensure that all employees can have a carefree retirement life. In addition, a staff welfare committee has been established to ensure the rights and interests of employees.
	✓		(2) Employee Care: The company attaches great importance to ensuring the safety and health of employees, provides health care and assistance services, and employees enjoy annual health checks.
	✓		(3) Investor Relations: the Company adheres to the spirit of excellence, technology, integrity and quality, and operates in a proper manner, so as to maximize interests for the investors and increase the return rate of shareholders' equity. The Company's website has a special area for investors, which

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y E S	N O	
	✓		provides sufficient information for investors' reference.
	✓		(4) Supplier relationship: The company keeps good relations with suppliers and ensures stable contract implantation.
	✓		(5) Rights and interests of interested parties: The company has set “The stakeholder Zone” to handle problems and suggestion of the stakeholders, and they can have response efficiently to maintain the legal right they deserve.
	✓		(6) Training for the directors and supervisors: The company has communicated with the directors (including the independent director) and encouraged them to participate advanced studies lessioin to reach the standard hours.
	✓		(7) Implementation of risk management policies and risk measurement standards: The company’s major operation policies, investments, endorsements and guarantees, loans and bank financing are subject to the assessment of appropriate authorities and the approval of the board of directors. The Audit Department also draws up its annual audit plan in accordance with the risk assessment results to implement the monitoring mechanism and risk management.
	✓		(8) Implementation of customer policy: To provide consumers with real-time product consulting services, the company set up a customer service hotline and a customer service email address to communicate with customers and safeguard their interests.
	✓		(9) The company purchased liability insurance for directors and supervisors: The company has insure the “Director’s liability insurance” from Cathay Century Insurance. The amount of insurance is 5 million US dollars. The main condition of

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Evaluation Item	Implementation Status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons									
	Y E S	N O											
			insurance has been reported to the board of director on March 18, 2019 during June 30, 2019 to June 30,2020.										
<p>9. Please state the improvements made to the items in the corporate governance evaluation results issued 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 (not applicable if not included as a company to be evaluated).</p> <p>The company has completed the corporate governance evaluation self-assessment report for 2019, and the indicators that have not been reached have set improvement targets and deadlines according to the company's current situation.</p> <p>(1)Itemsthat been improved:</p> <p>A. The company has disclosed the communication situation among independent directors, internal audit officers, and accountants on the website.</p> <p>B. The company has disclosed the execution situation of diversification policy on the website and annual report.</p> <p>C. The company has assessed the independency of the Certified Public Accountant annually (at least), and disclosed it on the annual report.</p> <p>D. The company has disclosed the list of the main shareholders on the website and the annual report, including the shareholders who has more than 5% shareholdings, the names of the shareholders that own top-ten shareholdings, amount and ratio of shareholdings.</p> <p>(2)Priority to enhance according to items that have not been improved:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Indicator Improvement</th> <th>Plan</th> </tr> </thead> <tbody> <tr> <td>2.25</td> <td>Does the independent director of company complete the advanced studies with standard hours according to “Points of the advanced studies of directors and monitors of listed company ”?</td> <td>The company will communicate with the independent directors and arrange advanced studies lessioin to reach the standard hours.</td> </tr> <tr> <td>3.2</td> <td>Does the company declare the important message in English simultaneously?</td> <td>The company will try to declare the important message in English simultaneously before the date-line.</td> </tr> </tbody> </table>					Title	Indicator Improvement	Plan	2.25	Does the independent director of company complete the advanced studies with standard hours according to “Points of the advanced studies of directors and monitors of listed company ”?	The company will communicate with the independent directors and arrange advanced studies lessioin to reach the standard hours.	3.2	Does the company declare the important message in English simultaneously?	The company will try to declare the important message in English simultaneously before the date-line.
Title	Indicator Improvement	Plan											
2.25	Does the independent director of company complete the advanced studies with standard hours according to “Points of the advanced studies of directors and monitors of listed company ”?	The company will communicate with the independent directors and arrange advanced studies lessioin to reach the standard hours.											
3.2	Does the company declare the important message in English simultaneously?	The company will try to declare the important message in English simultaneously before the date-line.											

Note1: For strengthening the management of the company and promoting the formation and construction of the board of directors to devolope well, the formation of the board of the directors should consider the repuests, such as business’ developing direction of the management structure and future trend of development, and assess multiple aspect. The current board of directors consists of seven directors (including three independent directors) who have valuable experiences and specialties in different field, such as finance, business, and management. In addition, the company pays attention to gender equity in the board of directors. Currently, there are seven directors, including one female director. The company aims to have one more female director in the future. The situation of practice:

The practice of the diversity of the member in the board of the director(Jun. 13, 2017~Jun. 12,2020) :

Title	Name	Nationality	Formation			
			Gender	The employee of the company	Age	Seniroty of tenure as independent director
Legal Person Chairman Representative	Zheng Zhilong	Republic of China	Male	V	>50	
Legal Person Director Representative	Fan Huajun	Republic of China	Male	V	>50	
Director	Zheng Qintian	Republic of China	Male	V	>50	

Title	Name	Nationality	Formation			
			Gender	The employee of the company	Age	Seniorty of tenure as independent director
Director	Zheng Xiuhui	Republic of China	Female	V	>50	
Independent Director	Hong Xiyao	Republic of China	Male		>50	< 3
Independent Director	Li Wencheng	Republic of China	Male		>50	< 3
Independent Director	Yan Yunqi	Republic of China	Male		>50	< 3

Title	Name	Experience in industry/ Specialty									
		Financial Accounting	Law	Marketing	Operational Judgment	Bussiness Management	Crisis Management	Knowledge of the Industry	Perspective of Global Market	Leadership	Capibility of Disision
Legal Person Chairman Representative	Zheng Zhilong	V		V	V	V	V	V	V	V	V
Legal Person Director Representative	Fan Huajun	V		V	V	V	V	V	V	V	V
Director	Zheng Qintian	V		V	V	V	V	V	V	V	V
Director	Zheng Xiuhui	V		V	V	V	V	V	V	V	V
Independent Director	Hong Xiyao	V		V	V	V	V	V	V	V	V
Independent Director	Li Wencheng		V		V	V	V	V	V	V	V
Independent Director	Yan Yunqi	V		V	V	V	V	V	V	V	V

Note2: The important assessment index of the independency and qualification of the Certified Public Accountants in 2019 as follow:

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Highwealth Construction Corporation Assessment Form of the Independency and Qualification of the Certified Public Accountants in 2019

1. Assessment description: According to Article 29 of “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, listed companies should choose the certified public accountants with specialty, responsibility, and independency. The company should assess the independency of certified public accountants employed regularly (at least one time a year).
2. Assessment target:

Name of Accountant:	JIAN,DI-NUAN ZENG,GUO-YANG	Name of Accounting firm:	KPMG Taiwan
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- ◎ Content of assessment: According to Article 47 of “Law of Accountant” and Article 10 of “code of professional ethics”.

Items	Assessment Index	Assessment complies with independency	
		Yes	No
1	As of the latest certification, there is no such case as non-replacement for seven years.	✓	
2	No relationship of stakeholder about property with clients.	✓	
3	Avoid inappropriated relationship with clients.	✓	
4	Accountants should have their assistants honest, justice, and independent.	✓	
5	Do not audit the financial report of the service that accountant serve within two years.	✓	
6	The accountant nominal can not be used by others.	✓	
7	Do not have shares of the company and its related business.	✓	
8	Do not have affair of money lending with the company and its related business.	✓	
9	Do not have relationship of joint investment or shared interest with the company and its related business.	✓	
10	Do not have part-time jobs in the company and its related business.	✓	
11	Do not involve with the competency of decision in the company and its related business.	✓	
12	Do not have other business that could lose their independency.	✓	
13	Do not have relationship within couple, lineal relative, lineal relative by marriage, or second-degree relatives with the management officers in the company.	✓	
14	Do not receive any commissions related to the business.	✓	
15	So far, do not have punishment and affairs damage the principle of independency.	✓	

- ◎ Performance and plans of works

- | |
|--|
| 1. Finish the 2019 attestation of finance and taxation as schedule. |
| 2. Provide service of consulting the company's finance and taxation irregularly. |

- ◎ Result of assessment

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.
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(4) If the company has a remuneration committee, please disclose its composition, duties, and operation:

i. Remuneration Committee Member Information

Identity (Note 1)	Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience Independence			Independence Criteria (Note 2)								No. of other listed companies working as remuneration committee member of	Remark (remuneration committee's authority)
		Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	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		
Independent director	Yan Yunqi	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Establish and regularly review the policies, systems, standards and structures of the company's directors and managers for performance evaluation and compensation
Independent director	Lee WenChen (Note3)	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Others	Hsu Ya-hui (Note3)	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Others	Cai Chi-chan	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Please fill in director, independent director or others as the identity.

Note 2: If the member meets any of the following conditions during the two years before the position and during the 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 affiliated enterprise. However, this doesn't apply in the case of an independent director of the company or its parent company, or a subsidiary in which the company directly or indirectly holds more than 50% of the voting shares. Is not a director or supervisor of the Company or its affiliates (except in the case of an independent director of the Company or its parent company or subsidiary set up under this Act or a local law).
- (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 him/herself or through his/her spouse, minor children or other persons.
- (4) Is not a spouse or 2nd-degree relative or above or 3rd-degree linear relative of the persons listed in the preceding three paragraphs.
- (5) Is not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, or a director, supervisor or employee of a top-five corporate shareholder.
- (6) Is not a director, supervisor or manager of a particular company or organization that is related with the Company either financially or on business, or a shareholder with more than 5% of the shares of the Company.
- (7) Is not a professional or a business owner, partner, director, supervisor, manager or a spouse of any of the persons above of a sole proprietorship, partnership, corporation or institution which provides the Company or its affiliates with business, legal, financial, accounting, consulting or other services.
- (8) Does not have any of the circumstances in Article 30 of the Company Act.

Note3: The company had pass through the case that appoint Lee Wenchen, the independent director, as the third member of payment and compensation committee on August 13, 2019. The tenure is from August 13, 2019 to June 12, 2020, which is same as the board of the directors. The member, Hsu Ya-hui discharged on the same day.

Highwealth Construction

ii. Remuneration Committee Operation Status

- (i.) The Company's Remuneration Committee is composed of three people, and was elected on June 13, 2017.
- (ii.) Current member's tenure: From June 13, 2017 to June 12, 2020. In 2019, the Remuneration Committee held three meetings (A), and the member qualifications and attendance are as follows:

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) (B/A) (Note1)	Remarks (Note2)
Convener (Independent directors)	Yan Yunqi	0	3	0%	-
Member (Independent directors)	Lee WenChen	1	0	100%	2019/08/13 Appointed
Member	Hsu Ya-hui	2	0	100%	2019/08/13 Discharged
Member	Cai Chi-chan	3	0	100%	-

Other matters to be recorded:

1. If the board of directors did not adopt or amend the suggestion 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 suggestion 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): Not such situation.
2. If any member had objections or reservations about the resolution 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: Not such situation.

Notes1:

- (1) If any remuneration committee member leaves the company before the end of the year, please state in the remarks column the departure date, the actual attendance rate (%) calculated based on the number of remuneration committee meetings and the number of actual meetings attended during the tenure.
- (2) If there is a remuneration committee member election before the end of the year, please list both the new and the old members, and indicate in the remark column whether the member is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of remuneration committee meetings held and the actual number of meetings attended during the tenure.
- (3) There were two meetings before August 13, 2019. There was one meeting from August 13, 2019 to December 31, 2019.

Note2: The company had pass through the case that appoint Lee Wenchen, the independent director, as the third member of payment and compensation committee on August 13, 2019. The tenure is from August 13, 2019 to June 12, 2020, which is same as the board of the directors. The member, Hsu Ya-hui discharged on the same day.

(5) Corporate Social Responsibility (CSR) and Differences with Corporate Governance
Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation Item	Implementation Status		Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons	
	Yes	No		
1. 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?	✓		To maintain the principle of materiality, the company has set CSR report and disclosed the risk assessment of the environment, society, and issue of management of the company in the report and on the website of the company. The result of execution in multiple aspects will be the basis of review and making progress. The company will keep practicing the CSR and strengthen the strategies about risk management in the future, in order to reach the vision of sustainable development.	No significant variances
2. 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 unit to promote CSR is the department of management in the company. They are responsible for staff training of green construction and environmental protection, setting CSR report, and disclosing it on the website of the company. The result of execution in multiple aspects will be the basis of review and making progress. The company will keep practicing the CSR and report the situation to the board of directors in an appropriate time, in order to reach the vision of sustainable development.	No significant variances
3. Environmental Issue				
(1) Does the company set up an appropriate environmental management system, according to the feature of the industry?	✓		(1) The company values the quality of the environment and practice energy saving, power saving, and water saving. The wastes in construction site are totally handled by professional and legal environmental company. Making an effort for environmental protection.	(1) No significant variances
(2) Does the company dedicate in promoting efficiency of the usage of any sources, and use renewable materials that have low impact to the environment.	✓		(2) The company dedicated in reusing paper, and preserving the materials such as cabinets, glasses, curtains, doors, and window when moving the office. We separate the building waste and the domestic trash, practice waste classification and recycling.	(2) No significant variances
(3) Does the company assess the risks and chances that the climate change makes to the present and the future of the company, and adapt measures against the climate issue?	✓		(3) The company has set a CSR report to assess the potential risk and changes in the future caused by climate change, and keep advocate the importance of the policy of energy saving, react to the effect of climate issue to the company.	(3) No significant variances
(4) Does the company calculate the emission of green house gas, water	✓		(4) The company dedicated in the measures of energy saving and carbon reduction. Taking the effect of climate	(4) No significant variances

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Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Evaluation Item	
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.			chang as a consideration, the company has promoted non-paper system, lights out in lunch time, adjusting the temperature of indoor air conditioning flexibly, and regular maintainance of air conditioning. The company will disclose the emission of green house gas, water consumption, and the amount of waste in the CSR report. The company will keep promoting the policy of energy saving, and take lowering the emission of carbon 3% than last year as a goal, to reach the goal of green house gas reduction and sustainable development.	
4.Social Issues	✓		(1) The company protects the legitimate rights and interests of employees and provides pensions in accordance with labor regulations. There is no discrimination due to gender, age, ethics, and religions. The company trains new brains actively. Moreover, we provide stable and preferential treatment, full education and training, and equal chance of promotion, in order to create better working environment.	(1) No significant variances
(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		(2) The company has a reasonable measure of employees' welfare. The policy of payment, vacation, and other wealfares are formulate in the policy, and the payment will be adjusted as a reward due to the performance of operations. The Company has established an employee complaint mechanism and pipeline, and properly handled relevant appeal cases.	(2) No significant variances
(2) 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?	✓		(3) The company provides staffs a safe and healthy work place. There are conditioning system, lighting equipment, work place that good for eyes and ears, Evacuation Route and emergency lifesaving instant exit, regular maintainance for elevator, fire protection equipment, regular sanitizing work place, water testing, and entry control. Other protections are related to labors are according to labor law and wealthfare protection rules in the company. There are annual medical examination for the employees, regular test for the work place environment, education of safe and health for	(3) No significant variances
(3) 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?	✓			

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Evaluation Item	
(4) Whether an effective career development training project is available for employees or not?	✓		employees. The rules about labor's safety and health have been sent to the employees' email. (4) Relevant internal and external professional education and training are offered to fulfill career skills of employees. Employees are also encouraged to assess their own interests, skills, values, and goals; and communicate with managers regarding personal intentions and career plans for the future.	(4) No significant variances
(5) 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?	✓		(5) The company abides by relevant laws and international standards regarding its marketing and labeling of products and services. Nothing on cheating, misleading, fraudulence or any other acts that undermine consumer confidence and consumer right damages.	(5) No significant variances
(6) 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?	✓		(6) Suppliers are required to submit qualified raw materials, and whether suppliers have historically affected environmental and social records or not is also assessed. The supplies should obey the rules, such as occupational safety and health act, the safety and health of labor in job site, and restriction of illegal labors, to protect the right of labors and keep the honesty. The will be strict rules in the contract between the company and the supplier. If there is any situation that the suppliers disobey the rule, we can call of the contract or discharge cooperative relationship immediately.	(6) No significant variances
5. Does the company edit the report that disclose information not about financial information according to interenation principle or instruction of report editing?Are the report confirm and guarantee by third testing unit?	✓		The company's CSR report that disclose information not about finance is according to interenation principle or instruction of report editing. Through the CSR report, it enhances the reliability of information about stakeholders. The trend of domestic and international CSR reports will be the standard for the certification Agency.	No significant variances
6. If the company has its own corporate social responsibility code in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, please describe the difference between its operation and the prescribed code: No major difference.				
7. Other important information to help understand the operation of corporate social responsibility: 1. Environmental protection: The wastes of the company's various construction sites are fully contracted and handled by professional and legal environmental protection companies. Each site has a director who is				

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Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons																								
	Yes	No	Evaluation Item																									
				<p>responsible for rectification and environmental maintenance management.</p> <p>2. Community participation: Participate in all the cases to distinguish the owner's meeting, the guiding management committee to operate normally, and provide community services, strengthen the TMO function, promote to the non-construction community, the permanent adoption of the park near the construction case and the public park of the non-construction park adoption.</p> <p>3. Social contribution, social service, social welfare:</p> <p>Apart from being committed to the development of the industry, the Company and its subsidiaries have not forgotten to give back to the community, and to practice the corporate spirit of "taking it from society and using it in society". In recent years, the company has continued to promote caring for the disadvantaged and investing considerable resources and donations. The various donor activities continued in 2019, as the following:</p> <p style="text-align: right;">Unit: NT\$ Dollar</p> <table border="1"> <thead> <tr> <th>Name of Donated Organizations</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Highwealth art and culture foundation Taichung city</td> <td>5,000,000</td> </tr> <tr> <td>Donation for activity of culture</td> <td>3,000,000</td> </tr> <tr> <td>ROC Police Friendship Association</td> <td>1,000,000</td> </tr> <tr> <td>Da Yang educational foundation</td> <td>294,000</td> </tr> <tr> <td>Koahsiung Harbor City Police Friendship Association</td> <td>300,000</td> </tr> <tr> <td>Kaohsiung City Police Friendship Association</td> <td>147,000</td> </tr> <tr> <td>The children charity Association</td> <td>100,000</td> </tr> <tr> <td>Taipei Municipal Minzu Experimental High School</td> <td>50,000</td> </tr> <tr> <td>Taichung Ci-Xin charity</td> <td>41,200</td> </tr> <tr> <td>Community Development Association in Chenggong, Wuri District</td> <td>30,000</td> </tr> <tr> <td>Community Development Association in Rende District, Tainan</td> <td>5,000</td> </tr> </tbody> </table>	Name of Donated Organizations	Amount	Highwealth art and culture foundation Taichung city	5,000,000	Donation for activity of culture	3,000,000	ROC Police Friendship Association	1,000,000	Da Yang educational foundation	294,000	Koahsiung Harbor City Police Friendship Association	300,000	Kaohsiung City Police Friendship Association	147,000	The children charity Association	100,000	Taipei Municipal Minzu Experimental High School	50,000	Taichung Ci-Xin charity	41,200	Community Development Association in Chenggong, Wuri District	30,000	Community Development Association in Rende District, Tainan	5,000
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Community Development Association in Rende District, Tainan	5,000																											
				<p>4. Consumer Rights:</p> <p>While maintaining normal operations and maximizing the interests of shareholders, we will also build a qualified, legal and national security regulations and environmental protection policies, and pay attention to consumer rights, community environmental protection and public welfare issues, and irregular customer satisfaction. Investigate, for projects with poor satisfaction, in conjunction with relevant departments, review the lack of improvement, to improve product quality and customer satisfaction, so that consumers can buy peace of mind, rest assured, and pay attention to the company's social responsibility.</p> <p>5. Human rights, safety and health:</p> <p>In order to take care of employees' retirement life, the company has set a personal salary to each pension employee to the retirement account in accordance with the new retirement system as stipulated by the Labor Insurance Bureau, so that all employees can have a carefree retirement life. In addition, a staff welfare committee is established to ensure the employees' rights and interests. . It also has a safety and health technician, an operation supervisor or a construction safety assessment staff to provide a safe and healthy working environment and regular training.</p> <p>6. Issues, communication channel, and way of replying that stakeholders pay attention to:</p> <p>The company take the stakeholders seriously. For understanding their thoughts and making good communication, the company divides the stakeholders into eight communities: employees, investors, clients, suppliers, government, social media, community, and society. The company communicates with stakeholders through many channels. The informations have been disclosed in the cimpany's website. (https://www.highwealth.com.tw)</p>																								

(6) Implementation of Integrity Management and Differences with Corporate Governance Best Practice Principles for Listed Companies and reasons

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for Listed Companies and reasons
	Yes	No	Abstract Illustration	
<p>1. Setting business integrity policies and programs</p> <p>(1) 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?</p> <p>(2) Has the company set up a program for the prevention of dishonesty as well as analyzing and assessing the activity with high dishonest risk, and include Article 7 in “Principle of listed company’s honesty for management”?</p> <p>(3) 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?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The company has set up nondisclosure agreement for employees. The works, files, and informations of clients are not allowed to be disclosed. The Company has a “Code of Ethical Conduct for Directors and Managers”, which stipulates that directors, managers and servants must not have conflicts of interest, avoid the situation of self-interest and self-reliance, and actively implement the commitments of the operating policies.</p> <p>(2) The company set up “Code of honest management” and the Company's “Code of Ethical Conduct” and “Personnel Management Guidelines” clearly define the code of conduct for all employees and require commitment to comply with legal and ethical principles to safeguard the company's assets, interests and image.</p> <p>(3) The Company set up “Code of Ethical Conduct” and “Personnel Management Guidelines” The Company complies with the relevant laws and regulations of the Company Law, the Securities Exchange Law, the Commercial Accounting Law and the relevant regulations on the listing of the OTC, as a disciplinary and grievance system for violations, and implements the basics of integrity management.</p>	<p>(1) No significant variances</p> <p>(2) No significant variances</p> <p>(3) No significant variances</p>
<p>2. Implementation of integrity management</p> <p>(1) Does the company assess the integrity record of its business partner, and stipulate the terms of conduct on integrity in the contract with the business partner?</p>	<p>✓</p>		<p>(1) The Company conducts commercial activities on the principle of fairness and transparency. When signing a contract with others, the legal personnel review the terms of the contract, and the contractual content will strengthen the relevant provisions of the integrity clause.</p>	<p>(1) No significant variances</p>

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Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for Listed Companies and reasons
	Yes	No	Abstract Illustration	
(2) Has the company set up a dedicated (or concurrent) corporate integrity promotion unit under the board of directors which regularly reports to the board on its work(at least once a year)?	✓		(2) The Company shall set up an auditing unit directly under the Board of Directors to be responsible for auditing whether there is any violation of the integrity of the business within the enterprise. In addition, the directors or managers should perform the duty of care of the good managers, urge the company to prevent dishonesty, and review its implementation effectiveness and continuous improvement at any time to ensure the implementation of the integrity management policy. We will report the execution situation to the board of directors.	(2) No significant variances
(3) Has the company formulated policies to prevent conflicts of interest, provided appropriate channels for statements and implemented them?	✓		(3) The Company's "Director's Meeting Rules" has a system of avoidance of directors' interests. Those who have interests in the bills listed by the board of directors and their own or their legal persons should explain the important contents of their interests to the board of directors, such as if it is harmful to the interests of the company, it shall not be included in the discussion and voting, and shall be evaded in discussion and voting, and shall not act as an agent to exercise the voting rights of other directors. The board of directors and the management should be actively implemented and implemented in internal management and external business activities.	(3) No significant variances
(4) Has the Company established an effective accounting system and internal control system for the implementation of integrity management, which is checked by the internal auditing unit on a regular basis or audited by external auditors?	✓		(4) The Company has established an effective accounting system and internal control system. Staff and shareholders can communicate with auditors through e-mail. Internal auditors regularly check the audit plan according to the audit plan, report to the board of directors and track the improvement of subsequent units to ensure the implementation of integrity management and avoid fraud. The audit supervisor will report the audit report to the audit committee the next month after the completion of the audit project and attend the company's regular board of directors and make an audit report.	(4) No significant variances

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for Listed Companies and reasons
	Yes	No	Abstract Illustration	
(5) Does the company hold regular internal and external training on business integrity?	✓		(5) The company regularly publicizes at the supervisory meeting and internal department meetings to enable employees to understand their integrity management concepts and norms. Make the employees understand the importance of the concept and rules of management.	(5) No significant variances
3. The operation status of reporting system. (1) 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? (2) Has the company set up standard investigation procedures and a related confidentiality mechanism for the matter being reported? (3) Does the company take measures to protect the reporter from improper treatment?	✓ ✓ ✓		(1) The company has set up a reporting system on both internal and external websites of the company to accept any notification of illegal or unethical circumstances, and an independent responsible unit is responsible for the investigation, and the identity of the informant and the contents of the report are strictly confidential. (2) The Company has set up a reporting system on both internal and external websites of the company to accept any notification of illegal or unethical circumstances, and an independent responsible unit is responsible for the investigation, and the identity of the prosecutor and the contents of the report are strictly confidential. (3) The company will not tolerate any threats and retaliation from the sender. If the sender wishes to process it anonymously, the company will replace the original name of the sender anonymously during the investigation.	(1) No significant variances (2) No significant variances (3) No significant variances
4. Strengthening of Information Disclosure: Does the company disclose the contents of its Code of Practice for Business Integrity and the effectiveness on its website and MOPS?	✓		The Company has set up a website, annual report and an external mailbox to disclose the implementation of its integrity management code. The information disclosure and reporting pipeline is still open; ensure that it is disclosed to the competent authority or the public in a complete, timely, correct and timely manner. Information can be found on the public information observatory and the company's website.	No significant variances
5. If the company has its own Corporate Governance Best Practice Principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between them. The Company has formulated a code of conduct for the company's integrity and has a complete internal control system and various management measures. It has been implemented effectively and its control functions are sound. In the future, it will be updated according to the needs and regulations.				

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Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for Listed Companies and reasons
	Yes	No	Abstract Illustration	
<p>6. Other important information that helps to understand the company's integrity 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 interested person to promote the sustainable development of the company.</p>				

(7) If the company has established a corporate governance code and related regulations, it should disclose its inquiry method.

- i. The Company has a “Code of Practice for Corporate Governance” to follow, in addition to fully disclose financial and business related information in the public information observatory in accordance with the regulations of the competent authority, and set up “Stakeholders – Information of Company Management” on the company website. In order to fully disclose the corporate governance situation, another way to open the observing station is as follows:

Go to the public information observatory

(<http://mops.twse.com.tw/mops/web/index>) and enter the company code 2542.

Click on "Corporate Governance" and select "Procedures for Establishing Corporate Governance Rules" After clicking on "Listed Companies", you can check the company's corporate governance code and related regulations.

- ii. The Company has established an “Ethical Code of Conduct” to follow, and set up “Stakeholders – Information of Company Management” on the company website to fully disclose the code of conduct.

Go online and enter the public observatory (website:

"<http://mops.twse.com.tw/mops/web/index>"), enter company code 2542, click on "Corporate Governance", and select "Development Rules for Corporate Governance" After clicking on "Listed Companies", you can check the company's ethical code of conduct.

- iii. The Company has established the "Code of Integrity of Companies" to follow, and set up the " Stakeholders – Information of Company Management " on the company's website to fully expose the Code of Conduct. :

Go online and enter the public observatory (website:

"<http://mops.twse.com.tw/mops/web/index>"), enter company code 2542, click on "Corporate Governance", and select "Development Rules for Corporate

Governance" After clicking on "Listed Companies", you can check the company's corporate integrity management code.

- (8) Other important information that is sufficient to enhance understanding of the operation of corporate governance.
- i. The Company also has a “Procedure to Prevent Internal Trading Management Procedures”, which also includes “Internal Major Information Processing Procedures”. As directors, managers and employees of the Company, the conduct should be guided and set on the company website. The "Corporate Governance Zone" fully discloses the management procedures. In the subsequent revision of the "Prevention of Internal Trading Management Procedures", the company will also notify all employees of the company by e-mail and submit the updated information to the directors for signing. The latest "Prevention of Internal Trading Management Procedures" is placed on the company's corporate website; new recruits will also be aware of the "Protection of Internal Trading Management Procedures" along with the company's manual.
 - ii. Training situation of directors and supervisors of the Company and its subsidiaries

Name	Organizer	Course Name	Duration
Representative of the legal chairman: HONG,MING-YAO	Securities & Futures Institute	2019 Annual Defense Insider Promotion Conference	3 hours
Representative of the legal chairman: HONG,MING-YAO	Taiwan Stock Exchange Corporation	Competency of Directors Conference	3 hours

- (9) Implementation of the internal control system
i. Internal Control Statement

Internal Control Statement Highwealth Construction Corporation

March 20, 2020

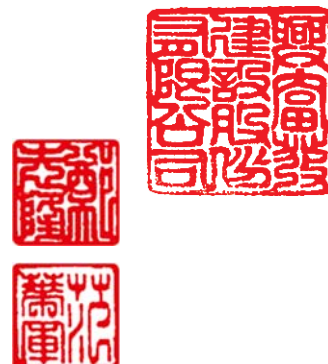
The internal control system from January 1 to December 31, 2019, according to the result of self-assessment is thus stated as follows:

1. The company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the 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 of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed 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.
3. According to the effective judgment items for the internal control system specified in “Highlights for Implementation of Establishing Internal control System by Listed Companies” (hereinafter referred to as “Highlights”) promulgated by Securities and Futures Commission, Ministry of Finance R.O.C., the company has made judgment 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”.
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting the compliance of applicable law and regulations has been effective on December 31, 2019, and they can reasonably assure the aforesaid goals have been achieved.
6. This statement will be the main content for 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.
7. This statement has been approved by the meeting of Board of Directors on March 20, 2020, and those 7 directors (including one person appointed) in presence all agree at the contents of this statement.

Highwealth Construction Corporation

Chairman: Zheng Zhilong

President : Fan Huajun



- ii. 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: Nil.
- (10) The punishment to the company and its employees in accordance with the law, the company’s punishment to its employees for violation of the provisions of its internal control system, the major defects and the improvements made in the latest year and as of the date of publication of the annual report: Nil.
- (11) Important resolutions of the shareholders’ meeting and the board meetings, and functional committees in the latest year and as of the date of publication of the annual report:
 - i. Important resolutions of the shareholders’ meeting and the status of implementation

Date/Session	Meeting Record Contents		Special Items
	Items	Execution	
June 10, 2019 Shareholders Standing Meeting	(1) Pass the annual business report and financial report for 2018	-	None
	(2) Pass the surplus distribution case for 2018.	Propose legal earned surplus reserve NT\$ 685,614,421, cash dividend NT\$ 4,083,193,250 (NT\$ 3.5 per share) Set October 8, 2019 is ex-dividend date, and pay out on October 30, 2019	
	(3) Pass the adjustment of articles in corporation by-laws.	Adjust “corporation by-law. Approved by Ministry of Economic Affairs on June 26, 2019	
	(4) Pass the adjustment of articles in “procedures of asset obtainment and despose”	It has been handled according to the procedure and put on the website.	
	(5) Pass the adjustment of articles in”Procedure of endorsement”		
	(6) Pass the adjustment of articles in”Procedure of Loan and Others”		

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ii. Important resolutions of the board of directors

Date/Session	Meeting Record Contents		Special Items
	Brief summary of the motion	Implementation	
Jan. 29, 2019 2019, Session 1	(1) Proposed to invest additional land from Hui-an section, Xitun District, Taichung city.	The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.	No
Feb. 26, 2019 2019 Session 2	(1) Proposed to apply to the financial institution for the case of its renewal of commercial promissory notes due to the need of operational turnover. (2) Proposed to apply to the financial institution for the case of its renewal of commercial promissory notes due to the need of operational turnover. (3) Proposed to apply to the financial institution for the case of its renewal of commercial promissory notes due to the need of operational turnover. (4) Proposed to apply for a loan case from financial institutions. (5) Proposed to apply for a loan case from financial institutions. (6) Proposed to apply for a loan case from financial institutions. (7) Proposed to apply case of endorsement credit due to a loan case of ChyiYuh Construction Co., Ltd. from financial institutions. (8) Proposed to apply case of endorsement credit due to a loan case of Boyuan Construction Corporation. from financial institutions.	(1) The case was passed by all the attending directors unanimously. (2) The case was passed by all the attending directors unanimously. (3) The case was passed by all the attending directors unanimously. (4) The case was passed by all the attending directors unanimously. (5) The case was passed by all the attending directors unanimously. (6) The case was passed by all the attending directors unanimously. (7) The case was passed by all the attending directors unanimously. (8) The case was passed by all the attending directors unanimously.	No
March 07, 2019 2019 Session 3	(1) Proposed to purchase additional land from Chang An Section, Zohnshan District, New Taipei City.	(1) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.	No
Mar. 19, 2019 2019 Session 4	(1) Discussion on the company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2018. (2) Discussion on the company's 2018 annual employee compensation and the amount of directors' compensation and the method of issuance. (3) Discussion on the company's compilation of 2018 financial statements. (4) The company's 2018 annual business report and financial statement discussion.	(1) The case was passed by all the attending directors unanimously. (2) The case was passed by all the attending directors unanimously and submitted to report at shareholders meeting.. (3) The case was passed by all the attending directors unanimously. (4) The chairman consulted all the attending directors and passed the case with no objection, and the audit report of the	No

Date/Session	Meeting Record Contents		Special Items
	Brief summary of the motion	Implementation	
	<p>(5) Proposed the surplus distribution case for 2018.</p> <p>(6) Adjustment of articles in corporation by-laws.</p> <p>(7) Adjustment of articles in “procedures of asset obtainment and dispose”</p> <p>(8) Adjustment of articles in “procedures of endorsement”</p> <p>(9) Adjustment of articles in “procedures of loan and others”</p> <p>(10) Adjustment of articles in “principle of corporate governance”</p> <p>(11) Adjustment of articles in “Standard procedures of handling director’s requests”</p> <p>(12) Case of buying 2019 liability insurance for directors</p> <p>(13) Case of setting supervisor of corporate governance.</p> <p>(14) Case of seasoned equity offering: purchasing ChyiYuh Construction Co., Ltd.</p> <p>(15) Set up matters related to the holding of 2019 shareholders' meeting.</p> <p>(16) Discussion on the shareholder's proposal rights of the shareholders' meeting in 2019</p>	<p>accountant's visa and the financial statements together with the business report are submitted to the shareholders' general meeting for recognition.</p> <p>(5) The case was passed by all the attending directors unanimously.</p> <p>(6) The case was passed by all the attending directors unanimously.</p> <p>(7) The case was passed by all the attending directors unanimously.</p> <p>(8) The case was passed by all the attending directors unanimously.</p> <p>(9) The case was passed by all the attending directors unanimously.</p> <p>(10) The case was passed by all the attending directors unanimously.</p> <p>(11) The case was passed by all the attending directors unanimously.</p> <p>(12) The case was passed by all the attending directors unanimously.</p> <p>(13) The case was passed by all the attending directors unanimously.</p> <p>(14) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.</p> <p>(15) The case was passed by all the attending directors unanimously.</p> <p>(16) The case was passed by all the attending directors unanimously.</p>	
April 29, 2019 2019 Session 5	<p>(1) Proposed to invest additional land from Xitun District, Taichung city.</p> <p>(2) Proposed to offer land of high speed railway in Wuri District, Taichung City, and entrust Mega International Commercial Bank to arrange the case of syndicated loans.</p> <p>(3) Proposed to apply for a loan case from financial institutions.</p> <p>(4) Proposed to apply to the financial institution for the case of its renewal of commercial promissory notes due to the need of operational turnover.</p> <p>(5) Proposed to apply for a loan case from financial institutions.</p>	<p>(1) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.</p> <p>(2) The case was passed by all the attending directors unanimously.</p> <p>(3) The case was passed by all the attending directors unanimously.</p> <p>(4) The case was passed by all the attending directors unanimously.</p> <p>(5) The case was passed by all the attending directors unanimously.</p>	No

Highwealth Construction

Date/Session	Meeting Record Contents		Special Items
	Brief summary of the motion	Implementation	
May 10, 2019 2019 Session 6	<p>(1) Compiled consolidated financial statements for the first quarter of 2019.</p> <p>(2) Consolidated financial report of the company for first quarter 2019.</p> <p>(3) Proposed to set up "Highwealth culture and art foundation in Taichung"</p> <p>(4) Proposed to authorized credit of vote for land development.</p>	<p>(1)The case was passed by all the attending directors unanimously.</p> <p>(2)The case was passed by all the attending directors unanimously after the chairman consulted.</p> <p>(3)The case was passed by all the attending directors unanimously.</p> <p>(4)The case was passed by all the attending directors unanimously.</p>	No
June 5, 2019 2019 Session 7	<p>(1) Proposed to invest additional land from Hui-an section, Xitun District, Taichung city.</p> <p>(2) Proposed to apply for a loan of mid-term working fund from financial institutions.</p> <p>(3) Proposed to apply to the financial institution for the case of issuing commercial promissory notes due to the need of operational turnover.</p> <p>(4) Proposed to apply for a loan of mid-term working fund from financial institutions.</p>	<p>(1) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.</p> <p>(2) The case was passed by all the attending directors unanimously.</p> <p>(3) The case was passed by all the attending directors unanimously.</p> <p>(4) The case was passed by all the attending directors unanimously.</p>	No
June 13, 2019 2019 Session 8	<p>(1)Set up rule that bond collateral can change into Corporate bond;Distribute common stock in second quarter in 2019 and change holder-of-record date.</p>	<p>(1)The case was passed by all the attending directors unanimously.</p>	No
June 25, 2019 2019 Session 9	<p>(1) Proposed to apply to obtain 100% of share of Boyuan Construction Corporation from financial institutions, which is the company under Chiyuh Construction Co., Ltd. from financial institutions due to the adjustment of organization</p> <p>(2) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Chiyuh Construction Co., Ltd".</p> <p>(3) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Chiyuh Construction Co., Ltd".</p> <p>(4) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to</p>	<p>(1)The case was passed by all the attending directors unanimously.</p> <p>(2)The case was passed by all the attending directors unanimously.</p> <p>(3)The case was passed by all the attending directors unanimously.</p> <p>(4)The case was passed by all the attending directors unanimously.</p>	No

Date/Session	Meeting Record Contents		Special Items
	Brief summary of the motion	Implementation	
	subsidiary company “Boyuan Construction Corporation”. (5) Proposed to apply for a loan case from financial institutions. (6) Proposed to apply for a secured financing loan case from financial institutions.	(5)The case was passed by all the attending directors unanimously. (6)The case was passed by all the attending directors unanimously.	
Aug. 1, 2019 2019 Session 10	(1) Proposed to sell the land of Vice Capital in Xinzhuang District, New Taipei City.	(1) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.	No
Aug.13 2019 2019 Session 11	(1) Compiled consolidated financial statements for the second quarter of 2019. (2) Consolidated financial report of the company for second quarter 2019. (3) Proposed earnings distribution as of second quarter in 2019. (4) Set up ex-dividend date of cash dividend for 2018 and first half of 2019 (5) Case of discharge and appointment for the third “Payment Committee”. (6) Case of change in supervisor of corporate governance. (7) Proposed to transfer inventory on the record to investable real estate. (8) Proposed to sign a contract with Run Long Construction Co., Ltd.Proposed to apply to the financial institution for a short-term working capital loan case. (9) Proposed to apply to the financial institution for a short-term working capital loan case. (10)Proposed to apply to the financial institution for a short-term working capital loan case. (11)Proposed to apply to the financial institution for the case of issuing commercial promissory notes due to the need of operational turnover. (12)Proposed to apply for a secured financing loan case from financial institutions.	(1)The case was passed by all the attending directors unanimously. (2)The case was passed by all the attending directors unanimously. (3)The case was passed by all the attending directors unanimously. (4)The case was passed by all the attending directors unanimously. (5) Except for independent directors who did not participate in the discussion and avoid voting in accordance with the law, the remaining directors agreed to pass the case. (6)The case was passed by all the attending directors unanimously. (7)The case was passed by all the attending directors unanimously. (8) Except for independent directors who did not participate in the discussion and avoid voting in accordance with the law, the remaining directors agreed to pass the case. (9)The case was passed by all the attending directors unanimously. (10)The case was passed by all the attending directors unanimously. (11)The case was passed by all the attending directors unanimously. (12)The case was passed by all the attending directors unanimously.	No
Sep.25 2019 2019 Session 12	(1) Proposed to participate in the developmental case of land bid in Xisong section, Songshan District, Taipei City	(1)The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.	No

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Date/Session	Meeting Record Contents		Special Items
	Brief summary of the motion	Implementation	
	(2) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Yuansheng International Industrial Co., Ltd.".	(2) The case was passed by all the attending directors unanimously.	
	(3) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Yuansheng International Industrial Co., Ltd.".	(3) The case was passed by all the attending directors unanimously. The case was passed by all the attending directors unanimously	
	(4) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Boyuan Construction Co., Ltd.".	(4) The case was passed by all the attending directors unanimously The case was passed by all the attending directors unanimously The case was passed by all the attending directors unanimously.	
	(5) Proposed to apply for a secured financing loan case from financial institutions.	(5) The case was passed by all the attending directors unanimously.	
	(6) Proposed to apply for a loan case from financial institutions.	(6) The case was passed by all the attending directors unanimously.	
	(7) Proposed to apply for a loan case from financial institutions.	(7) The case was passed by all the attending directors unanimously.	
	(8) Proposed to apply to the financial institution for a short-term working capital loan case.	(8) The case was passed by all the attending directors unanimously.	
Nov.13, 2019 2019 Session 13	(1) Compiled consolidated financial statements for the third quarter of 2019.	(1) The case was passed by all the attending directors unanimously.	No
	(2) Consolidated financial report of the company for third quarter 2019.	(2) The case was passed by all the attending directors unanimously.	
	(3) Proposed earnings distribution as of third quarter in 2019.	(3) The case was passed by all the attending directors unanimously.	
	(4) Set up ex-dividend date of cash dividend for the third quarter in 2018	(4) The case was passed by all the attending directors unanimously.	
	(5) Proposed to transfer inventory on the record and fixed asset to investable real estate.	(5) The case was passed by all the attending directors unanimously.	
	(6) Proposed to transfer inventory on the record to fixed asset.	(6) The case was passed by all the attending directors unanimously.	
	(7) Propose to invest and develop Qianjin District, Koahsiung City.	(7) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.	
	(8) Proposed to apply to the financial institution for the case of issuing commercial promissory notes.	(8) The case was passed by all the attending directors unanimously.	

Date/Session	Meeting Record Contents		Special Items
	Brief summary of the motion	Implementation	
	(9) Proposed to apply for a loan case from financial institutions.	(9) The case was passed by all the attending directors unanimously.	
Dec 02, 2019 2019 Session 14	(1) Proposed to invest in the development of the land of Cingsheng Section of Zhongli District, Taoyuan City. (2) Proposed to apply to the financial institution for the case of issuing commercial promissory notes due to the need of operational turnover.	(1) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters. (2) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.	No
Dec 27, 2019 2019 Session 15	(1) The company's audit project for 2020. (2) Set up "Principle of performance evaluation of the board of directors" (3) Proposed to apply for a loan case from financial institutions.	(1) The case was passed by all the attending directors unanimously. (2) The case was passed by all the attending directors unanimously. (3) The case was passed by all the attending directors unanimously.	No
Jan,10, 2020 2020 Session 1	(1) Proposed to sell the land of Nangang section of Nangang District, Taipei City. (2) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Boyuan Construction Co., Ltd." (3) Proposed to apply for a loan case from financial institutions.	(1) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters. (2) The case was passed by all the attending directors unanimously. (3) The case was passed by all the attending directors unanimously.	No
March,3, 2020 2020 Session 2	(1) Proposed to invest additional land from Xitun section, Xitun District, Taichung city. (2) Proposed to provide additional land from Hui-an section, Xitun District, Taichung city and entrust KGI Bank to arrange the case of syndicated loans. (3) Proposed to apply for a loan case from financial institutions. (4) Proposed to apply to the financial institution for a short-term working capital loan case.	(1)The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters. (2)The case was passed by all the attending directors unanimously. (3)The case was passed by all the attending directors unanimously. (4)The case was passed by all the attending directors unanimously.	No
March,20, 2020 2020 Session 3	(1) Discussion on the company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2019. (2) Discussion on the company's 2019 annual employee compensation and the amount of directors' compensation and the method of issuance.	(1)The case was passed by all the attending directors unanimously. (2)The case was passed by all the attending directors unanimously and submitted to report at shareholders meeting.	No

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Date/Session	Meeting Record Contents		Special Items
	Brief summary of the motion	Implementation	
	(3) Discussion on consolidated financial statements for 2019.	(3)The case was passed by all the attending directors unanimously.	
	(4) Discussion on annual business report and financial statements for 2019.	(4)The chairman consulted all the attending directors and passed the case with no objection, and the audit report of the accountant's visa and the financial statements together with the business report are submitted to the shareholders' general meeting for recognition	
	(5) Case of assessment:The independency of certified public accountants	(5)The case was passed by all the attending directors unanimously.	
	(6) Case of change:The independency of certified public accountants	(6)The case was passed by all the attending directors unanimously.	
	(7) Proposed earnings distribution for 2019.	(7)The case was passed by all the attending directors unanimously.	
	(8) Proposed to distribute new share from earning in 2019.	(8)The case was passed by all the attending directors unanimously.	
	(9) Amended certain sections of the Company Articles.	(9)The case was passed by all the attending directors unanimously.	
	(10) Amended certain sections of the "Principle of honest management"	(10)The case was passed by all the attending directors unanimously.	
	(11) Set up "Procedure and guide line of honest management"	(11)The case was passed by all the attending directors unanimously.	
	(12) Amended certain sections of the "Principle of procedure of editing financial report"	(12)The case was passed by all the attending directors unanimously.	
	(13) Discussion on the company's "Internal Control System Statement" and "Internal Audit System".	(13)The case was passed by all the attending directors unanimously.	
	(14) Revised certain parts of the Company Articles on "corporate governance code of practice".	(14)The case was passed by all the attending directors unanimously.	
	(15) Revised certain parts of the Company Articles on "Principle of corporate social responsibility".	(15)The case was passed by all the attending directors unanimously.	
	(16) Revised certain parts of the Company Articles on "Principle of shareholder's meeting".	(16)The case was passed by all the attending directors unanimously.	
	(17) Case of re-election of director	(17)The case was passed by all the attending directors unanimously.	
	(18) Discharge the restriction of new director competition.	(18)The case was passed by all the attending directors unanimously.	
	(19) Discussion on the matters related to the holding of shareholders' meeting of 2020.	(19)The case was passed by all the attending directors unanimously.	
	(20) Discussion on the shareholder's proposal rights of the shareholders' meeting in 2020, and nomination of director	(20)The case was passed by all the attending directors unanimously.	

Date/Session	Meeting Record Contents		Special Items
	Brief summary of the motion	Implementation	
	(21) Case of land development and bid credit	(21) The case was passed by all the attending directors unanimously.	
	(22) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Chiyuh Construction Co., Ltd".	(22) The case was passed by all the attending directors unanimously.	
	(23) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to grandson company "Boyuan Construction Co., Ltd.	(23) The case was passed by all the attending directors unanimously.	
	(24) Proposed to apply for a secured financing loan case from financial institutions.	(24) The case was passed by all the attending directors unanimously.	
	(25) Proposed to apply to the financial institution for the case of issuing commercial promissory notes due to the need of operational turnover.	(25) The case was passed by all the attending directors unanimously.	
	(26) Proposed to apply for a secured financing loan case from financial institutions.	(26) The case was passed by all the attending directors unanimously.	
	(27) Proposed to apply to the financial institution for a working capital loan case.	(27) The case was passed by all the attending directors unanimously.	

ii. Important resolutions of audit committee

Date/Session	Meeting Record Contents		Special items
	Brief summary of the motion	Implementation	
Feb. 26, 2019 2019 Session 1	(1) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Chiyuh Construction Co., Ltd". (2) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to grandson company "Boyuan Construction Co., Ltd.	(1) The case was passed by all the attending directors unanimously. (2) The case was passed by all the attending directors unanimously.	No
Mar. 19, 2019 2019 Session 2	(1) Discussion on the company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2018. (2) Discussion on consolidated financial statements for 2018. (3) Discussion on annual business report and financial statements for 2018.	(1) The case was passed by all the attending directors unanimously. (2) The case was passed by all the attending directors unanimously. (3) The case was passed by all the attending directors unanimously.	No

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Date/Session	Meeting Record Contents		Special items
	Brief summary of the motion	Implementation	
	<p>(4) Revised certain parts of the Company Articles on “obtain or dispose of asset handling procedures”.</p> <p>(5) Revised certain parts of the Company Articles on “endorsement guarantee operation procedure”.</p> <p>(6) Revised certain parts of the Company Articles on “fund loan to others and operating procedures”.</p> <p>(7) Revised certain parts of the Company Articles on “corporate governance code of practice”.</p> <p>(8) Revised certain standard operating procedures required by handling directors</p> <p>(9) Purchased the liability insurance for directors of the company in 2019.</p> <p>(10) Mapped out a case on the governance of corporate executives.</p> <p>(11) Proposed to subscribe to the cash increase case of its subsidiary Qiyu Construction Co., Ltd.</p>	<p>(4) The case was passed by all the attending directors unanimously.</p> <p>(5) The case was passed by all the attending directors unanimously.</p> <p>(6) The case was passed by all the attending directors unanimously.</p> <p>(7) The case was passed by all the attending directors unanimously.</p> <p>(8) The case was passed by all the attending directors unanimously.</p> <p>(9) The case was passed by all the attending directors unanimously.</p> <p>(10) The case was passed by all the attending directors unanimously.</p> <p>(11) The case was passed by all the attending directors unanimously.</p>	
June 24, 2019 2019 Session 3	<p>(1) Proposed to apply to obtain 100% of share of Boyuan Construction Corporation from financial institutions, which is the company under Chiyuh Construction Co., Ltd. from financial institutions due to the adjustment of organization</p> <p>(2) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company “Chiyuh Construction Co., Ltd”.</p> <p>(3) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company “Chiyuh Construction Co., Ltd”.</p> <p>(4) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to grandson company “Boyuan Construction Co., Ltd”.</p>	<p>(1) The case was passed by all the attending directors unanimously.</p> <p>(2) The case was passed by all the attending directors unanimously.</p> <p>(3) The case was passed by all the attending directors unanimously.</p> <p>(4) The case was passed by all the attending directors unanimously.</p>	No

Date/Session	Meeting Record Contents		Special items
	Brief summary of the motion	Implementation	
Aug.13 2019 2019 Session4	(1) Compiled consolidated financial statements for the second quarter of 2019. (2) Consolidated financial report of the company for second quarter 2019 (3) Rearrangement of supervisor of corporate governance (4) Proposed to transfer inventory on the record to investable real estate. (5) Proposed to sign a contract with Run Long Construction Co., Ltd.	(1)The case was passed by all the attending directors unanimously. (2)The case was passed by all the attending directors unanimously. (3)The case was passed by all the attending directors unanimously. (4)The case was passed by all the attending directors unanimously. (5)The case was passed by all the attending directors unanimously.	No
Sep.25 2019 2019 Session5	(1) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Yuansheng International Industrial Co., Ltd." (2) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Yuansheng International Industrial Co., Ltd." (3) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Boyuan Construction Co., Ltd.".	(1)The case was passed by all the attending directors unanimously. (2)The case was passed by all the attending directors unanimously. (3)The case was passed by all the attending directors unanimously.	No
Nov.13, 2019 2019Session 6	(1) Compiled consolidated financial statements for the third quarter of 2019. (2) Consolidated financial report of the company for third quarter 2019. (3) Proposed to transfer inventory on the record and fixed asset to investable real estate. (4) Proposed to transfer inventory on the record to fixed asset.	(1)The case was passed by all the attending directors unanimously. (2)The case was passed by all the attending directors unanimously. (3)The case was passed by all the attending directors unanimously. (4)The case was passed by all the attending directors unanimously.	No
Jan,10, 2020 2020 Session 1	(1) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Boyuan Construction Co., Ltd.".	(1)The case was passed by all the attending directors unanimously.	No
March,3, 2020 2020 Session 2	(1) Discussion on the company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2019. (2) Discussion on consolidated financial statements for 2019.	(1) The case was passed by all the attending directors unanimously. (2) The case was passed by all the attending directors unanimously.	No

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Date/Session	Meeting Record Contents		Special items
	Brief summary of the motion	Implementation	
	<p>(3) Discussion on annual business report and financial statements for 2019.</p> <p>(4) Case of assessment: The independency of certified public accountants</p> <p>(5) Case of change: The independency of certified public accountants</p> <p>(6) Proposed earnings distribution for 2019.</p> <p>(7) Proposed to distribute new share from earning.</p> <p>(8) Amended certain sections of the Company Articles.</p> <p>(9) Amended certain sections of the “Principle of procedure of editing financial report”</p> <p>(10) Discussion on the company’s “Internal Control System Statement” and “Internal Audit System” for 2019.</p> <p>(11) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company “Chiyuh Construction Co., Ltd”.</p> <p>(12) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to grandson company “Boyuan Construction Co., Ltd.</p>	<p>(3) The case was passed by all the attending directors unanimously.</p> <p>(4) The case was passed by all the attending directors unanimously.</p> <p>(5) The case was passed by all the attending directors unanimously.</p> <p>(6) The case was passed by all the attending directors unanimously.</p> <p>(7) The case was passed by all the attending directors unanimously.</p> <p>(8) The case was passed by all the attending directors unanimously.</p> <p>(9) The case was passed by all the attending directors unanimously.</p> <p>(10) The case was passed by all the attending directors unanimously.</p> <p>(11) The case was passed by all the attending directors unanimously.</p> <p>(12) The case was passed by all the attending directors unanimously.</p>	

iv. Important resolutions of payment committee

Date/Session	Meeting Record Contents		Special items
	Brief summary of the motion	implementation	
Mar. 19, 2019 2019 Session 1	(1) Discussion on the company's 2018 annual employee compensation and the amount of directors' compensation and the method of issuance.	(1) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.	No
Aug.13 2019 2019 Session2	(1) Appointment of supervisor of corporate governance	(1) The case was passed by all the attending directors unanimously.	No
Dec 27, 2019 2019 Session 3	<p>(1) Payment of directors in 2018</p> <p>(2) Payment of managers in 2018</p> <p>(3) Performance bonus of managers in 2019</p>	<p>(1) The case was passed by all the attending directors unanimously.</p> <p>(2) The case was passed by all the attending directors unanimously.</p> <p>(3) The case was passed by all the attending directors unanimously.</p>	No

Date/Session	Meeting Record Contents		Special items
	Brief summary of the motion	implementation	
Mar. 20, 2020 2020 Session 1	(1) Discussion on the company's 2019 annual employee compensation and the amount of directors' compensation and the method of issuance.	(1) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.	No

- (12) In most recent year and as of the end of this annual report is printed out, director or supervisor has different opinions on the board of directors to pass important resolutions and has a record or written statement: None.
- (13) In most recent year and as of the end of this annual report is printed out, the resignation summary of the company's chairman, president, accounting, financial, internal audit, management officers and R&D executives:

Title	Name	Service Date	Dismissed Date	Resignation or Dismissed Reason
Manager of corporate governance	Li Xiutai	March 19, 2019	August 13, 2019	position adjustment

5. Accountant Public Fee Information

Accountant Public Fee Information Level

Accounting firm name	Accountant name		Check period	Remarks
KPMG Taiwan	Jian Dinuan	Zeng Guoyan	2019.01-2019.12	No

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

Amount Unit: NT\$ Thousand

Public Fee Item Amount Level		Audit Public Fee	Non-audit Public Fee(Note)	Total
1	Below NT\$2,000,000		✓	
2	NT\$2,000,000 (Included) ~ NT\$4,000,000			
3	NT\$4,000,000 (Included) ~ NT\$6,000,000	✓		✓
4	NT\$6,000,000 (Included) ~ NT\$8,000,000			
5	NT\$8,000,000 (Included) ~ NT\$10,000,000			
6	Over NT\$10,000,000			

Note: Non-audit public service content: project review, business registration, etc.

- (1) Non-audit public fees are more than one quarter of the audit public fees: None.
- (2) The auditing public fee paid for the replacement of the accounting firm and the replacement year is lower than the auditing public fee for the previous year of replacement: None.
- (3) The audit public fee is reduced by more than 15% compared with the previous year: None.
- (4) The amount and nature of other non-audit public fees paid to the same visa accountant and its affiliated accounting firm:
 - i. Non-audited public fee: NT\$213,000.
 - ii. Non-audit public fee nature: business registration and others.

6. Accountant Replacement Information: None.

7. The company's chairman, president, manager of financial or accounting affairs, has worked in the accountant's affiliated firm or its related business in the past year: None.

8. In most recent year and as of the end of this annual report is printed out, the directors, supervisors, managers and shareholders holding more than 10% of the equity transfer and equity pledge changes

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

Unit: Share

Title	Name	2019		As of April 12, 2020	
		Number of shares held Increase (minus)	Pledged shares Increase (minus)	Number of shares held Increase (minus)	Pledged shares Increase (minus)
Corporate Director	Lishuo Investment Co., Ltd	—	—	—	—
Chairman	Zheng Zhilong	—	—	—	—
Currently Chairman & President	Fan Huajun	—	—	—	—
Director	Zheng Qintian	—	—	—	—
Director	Zheng Xiuhui	4,000,000 (Note 1)	—	—	—
Independent Director	Hong Xiyao	—	—	—	—
Independent Director	Li Wencheng	—	—	—	—
Independent Director	Yan Yunqi	—	—	—	—
Development Dept. Vice President	Liao Zhaoxiong	—	—	—	—
Kaohsiung Branch Vice President	Cao Yuanbo	—	—	—	—
Finance Dept. Vice President	Wang Suyue	—	—	—	—
Planning Dept. Associate Manager	Song Guozong	—	—	—	—
Sales Dept. Associate Manager	Chen Qiuwei	—	—	—	—
Accounting Dept. Associate Manager	Li Xiutai	—	—	—	—
Kaohsiung Branch Finance Dept. Manager	Chen Qiulan	—	—	5,000	—
Supervisor of Corporate Governance(Note 2)	Lin Wenlong	—	—	—	—

Note 1: Trust share return decided by preservation conduct.

Note 2: Served on August 13, 2019.

(2) Information on the relatives of directors, supervisors, managers and major shareholders' equity transfer is related: None.

(3) Information on the relatives of directors, supervisors, managers and major shareholders' equity pledges is related: None.

9. Information of shareholders who hold the top ten shareholdings, who are related to each other or relatives within the relationship of spouse, and second degree kinship, etc.

Shareholders who account for the top ten shareholder, and their relationship with each other

April 12, 2020 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. (Note 3)		Remarks
	Shares	Holding shares ratio (Note 2)	Shares	Holding shares ratio (Note 2)	Shares	Holding shares ratio (Note 2)	Name	Relations	
Xing Ri-sheng Investment Co., Ltd. Representative : Zheng Xiuhui	89,347,590	7.66	0	0	0	0	Zheng Qintian	Spouse	
							Zheng Junfang	Mother & Child	
							XieShuying	2 nd Degree Kinship	
							Zheng Yousheng	2 nd Degree Kinship	
							Cai Congbin	2 nd Degree Kinship	
Era Winner Investment Co., Ltd Representative : Huang Qingshui	71,762,628	6.15	Note 4	Note 4	Note 4	Note 4	Note 4	Note 4	
Wu Chaohong	55,369,000	4.75	Note 4	Note 4	Note 4	Note 4	Note 4	Note 4	
Da-Li Investment Co., Ltd Representative : Cai Congbin	53,076,723	4.55	0	0	0	0	Zheng Qintian	2 nd Degree Kinship	
							Zheng Xiuhui	2 nd Degree Kinship	
							Zheng Junfang	2 nd Degree Kinship	
							Zheng Yousheng	2 nd Degree Kinship	
							XieShuying	2 nd Degree Kinship	
Wan Shengfa Investment Co., Ltd Representative : Zheng Yousheng	42,426,039	3.64	0	0	0	0	XieShuying	Spouse	
							Zheng Qintian	2 nd Degree Kinship	
							Zheng Xiuhui	2 nd Degree Kinship	
							Zheng Junfang	2 nd Degree Kinship	
							Cai Congbin	2 nd Degree Kinship	

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. (Note 3)		Remarks
	Shares	Holding shares ratio (Note 2)	Shares	Holding shares ratio (Note 2)	Shares	Holding shares ratio (Note 2)	Name	Relations	
Qingshiban Investment Co., Ltd. LOTUS GLOBAL INVESTMENTS LTD : Representative: Zheng Junfang	37,113,800	3.18	0	0	0	0	Zheng Qintian	Father & Child	
							Zheng Xiuhui	Mother & Child	
							XieShuying	2 nd Degree Kinship	
							Zheng Yousheng	2 nd Degree Kinship	
							Cai Congbin	2 nd Degree Kinship	
Lishuo Investment Co., Ltd Representative : XieShuying	29,244,429	2.51	0	0	0	0	Zheng Yousheng	Spouse	
							Zheng Qintian	2 nd Degree Kinship	
							Zheng Xiuhui	2 nd Degree Kinship	
							Zheng Junfang	2 nd Degree Kinship	
							Cai Congbin	2 nd Degree Kinship	
Zheng Qintian	26,611,304	2.28	8,151,512	0.7	0	0	Zheng Xiuhui	Spouse	
							Zheng Junfang	Father & Child	
							XieShuying	2 nd Degree Kinship	
							Zheng Yousheng	2 nd Degree Kinship	
							Cai Congbin	2 nd Degree Kinship	
Runying Investment Co., Ltd. Representative : Zheng Xiuhui	25,612,992	2.20	0	0	0	0	Zheng Qintian	Spouse	
							Zheng Junfang	Mother & Child	
							XieShuying	2 nd Degree Kinship	
							Zheng Yousheng	2 nd Degree Kinship	
							Cai Congbin	2 nd Degree Kinship	
Chang Gung Medical Foundation	23,968,850	2.06	Note 4	Note 4	Note 4	Note 4	Note 4	Note 4	

Note 1: All the top ten shareholders should be listed. Those who are legal 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.

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

Comprehensive shareholding ratio

March 31, 2020 Unit: Share %

Reinvested Business	Invested by the company		Directors, supervisors, managers and investments directly or indirectly controlling the business		Comprehensive investment	
	Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	Holding shares ratio
Jufeng Hotel Management Co., Ltd.	1,200,000	100%	0	0%	1,200,000	100%
Highwealth Property Management Co., Ltd	2,500,000	100%	0	0%	2,500,000	100%
Qiyu Construction Co., Ltd	205,000,000	100%	0	0%	205,000,000	100%
Run Long Construction Co., Ltd	17,628,000	5.72%	32,804,013	10.64%	50,432,013	16.36%
Jinjung Construction Co., Ltd	0	0%	50,000,000	100%	50,000,000	100%
Yi-chi Co., Ltd	2,200,000	100%	0	0%	2,200,000	100%
Bi-chiang Co., Ltd	7,200	100%	0	0%	7,200	100%
Xingfuyu Trading (Xiamen) Co., Ltd	0	100%	0	0%	0	100%
Quanxiang Trading (Shanghai) Co., Ltd	0	100%	0	0%	0	100%
Highwealth Construction Corp.	500,000	100%	0	0%	500,000	100%
Boyuan Construction Co., Ltd	73,700,000	100%	0	0%	73,700,000	100%
Guangyang Investment Co., Ltd	0	0%	29,900,000	100%	29,900,000	100%
Yuan Sheng International Co., Ltd	0	0%	8,100,000	100%	8,100,000	100%

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iii. Summary reporting system related information: **None.**

(2) Status of Shareholders

As of April 12,2020

Type Item	Government Agencies	Financial Institutions	Other Juridicial Persons	Domestic Natural Persons	Foreign Institutions or Persons	Total
Shareholders	4	12	181	64,911	456	65,564
Shares ^[fn 1]	1,561,008	7,731,987	455,557,463	482,125,175	219,653,119	1,166,628,752
Percentage	0.13%	0.66%	39.05%	41.33%	18.83%	100.00%

(3) Shareholding Distribution Status

i. Common shares dispersion:

COMMON SHARES

As of April 12,2020

Shareholding Tiers (Unit: Share)	Number of Shareholders	Shares	Percentage
1 ~ 999	8,425	2,670,444	0.23%
1,000 ~ 5,000	42,405	91,502,856	7.84%
5,001 ~ 10,000	7,479	58,257,245	4.99%
10,001 ~ 15,000	2,305	29,228,364	2.51%
15,001 ~ 20,000	1,596	28,896,340	2.48%
20,001 ~ 30,000	1,246	31,363,987	2.69%
30,001 ~ 40,000	600	21,268,306	1.82%
40,001 ~ 50,000	368	16,978,118	1.46%
50,001 ~ 100,000	605	42,647,733	3.66%
100,001 ~ 200,000	265	37,097,648	3.18%
200,001 ~ 400,000	112	31,020,745	2.66%
400,001 ~ 600,000	45	22,350,482	1.92%
600,001 ~ 800,000	20	14,043,141	1.20%
800,001 ~ 1,000,000	15	13,208,695	1.13%
≥ 1,000,001	78	726,094,648	62.23%
Total	65,564	1,166,628,752	100.00%

ii. Preferred shares dispersion: **None.**

(4) Major Shareholders (Only shareholders with 5% holding or above are listed.)

Name	Shares	Percentage
Xing Ri-sheng Investment Co., Ltd.	89,347,590	7.66%
Shihdaiyingjia Investment Co.	71,762,628	6.15%

Note: The above figures reflect our shareholding records as of April 12, 2019.

(5) Market Price, Net Worth, Earnings, and Dividends per Share for the Past 2 Years

Unit: NT\$ dollar

Item		Year	2018	2019	2020 (as of March 31)
Market price per share	Max		50.30	52.20	47.15
	Min		41.25	44.50	32.85
	Average		45.84	48.06	42.36
Net worth per share	Before distribution		29.3	28.05	Note6
	After distribution		25.8	Note4	—
Earnings per share	Weighted average shares ('000)		1,139,975 thousand share	1,139,975 thousand share	Note6
	Earnings per share		6.01	2.66	Note6
Dividend per share	Cash dividend		3.5	Note4,Note5	—
	Stock bonus	Earnings dividend	—	Note4	—
		Capital reserve dividend	—	—	—
	Accrued dividend		—	—	—
Profitability	Price / earning ratio ^[note 2]		7.63	18.07	—
	Price / dividend ratio ^[note 3]		13.1	Note4	—
	Cash dividend yield ^[note 4]		7.64	Note4	—

Notes:

1. The 2019 annual shareholders' meeting has yet to be convened to determine dividend distribution.
2. Price / earnings ratio = average closing price per share for the year / earnings per share.
3. Price / dividend ratio = average closing price per share for the year / cash dividend per share.
4. Cash dividend yield rate = cash dividend per share / average closing price per share for the year.
5. It has been approved that cash dividend is NT\$ 2 dollars for the earning distribution.
6. As of the annual report publication date, the quarterly report for Q1 2020 has not been produced.

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(6) Dividend Policy and Implementation Status

i. Dividend policy:

Article 29:

If the Company makes profits for the year, of which the employee remuneration shall not be less than 0.1% of the pre-tax benefits and the director remuneration shall not be more than 1% of the pre-tax benefits, the remuneration shall be distributed after the resolution of the Board of Directors and reported to the Board of Directors. However, if the Company still has accumulated losses, the compensation amount shall be reserved in advance. The allotment objects of remuneration shall include employees of subsidiaries who meet certain conditions, which shall be authorized to the Board of Directors for decision.

The Company shall grasp the changing characteristics of the operating economic environment in order to achieve sustainable operation and long-term development. The Board of Directors shall pay attention to the stability and growth of dividends when formulating the appropriation of earnings, and shall decide on the most appropriate method for dividend policy payment depending on the operating conditions and considering the capital budget planning.

Article 29-1:

The Company's appropriation of profit or loss shall be conducted after the end of each quarter. If there is surplus in the quarterly final accounts, the Company shall estimate and reserve the taxable contributions, cover the accumulated deficit (including adjusting amount of undistributed surplus), estimate and reserve the employees' remuneration, and then allocate 10% as statutory surplus reserve, unless the statutory surplus reserve has reached the paid-in capital amount. In addition, the special surplus reserve shall be allocated or reversed in accordance with laws and regulations or regulations of Competent Authority. If there is still any surplus, add the remaining balance with the accumulated undistributed surplus in previous quarter to form shareholders' dividends. And the Board of Directors shall prepare the proposal for distribution. When the method of issuing new shares is taken, it shall be submitted to the shareholders' meeting for resolution and then distributed. When distributing earnings, the cash part of shareholders' dividends shall not be less than 10% of the amount distributed to shareholders.

If the Company distributes all or part of the dividends or statutory surplus reserves and capital reserves by means of cash disbursement, it shall authorize the Board of Directors with over two-thirds of the directors attending the meeting and conduct after approval of a majority of the directors attending the meeting, which shall be reported to the shareholders' meeting.

ii. Proposed dividend distribution:

- (1) The proposed distribution of 2019 profits were passed at the Board of Directors' meeting on August 13, 2019. A cash dividend of NT\$1 (NT\$1000 per thousand share) was proposed and divided on October 30, 2020.
- (2) The proposed distribution of 2019 profits were passed at the Board of Directors' meeting on Nov.13, 2019. A cash dividend of NT\$1 (NT\$1000 per thousand share)

was proposed and divided on March 16, 2020.

- (3) The proposed distribution of 2019 profits were passed at the Board of Directors' meeting on August 13, 2019. A cash dividend of NT\$1 (NT\$1000 per thousand share) and A share dividend of NT\$1 (NT\$100 per thousand share) was proposed and will be discussed at the annual shareholders' meeting on June 10, 2020

iii. Significant changes to dividend policy: None.

(7) Impact of Proposed Bonus Shares on Operating Performance and EPS

Unit: NT\$ dollar

Item	Year	2020 (estimation)
Paid-in capital at the beginning		11,666,288
Dividend and stock dividend this year	Cash dividend per share (NT dollars)	
	Stock dividend from retained earnings transferred to capital increase (shares)	
	Stock dividend from capital reserve transferred to capital increase (shares)	
Changes to operating performances	Operating profit	
	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	
	Annual average rate on investment (reciprocal of annual price-earnings ratio)	(note)
Proforma earnings per share and price-earnings ratio	If all the retained earnings transferred to capital increase were distributed by cash dividend	Proforma earnings per share (NT dollars)
		Proforma annual average rate on investment
	If capital reserve transferred to capital increase was not conducted	Proforma earnings per share (NT dollars)
		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 dollars)
		Proforma annual average rate on investment

Note: The company do not public the financial prediction in 2020, so it is not applicable.

(8) Employee Bonus and Directors' and Supervisors' Remuneration

- i. Information related to employee bonus and directors' and supervisors' remuneration in the Articles of Incorporation:

If there is profit for the year, the Company shall pay an employee bonus of no less

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than 1‰ and directors' and supervisors' remuneration of no more than 1% of EBT. The aforementioned bonus and remuneration shall be distributed following the approval of the Board of Directors and reported to the shareholders' meeting. However, if there is still a cumulative loss, an amount equivalent to the loss shall be retained. If said bonus and remuneration are in the form of a stock bonus, it may also be distributed to qualified employees of our subsidiary companies.

The Company shall take into account the current and future development plans, the changing economic climate, investment environment, and capital needs and when determining the distribution of bonuses and remuneration. Our ultimate goal is to ensure the stability and growth of our earnings, and we will examine the operating performance of the prior year before arriving at the best method of profit distribution.

- ii. The basis for the estimation of the amount of bonus of employees, directors, and supervisors in the current period, and the accounting treatment if there is a difference between the estimated amount and the actual bonus paid in shares or cash:

If there is a discrepancy between the estimated number and the actual amount in the resolution of the Board of Directors, it shall be recognized as profit or loss from changes in accounting estimates in the following fiscal year.

- iii. Bonus distribution as decided by the Board of Directors' meeting:

- (1) Accounting disclosures, treatments, and explanations in the event of a discrepancy between the estimated amount and the actual bonus paid in shares or cash to employees, directors, and supervisors:

A proposed cash bonus NT\$ 36 million for employees and a remuneration of NT\$8.4 million were passed at the Board of Directors' meeting on March 20, 2020. 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.

- (2) Employee bonus paid in shares as a percentage of the total amount of the current net profit after tax and the total employee bonus as reported in the consolidated or individual financial statements:

On March 20, 2020, the Board of Directors' meeting has determined that there will be no stock dividend distribution.

- iv. Actual distribution of bonus and remuneration (including distributed cash, shares, and share prices) in the prior year, and the accounting disclosures, treatments and explanations if a discrepancy exists:

Item	FY 2018		
	Actual Amount Paid	Estimated Amount	Diff.
Employee cash bonus	NT\$ 48,000,000	NT\$ 48,000,000	0
Employee stock bonus	0	0	0
Director & Supervisor remuneration	NT\$12,000,000	NT\$ 12,000,000	0

- (9) Buyback of Treasury Stock: None.

2. Corporate Bonds

(1) Status of Outstanding Corporate Bonds

As of March 31, 2019

Type of Bond	2016-1 Secured Ordinary Corporate Bond (CUSIP: B86401; Code name: P05 Highwealth1)	2016-2 Secured Ordinary Corporate Bond (CUSIP: B86402; Code name: P05 Highwealth2)	2016-3 Secured Ordinary Corporate Bond (CUSIP: B86403; Code name: P05 Highwealth3)	2018-1 Secured Ordinary Corporate Bond (CUSIP: B86404; Code name: P07 Highwealth1)	
Date of issuance	Apr. 12, 2016	Apr. 12, 2016	Nov. 29, 2016	May 28, 2018	
Face Value	NT\$ 1 million	NT\$ 1 million	NT\$ 1 million	NT\$ 1 million	
Place of issuance	N/A	N/A	N/A	N/A	
Issuing price	At face value	At face value	At face value	At face value	
Total amount	NT\$ 3 billion in total	NT\$ 2 billion in total	NT\$ 2 billion in total	NT\$ 2.5 billion in total	
Interest rate	Coupon rate: fixed rate at 1.15% per annum	Coupon rate: fixed rate at 1.15% per annum	Coupon rate: fixed rate at 1% per annum	Coupon rate: fixed rate at 0.9% per annum	
Duration	5 years, maturity: Apr. 12, 2021	5 years, maturity: Apr. 12, 2021	5 years, maturity: Nov. 29, 2021	5 years, maturity: May 28, 2023	
Assurance agency	Taiwan Cooperative Bank Co., Ltd.	Mega International Bank Co., Ltd.	Taiwan Business Bank Co., Ltd.	Land Bank of Taiwan Co., Ltd.	
Trustee	Land Bank of Taiwan Co., Ltd.	Land Bank of Taiwan Co., Ltd.	Land Bank of Taiwan Co., Ltd.	JihSun International Bank Co., Ltd.	
Underwriter	Taiwan Cooperative Securities Co., Ltd.	Capital Securities Co., Ltd.	Land Bank of Taiwan Co., Ltd.	Land Bank of Taiwan Co., Ltd.	
Certifying attorney	Ya-wen Chiu, attorney	Ya-wen Chiu, attorney	Zhong-jie Wei, attorney	Zhong-jie Wei, attorney	
Certifying accountant	Chia-hsiu Chen, Shi-chin Chi, CPA	Chia-hsiu Chen, Shi-chin Chi, CPA	Chia-hsiu Chen, Shi-chin Chi, CPA	Di-nuang Jian, Gou-yang Tseng, CPA	
Repayment method	Bullet repayment at maturity	Bullet repayment at maturity	Bullet repayment at maturity	Bullet repayment at maturity	
Outstanding principal amount	NT\$ 3 billion	NT\$ 2 billion	NT\$ 2 billion	NT\$ 2.5 billion	
Terms of redemption or early repayment	N/A	N/A	N/A	N/A	
Restrictions	None	None	None	None	
Credit rating agency, assessment date and results	N/A	N/A	N/A	N/A	
Secondary rights	Amount of conversion (exchange or subscription) to ordinary shares, oversea depository receipts, or other securities	N/A	N/A	N/A	N/A
	Issuing and conversion (or exchange or subscription) method	Please refer to the prospectus of 2016-1 Secured Ordinary Corporate Bond	Please refer to the prospectus of 2016-2 Secured Ordinary Corporate Bond	Please refer to the prospectus of 2016-3 Secured Ordinary Corporate Bond	Please refer to the prospectus of 2018-1 Secured Ordinary Corporate Bond
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 2016-1 Secured Ordinary Corporate Bond	Please refer to the prospectus of 2016-2 Secured Ordinary Corporate Bond	Please refer to the prospectus of 2016-3 Secured Ordinary Corporate Bond	Please refer to the prospectus of 2018-1 Secured Ordinary Corporate Bond	
Custodian of the target(s) of conversion	N/A	N/A	N/A	N/A	

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

Type of corporate bond	2016-1 Secured Ordinary Corporate Bond (CUSIP: B86401; Code name: P05 Highwealth1)	2016-2 Secured Ordinary Corporate Bond (CUSIP: B86402; Code name: P05 Highwealth2)	2016-3 Secured Ordinary Corporate Bond (CUSIP: B86403; Code name: P05 Highwealth3)
Date of issuance	April 12, 2016	April 12, 2016	November 29, 2016
Duration	5 years, maturity: Apr. 12, 2021	5 years, maturity: Apr. 12, 2021	5 years, maturity: Nov. 29, 2021
Outstanding principal amount	NT\$0	NT\$0	NT\$0
Repayment method	According to Article 7 of the measures for the issuance of this guaranteed ordinary corporate bonds, the method of repayment of principal: the principal of this corporate bond shall be repaid in full at the expiration of five-year duration from the issuance date.	According to Article 7 of the measures for the issuance of this guaranteed ordinary corporate bonds, the method of repayment of principal: the principal of this corporate bond shall be repaid in full in full at the expiration of five-year duration from the issuance date.	According to Article 7 of the measures for the issuance of this guaranteed ordinary corporate bonds, the method of repayment of principal: the principal of this corporate bond shall be repaid in full at the expiration of five-year duration from the issuance date.

(3) Status of Outstanding Convertible Corporate Bonds

As of March 31, 2020

Type of Bond	Domestic Convertible Corporate Bond No. 5 (CUSIP: 25425)	
Date of Issuance	June 8, 2017	
Face Value	NT\$ 100,000	
Place of Issuance	Domestic	
Issuing Price	0.2% above face value	
Total Amount	NT\$ 10.02 billion	
Interest Rate	0%	
Duration	Five years, maturity date: June 8, 2022	
Assurance Agency	9 Banks: Taiwan Cooperative Bank Co., Ltd.; Mega International Bank Co., Ltd.; National Agricultural Bank of Taiwan Co., Ltd.; Chang Hua Commercial Bank Co., Ltd.; Taiwan Business Bank Co., Ltd.; JihSun International Commercial Bank Co., Ltd.; Taichung Commercial Bank Co., Ltd.; Bank of Kaohsiung Co., Ltd.; and DBS Bank (Taiwan), Ltd.	
Trustee	Land Bank of Taiwan Co., Ltd.	
Underwriter	Fubon Securities Co., Ltd.	
Certifying Attorney	Yi-cheng Peng, attorney, Handsome Attorneys-at-law Office	
Certifying Accountant	Di-nuang Jian, CPA, and Gou-yang Tseng, CPA, KPMG Taiwan	
Repayment Method	Pursuant to the Covenant of Issuance and Conversion of Convertible Corporate Bonds, a bullet repayment including the principal and interests shall be made at maturity if none of the following situations occur: conversion into the Company's common shares according to Article 10, early redemption or buyback through securities traders according to Article 18, or bondholders' selling of bonds prior to maturity according to Article 19.	
Outstanding Amount	NT\$9.9999 million	
Terms of Redemption or Early Repayment	Please refer to the issuing and conversion method.	
Restrictions	Please refer to the issuing and conversion method.	
Credit Rating Agency, Assessment Date and Results	None.	
Secondary Rights	Amount of conversion (exchange or subscription) to ordinary shares, oversea depositary receipts, or other securities	None.
	Issuing and conversion (or exchange or subscription) method	Please refer to the issuing and conversion method.
Potential dilution of equity and possible impact on existing shareholders' rights	In the event of complete conversion into common shares at the NT\$ 42.1 exchange price, a maximum of 237,527,000 shares will be issued. The dilution effect on existing shareholders is estimated at 16.92%.	
Custodian of the target(s) of conversion	Not applicable.	

3. Preferred Shares: None.

4. Overseas Depositary Receipts: None.

5. Employee Stock Options and New Restricted Employee Shares: None.

6. New Shares Issuance in Connection with Merger and Acquisition: None.

7. Financial Plans and Implementation: None.

V. Operational Highlights

1. Business Activities

(1) Business Activities

i. Main fields of business:

Our main business activities include commissioning contractors to construct commercial buildings and public housing buildings for sale or for lease.

- (a) H701020 Industrial Factory Buildings Lease Construction and Development
- (b) H701040 Specialized Field Construction and Development
- (c) H701060 Public Works Construction and Investment
- (d) H701070 New County and Community Construction and Investment
- (e) H703010 Factory Building Rental and Leasing
- (f) H703020 Warehouse Rental and Leasing
- (g) H703030 Office Building Rental and Leasing
- (h) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

ii. Weighting of business activities:

Units: NT\$ '000; %

Activities	Year	FY 2018		FY 2019	
		Amount	Weight (%)	Amount	Weight (%)
Construction		43,934,427	99.39	23,317,788	97.98
Development		127,932	0.29	367,305	1.54
Environmental protection technology		140,291	0.32	-	-
Rental and leasing		2,321	-	113,108	0.48
Total		44,204,971	100.00	23,798,201	100.00

iii. Current product (service) lineup and developing products and services:

(a) Existing products and services

Apartment buildings: Apartments, suites, and parking spaces.

Office buildings: Offices, storefronts, parking lots, and suites.

(b) New products and services in development

The Company will continue to buy land and promote cases in Keelung, Taipei, New Taipei City, Taoyuan, Hsinchu, Taichung, Tainan, Kaohsiun in the future, In addition, to satisfy the market's growing demands for the tourism & leisure industry and develop industry in food service, shopping mall, hotel and so on. We expect that the revenue can have a breach through diversity management.

(2) Industry Overview

i. Industry status and overview

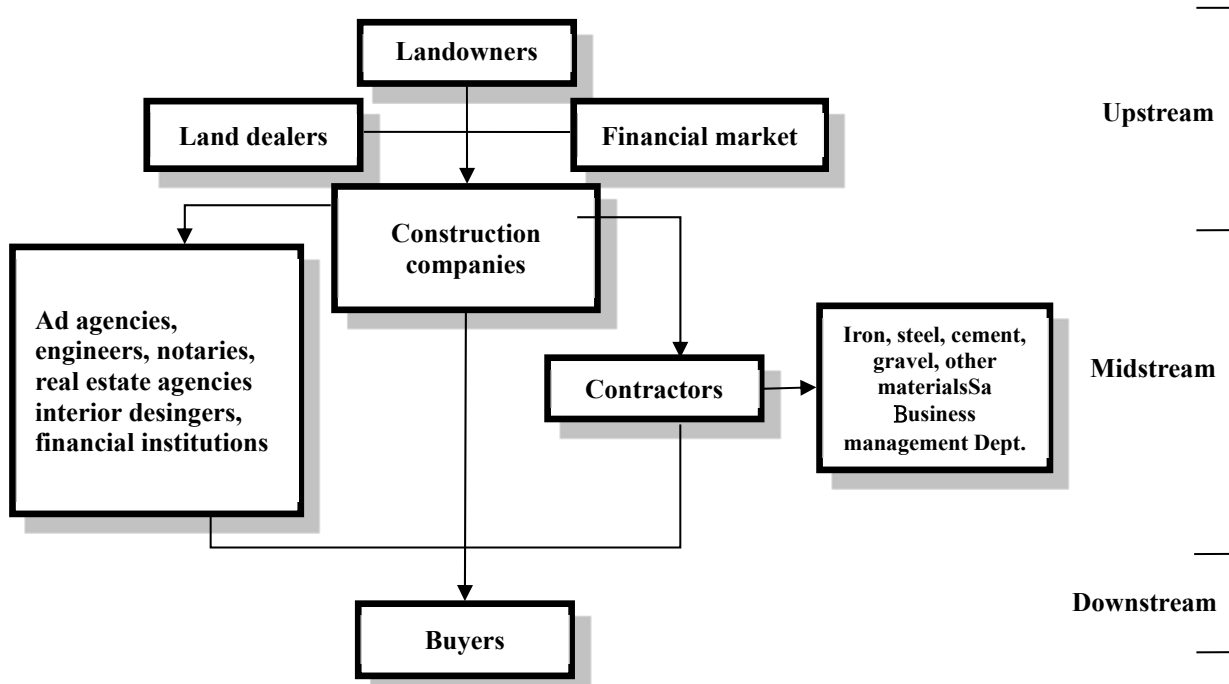
The prosperity of the development and construction industry is an important indicator of the wellbeing of the overall economic and financial environment in Taiwan. There has been too many competitors in the housing market since 2020, it is good for keeping the ratio of mortgage loan in low level. Moreover, the variable of the economy make real estate a priority for avoiding risk; the government continue to promote urban renewal policy and dangerous and old building policy, Especially, passing the Urban Renewal Regulations makes the reward more specific; Investment of Taiwanese businesses in Taiwan raise the price of the industry land. However, it is bad for slowing down the economy, the conflict of trade between China and America, early election of president, increasing of uncertain risk in the market, and the restriction for oversea Taiwanese businesses to invest real estate through remittance. It is obviously that the environment of the real estate industry in Taiwan is neutral.

ii. Relationship among the industry's up-, mid-, and downstreams

The construction business has been called the “locomotive of all industries”. Its upstream raw materials are mainly land and building materials. The sources of land may come from sales or release of privately-owned property through joint construction, auctions of government-owned land, and the redevelopment of land use in urban renewal projects. Construction companies are in the midstream of the industry. As for the necessary raw materials, such as iron, steel, cement, etc., are non-renewable and limited in supply, substitute building materials are becoming readily available as the technology advances. Also in the midstream are housing dealerships and real estate agencies. In the past, the construction investment industry had a closer business relationship with housing dealerships. In recent years, however, real estate agencies have diversified our selling options with the advantage of having physical storefronts. With the assistance from scrivener services, construction management companies, and financial institutions construction companies lie in the intermediary position and coordinate the whole system. Construction companies acquire land from landowners, apply for loans from financial institutions, commission engineers for designs and contractors for constructions, and finally, sell through the buyer.

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The relationship among the industry's up-, mid-, and downstream is illustrated in the diagram below:



iii. Product development trends

- (a) Due to regulations on real estate transaction and limited land supply, instead of outright transfer of land ownership or joint construction with landowners, the Company will diversify its land development opportunities through superficies acquisition, urban renewal projects, real estate investment trust, commissioning, and strategic alliances with competitors.
- (b) Because of the varied demands in regional housing and office space, the government's fight against urban-rural gap through urban planning and transportation infrastructure, and the scarcity and the high price of real estate in Taipei City, the industry has been moving towards a multi-regional approach to diversify risks and adopting unique marketing strategies to tailor to regional developmental needs. The Company will continue to develop high-end residential buildings throughout the northern, central, and southern regions of Taiwan, and general residential buildings with easy traffic connections will be developed to meet the needs of urbanization. In addition, we will examine the profitability of the development, operation, lease, and sales of smart office buildings.
- (c) Diversification, sophistication, and humanization are the three major trends in the market. Apart from the traditional residential buildings, commercial buildings, office

spaces, leisure housing, senior citizen housing, green housing, and high-tech smart housing are here to satisfy every customer's needs. As the average income continues to rise, home buyers are focusing less on practicality and safety and more on the living environment, life function, exterior/interior design, and the quality of buildings materials and equipment. Thus, brand awareness and customer satisfaction have become essential indices of competitiveness. The Company will work towards further diversification, humanization, and sophistication in future product development.

iv. Competition

The housing market is characterized by its massive scale, vast market reach, and distinctive regional needs. Therefore, the competitive environment is not as hostile as in other industries. Instead, our main focus is in on product differentiation. Our flexible product development strategies enable us to adjust the supply of various kinds of products in a timely manner to adapt to the industry's structural change and to meet the market demand. We determine the product positioning based on each project's scale and location, differentiate market needs according to regional characteristics, and diversify our portfolio to expand our market reach.

In recent years, the Company has mainly rolled out projects in highly urbanized regions, such as the Greater Taipei Metropolitan Area, Taichung, Tainan, and Kaohsiung City. We are one of the very few construction companies that are able to adopt a multi-region approach. We pride ourselves on the creation of value-added with our excellent management team, robust financial planning, visionary land development, professional research and design, precise product positioning, robust construction process, and complete after-sale services. Through these competitive advantages, we can differentiate our products and sell them at a higher price in order to increase gross profits and ensure that our profitability remains stable while minimizing negative effects of competition.

(3) Overview of Technology and R&D

The Company has no in-house R&D department within the main construction business division.

i. Technology know-hows and research outlook

(A) Consturction business division

a.Construction design:

The Company shall conduct a thorough assessment of the product's location, characteristics of its surrounding areas, consumers' needs, and the high-tech green construction materials available in the market before designing products of the finest quality to satisfy the ever-changing market demands.

b.Construction management

The Company will continue to research into various construction methods and adopt the most suitable ones. We will also strictly monitor the quality, costs, and progress of construction.

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c. Structural integrity and safety measures

The Company introduced the advanced shock absorption system from Japan to minimize damages brought by earthquakes and ensure the safety of residential buildings in Taiwan.

d. Process automation and digitalization

Our internal management system has been completely digitalized into an integrated construction management software which includes automated systems for budgeting, project contracting, sales, and accounting. In addition, we are investing further resources in training professional employees to increase operational efficiency.

e. Marketing research

We have an accurate understanding of the real estate market, and we actively gather information on land use and real estate transactions. These data offer useful insights and enable us to precisely position our products and adopt superior marketing strategies, making large sales volume an achievable goal.

(B) Department stores :

The Joy Plaza built by Boyuan Construction Corporation in Kaohsiung has been officially operating since July 2019. It is the first community-type shopping mall built with the concept of forest library in Taiwan, with featured catering accounting for 40%, and many featured stores such as Eslite, Toys R US and Starbucks to be introduced, making it the first shopping mall of Highwealth Group and the first shopping mall in Kaohsiung deeply rooted in communities.

(4) Short-term and Long-term operation plans

i. Short-term plan

With the Company's capital size, human resources, rate of return on investment, and capital turnover in mind, our short-term operation focus will stay on the investment and construction of mid- to large-scale projects at prime locations in northern, central, and southern Taiwan. We have established a professional marketing channel to accelerate sales, achieve zero inventory, and reduce interest expense. Apart from maximizing operational outcome, we are able to rapidly increase our capital thanks to our projects' profitability. With careful budgeting, auditing, and cost monitoring, we are able to gradually increase our equity ratio, strengthen our financial structure, and solidify our operational foundation, leading to continuous growth and profit generation.

ii. Long-term plan

As the Company is reaching a certain capital size, it is necessary that we consider long-term investment options to remain profitable. Accordingly, we plan to invest part of our capital in real estate that requires long-term holding or outsourcing, such as real estate for leisure and tourism, commercial real estate, and health village co-development projects to service the aging population. Meanwhile, the majority of our capital will still be invested in construction projects. Therefore, we should be able to maximize earnings for shareholders. In the future, we will actively form strategic alliances with our competitors and the insurance industry to acquire land for construction or operation of residential

buildings, office buildings, resorts, and department stores. At the same time, we will develop or introduce substitute building materials, maintaining a diversified portfolio and stable source of income.

2. Market and Sales Overview

(1) Market Analysis

i. Main product sales area:

In the past three years, high-rise multi-purpose residential buildings and office buildings comprised the majority of our sales. These buildings are situated in major metropolitan areas, including Taipei, New Taipei, Zhubei, Taichung, Tainan, and Kaohsiung. We mainly chose areas with convenient connections, good life functions, and high developmental potentials. Our sales volume has been satisfactory.

ii. Market share

For the summary of the company's operating revenue in 2019, please see the table below:

Top 10 Listed Construction Companies in Terms of Operating Revenue in 2019

Rank	Name of company	operating revenue (NT\$ ('000))
1	Highwealth	23,798,201
2	Continental Holdings	22,665,087
3	Farglory Group	20,672,958
4	Huaku Development Co., Ltd.	19,819,800
5	Goldsun Building Materials Co., Ltd	19,005,069
6	Kingdom Construction	15,326,899
7	BES Engineering Corporation	12,590,753
8	Prince Housing & Development corp.	12,199,437
9	Ruentex Group	11,637,322
10	Cathay Real Estate	11,623,928

Data source: public information observatory

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

(A) Supply

The four stages of land development are investment, production, transaction, and utilization. Construction companies will evaluate the market to determine the location, invest capital to procure building materials, and then begin the design process. However, the Building Act stipulates that building construction, reconstruction, addition, and repair all require building permits, that construction must commence within 6-9 months of permit issuance, and that land use registration and land use change both require a license. Because the whole process can take around 2-3 years, land transaction volume

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and building permit issuance can be seen as an early indicator of future housing market performance. The number of new construction projects can further reflect the industry's attitude towards the market outlook. On the other hand, property roll-out volume indicates the current housing supply. Therefore, in the following section, we will analyze land transaction volume, number of permits issued, and property roll-out volume to paint a clearer picture of market supply and growth.

a. Land transaction volume

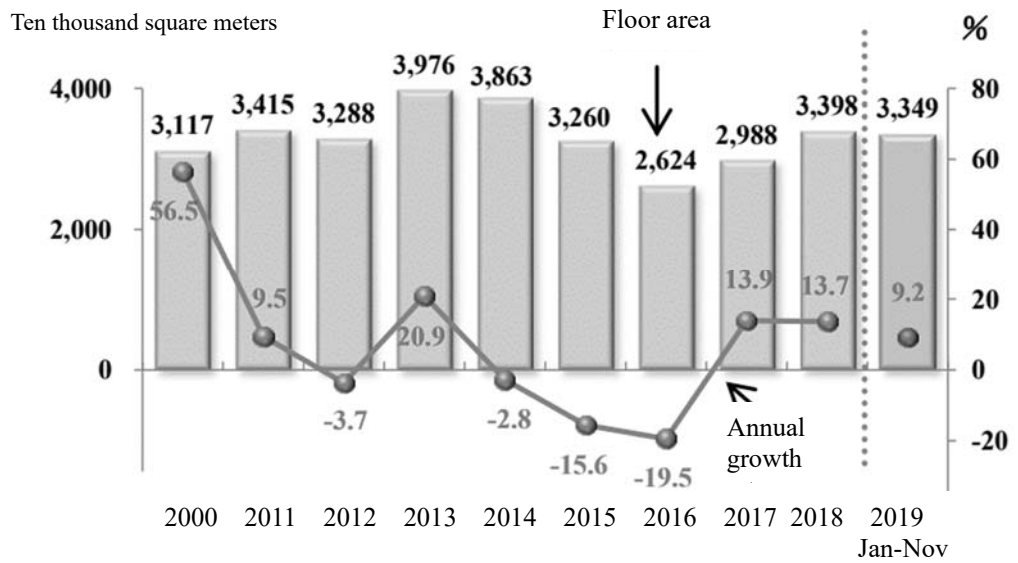
In 2019, the amount of domestic land transactions exceeded NT\$300 billion, which was mainly attributable to the continued release of the essential district auction projects by the public sector and the active land acquisition of real estate developers. Among them, the real estate developers are still the main buyers of the domestic land market in 2019. The listed real estate developers purchased as much as 260 thousand Ping (about 859.5 thousand square meters) of land. Meanwhile, real estate developers have also been continuously investing in office product development, and their marketing strategies are more flexible.

b. Number of construction licenses issued

The Building Act stipulates that new construction, addition, reconstruction and repair of buildings all require construction permits. Relevant statistics are the leading indicators used to observe the prosperity of construction industry in Taiwan. According to statistics reported by the Ministry of the Interior, from January to November 2019, a total of 24,686 building construction permits were issued (decreasing by 1.4% compared with the same period in 2018), covering a total floor area of 33.49 million square meters (increasing by 9.2% compared with the same period in 2018), with each covering an average floor area of 1,357 square meters (increasing by 10.8%).

Geographically, from January to November 2019, the six cities issued construction permits covering a total floor area of 23.75 million square meters, accounting for over 70% of the whole Taiwan. Among them, both Taichung and Taoyuan accounted for about 15%, respectively, while New Taipei City, Tainan and Kaohsiung accounted for over 10% respectively. If compared with the same period in 2018, all the six cities saw an increase in the approved floor area, with Taoyuan leading at 33.5%.

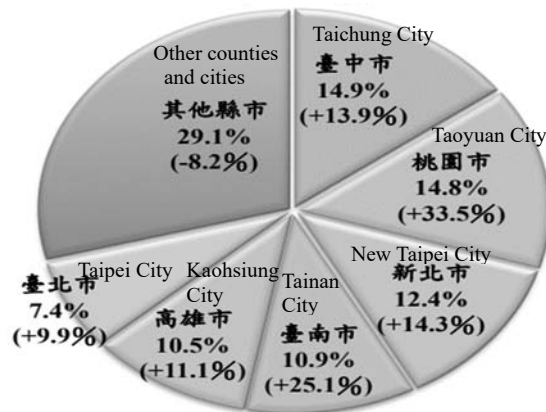
Total Floor Area and Annual Growth Rate of Construction License issued in Recent 10 years



Source: Directorate-General of Budget, Accounting, and Statistics and Construction and Planning Agency, Ministry of the Interior

Area Ratio and Annual Growth Rate of Regions

January-November, 2019



Note: figures in brackets indicate annual growth rate

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c. Property roll-out

There were 259 cases of new property roll-out this quarter (Q4 2019), with a total of 24,378 housing units and NT\$ 2.974 billion dollars in combined list price, which is lower than the previous quarter but higher than Q4 2018. Except in New Taipei City, potential closing prices increased from the Q4 2018, and Taipei, New Taipei City, and Hsinchu intergrated. Compared to Q4 2017, closing prices were rise in Taoyuan, Hsinchu, Tainan, and Kaohsiung,except in Taipei and New Taipei. When taking into account seasonal fluctuations, we conclude that pricing in Taipei and New Taipei City has both neared a short-term high, but the transaction volumes seemed to be divergent—Northern Hsinchu is at a relative low point whereas Central and Southern Taiwan has grown over the recent high. Overall, the housing market is stable compare to Q4 2018. The north of Taiwan is intergrating and the central and south of Taiwan is getting popular.

	Nationwide	Taipei	New Taipei	Taoyuan	Hsinchu	Taichung	Tainan	Kaohsiung
Case	259	24	56	44	24	33	30	48
	(-14.0%)	(-27.3%)	(-22.2%)	(63.0%)	(-22.6%)	(-21.4%)	(-18.9%)	(-18.6%)
	《18.8%》	《-7.7%》	《21.7%》	《63.0%》	《14.3%》	《-8.3%》	《15.4%》	《33.3%》
number of launched households	24,378	1,100	4,846	5,267	1,200	4,031	2,271	5,663
	(-19.1%)	(-40.6%)	(-44.0%)	(95.5%)	(-33.8%)	(-48.4%)	(21.8%)	(4.1%)
	《53.7%》	《6.5%》	《22.8%》	《136.1%》	《-0.4%》	《14.3%》	《50.0%》	《135.8%》
amount of launched cases (in 100 million NTD)	2,974	381	734	638	148	406	192	474
	(-28.9%)	(-42.2%)	(-47.4%)	(99.8%)	(-20.2%)	(-40.1%)	(-1.5%)	(-36.6%)
	《35.3%》	《-0.4%》	《15.2%》	《187.1%》	《-12.9%》	《11.2%》	《61.2%》	《57.9%》

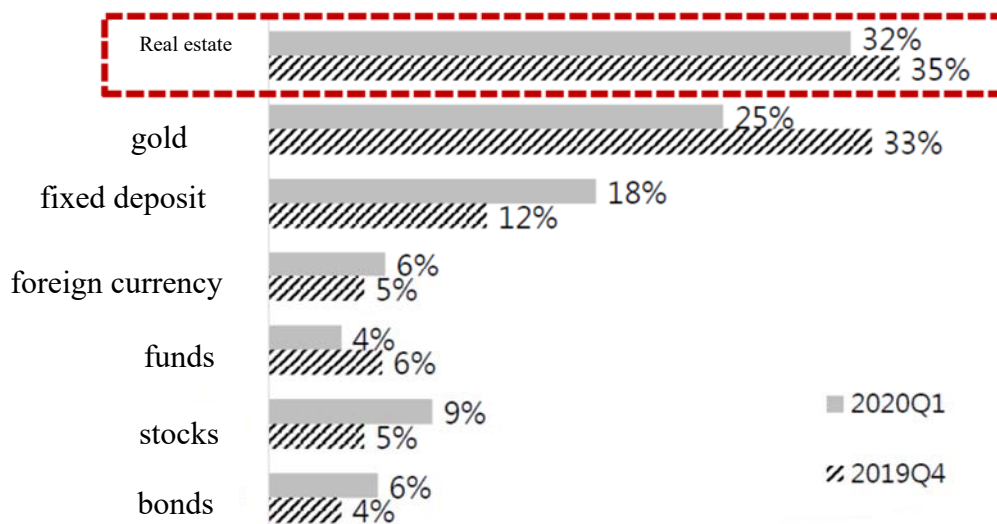
* Note:Quarter-to-quarter change in (); year-to-year change in 《 》.

* Source:Q4 2019 statistics reported by Cathay Real Estate.

B) Demand

Although the government continues to promote regulations for urban redevelopment and urban unsafe and old buildings. In particular, the deadline for applying the 10% bulk reward in the regulation for urban unsafe and old buildings was originally set on May 9, 2020. However, the Executive Yuan will approve the amendment to the regulations for urban unsafe and old buildings to extend the time-limited bulk reward for 5 years (the reward of the first year was cut half into 5% and for the following years, 1% is reduced from the year before) and increase the sale reward (for over 400 square meter, there is a 2% reward and a 0.5% reward increase for every 100 square meter increase up to 10%; and the total reward for time-limited and scale shall not exceed 10%). In addition, it seemed that the internal funds are sufficient, except for the mortgage interest rate making it maintained at a low level because the competition of rushing into house mortgage between the national banks and the private banks has been intensified. Under the loosened currency policy in the major economic body around the world in 2020, domestic central banks may not follow-up to reduce interest, but there is no space for increasing interest. This is relatively beneficial to the real estate market. Moreover,

Financial Supervisory Commission planned to reduce the mortgage minimum risk weight from 35% to 20% in Q3 2020. At that time, it will be more helpful for the bank to take on more house mortgage business, which will drive positive energy in to the fund aspect of the housing market. In addition, real estate is still the first choice for people in our country to hedge funds when facing uncertain prosperity. According to the statistical information from Yung Ching Rehouse (please refer to the figure below: Overview of the percentage distribution for various targets of hedging funds that consumers preferred), we learned that the most preferred target for hedging funds in Q1 2020 is real estate, with ratio up to 32%, which is followed by gold 25%, deposit 18%, stock 9%, bonds 6%, foreign currency 6%, funds 4%. It is expected that investment in real estate is still the most promising hedging channels for value preservation in 2020 under the situation where the prospect of the current economy is unclear.



Overview of the distribution of consumers' preference for the proportion of various funds

Source: Yung-Ching Realty Group, Dec. 2019

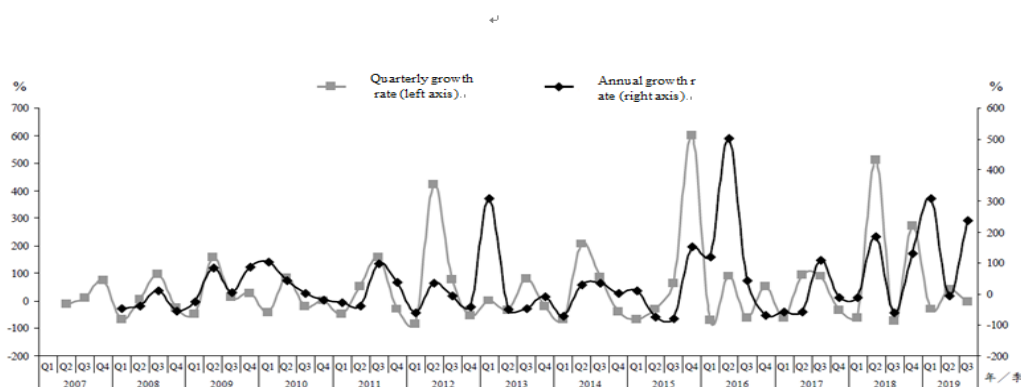
(C) Growth

According to the statistical information from Colliers International, during the first three seasons of 2019, the transaction amount for investment purchase and sale of commercial real estate has significantly increased compared to the same period in 2018. This benefits from the return of production capability in manufacturing industry and the inventory and logistics demands. Meanwhile, finance and insurance industry and non-classic buyers have made their move to promote the investment purchase and sales market for commercial real estate in Taipei City, Taichung City and Kaohsiung City. Among them, regarding commodity trading, in addition to the NT\$6.4 billion Nangang World Pearl Office Building, IBF Financial Holdings Co., Ltd. bought the Huagu Dazhi Asia Pacific Land Plaza with NT\$5.67 billion while H.p.w. bought the floor space of more than 30,000 pings in Kaohsiung 85 Building with the bid of NT\$5.44 billion, which can be expected that it will be used for its original business, hotel catering business. From above, this shows that enterprises have faith in the prospect of

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sightseeing under the new political and economic environment. Hence, they have made their move in property procurement. In fact, under the current low-interest environment and with investment benefits from the increasing rent for office and factory offices in Taipei City, office and factory offices continues to be focused by investors since 2019.

Changes in the annual growth rate and the quarterly growth rate of transaction value in the commercial real estate investment market



Data source: collated from Colliers international and TIER Industry Database · November 2019.

(D)Competitive advantages

- (a) Great capital resources and credit worthiness
- (b) Superior land development abilities with visions
- (c) Rigorous product design to satisfy market needs
- (d) Precise control of construction quality, progress, and costs

(E)Long-term opportunities, threats, and our countermeasures

(a) Oppurtunities

- ①The interest of mortgage loan has keep a low level since 2019, Federal Reserve System will lower the interest in August and September.
- ②The government continue to promote urban renewal policy and dangerous and old building policy, Especially, passing the Urben Renewal Regulations makes the reward more specific.
- ③The government promote “The Program of welcoming Taiwanese businesses to invest in Taiwan” in 2019~2021. There are over 50 Taiwanese businesses that the government set for goal come back to Taiwan. As a result, the government keep adjust the target, and it increase the demands of real estate for industry simultaneously. In 2019, the amount of trade includes land of industry, factory and office, and plant house will have oppurtunity to break through the level that is 7.82 billion NT\$ dollars in 2018.

(b) Threats

- ① The amount of houses have been sold and have not been sold is quite large.
- ② The trend of non-performing loans ratio of mortgage loan will still have impact on the control from Financial Supervisory Commission to the business of mortgage loan of banks.

(c) Countermeasures

- ① Conduct rigorous reviews of new development projects to determine the reasonable returns and prices; strengthen internal management and shorten construction time to minimize loss of profits due to rising material costs.
- ② Aim for design breakthrough and diversification; focus on construction quality to boost product competitiveness.
- ③ Enforce “just-in-time” zero inventory policy and selling policy to maximize returns on invested capital (ROIC).

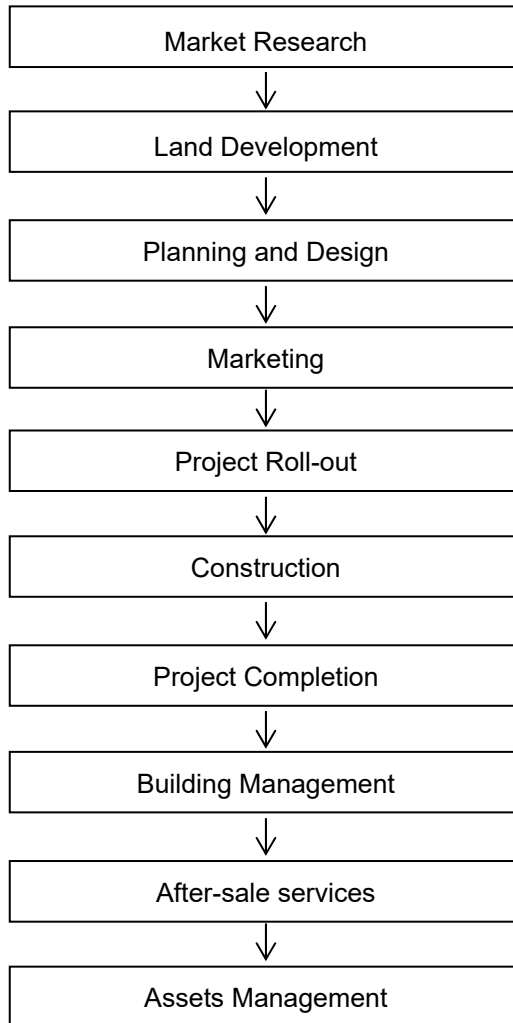
(2) Main Products and Manufacturing Process

i. Major products and their main uses

- (1) Luxury apartment buildings:
apartments, suites, parking spaces.
- (2) Luxury office buildings:
storefronts, malls, suites, parking spaces.

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ii. Major products and their production processes



(3) Supply of Major Source Materials

i. Land:

We are actively searching for suitable places for development. Following the government's plans of infrastructure in the greater Taipei Metropolis, Zhubei, Taichung, and Kaohsiung, we will seek joint construction opportunities, form strategic alliances, and parttake in urban renewal projects or MRT joint development. There will be no shortage of land.

ii Construction:

From contracting to project acceptance, we have rigorous operating procedures in place to help us control the progress and quality of construction. Supply shortage or monopoly is out of the question.

iii. Materials:

To reduce cost and shorten the construction period, we used to handle materials procurement in-house. However, to increase overall efficiency, we are gradually moving towards composite outsourcing of both construction and materials. The supply of building materials, therefore, remains stable.

(4) Major Suppliers and Clients

i. Major suppliers with at least 10% of annual order volume in the previous two years

Unit: NT\$ ('000)

#	2018				2019			
	Name	Volume	Percentage (%)	Relation	Name	Volume	Percentage (Q1, %)	Relation
1	Railway Reconstruction Bureau	4,001,736	13.72%	—	ShangZhi Asset Development Co., Ltd.	5,111,580	15.98%	N/A
	Others	25,157,415	86.28%	N/A	Others	26,878,086	84.02%	N/A
	Net Purchase	29,159,151	100.00%	N/A	Net Purchase	31,989,666	100.00%	N/A

Note 1: List the suppliers with at least 10% of annual order volume in the previous two years, and the purchase amount and proportion. However, if it is not allowed to disclose the name of the supplier due to the contract agreement or if the trading partner is an individual who is not a related person, it can be listed in the form of code.

Note 2: When preparing the consolidated financial statements, the transactions between the consolidated enterprises have been written off.

Reason for the change:

We use composite outsourcing of construction work and materials. Purchase amounts vary based on the construction progress. Because construction projects are discrete in nature and because land is non-increasing, immovable, and irreplaceable, land acquisition depends on our project locations and we don't rely on specific suppliers.

ii. Major clients with at least 10% of annual order volume in the previous two years

Unit: NT\$ ('000)

#	2018				2019			
	Name	Volume	Percentage (%)	Relation	Name	Volume	Percentage (Q1, %)	Relation
	Others	44,204,971	100.00	N/A	Others	23,798,201	100.00	N/A
	Net Sales	44,204,971	100.00	N/A	Net Sales	23,798,201	100.00	N/A

Note 1: List the clients with at least 10% of annual sales volume in the previous two years, and the amount and proportion of the sales. However, if it is not allowed to disclose the name of the client due to the contract agreement or the trading partner is an individual who is not a related person, it can be listed in the form of code.

Note 2: When preparing the consolidated financial statements, the transactions between the consolidated enterprises have been written off.

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Reason for the change:

Due to the nature of the business, the Company does not have regular clients commanding more than 10% of our annual sales volume.

(5) Production in the Last Two Years

Unit: NT\$ ('000)

Year Volume Product	2018		2019	
	CapacityYield	Value	Capacity Yield	Value
Housing (unit)	3,385	36,816,688	616	4,554,574
Construction	–	125,377	–	265,443
Bottom Ash Processing (ton)	88,667	94,673	–	–
Others	–	93,953	–	1,193,143
Total	–	37,130,691	–	6,013,160

Notes:

1. Housing value refers to the total production costs of completed projects at year end.
2. Housing yield refers to the total housing units of completed projects at year end.
3. The yield and value of bottom ash processing refers to the quantity and operating costs from recycled bottom ash.
4. Others refer to costs of lease and sales of empty land.

(6) Sales in the Last Two Years

Unit: NT\$ ('000)

Year Volume Product	2018				2019			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Housing (unit)	3,350	43,863,790	–	–	1,456	22,177,578	–	–
Construction	–	122,626	–	–	–	361,692	–	–
Bottom Ash Processing (ton)	88,667	134,662	–	–	–	–	–	–
Others	–	83,894	–	–	–	1,258,931	–	–
Total	–	44,204,972	–	–	1,456	23,798,201	–	–

Notes:

1. Housing sales value refers to the operating income from housing sales of the year.
2. Housing sales volume refers to the units sold in the year.
3. Others refer to revenues from lease or sales of empty land.

3. Human Resource Information in the Last Two Years

Consolidated human resource information including years of service, age, and educational background of the Company and our subsidiaries in the last two years:

Year		2018	2019	2020 (as of Mar. 31)
Number of employees	General staff	790	950	906
	Engineers	298	405	412
	Total	1,088	1,355	1,318
Average age		37.9	37.6	37.8
Average years of service		4.7	4.4	4.3
Educational Background	Doctorate degree	0%	0%	0%
	Master's degree	6.80%	7.08%	7.13%
	Bachelor's degree	80.15%	81.77%	81.41%
	High school	12.68%	10.48%	11.23%
	Below high school	0.37%	0.66%	0.23%

4. Environmental Protection Expenditure

- (1) Total Losses and Penalties by environmental pollution during the latest year and up to the printing date of this annual report

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.

- (2) Environmental Protection Measures

We stipulate in our contracts that our construction partners shall take whole responsibility for any pollution during construction. The Company assumes a supervisory role. We have the following measures in place to prevent pollution:

- i. Select the most appropriate construction methods based on the geology and the neighboring areas of the location to minimize noise and vibrations.
- ii. Put up protection nets to prevent dust and stones from flying or falling.
- iii. Set up enclosed scavenging ducts to prevent wastes from scattering.
- iv. Designate a place for waste disposal. No burning of wastes during construction, and regular collection of wastes.
- v. Regularly dredge the drainage trench to keep surrounding areas sanitary.

- (3) Contingent Liability in Environmental Protection: None.

5. Labor Relations

- (1) Policies on Employees' Welfare, Further Studies, Training, Retirement, and Their Implementation Status; Labor Agreements and Measures to Safeguard Employees' Interests in the Past Year and up to the Printing Date of the Annual Report:

i. Employee welfare:

The Company established the Welfare Committee to ensure sustainability, create a friendly work environment, help employees utilize their talents to the fullest, and find a common ground between personal and organizational growth. Committee members, selected by elections, meet regularly to determine and implement welfare plans in which all employees are eligible to participate. The welfare budget comes from our operating income and is managed by the Committee. The Company's Employee Welfare Manage Policy includes the following benefits: (a) festival cash gifts, (b) Wedding gifts and funeral solatiums, (c) uniforms, (d) housing discounts, (e) labor insurance, health insurance, group insurance, (f) retirement program, (g) performance bonus, (h) profit sharing program, (i) year-end banquet, and (j) other benefits defined by the Committee.

ii. Training and further training:

The Company and its subsidiaries offer job orientation, general and professional training courses to help employees cultivate professional skills and achieve self-actualization. Employess can take these courses on their own initiative or with the recommendation of their supervisors. The training program includes:

(a) Job orientation

- ① General training: Introduction to the Company's history and management, and lectures on safety, sanitation, and quality control.
- ② Professional training: all new recruits must undergo training of professional knowledge and operational procedures before they are put to work.
- ③ Traning for new hires in the Company and its subsidiaries in the recent year:

Unit	Training Course	Duration	Target	Cost(NT\$)
Department of Management in Highwealth Construction	Traning for demonstrating HR system	3 hours	New Staffs	0
Department of Business Management in Highwealth Construction	Traning for demonstrating ACM system	8 hours	Staffs in Department of Business Management	0
	Shuanghu Hui / Huayue City /Zhongyan A+Selling Lecture	4 hours	Staffs in Department of Business Management	0
Department of Planning in Highwealth Construction	Visiting construction cases	10 hours	Staffs in Department of Planningnt	0
	Technique of AI of digital advertisement	1 hours	Staffs in Department of Planningnt	0
	Analysis of performance of digital advertisement	1.5 hours	Staffs in Department of Planningnt	0

Unit	Training Course	Duration	Target	Cost(NT\$)
	Successful case sharing: Yahoo	2 hours	Staffs in Department of Planning	0
	Cooperative cases sharing: Common Wealth CSR	2 hours	Staffs in Department of Planning	0
	Training for Awoo SEOKeywords case	2 hours	Staffs in Department of Planning	0
Department of Finance and Accounting in Yuan Sheng International Co., Ltd.	Traning for demonstrating ACM system	4 hours	New Staffs	0
	Training for staff education(internal)	2 hours	New Staffs	0
Boyuan Construction Corporation	Training for A career safety and health	6 hours	Staffs in market	6,400
	Demonstration of market POS system	16 hours	Counters and firms	0
ChyiYuh Construction Co., Ltd. Chin Chun Construction Co., Ltd.	Corperate system and operational system	1 hours	New Staffs	0
	orientation training	1 hours	New Staffs	0

(b) On-job training and further training

- ① The Company provides on-job training based on each department's needs.
- ② The Company provides on-job training on an *ad hoc* basis.
- ③ Employees can attend off-site training on their own initiatives or with the recommendation of their supervisors.

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(c) Off-site training received by employees in the Company and its subsidiaries in the recent year:

① Training on corporate governance received by managers:

Job Title	Name	Held by	Training Program	Duration (hour)	Cost (NT\$)
Operation Supervisor	Lin Wenlong	Securities & Futures Institution	Risk of law of the supervisors and how to reponse it from the aspect of big business cases	3	3,000
Operation Supervisor	Lin Wenlong	Securities & Futures Institution	Type Analysis and Early Waarming of Financial Risk	3	3,000
Assistant auditing manager	Jie-yunChiu	The Institute of Internal Auditors	General Conditions and Execution of Contracts -Taking License Agreement fot example	6	3,300
Assistant auditing manager	Jie-yunChiu	The Institute of Internal Auditors	The function and Task of managers from the Blue Print of managment	6	3,300
Assistant auditing manager	Jie-yunChiu	Taiwan Stock Exchange Corporation	Seminar of Liseted company's bussiness.	3	0
Assistant accounting manager	Shiou-tai Lee	Accounting Research and Development Foundation	IFRS Adoption Seminar	12	8,000
Accounting manager	Ya-mei Lin	Taipei Exchande	Accounting Officers of Issuers, Securities Firms, and Securities Exchanges—Continued Training	6	0
Accounting manager	Ya-mei Lin	Accounting Research and Development Foundation	IFRS Adoption Seminar	12	8,000
Accounting manager	Ya-mei Lin	Taiwan Stock Exchange Corporation	Seminar of Liseted company's bussiness.	3	0
Accounting manager	Ya-mei Lin	Accounting Research and Development Foundation	Analysis of Accounting Practice and Keypoint of merger.	3	2,000

② Employee off-site training:

Training Program	Duration (hour)	Cost (NT\$)	Target
Administration demands the enterprise to set up “Independent Directors” and “Auditing Committee”	6	3,500	Auditors
Interior Share Trade Law Seminar	3	0	Service Counter
Seminar of Liseted company's bussiness.	3	0	Service Counter
Seminar of Liseted company's bussiness.	6	0	Auditors
Contents of “Securities and Exchange Act” and Analysis of illegal cases	6	3,500	Auditors
Accounting Officers of Issuers, Securities Firms, and Securities Exchanges—Continued Training	24	0	Accountant
IFRS Adoption Seminar	3	2,000	Accountant
Seminar of share trade law of listed and unlisted company	3	0	Accountant
Analysis of Audit Control practice of “Blue Print of Management”	6	3,500	Accountant
Introduction of the principle of processing asset and system of internal control and internal auditors.	6	3,500	Accountant
Analysis of Accounting Practice and Keypoint of merger.	3	2,000	Accountant
Engerneering advanced training	35	0	Engineers
Training of observation in construction site	16	326,140	Engineers

- (a) The Company has formulated a staff retirement scheme in accordance with the Employee Retirement Measures of the Labor Law.
- (b) With the enforcement of Labor Pension Act on July 1, 2005, the Company deposits 6% of employees' salary into their (a) Bank of Taiwan labor retirement reserve fund account if they choose the former pension scheme, or (b) individual accounts of labor pension at the Bureau of Labor Insurance if they choose the new scheme.

iv. Labor agreements and measures to safeguard employees' interests:

The Company considers talents to be the most important resources of all, and we pay great attention to employees' benefits, safety, and health. We encourage open communication to promote policy change and listen to employees' opinions. We strictly follow Labor Standards Act to maintain a harmonious labor relation, and so far, we have experienced great success. We established the Welfare Committee to ensure the implementation of employees' welfare programs and rights protection. Every year, we distribute performance bonuses, year-end bonuses, and employee dividends based on our operation outcome, effectively aligning employees' interests with the Company's business goals. Any revisions or additions to the labor agreement must be thoroughly discussed by both parties so that no disputes would arise.

(2) Loss Due to Labor Disputes in the Past Year and up to the Date of Publication of the Annual Report, and Disclosure of Contingent Liability and Countermeasures

The Company and its employees have always maintained, and will continue to foster, the spirit of mutual cooperation and teamwork, and continue to achieve higher business goals with joint efforts. Accordingly, no loss due to labor disputes has ever occurred. We endeavor to improve employees' welfare and management with a view to giving our staff better benefits and bringing in greater profits and sales for the Company. We are confident that the chance of labor disputes in the future is remote.

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6. Important Contracts

Type	Project	Counterparty	Duration	Content	Restr
Construction [note 1]	Danhai 3	Taisei Corporation	Until warranty expiry	Construction	—
	Minzhu	DACIN Construction	Until warranty expiry		—
	Neihu		Dec. 2012 to warranty expiry		—
	Xindu section	Sunglory Institution	Apr. 2018 to warranty expiry		—
	Berkely Park	Guoyuan Construction Co., Ltd.	Jun. 2018 to warranty expiry		—
	De'an	Taisei Corporation	Feb. 2019 to warranty expiry		—
	Qinghai 72	Xingzongyand Construction Co., Ltd.	Apr. 2019 to warranty expiry	Construction	—
	Da tung 994	Xing Yi Fa	Jun. 2019 to warranty expiry		—
	Taoyuan, Beitou 23	Xing Yi Fa	Dec. 2019 to warranty expiry		—
	Taoyuan, Beitou 69	Xing Yi Fa	Dec. 2019 to warranty expiry		—
Hui min san	Wells	Jan. 2020 to warranty expiry		—	
Joint construction [note 2]	Guangwu	TransGlobe Life	Mar. 2015 to completion	Guangwu, Hsinchu	—
	Longfeng	San Tong Construction	Oct. 2015 to completion	Xinchuan, New Taipei	—
	Beishindu	Ho et al.	Aug. 2016 to completion	Banqiao,	—
	Jiancui	Zhan et al.	Dec. 2015 to completion	New Taipei	—
	Hsinchu Guangwu	Zhang et al.	Nov. 2017 to completion	Guangwu, Hsinchu	—
	Zhonghe Yuantong	Chuangding Construction Co., Ltd.	Dec. 2015 to completion	Zhonghe, New Taipei	—
Joint investment	Beishindu	Sunglory Institution	Aug. 2016 to completion	Banqiao, New Taipei	—
	Banqiao Yongcui	YeaShin Development	Jun. 2017 to completion		—
	De'an	Huan Ding Development Hai Ju Construction	Apr. 2013 to completion	Zhongshan, Keelung	—
Technical service	Hyatt Hotel Jinshan	Hyatt International (Asia) Limited	42 months starting from Dec. 2017	Consulting prior to hotel opening	—
			Dec. 2017 to 20 years after opening	Hotel management	—
Lease	Kaohsiung	Southeast Cement Corp. Goldsun Co., Ltd	Feb. 2016 to Feb. 2032	Kaohsiung	—

Notes:

1. Only includes contracts with value above NT\$ 300 million (before taxes).
2. Only includes contracts with a deposit of at least NT\$ 30 million.

VI. Financial Profile

1. Condensed Balance Sheet, Consolidated Income Statement and Audit Opinion in the Past Five Years

1. Condensed Balance Sheet and Consolidated Income Statement

(1) Condensed balance sheet (International Financial Reporting Standards - concise)

Unit: NT\$ thousand

Item	Year	Financial analysis for the past five years (Note 1)					Financial analysis as of March 31, 2020
		2015	2016	2017	2018	2019	
Current assets		110,495,187	106,858,946	116,661,850	114,994,540	128,675,512	Note 3
Property, plant and equipment		2,515,863	2,416,561	2,366,802	3,288,941	3,039,648	Note 3
Intangible assets		27,729	25,584	26,558	25,054	24,718	Note 3
Other assets		1,157,164	1,855,036	5,050,660	12,592,556	16,083,667	Note 3
Total assets		114,195,943	111,156,127	124,105,870	130,901,091	147,823,545	Note 3
Current liabilities	Before distribution	70,216,102	58,665,660	63,862,328	61,659,364	77,558,356	Note 3
	After distribution	77,215,862	64,498,793	67,945,521	65,742,558	Note 2	Note 3
Non-current liabilities		4,657,633	13,760,121	25,932,472	29,139,579	35,822,007	Note 3
Total liabilities	Before distribution	74,873,735	72,425,781	89,794,800	90,798,943	113,380,363	Note 3
	After distribution	81,873,495	78,258,914	93,877,993	94,882,137	Note 2	Note 3
Interests attributable to parent company owner		35,090,990	34,578,269	30,692,772	34,180,147	30,396,294	Note 3
Capital		11,666,266	11,666,266	11,666,266	11,666,266	11,666,288	Note 3
Capital reserve		2,417,605	2,583,914	2,572,169	304,459	424,474	Note 3
Retained earnings	Before distribution	21,067,042	20,387,926	16,518,372	21,765,756	17,856,715	Note 3
	After distribution	14,067,282	14,554,793	14,777,765	17,682,562	Note 2	Note 3
Other interests		(1,529)	2,220	5,394	510,427	532,627	Note 3
Treasury stock		(58,394)	(62,057)	(69,429)	(66,761)	(83,810)	Note 3
Non-controlling interests		4,231,218	4,152,077	3,618,298	5,922,001	4,046,888	Note 3
Total equity	Before distribution	39,322,208	38,730,346	34,311,070	40,102,148	34,443,182	Note 3
	After distribution	32,322,448	32,897,213	30,227,877	36,018,954	Note 2	Note 3

Note 1: The financial analysis for the past five years was certified by the CPAs.

Note 2: The 2019 annual earnings distribution has not yet been approved during the shareholders' meeting. It has been approved that the NT\$ 2 dollars cash dividend for mid-term earning distribution.

Note 3: As of the date of publication of the annual report, accountants haven't provided financial analysis as of March 31, 2020.

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(2) Condensed consolidated income statement (International Financial Reporting Standards - concise)

Unit: NT\$ thousand

Item	Year	Financial analysis for the past five years (Note 1)					Financial analysis as of March 31, 2020
		2015	2016	2017	2018	2019	
Operating revenue		34,638,039	35,057,830	18,670,078	44,204,971	23,798,201	Note 2
Operating margin		12,804,925	11,289,543	4,973,067	13,172,878	6,649,337	Note 2
Operating income		9,815,058	7,733,030	2,631,174	9,503,362	3,505,992	Note 2
Non-operating income and expenses		58,814	123,674	101,839	(52,490)	445,780	Note 2
Income from continuing operations before income tax		9,873,872	7,856,704	2,733,013	9,450,872	3,951,772	Note 2
Net income of continuing business units		8,954,895	7,268,083	2,442,625	8,738,331	3,489,017	Note 2
Income of suspended business unit		–	–	–	–	–	Note 2
Net income		8,954,895	7,268,083	2,442,625	8,738,331	3,489,017	Note 2
Other comprehensive income, net of tax		(23,017)	(1,131)	7,723	47,527	22,003	Note 2
Total comprehensive income		8,931,878	7,266,952	2,450,348	8,785,858	3,511,020	Note 2
Net income attributable to stockholders of the parent		8,120,691	6,349,210	1,929,261	6,856,144	3,029,789	Note 2
Net income attributable to non-controlling interests		834,204	918,873	513,364	1,882,187	459,228	Note 2
Total comprehensive income attributable to stockholders of the parent		8,097,674	6,348,079	1,936,984	6,903,671	3,051,792	Note 2
Total comprehensive income attributable to non-controlling interests		834,204	918,873	513,364	1,882,187	459,228	Note 2
Earnings per share		7.06	5.57	1.69	6.01	2.66	Note 2

Note 1: The financial analysis for the past five years was certified by the CPAs.

Note 2: As of the date of publication of the annual report, accountants haven't provided financial analysis as of March 31, 2020.

(3) Condensed balance sheet (International Financial Reporting Standards - consolidated financial statements)

Unit: NT\$ thousand

Year		Financial analysis for the past five years (Note 1)				
		2015	2016	2017	2018	2019
Item						
Current assets		76,332,067	76,191,680	78,468,299	81,568,176	90,297,954
Property, plant and equipment		696,983	530,464	521,707	859,716	899,210
Intangible assets		2,498	1,914	5,407	4,816	3,190
Other assets		1,347,389	2,434,110	7,540,001	14,569,091	18,374,522
Total assets		78,378,937	79,158,168	86,535,414	97,001,799	109,574,876
Current liabilities	Before distribution	42,307,860	36,606,031	37,844,505	39,901,023	55,926,126
	After distribution	49,307,620	42,439,164	41,927,698	43,984,217	Note 2
Non-current liabilities		980,087	7,973,868	17,998,137	22,920,629	23,252,456
Total liabilities	Before distribution	43,287,947	44,579,899	55,842,642	62,821,652	79,178,582
	After distribution	50,287,707	50,413,032	59,925,835	66,904,846	Note 2
Interests attributable to parent company owner		35,090,990	34,578,269	30,692,772	34,180,147	30,396,294
Capital		11,666,266	11,666,266	11,666,266	11,666,266	11,666,288
Capital reserve		2,417,605	2,583,914	2,572,169	304,459	424,474
Retained earnings	Before distribution	21,067,042	20,387,926	16,518,372	21,765,756	17,856,715
	After distribution	14,067,282	14,554,793	14,777,765	17,682,562	Note 2
Other interests		(1,529)	2,220	5,394	510,427	532,627
Treasury stock		(58,394)	(62,057)	(69,429)	(66,761)	(83,810)
Total equity	Before distribution	35,090,990	34,578,269	30,692,772	34,189,147	30,396,294
	After distribution	28,091,230	28,745,136	26,609,579	30,096,953	Note 2

Note 1: The financial analysis for the past five years was certified by the CPAs.

Note 2: The 2019 annual earnings distribution has not yet been approved during the shareholders' meeting, The earnings distribution has approved to divide cash dividend NT\$ 2 dollars

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(4) Condensed consolidated income statement (International Financial Reporting Standards - consolidated financial statements)

Unit: NT\$ thousand

Item	Year	Financial analysis for the past five years (Note)				
		2015	2016	2017	2018	2019
Operating revenue		24,159,219	18,925,829	12,252,697	30,717,971	20,373,762
Operating margin		9,918,028	6,355,174	3,416,282	8,869,264	5,690,759
Operating income		6,656,489	4,141,712	1,862,368	6,534,438	3,628,150
Non-operating income and expenses		2,145,737	2,527,735	237,417	634,399	(307,263)
Income from continuing operations before income tax		8,802,226	6,669,447	2,099,785	7,168,837	3,320,887
Net income of continuing business units		8,120,691	6,349,210	1,929,261	6,856,144	3,029,789
Income of suspended business unit		–	–	–	–	–
Net income		8,120,691	6,349,210	1,929,261	6,856,144	3,029,789
Other comprehensive income, net of tax		(23,017)	(1,131)	7,723	47,527	22,003
Total comprehensive income		8,097,674	6,348,079	1,936,984	6,903,671	3,051,792
Net income attributable to stockholders of the parent		–	–	–	–	–
Net income attributable to non-controlling interests		–	–	–	–	–
Total comprehensive income attributable to stockholders of the parent		–	–	–	–	–
Total comprehensive income attributable to non-controlling interests		–	–	–	–	–
Earnings per share		7.06	5.57	1.69	6.01	2.66

Note: The financial analysis for the past five years was certified by the CPAs.

2. Auditing CPAs and audit opinions in the past five years

Year	CPA firm	CPA name	Audit opinion
2015	KPMG Taiwan	Chen Chiahsiu, ChihShihchin	Unqualified opinion
2016	KPMG Taiwan	Chen Chiahsiu, ChihShihchin	Unqualified opinion
2017	KPMG Taiwan	Di-nuang Jian, Gou-yang Tseng	Unqualified opinion
2018	KPMG Taiwan	Di-nuang Jian, Gou-yang Tseng	Unqualified opinion (Emphasized paragraphs or other paragraphs)
2019	KPMG Taiwan	Di-nuang Jian, Gou-yang Tseng	Unqualified opinion

2. Financial Analysis in the Past Five Years

1. Financial analysis - International Financial Reporting Standards (concise)

Item	Year	Financial analysis for the past five years (Note 1)					Financial analysis as of March 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Financial structure (%)	Debt to asset ratio	66	65	72	69	77	Note 2
	Long term capital to property, plant and equipment ratio	1,748	2,172	2,545	2,105	2,312	Note 2
Solvency (%)	Current ratio	157	182	157	186	166	Note 2
	Quick ratio	31	30	31	36	26	Note 2
	Interest coverage ratio	43	16	5	12	5	Note 2
Operating capacity	Receivable turnover rate (times)	21	22	11	22	13	Note 2
	Average cash recovery day	17	17	33	16	28	Note 2
	Inventory turnover rate (times)	0.26	0.27	0.14	0.33	0.17	Note 2
	Payable turnover rate(times)	4	4	4	5	3	Note 2
	Days sales outstanding	1,404	1,352	2,607	1,106	2,147	Note 2
	Property, plant and equipment turnover rate (times)	20	14	8	16	8	Note 2
	Total asset turnover rate (times)	0.31	0.31	0.15	0.35	0.17	Note 2
Profitability	Return on assets (%)	8	7	3	7	3	Note 2
	Return on equity (%)	24.33	18.62	6.68	23.49	9.36	Note 2
	Pre-tax net profit to paid-in capital ratio (%)	84.64	67.35	23.42	81.01	33.87	Note 2
	Net profit rate (%)	25.85	20.73	13.08	19.77	14.66	Note 2
	Earnings per share(NT\$)	7.06	5.57	1.69	6.01	2.66	Note 2
Cash Flow	Cash flow ratio (%)	11.05	2.32	Note3	15.19	Note3	Note 2
	Cash flow adequacy ratio (%)	17.71	33.48	Note3	71.79	Note3	Note 2
	Cash reinvestment ratio (%)	7.83	Note3	Note3	9.26	Note3	Note 2
Leverage	Operating leverage	1.13	1.17	1.44	1.14	1.42	Note 2
	Financial leverage	1.02	1.07	1.37	1.10	1.35	Note 2

Please explain the reasons of the financial ratio changes in the past two years. (Analysis may be omitted if the changes hadn't reached 20%.)

- 1.Quick ratio decrease: mainly due to an increase in inventory and bank loan.
- 2.Interest coverage ratio decrease: mainly due to an decrease in pre-tax net profit and total income tax expense.
- 3.Receivable turnover rate (times) decrease: mainly due to a decrease in net sales in current period.
- 4.Average cash recovery day increase: due to a decrease in receivables turnover.
- 5.Inventory turnover rate (times) and receivable turnover rate (times) decrease: mainly due to a decrease in cost of sales in current period.
- 6.Payable turnover rate (times) increase: mainly due to an increase in cost of sales in current period.
- 7.Days sales outstanding increase: due to a decrease in inventory turnover rate (times) in current period.
- 8.Return on assets and return on equity decrease: mainly due to a decrease in net profit after-tax in current period.
- 9.Pre-tax net profit to paid-in capital ratio decrease: mainly due to a decrease in pre-tax net profit in current period.
- 10.Earnings per share decrease: mainly due to a decrease in net profit after tax in current period.
- 11.Operating leverage and financial leverage increase: mainly due to a decrease in operating profit in current period.

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Note 1: The financial analysis from 2015 to 2019 was certified by the CPAs.

Note 2: As of the date of publication of the annual report, accountants haven't provided financial analysis as of March 31, 2020.

Note 3: Minus changes in net cash flow from operating activities may be omitted.

Note 4: The financial ratios are calculated 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

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)

6. Leverage

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

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

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2. Financial analysis - International Financial Reporting Standards (consolidated)

Item		Year	Financial analysis for the past five years (Note 1)				
			2015	2016	2017	2018	2019
Financial structure	Debt to asset ratio (%)		55	56	65	65	72
	Long term capital to property, plant and equipment ratio (%)		5,175	8,022	9,333	6,642	5,966
Solvency	Current ratio (%)		180	208	207	204	161
	Quick ratio (%)		35	27	28	36	24
	Interest coverage ratio		61	24	7	13	6
Operating capacity	Receivable turnover rate (times)		39	26	22	31	15
	Average cash recovery day		9	14	16	11	25
	Inventory turnover rate (times)		0.24	0.20	0.13	0.32	0.2
	Payable turnover rate(times)		7	7	6	16	9
	Days sales outstanding		1,521	1,825	2,808	1,141	1,825
	Property, plant and equipment turnover rate (times)		52	31	23	44	23
	Total asset turnover rate (times)		0.32	0.24	0.14	0.33	0.19
Profitability	Return on assets (%)		11	8	3	8	3
	Return on shareholders' equity (%)		24.72	18.23	5.91	21.14	9.38
	Pre-tax net profit to paid-in capital ratio (%)		75.45	57.17	17.99	61.45	28.47
	Net profit rate (%)		33.61	33.55	15.74	22.32	14.87
	Earnings per share(NT\$)		7.06	5.57	1.69	6.01	2.66
Cash Flow	Cash flow ratio (%)		10.80	Note2	1.70	5.57	Note2
	Cash flow adequacy ratio (%)		105.60	85.39	69.43	47.57	Note2
	Cash reinvestment ratio (%)		2.74	Note2	(10.93)	(3.49)	Note2
Leverage	Operating leverage		1.35	1.20	1.38	1.11	1.24
	Financial leverage		1.02	1.08	1.24	1.10	1.23

Please explain the reasons of the financial ratio changes in the past two years. (Analysis may be omitted if the changes hadn't reached 20%.)

1. Current ratio decrease: mainly due to an increase in liquid liabilities in current period.
2. Quick ratio decrease: mainly due to an increase in liquid liabilities in current period.
3. Interest coverage ratio decrease: mainly due to an decrease in pre-tax net profit.
4. Receivable turnover rate (times) decrease: mainly due to a decrease in operating revenue.
5. Average cash recovery day increase: due to a decrease in receivables turnover.
6. Inventory turnover rate (times) decrease: mainly due to a decrease in cost of sales in current period and average inventory.
7. Payable turnover rate(times) decrease: mainly due to a decrease in operating costs.
8. Days sales outstanding increase: due to an decrease in inventory turnover rate (times) in current period.
9. Property, plant and equipment turnover rate (times) and total asset turnover rate (times) decrease: mainly due to a decrease in operating revenue.
10. Return on assets and return on equity decrease: mainly due to an decrease in net profit after-tax in current period.
11. Pre-tax net profit to paid-in capital ratio decrease: mainly due to a decrease in pre-tax net profit in current period.
12. Net profit ratio decrease: mainly due to a decrease in net profit after-tax
13. Earnings per share decrease: mainly due to a decrease in net profit after tax in current period.
14. Cash flow ratio decrease: mainly due to a decrease in income from continuing operations before income tax in current period.
15. Cash flow adequacy ratio decrease: mainly due to a decrease in cash flow in last five years.
16. Cash reinvestment ratio decrease: mainly due to a decrease in net cash flow from operating activities in current period.
17. Operating leverage increase: mainly due to a decrease in operating profit in current period.

Note 1: The information above was certified by accountants.

Note 2: Minus changes in net cash flow from operating activities may be omitted.

Note 3: The financial ratios are calculated 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

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)

6. Leverage

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

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

3. Audit Committee's Review Report on the Latest Financial Report

Highwealth Construction
Audit Committee's Review Report

The Board of Directors has prepared the financial statements, the business report and the earnings distribution table of the Company and Subsidiaries for the year of 2019, which was certified by the accountants who are ChienTinuan and Tseng Kuoyang of KPMG Certified Public Accountant Office. No discrepancy was found after the audit committee finished reviewing. Hereby, this report is issued under the Art. 14.4 of the Securities Exchange Law, and the Art. of 219 of the provisions of Company Act, please review it.

To
2020 Annual Shareholder's Meeting of Highwealth Construction

Audit Committee Convener: Hong Xiyao



March 20, 2020

4. Latest Financial Report

Representation Letter

The entities that are required to be included in the combined financial statements of Highwealth Construction Corp. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Highwealth Construction Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Highwealth Construction Corp.

Chairman: JENG, JR-LUNG

Date: March 20, 2020

Independent Auditors' Report

To the Board of Directors of Highwealth Construction Corp.:

Opinion

We have audited the consolidated financial statements of Highwealth Construction Corp. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statement 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, 2019 and 2018, 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 (“IFRSs”), 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 audits 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 of the year ended December 31, 2019 of the Group. 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.

1. Revenue recognition

Please refer to note 4(q) and 6(y) of 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 \$23,213,650 thousands in 2019, 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 testing the effectiveness of the design and implementing the internal control system of sales revenue. Inspection of sales contracts, bank account transaction record and real estate ownership transfer document, etc. Performing analytical procedures to advance payment to analyze the completeness of accounting procedures. Testing the samples of sales transaction before and after the end of the year to ensure the correctness of sales revenue.

2. Inventory valuation

Please refer to note 4(h), Note 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, 2019, inventory of the Group valued \$105,967,814 thousands, constituting 72% 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, economics, 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 understanding the Group's operating and accounting procedures for inventory valuation. Obtain the Group management's data of inventory valuation, inspecting and recalculating the net realizable value of inventory to ensure if it is adequate. The net realizable value can be assessed in both ways: through reviewing the recent selling price of the premises, or by inquiring the selling price of premises nearby from the "Actual Selling Price of Real Estate" website.

Other Matter

Highwealth Construction Corp. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, 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.

Highwealth Construction

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of 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 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 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 for the year ended December 31, 2019 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 Ti-Nuan Chien and Kuo Yang Tseng.

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2020

Highwealth Construction

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
 Consolidated Balance Sheets
 December 31, 2019 and 2018
 (Expressed in Thousands of New Taiwan Dollar)

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (Note 6(a))	\$ 12,227,545	9	15,052,306	12
1110 Financial assets at fair value through profit or loss—current (Notes 6(b) and 8)	629,443	-	630,174	1
1140 Current contract assets (Note 6(y))	50,303	-	41,924	-
1150 Notes receivable, net (Notes 6(d) and 8)	1,484,144	1	1,478,259	1
1170 Accounts receivable, net (Note 6(d))	423,220	-	290,507	-
130X Inventory (Notes 6(e) and 8)	105,967,814	72	91,742,520	70
1410 Prepayment(note)	616,740	-	420,992	-
1476 Other financial assets-current (Notes 6(m) · (ab) · 8 and 9(b))	5,487,384	4	4,410,835	3
1479 Other current assets, others	230,516	-	155,772	-
1480 Current assets recognised as incremental costs to obtain contract with customers (Note 6(m))	1,558,403	1	771,251	1
	<u>128,675,512</u>	<u>87</u>	<u>114,994,540</u>	<u>88</u>
Non-current assets:				
1517 Non-current financial assets at fair value through other comprehensive income (Note 6(e))	550,364	-	528,381	-
1550 Investments accounted for using equity method, net (Note 6(g))	91,584	-	96,190	-
1600 Property, plant and equipment (Notes 6(j) and 8)	3,039,648	2	3,288,941	3
1755 Right-of-use assets (Note 6(k))	492,209	-	-	-
1760 Investment property (Notes 6(l) and 8)	4,563,599	3	4,337,723	3
1780 Intangible assets	24,718	-	25,054	-
1840 Deferred tax assets(Note 6(v))	41,209	-	56,196	-
1980 Other non-current financial assets (Note 6(m))	10,224,220	8	7,486,961	6
1990 Other non-current assets, others	<u>120,482</u>	<u>-</u>	<u>87,105</u>	<u>-</u>
	<u>19,148,033</u>	<u>13</u>	<u>15,906,551</u>	<u>12</u>
Total assets	<u>\$ 147,823,545</u>	<u>100</u>	<u>130,901,091</u>	<u>100</u>
Liabilities and Equity				
Current liabilities:				
Short-term borrowings (Note 6(n))	\$ 56,817,836	38	42,621,570	32
short-term transaction instrument payables (Note 6(o))	4,225,151	3	4,347,933	3
Current contract liabilities (Note 6(y))	6,203,159	5	3,356,938	3
Notes payable	7,657	-	20,012	-
Accounts payable (Note 7)	6,050,414	5	6,107,062	5
Other payables	2,258,099	2	2,056,472	2
Dividends payable (Note 6(w))	1,167,169	-	285	-
Current tax liabilities	74,239	-	363,099	-
Provisions—Current (Notes 6(s) and (u))	137,991	-	218,970	-
Lease liabilities, current (Note 6(r))	65,209	-	-	-
Other financial liability-current	99,047	-	21,892	-
Current Portion of puttable bonds (Note 6(q))	-	-	1,999,919	2
Current portion of long-term borrowings (Note 6(p))	257,788	-	211,718	-
Other current liabilities, others	<u>194,597</u>	<u>-</u>	<u>333,494</u>	<u>-</u>
	<u>77,558,356</u>	<u>53</u>	<u>61,659,364</u>	<u>47</u>
Non-Current liabilities:				
Bonds payable(Note 6(q))	29,074,991	20	23,083,924	18
Long-term borrowings (Note 6(p))	6,013,239	4	5,766,522	4
Deferred tax liabilities (Note 6(v))	191,553	-	248,056	-
Lease liabilities, non-current (Note 6(r))	500,586	-	-	-
Net defined benefit liability, non-current (Note 6(u))	<u>41,638</u>	<u>-</u>	<u>41,077</u>	<u>-</u>
	<u>35,822,007</u>	<u>24</u>	<u>29,139,579</u>	<u>22</u>
	<u>113,380,363</u>	<u>77</u>	<u>90,798,943</u>	<u>69</u>
Total liabilities	<u>11,666,288</u>	<u>8</u>	<u>11,666,266</u>	<u>9</u>
Equity attributable to owners of parent:				
Common stock (Note 6(w))	424,474	-	304,459	-
Capital surplus (Note 6(w))	7,227,503	5	6,307,154	5
Legal reserve	10,629,412	7	15,458,602	12
Unappropriated earnings	532,627	-	510,427	-
Other equity (Note 6(w))	(83,810)	-	(66,761)	-
Treasury stock (Note 6(w))	30,396,294	20	34,180,147	26
Total equity attributable to owners of parent:	<u>4,046,888</u>	<u>3</u>	<u>5,922,001</u>	<u>5</u>
Non-controlling interests (Note 6(i))	34,443,182	23	40,102,148	31
36XX	<u>147,823,545</u>	<u>100</u>	<u>130,901,091</u>	<u>100</u>
Total liabilities and equity	<u>\$ 147,823,545</u>	<u>100</u>	<u>130,901,091</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income**

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(y))	\$ 23,798,201	100	44,204,971	100
5000	Operating cost (Note 6(e))	<u>17,148,864</u>	<u>72</u>	<u>31,032,093</u>	<u>70</u>
	Gross profit from operations	<u>6,649,337</u>	<u>28</u>	<u>13,172,878</u>	<u>30</u>
	Operating expenses:				
6100	Selling expenses	1,673,787	7	2,377,040	5
6200	Administrative expenses	<u>1,469,558</u>	<u>6</u>	<u>1,292,476</u>	<u>3</u>
		<u>3,143,345</u>	<u>13</u>	<u>3,669,516</u>	<u>8</u>
	Net operating income	<u>3,505,992</u>	<u>15</u>	<u>9,503,362</u>	<u>22</u>
	Non-operating income and expenses:				
7010	Other income (Notes 6(aa) and 7)	264,003	1	696,204	2
7020	Other gains and losses (Note 6(aa))	1,089,374	5	125,762	-
7050	Finance costs, net (Note 6(aa))	(902,991)	(4)	(872,646)	(2)
7070	Share of losses of associates and joint ventures accounted for using equity method, net (Note 6(g))	(4,606)	-	(1,810)	-
	Total non-operating income and expenses	<u>445,780</u>	<u>2</u>	<u>(52,490)</u>	<u>-</u>
	Profit from continuing operations before tax	<u>3,951,772</u>	<u>17</u>	<u>9,450,872</u>	<u>22</u>
7950	Less: Income tax expenses(Note 6(v))	<u>462,755</u>	<u>2</u>	<u>712,541</u>	<u>2</u>
	Profit	<u>3,489,017</u>	<u>15</u>	<u>8,738,331</u>	<u>20</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(322)	-	2,141	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	22,474	-	45,478	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		<u>22,152</u>	<u>-</u>	<u>47,619</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(149)	-	(92)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(149)</u>	<u>-</u>	<u>(92)</u>	<u>-</u>
8300	Other comprehensive income	<u>22,003</u>	<u>-</u>	<u>47,527</u>	<u>-</u>
	Total comprehensive income	<u>\$ 3,511,020</u>	<u>15</u>	<u>8,785,858</u>	<u>20</u>
	Profit, attributable to:				
8610	Profit, attributable to owners of parent company	\$ 3,029,789	13	6,856,144	16
8620	Profit, attributable to non-controlling interests	<u>459,228</u>	<u>2</u>	<u>1,882,187</u>	<u>4</u>
		<u>\$ 3,489,017</u>	<u>15</u>	<u>8,738,331</u>	<u>20</u>
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent company	\$ 3,051,792	13	6,903,671	16
8720	Comprehensive income, attributable to non-controlling interests	<u>459,228</u>	<u>2</u>	<u>1,882,187</u>	<u>4</u>
		<u>\$ 3,511,020</u>	<u>15</u>	<u>8,785,858</u>	<u>20</u>
	Earnings per share (Note 6(x))				
9750	Basic earnings per share	\$	<u>2.66</u>	\$	<u>6.01</u>
9850	Diluted earnings per share	\$	<u>2.27</u>	\$	<u>5.28</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollar)

Share capital	Equity attributable to owners of parent										Total equity attributable to owners of parent
	Retained earnings		Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		Exchange differences on translation of foreign financial statements		Unrealized gains (losses) on available-for-sale financial assets		Treasury stock		
Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury stock	Non-controlling interests	Total equity
\$ 11,666,266	2,572,169	6,114,228	10,404,144	16,518,372	-	436	(4,958)	3,394	(69,429)	3,618,298	34,311,070
	2,572,169	6,114,228	10,729,723	16,843,951	471,689	-	(4,958)	466,731	(69,429)	3,661,848	35,146,930
	-	-	6,856,144	6,856,144	-	-	-	685,614	-	1,882,187	8,738,331
	-	-	2,141	2,141	45,478	(92)	-	45,386	-	-	47,527
	-	-	6,858,285	6,858,285	45,478	(92)	-	45,386	-	1,882,187	8,785,828
	-	192,926	(192,926)	-	-	-	-	-	-	-	-
	-	-	(1,740,607)	(1,740,607)	-	-	-	-	-	-	(1,740,607)
	(2,342,586)	-	-	-	-	-	-	-	-	-	(2,342,586)
	3,396	-	-	-	-	-	-	-	-	-	3,396
	93,282	-	-	-	-	-	-	-	-	-	93,282
	(21,802)	-	(202,957)	(202,957)	-	-	-	-	-	-	(202,957)
	-	-	-	-	-	-	-	-	2,668	-	19,134
	-	-	-	-	(7,084)	-	-	(7,084)	-	-	358,832
	-	-	7,084	7,084	-	-	-	-	-	-	-
11,666,266	304,459	6,307,154	15,458,602	21,765,756	510,083	344	-	510,427	(66,761)	5,922,001	40,102,148
	304,459	6,307,154	15,443,643	21,750,797	510,083	344	-	510,427	(66,761)	(149,959)	(149,959)
	-	-	3,029,789	3,029,789	-	-	-	-	-	5,922,186	40,087,049
	-	-	(322)	(322)	22,474	(149)	-	22,325	-	-	22,003
	-	-	3,029,467	3,029,467	22,474	(149)	-	22,325	-	459,228	3,489,017
	-	685,614	(685,614)	-	-	-	-	-	-	-	-
	-	-	(4,083,194)	(4,083,194)	-	-	-	-	-	-	(4,083,194)
	-	234,535	(234,535)	-	-	-	-	-	-	-	-
	-	-	(2,333,257)	(2,333,257)	-	-	-	-	-	-	(2,333,257)
22	81	-	-	-	-	-	-	-	-	-	103
	119,934	-	-	-	-	-	-	-	-	-	119,934
	-	-	(507,223)	(507,223)	-	-	-	-	(17,049)	-	(507,223)
	-	-	-	-	-	-	-	-	-	17,049	17,049
	-	-	-	-	(125)	-	-	(125)	-	(2,351,250)	(2,351,250)
	424,474	7,227,303	10,629,412	17,856,715	532,432	195	-	532,627	(83,810)	4,046,888	34,443,182
\$ 11,666,288	424,474	7,227,303	10,629,412	17,856,715	532,432	195	-	532,627	(83,810)	4,046,888	34,443,182

Note 1 : Appropriation and distribution of retained earnings in the second and third quarters of 2019: The appropriated legal reserve amounted to \$209,999 thousands and \$24,536 thousands, respectively; and the issued cash dividends amounted to \$1,166,628 thousands and \$1,166,629 thousands, respectively.

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollar)**

	<u>2019</u>	<u>2018</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 3,951,772	9,450,872
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	207,983	92,455
Amortization expense	10,682	10,307
Expected credit loss / Provision (reversal of provision) for bad debt expense	1,819	-
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(46,363)	149,629
Interest expense	902,991	872,646
Interest income	(33,660)	(28,774)
Dividend income	(10,564)	(95,739)
Share of loss of associates and joint ventures accounted for using equity method	4,606	1,810
Loss (gain) on disposal of property, plant and equipment	(1,091)	10,840
Gain on disposal of investment properties	(162,047)	(288,513)
Gain on lease modifications	(254)	-
Gain on disposal of non-current assets classified as held for sale	(886,639)	-
Impairment loss on non-financial assets	57,000	-
Other revenue, overdue dividends and compensation of board and directors	-	3,396
Gain to the rights transferred of the sale and leaseback	(62,116)	-
Total adjustments to reconcile profit (loss)	<u>(17,653)</u>	<u>728,057</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Net gain (loss) on financial assets or liabilities at fair value through profit or loss, mandatorily measured at fair value	47,094	(50,478)
Decrease (increase) in contract assets	(8,379)	240,472
Increase in notes receivable	(5,885)	(786,032)
Decrease (increase) in accounts receivable	(134,532)	996,131
Decrease (increase) in inventories	(13,959,363)	2,296,129
Decrease (increase) in prepayments	(230,282)	370,780
Decrease (increase) in other current and non-current assets	(97,131)	64,967
Decrease (increase) in other financial assets	(1,111,018)	800,467
Decrease (increase) in assets recognised as incremental costs to obtain contract with customers	(787,152)	697,828
Total changes in operating assets	<u>(16,286,648)</u>	<u>4,630,264</u>
Changes in operating liabilities:		
Decrease (increase) in contract liabilities	2,846,221	(4,888,890)
Decrease in notes payable	(12,355)	(14,682)
Decrease in accounts payable	(56,644)	(177,877)
Increase in other payables	216,454	71,140
Increase (decrease) in provisions	(80,979)	56,376
Increase in other financial liabilities	77,155	4,252
Decrease in other current liabilities	(138,897)	(137,163)
(Decrease) increase in net defined benefit liability	239	(1,548)
Total changes in operating liabilities	<u>2,851,194</u>	<u>(5,088,392)</u>
Total changes in operating assets and liabilities	<u>(13,435,454)</u>	<u>(458,128)</u>
Total adjustments	<u>(13,453,107)</u>	<u>269,929</u>
Cash inflow (outflow) generated from operations	(9,501,335)	9,720,801
Income taxes paid	(757,284)	(356,234)
Net cash flows from (used in) operating activities	<u>(10,258,619)</u>	<u>9,364,567</u>

Highwealth Construction

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollar)

	<u>2019</u>	<u>2018</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	491	59,169
Acquisition of investments accounted for using equity method	-	(98,000)
Proceeds from disposal of non-current assets classified as held for sale	1,286,739	-
Acquisition of property, plant and equipment	(455,847)	(719,085)
Proceeds from disposal of property, plant and equipment	231,682	-
Acquisition of intangible assets	(10,380)	(8,831)
Acquisition of investment properties	-	(531,548)
Proceeds from disposal of investment properties	518,330	446,454
Interest received	30,049	28,393
Dividends received	10,564	95,739
Net cash flows from (used in) investing activities	<u>1,611,628</u>	<u>(727,709)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	30,917,734	26,200,549
Decrease in short-term loans	(16,492,233)	(24,507,163)
Increase in short-term notes and bills payable	(122,782)	668,868
Proceeds from issuing bonds	5,900,000	2,497,500
Repayments of bonds	(2,000,000)	-
Proceeds from long-term debt	682,200	2,103,511
Repayments of long-term debt	(615,457)	(71,026)
Payment of lease liabilities	(50,132)	-
Increase in other financial assets	(2,737,259)	(4,432,244)
Cash dividends paid	(7,237,596)	(3,989,911)
Interest paid	(1,671,366)	(1,370,631)
Changes in non-controlling interests	(750,765)	(1,096,582)
Net cash flows from (used in) financing activities	<u>5,822,344</u>	<u>(3,997,129)</u>
Effect of exchange rate changes on cash and cash equivalents	(114)	(67)
Net increase (decrease) in cash and cash equivalents	(2,824,761)	4,639,662
Cash and cash equivalents at beginning of the year	<u>15,052,306</u>	<u>10,412,644</u>
Cash and cash equivalents at end of the year	<u>\$ 12,227,545</u>	<u>15,052,306</u>

See accompanying notes to consolidated financial statements.

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HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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

(1) Company history

Highwealth Construction Corp. (the “Company”) was incorporated in January 1980 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). Originally known as Yufu Construction Co., Ltd. after several times of rename. It changed its name to Hongju Construction Co., Ltd. after the acquisition of Hongju Construction Co., Ltd. in May 1989. Hongju Construction acquired Highwealth Construction Corp. in 2000 and changed its name to Highwealth Construction Corp. in May 2003. The Company's registered address is 10F, No.267, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) The consolidated financial statements of the Company as of and for the year ended December 31, 2019 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, and 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 issuance by the Board of Directors on March 20, 2020.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has prepared its consolidated financial statements in conformity with the following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16“Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(m).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of office equipment.

● Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application ; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements**

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$506,747 thousands of right-of-use assets and \$521,846 thousands of lease liabilities, recognizing the difference \$14,959 thousands in retained earnings and \$140 thousands in non-controlling interests. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate on January 1, 2019. The weighted-average rate applied is 2.00%~2.16%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

Operating lease commitment on December 31, 2018 as disclosed in the Group's consolidated financial statements	<u><u>January 1, 2019</u></u> \$ <u><u>646,232</u></u>
Discounted using the incremental borrowing rate on January 1, 2019 (Lease liabilities recognized on January 1, 2019)	\$ <u><u>521,846</u></u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	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.

(4) Summary of significant accounting policies:

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 consolidated financial statements, the Chinese version shall prevail.

The following significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements unless otherwise specified.

- (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”).

(Continued)

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments.

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) is recognized as the fair value of the plan assets less the present value of defined benefit obligation and the upper limit impact mentioned in Note 4(r).

(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 Group's consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All the financial information presented in New Taiwan Dollar has been rounded to the nearest thousands.

(c) Basis of consolidation

(i) Principles for preparing consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. The financial statements of subsidiaries are adjusted fairly, so that the accounting policies are the same within the Group.

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing 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. The difference between the adjustment of non-controlling interest and its consideration is recognized as owner's equity.

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

Name of investor	Subsidiaries	Principal activity	Shareholding		Description
			December 31, 2019	December 31, 2018	
The Company	Chyi Yuh Construction Co., Ltd.	Construction Industry Residence and Buildings Lease Construction	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Subsidiaries	Principal activity	Shareholding		Description
			December 31, 2019	December 31, 2018	
The Company	Ace Riches International Corp.	Residence and Buildings Lease Construction	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly
The Company	Highwealth Real Estate Co., Ltd.	Real estate broker agent and real estate commerce	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly
The Company	Xingfuyu Trading (Xiamen) Co., Ltd.	Wholesale of construction Material	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly
The Company	Quan Xiang Trading (Shanghai) Co., Ltd.	Wholesale of construction Material	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly
The Company	Run Long Construction Co., Ltd.	Waste treatment 、 Residence and Buildings Lease Construction	5.28 % (Note 1)	3.60 % (Note 1)	The Company holds, directly and indirectly, less than 50% shares of Run Long but have substantial control over it and considered it as its subsidiary
The Company	Bo Yuan Construction Co., Ltd.	Residence Buildings Lease Construction, and Department stores	100.00 % (Note 2)	- %	The Company hold more than 50% interest of the subsidiary directly
The Company	Yeh Kee Enterprise Co., Ltd.	Residence and Buildings Lease Construction	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly
The Company	Bijiang Enterprise Co., Ltd.	Residence and Buildings Lease Construction	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly
The Company	Highwealth Construction Co., Ltd.	Construction Industry 、 Residence and Buildings Lease Construction	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly
CHYI YUH	Bo Yuan Construction Co., Ltd.	Residence Buildings Lease Construction, and Department sotres	- % (Note 2)	100.00 %	Chyi Yuh hold more than 50% interest of the subsidiary directly
CHYI YUH	Guang Yang Investment Co., Ltd.	Investment industry	100.00 %	100.00 %	Chyi Yuh hold more than 50% interest of the subsidiary directly
CHYI YUH	Well Rich International Co., Ltd.	Wholesale of construction Material	100.00 %	100.00 %	Chyi Yuh hold more than 50% interest of the subsidiary directly
CHYI YUH	Run Long Construction Co.	Waste treatment 、 Residence and Buildings Lease Construction	5.02 % (Note 1)	2.93 % (Note 1)	Chyi Yuh holds, directly and indirectly, less than 50% shares of Run Long but have substantial control over it and considered it as its subsidiary

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Subsidiaries	Principal activity	Shareholding		Description
			December 31, 2019	December 31, 2018	
Guang Yang	Run Long Construction Co.	Waste treatment , Residence and Buildings Lease Construction	5.45 % (Note 1)	5.45 % (Note 1)	Guang Yang holds, directly and indirectly, less than 50% shares of Run Long but have substantial control over it and considered it as its subsidiary
Run Long Construction	Jin Jyun Construction Co., Ltd.	Construction , Industry , Residence and Buildings Lease Construction	100.00 %	100.00 %	Run Long hold more than 50% interest of the subsidiary directly

Note 1: The increase in the Group's shareholdings was due to the Group's investment and disposal of shareholdings of Run Long Construction during 2019.

Note 2: For its business development and management efficiency, the Group restructured its organization in August 2019, resulting in the Company to buy 100% shares of Bo Yuan Construction Co., Ltd, through Chyi Yuh Construction Co., Ltd..

(iii) Subsidiary established by the Group in the current period:

On November 13, 2018, the Board of Directors made a resolution to establish Highwealth Construction Co., a new subsidiary, with 100% of voting interest by \$5,000 thousands. All legal procedures were completed.

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

(d) Foreign currencies

(i) currencies transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) An investment in equity securities designated as at fair value through other comprehensive income;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES Notes to the Consolidated Financial Statements

3) Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operation

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Current and non-current distinction

An asset is classified as current when

- (i) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) The Group holds the asset primarily for the purpose of trading;
- (iii) The Group expects to realize the asset within twelve months after the reporting period;
- (iv) The asset is cash or cash equivalent 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 when

- (i) The Group expects to settle the liability in its normal operating cycle;
- (ii) The Group holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period;
- (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 the issue of equity instruments do not affect its classification.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) 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.

(g) 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, 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, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Fair value through other comprehensive income

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
- 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 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 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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5) Impairment of financial assets

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

The Group measures loss allowances at an amount equal to lifetime expected credit loss (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 trade 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.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES Notes to the Consolidated Financial Statements

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. Evidence that a financial assets 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 the assets. For debt securities at FVOCI, the loss allowance 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 when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. 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.

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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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 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.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) 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.

5) 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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES Notes to the Consolidated Financial Statements

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.

6) 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.

7) 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 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.

(h) Inventory

(i) Construction industry

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

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

1) Land held for development

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 (current market condition) in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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3) Properties and land held for sale

Net realizable value is the estimated selling price (refer to the market condition estimated by authority)in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value.

(ii) Manufacturer and Other 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.

(i) Non-current assets held for sale

A resolution was made during the board meeting in the third quarter of 2019 for the Group to dispose the land and buildings of its Yingge plant in New Taipei City. Therefore, the accounting policies related to noncurrent assets held-for-sale have been applied since September 30, 2019.

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.

(j) Joint Arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. The IFRS classifies joint arrangements into two types — joint operations and joint ventures, which have the following characteristics(a) the participants are bound by a contractual arrangement; and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 “Joint Arrangements” defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (ie activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES Notes to the Consolidated Financial Statements

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. A joint venture shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 “Investments in Associates and Joint Ventures”, unless the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Group considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Group reevaluates whether the classification of the joint arrangement has changed

(k) 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 measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful lives, and residual value which are the same as those adopted for 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.

(l) 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 Group.

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(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	3~6 years
3) Transportation equipment	5 years
4) Office equipment	3~8 years
5) Other equipment	2~10 years

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

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

(m) Lease

Applicable from January 1, 2019

(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:

- 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 customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer 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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES Notes to the Consolidated Financial Statements

- 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.
- (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 lives 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.

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

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

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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.

If an arrangement contains lease and non-lease 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.

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 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.

For sale-and-leaseback transactions, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Group derecognizes the transferred asset, then measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Group applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Group continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

(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. It 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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES Notes to the Consolidated Financial Statements

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

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's 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'.

Leases (policy applicable before January 1, 2019)

(i) Lessor

A finance lease asset is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as expense when the lease adjustments are confirmed..

(ii) Lessee

Other leases are operating leases and are not recognized in the Group's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. The incentive provided for lease recognize as the deduction for the lease payment under the straight-line basis over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred.

(n) Intangible assets

(i) Recognition and measurement

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

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 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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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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.

(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) Goodwill 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.

(o) 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, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) 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.

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(p) 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.

(i) Warranties

A provision for warranties is recognized when the constructions are completed. The provision is based on historical warranty data, and a weighting of all possible outcomes against their associated probabilities. 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.

(q) 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) Net Tenant-Counter Sales (Commissions Income)

Revenue generated when the Group acts as the agent rather than a consigner in a transaction. Tenant-Counter revenue is recognized on a net commission basis.

2) Customer loyalty program

The Group operates a customer loyalty program to its retail customers. Retail customers obtain points for purchases made, which entitle them to discount on future purchases. The Group considers that the points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. The Group has recognized contract liability at the time of sale on the basis of the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

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3) 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. The properties have generally no alternative use for the Group due to contractual restrictions. However, 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.

4) 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.

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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES Notes to the Consolidated Financial Statements

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 public constructions, the Group offers a standard warranty to provide assurance that they comply with agreed upon specifications and has recognized warranty provisions for this obligation; please refer to note 6(s).

5) Revenue from services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. 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.

6) 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.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered.

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General and administrative costs, costs of wasted materials, labor or other resources to fulfill the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits 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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES Notes to the Consolidated Financial Statements

(s) Income Taxes

Income taxes comprise 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 are 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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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(t) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by 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.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur 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 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:

(a) Judgment regarding control of subsidiaries

Although the Group owns less than half of Run Long Construction Co., Ltd. and has less than half its voting rights, management has determined that the Group controls the entity. The Group has control over Run Long Construction Co., Ltd. on a de facto basis, Run Long Construction Co., Ltd. is considered a subsidiary.

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:

(a) Inventory valuation

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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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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.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. For assumptions used in measuring fair value. Please refer notes as follows:

- (a) Note 6(l) Investment property.
- (b) Note 6(ab) Financial instruments.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Bank overdrafts used for cash management purposes	\$ 4,856	4,010
Demand Deposits	12,122,689	14,948,296
Time Deposits	100,000	100,000
Cash and cash equivalent	\$ 12,227,545	15,052,306

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

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

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Stocks listed on domestic markets	\$ 629,443	629,174
Put Options and call options	-	1,000
Total	\$ 629,443	630,174

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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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For credit risk and market risk; please refer to note 6(ab).

As of December 31, 2019 and 2018, 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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity investments at fair value through other comprehensive income:		
Unlisted Common Share	<u>\$ 550,364</u>	<u>528,381</u>

(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.

As of December 31, 2019 and 2018, the Group has sold its shares at a fair value of \$491 thousands and \$59,169 thousands, respectively, and the Group realized a gain of \$125 thousands and \$7,084 thousands, respectively, which were recognized as other comprehensive income, and thereafter, were reclassified to retained earnings.

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

(iii) As of December 31, 2019 and 2018, the financial assets at fair value through other comprehensive income of the Company hadn't pledged as collateral for long term borrowings.

(d) Note and account receivables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Note receivables	\$ 1,486,144	1,480,259
Trade receivables	424,212	293,510
Less: loss allowance	<u>2,992</u>	<u>5,003</u>
	<u>\$ 1,907,364</u>	<u>1,768,766</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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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:

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance Provision
Current	\$ 1,907,364	-	-
365 days past due	2,992	100%	2,992
	\$ 1,910,356		2,992
	December 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance Provision
Current	\$ 1,768,766	-	-
365 days past due	5,003	100%	5,003
	\$ 1,773,769		5,003

The movement in the allowance for notes and accounts receivable was as follows :

	For the years ended December 31	
	2019	2018
Balance on January 1	\$ 5,003	5,003
Impairment losses reversed	1,819	-
Amounts written off	(3,830)	-
Balance on December 31	\$ 2,992	5,003

The aforementioned notes and trade receivables of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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(e) Inventory

	December 31, 2019	December 31, 2018
Spare parts	\$ 11,129	11,085
Raw materials and consumables	804	32
Finished goods	<u>7,291</u>	<u>1,342</u>
Subtotal	<u>19,224</u>	<u>12,459</u>
Properties and land held for sale	\$ 16,283,008	27,756,439
Land held for construction sites	20,681,957	23,965,713
Construction in progress	67,877,847	38,602,850
Prepaid for land purchase	<u>1,105,778</u>	<u>1,405,059</u>
Subtotal	<u>105,948,590</u>	<u>91,730,061</u>
Total	<u>\$ 105,967,814</u>	<u>91,742,520</u>

For the years ended December 31, 2019 and 2018, the cost of good sold recognized in consolidated comprehensive income amounted to \$16,805,736 thousands and \$30,908,868 thousands, respectively. For the years ended December 31, 2019 and 2018, because parts of properties and land held for sale had been sold, the factor led to net realizable value below cost has been gone, the increase in net realizable value write-off the amount of cost of good sold \$44,951 thousands and \$1,600 thousands, respectively.

For the years ended December 31, 2019 and 2018, the Group has changed the usage of partial asset, and reclassified properties and land held for sale to property, plant and equipment and investment property according to definition. Please refer to Note 6(j) and (l).

For the years ended December 31, 2019 and 2018, construction in progress of the Group is calculated using a capitalization rate 2.04%~ 2.10% and 2.14%~ 2.31%, respectively. For the amount of capitalized interest, please refer to note 6(aa).

As of December 31, 2019 and 2018, the inventories of the Group had been pledged as collateral for bank borrowings, 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 land and buildings were presented as a disposal group held-for-sale. Moreover, 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 for the sale of the above land and plant was \$1,299,331 thousands (tax included). As of December, 2019, the transfer process was completed and the relevant payments were received. For the profit or loss on the disposal, please refer to note 6(aa).

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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(g) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Joint ventures	\$ <u>91,584</u>	<u>96,190</u>

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Carrying amount of individually insignificant associates' equity	\$ <u>91,584</u>	<u>96,190</u>
	<u>For the year ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Attributable to the Group:		
Profit (loss) from continuing operations	\$ (4,606)	(1,810)
Comprehensive income	\$ <u>(4,606)</u>	<u>(1,810)</u>

(h) Changes in a parent's ownership interest in a subsidiary

Acquisition of additional equity of subsidiary

The Group acquired Run Long Construction Co., Ltd's shares with cash in 2019 and 2018.

The effects of the changes in shareholdings were as follows:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Carrying amount of non-controlling interest on acquisition	\$ 243,542	148,500
Consideration paid to non-controlling interests	(750,765)	(351,457)
Retained Earnings	\$ <u>(507,223)</u>	<u>(202,957)</u>

(i) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

<u>Subsidiaries</u>	<u>Main operation place</u>	<u>Percentage of non- controlling interests</u>	
		<u>December 31, 2019</u>	<u>December 31, 2018</u>
Run Long Construction Co., Ltd	Taiwan	84.25 %	88.02 %

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The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The information includes the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information

Financial information summary of Run Long Construction Co., Ltd was as follows:

	December 31, 2019	December 31, 2018
Current asset	\$ 24,473,681	19,416,911
Non Current asset	4,645,698	2,987,769
Current Liability	(12,901,157)	(10,110,691)
Non current Liability	(10,703,294)	(4,983,713)
Net assets	<u>\$ 5,514,928</u>	<u>7,310,276</u>
Non-controlling interests	<u>\$ 4,046,888</u>	<u>5,922,001</u>
	For the years ended December 31	
	2019	2018
Sales revenue	<u>\$ 4,198,656</u>	<u>13,845,007</u>
Net income	\$ 655,920	2,186,147
Other comprehensive income	15,535	32,265
Comprehensive income	<u>\$ 671,455</u>	<u>2,218,412</u>
Profit, attributable to non-controlling interests	<u>\$ 459,228</u>	<u>1,882,187</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 459,228</u>	<u>1,882,187</u>
	For the years ended December 31	
	2019	2018
Net cash flows from operating activities	\$ (6,070,319)	7,016,988
Net cash flows from investing activities	1,301,788	(448,782)
Net cash flows from financing activities	3,047,307	(4,665,695)
Effect of exchange rate changes on cash and cash equivalents	<u>\$ (1,721,224)</u>	<u>1,902,511</u>
Dividends to NCI	<u>\$ 2,107,708</u>	<u>747,650</u>

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HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES Notes to the Consolidated Financial Statements

(j) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018, were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
Balance on January 1, 2019	\$ 1,729,702	1,432,792	243,487	214,889	374,719	3,995,589
Transfer from Inventory	12,636	15,952	-	-	-	28,588
Additions	44,143	-	-	319,586	92,118	455,847
Disposals	(59,142)	(94,175)	(239,853)	(46,058)	-	(439,228)
Transfer from (to) construction in progress	-	5,209	-	459,962	(465,171)	-
Reclassification to investment property	(1,878)	(1,742)	-	-	-	(3,620)
Reclassification to real estate for sale	(380,262)	(185,264)	-	(8,194)	-	(573,720)
Effect of changes in foreign exchange rates	-	-	-	(22)	-	(22)
Balance on December 31, 2019	<u>\$ 1,345,199</u>	<u>1,172,772</u>	<u>3,634</u>	<u>940,163</u>	<u>1,666</u>	<u>3,463,434</u>
Balance on January 1, 2018	\$ 1,386,054	1,154,538	312,115	235,988	15,952	3,104,647
Transfer from Inventory	124,634	164,665	-	-	-	289,299
Additions	219,014	114,564	86	20,476	364,945	719,085
Disposals	-	(975)	(68,714)	(47,733)	-	(117,422)
Transfer from (to) construction in progress	-	-	-	6,178	(6,178)	-
Effect of changes in foreign exchange rates	-	-	-	(20)	-	(20)
Balance on December 31, 2018	<u>\$ 1,729,702</u>	<u>1,432,792</u>	<u>243,487</u>	<u>214,889</u>	<u>374,719</u>	<u>3,995,589</u>
Depreciation and Impairment:						
Balance on January 1, 2019	\$ 3,279	317,394	242,045	143,930	-	706,648
Depreciation	571	37,047	532	77,234	-	115,384
Impairment	-	-	-	57,000	-	57,000
Disposals	-	(2,630)	(238,943)	(39,908)	-	(281,481)
Reclassification to investment property	-	(131)	-	-	-	(131)
Reclassification to real estate for sale	-	(165,615)	-	(8,005)	-	(173,620)
Effect of changes in foreign exchange rates	-	-	-	(14)	-	(14)
December 31, 2019	<u>\$ 3,850</u>	<u>186,065</u>	<u>3,634</u>	<u>230,237</u>	<u>-</u>	<u>423,786</u>
Balance on January 1, 2018	\$ 2,708	273,459	298,257	163,421	-	737,845
Depreciation	571	44,191	5,682	24,965	-	75,409
Disposals	-	(256)	(61,894)	(44,432)	-	(106,582)
Effect of changes in foreign exchange rates	-	-	-	(24)	-	(24)
Balance on December 31, 2018	<u>\$ 3,279</u>	<u>317,394</u>	<u>242,045</u>	<u>143,930</u>	<u>-</u>	<u>706,648</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Carrying amounts:						
Balance on December 31, 2019	\$ <u>1,341,349</u>	<u>986,707</u>	<u>-</u>	<u>709,926</u>	<u>1,666</u>	<u>3,039,648</u>
Balance on January 1, 2018	\$ <u>1,383,346</u>	<u>881,079</u>	<u>13,858</u>	<u>72,567</u>	<u>15,952</u>	<u>2,366,802</u>
Balance on December 31, 2018	\$ <u>1,726,423</u>	<u>1,115,398</u>	<u>1,442</u>	<u>70,959</u>	<u>374,719</u>	<u>3,288,941</u>

- (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 September, 2019. Please refer to note 6 (f) for details. Please refer to note 6(aa) for the related profit or loss of disposal.
- (ii) The lease improvement includes the mall renovation cost. Based on the assessment in 2019, the carrying amount was determined to be higher than its recoverable amount so an impairment loss \$57,000 thousands was recognized. Please refer to note 6(aa).
- (iii) As of December 31, 2019 and 2018, the property, plant and equipment of the Group had been pledged as collateral for bank borrowings, please refer to note 8.

(k) Right-of-use assets

The Group leases assets including land and transportation equipment. Information about leases for which the Group as a lessee was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2019	\$ -	-	-	-
Effects of retrospective application	<u>9,167</u>	<u>608,349</u>	<u>1,886</u>	<u>619,402</u>
Balance on January 1, 2019 after adjustments	9,167	608,349	1,886	619,402
Additions	20,515	24,279	-	44,794
Lease Improvement	<u>-</u>	<u>(9,913)</u>	<u>-</u>	<u>(9,913)</u>
Balance on December 31, 2019	\$ <u>29,682</u>	<u>622,715</u>	<u>1,886</u>	<u>654,283</u>
Depreciation and impairment losses:				
Balance on January 1, 2019	\$ -	-	-	-
Effects of retrospective application	<u>2,674</u>	<u>109,090</u>	<u>891</u>	<u>112,655</u>
Balance on January 1, 2019 after adjustments	2,674	109,090	891	112,655
Depreciation for the year	10,580	41,248	628	52,456
Lease Improvement	<u>-</u>	<u>(3,037)</u>	<u>-</u>	<u>(3,037)</u>
Balance on December 31, 2019	\$ <u>13,254</u>	<u>147,301</u>	<u>1,519</u>	<u>162,074</u>
Carrying amounts:				
Balance on December 31, 2019	\$ <u>16,428</u>	<u>475,414</u>	<u>367</u>	<u>492,209</u>

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(l) Investment Property

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:				
Balance on January 1, 2019	\$ 2,313,388	2,215,444	-	4,528,832
Transfer from inventory	337,037	281,776	-	618,813
Transfer from property, plant, and equipment	1,878	1,742	-	3,620
Disposals	<u>(152,047)</u>	<u>(212,374)</u>	<u>-</u>	<u>(364,421)</u>
Balance on December 31, 2019	<u>\$ 2,500,256</u>	<u>2,286,588</u>	<u>-</u>	<u>4,786,844</u>
Balance on January 1, 2018	\$ 718,005	847,871	132,882	1,698,758
Purchases	-	-	531,548	531,548
Transfer in from inventory	1,291,099	1,166,164	-	2,457,263
Transfer in (out) from construction in progress	386,640	277,790	(664,430)	-
Disposals	<u>(82,356)</u>	<u>(76,381)</u>	<u>-</u>	<u>(158,737)</u>
Balance on December 31, 2018	<u>\$ 2,313,388</u>	<u>2,215,444</u>	<u>-</u>	<u>4,528,832</u>
Depreciation and Impairment:				
Balance on January 1, 2019	\$ 40,818	150,291	-	191,109
Depreciation	-	40,143	-	40,143
Transfer from property, plant, and equipment	-	131	-	131
Disposals	<u>-</u>	<u>(8,138)</u>	<u>-</u>	<u>(8,138)</u>
Balance on December 31, 2019	<u>\$ 40,818</u>	<u>182,427</u>	<u>-</u>	<u>223,245</u>
Balance on January 1, 2018	\$ 40,818	134,041	-	174,859
Depreciation	-	17,046	-	17,046
Disposals	<u>-</u>	<u>(796)</u>	<u>-</u>	<u>(796)</u>
Balance on December 31, 2018	<u>\$ 40,818</u>	<u>150,291</u>	<u>-</u>	<u>191,109</u>
Carrying amounts:				
Balance on December 31, 2019	<u>\$ 2,459,438</u>	<u>2,104,161</u>	<u>-</u>	<u>4,563,599</u>
Balance on January 1, 2018	<u>\$ 677,187</u>	<u>713,830</u>	<u>132,882</u>	<u>1,523,899</u>
Balance on December 31, 2018	<u>\$ 2,272,570</u>	<u>2,065,153</u>	<u>-</u>	<u>4,337,723</u>
Fair value:				
Balance on December 31, 2019				<u>\$ 7,593,261</u>
Balance on December 31, 2018				<u>\$ 6,780,482</u>

The investment property includes several business real estates for rental purpose. Please refer to note 6(t) and (y) for more information.

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. The fair value measurement for investment property has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

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As of December 31, 2019 and 2018, the Group's investment property had been pledged as collateral for bank borrowings, please refer to note 8.

(m) Other current assets and other non-current assets

	December 31, 2019	December 31, 2018
Other current financial assets	\$ 5,487,384	4,410,835
Current incremental costs to obtaining a contract	1,558,403	771,251
Other non-current financial assets	<u>10,224,220</u>	<u>7,486,961</u>
	<u>\$ 17,270,007</u>	<u>12,669,047</u>

(i) Other financial asset

Other financial assets include trust account for presale of properties and land, restricted deposit and construction deposit.

(ii) Current incremental costs to 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, 2019 and 2018, the Group recognized \$540,800 thousands and \$1,359,887 thousands of amortized expense.

(iii) As of December 31, 2019 and 2018, the other financial assets of the Group had pledged as collateral for long-term borrowings, please refer to note 8.

(n) Short-term borrowings

	December 31, 2019	December 31, 2018
Unsecured bank loans	\$ 11,769,668	6,735,352
Secured bank loans	45,067,977	35,902,836
Less: Syndicated loan expense	<u>(19,809)</u>	<u>(16,618)</u>
Total	<u>\$ 56,817,836</u>	<u>42,621,570</u>
Range of interest rates	<u>1.43%~2.40%</u>	<u>1.48%~2.50%</u>

(i) The issue of bank loan and repayment

For the years ended December 31, 2019 and 2018, the incremental amounts are \$30,917,734 thousands and \$26,200,549 thousands, respectively; the repayment amounts are \$16,492,233 thousands and \$24,507,163 thousands, respectively. Please refer to note 6(aa).

(ii) Collateral for bank Loans

The Group had pledged as the collateral for bank borrowings, please refer to note 8.

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(o) Short-term notes and bills payable

December 31, 2019			
	Guarantee or acceptance institute	Range of interest rate	Amount
Commercial paper payable	Financial institute	1.648%~1.838%	\$ 4,236,200
Less: Discount on short-term notes and bills payable			(11,049)
Total			\$ 4,225,151

December 31, 2018			
	Guarantee or acceptance institute	Range of interest rate	Amount
Commercial paper payable	Financial institute	1.6%~1.788%	\$ 4,364,200
Less: Discount on short-term notes and bills payable			(16,267)
Total			\$ 4,347,933

The Group had pledged as collateral for short-term notes and bills payable, please refer to note 8.

(p) Long-term borrowings

The Group's long-term borrowings details, conditions and provisions were as follows:

December 31, 2019				
	Currency	Range of interest rate	Maturity	Amount
Unsecured bank loans	TWD	2.45%~2.48%	111~119	\$ 214,442
Secured bank loans	TWD	1.69%~2.25%	110~127	6,056,585
Less: current portion				(257,788)
Total				\$ 6,013,239

December 31, 2018				
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	1.69%~2.25%	110~127	\$ 5,978,240
Less: current portion				(211,718)
Total				\$ 5,766,522

(i) The issue of bank loan and repayment

The amount issued for the years ended December 31, 2019 and 2018 are \$682,200 thousands and \$2,103,511 thousands, respectively; the repayment amounts are \$615,457 thousands and \$71,026 thousands, respectively, please refer to note 6(aa).

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(ii) Collateral for bank Loans

The Group had pledged as collateral for bank loans, please refer to note 8.

(q) Bonds payable

The details of the Group's bonds payable were as follows:

	December 31, 2019	December 31, 2018
Secured ordinary corporate bond-current	\$ -	1,999,919
Secured convertible bonds- non-current	10,270,574	10,154,927
Secured ordinary corporate bond- non-current	18,804,417	12,928,997
Total	<u>\$ 29,074,991</u>	<u>25,083,843</u>

- (i) The Group issued a secured ordinary corporate bond amounting to \$2,500,000 thousands, \$5,000,000 thousands, and \$2,000,000 thousands with an interest rate of 0.90%, 1.15%, and 1.00% in May 2018, April and November 2016, respectively. The secured ordinary corporate bond was issued for 5 years, interest paid annually, repayment of principal and interest at maturity.

Subsidiaries issued a secured ordinary corporate bond amounting to \$5,900,000 thousands, \$1,500,000 thousands, and \$2,000,000 thousands 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 bond was issued for 5 years, interest paid annually, repayment of principal and interest at maturity.

- (ii) The Group's details of secured convertible bonds were as follows:

	December 31, 2019	December 31, 2018
Secured convertible bonds	\$ 10,577,820	12,077,820
Discount on bonds payable-unamortized amount	(307,140)	(422,893)
Accumulated convertible amount	(106)	(1,500,000)
Ending balance: bonds payable	<u>\$ 10,270,574</u>	<u>10,154,927</u>
Derivative-put option and call option (FVPL)	<u>\$ -</u>	<u>1,000</u>

A subsidiary issued 5-year zero interest secured convertible bonds in September 2013 in Taiwan for \$1,500,000 thousands, by the year ended December 31, 2018, it has been converted. Secured convertible bonds issued by the subsidiary bear the following rights and obligations:

- 1) The conversion price was \$31.80 per share, when it comes to adjusting conversion price of subsidiary's common share, it should adhere to the subsidiary's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bond do not have reset feature.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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- 2) After the bond has been issued for three months, if the closing price of the Subsidiaries' common shares listed on the Taiwan Stock Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, then the Company will redeem the bonds based on an effective interest rate. If the holder of the bond has not redeemed the bond at maturity, then the Subsidiaries must redeem the bond at principal amount with interest accrued.
- 3) The bondholders can execute put options after three years from the issuance date, the redemption value is 103.797% of the bonds value.

In June 2017, the Company issued a secured 5-year convertible bond with zero interest for \$10,577,820 with the following conditions:

- 1) The conversion price was \$57.1 per share, when it comes to adjusting conversion price of subsidiary's common share, it should adhere to the Company's conversion rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.
 - 2) At any time within three months after the issuance date till 40 days before maturity date, the subsidiary would repurchase the bond at the face value if the close price of the subsidiary's ordinary share price exceeded 30% of the bond's conversion price for successive 30 days, or the outstanding value of bonds was lower than 10% of the total issuance value.
 - 3) The bondholders can execute put options after three years from the issuance date, the redemption value is 103.7971% of the bond value (the real yield is 1.25%).
 - 4) Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the maturity date at 106.4082% of the principal amount of the bond (the real yield is 1.25%).
- (iii) For the details of collateral of secured convertible bonds and bonds payable, please refer to note 8.
- (iv) Please refer to note 6(aa) for the interest expense for the years ended December 31, 2019 and 2018.
- (r) Lease liabilities

The carrying amount of lease liabilities were as follows :

	December 31,
	2019
Current	<u>\$ 65,209</u>
Non-current	<u>\$ 500,586</u>

For the maturity analysis, please refer to Note 6(ab).

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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The amounts recognized in profit or loss were as follows :

	For the year ended December 31, 2019
Interest on lease liabilities	<u>\$ 11,102</u>
Expenses relating to short-term and low-value leases	<u>\$ 145,484</u>

The amounts recognized in the statement of cash flows for the Group were as follows :

	For the year ended December 31, 2019
Total cash outflow for leases	<u>\$ 206,718</u>

(i) Real estate leases

As of December 31, 2019, the Group leases land and buildings for its office space, reception center, parking lot, and department store. The leases for reception center typically run for a period of 2-3 years, 5 years for office space, 20 years for parking lot, and 16 years for department store.

(ii) Other leases

The Group leases transportation equipment, with lease terms of three years.

The Group also leases office equipment, short-term reception center, 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.

(iii) Sale-and-leaseback

In November, 2019, the Group sold its property, plant and equipment and leased back for 5 years. The Group recognized gains to the rights transferred of the sale and leaseback, please refer to Note 6(aa).

(s) Provisions

	Warranty
Balance on January 1, 2019	\$ 199,841
Provisions added at current period	13,395
Provisions used at current period	(3,511)
Provisions reversed at current period	<u>(84,818)</u>
Balance on December 31, 2019	<u>\$ 124,907</u>
Balance on January 1, 2018	\$ 145,193
Provisions added at current period	55,371
Provisions used at current period	<u>(723)</u>
Balance on December 31, 2018	<u>\$ 199,841</u>

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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.

(t) Operating lease

(i) Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018
Less than one year	\$ 54,827
Between one and five years	187,861
Over five years	403,544
	\$ 646,232

The Group leases property, plant and equipment as shopping mall under operating leases. The leases run for a period of 16 years. Lease payments are increased by 5% every three years till the end of the contract.

The operating lease on profit or loss for the year ended December 31, 2018 was \$44,402 thousands.

(ii) Leases as lessor

The Group leases out its investment property. 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(1) sets out information about the operating leases of investment property.

For the year ended December 31, 2019 a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date were as follows:

	December 31, 2019
Less than one year	\$ 88,599
One to two years	70,720
Two to three years	62,586
Three to four years	54,049
Four to five years	27,213
More than five years	16,994
Total undiscounted lease payments	\$ 320,161

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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For the year ended December 31, 2018, non-cancellable operating lease rentals receivable were as follows:

	December 31, 2018
Less than one year	\$ 98,317
Between one and five years	280,089
More than five years	18,155
	\$ 396,561

The rental income from investment property for the years ended December 31, 2019 and 2018 are \$90,074 thousands and \$66,402 thousands, the maintenance expense come from investment property list on operating cost and administration expense were as follows:

	For the years ended December 31	
	2019	2018
Rental income generate unit	\$ -	52

(u) Employee benefits

(i) Defined benefit plans

The expenses recognized in profit or loss for the Group were as follows:

	December 31, 2019	December 31, 2018
The present value of defined benefit plans	\$ 75,056	72,320
Fair value of plan asset	(34,642)	(32,334)
Net defined benefit liability	\$ 40,414	39,986

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$34,642 thousands as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	For the years ended December 31	
	2019	2018
Defined benefit obligations on January 1	\$ 72,320	72,014
Current service cost and interest	1,415	1,656
Remeasurements loss (gain):		
– Return on plan assets excluding interest income	668	(1,791)
– Actuarial loss (gain) arising from:	653	441
Defined benefit obligations at December 31	\$ 75,056	72,320

The details of the Group’s employee’s benefit liability were as follows:

	December 31, 2019	December 31, 2018
Short-term paid leave liability	\$ 13,084	19,129

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	For the years ended December 31	
	2019	2018
Fair value of plan assets on January 1	\$ 32,334	28,425
Remeasurements loss		
– Return on plan assets excluding interest income	999	791
Contributions paid by the employer	923	2,711
Expected return on defined plan assets	386	407
Fair value of plan assets on December 31	\$ 34,642	32,334

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	For the years ended December 31	
	2019	2018
Current service costs	\$ 570	638
Net interest of net liabilities for defined benefit obligations	459	611
	\$ 1,029	1,249
Administration expense	\$ 1,029	1,249

5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2019 and 2018, were as followed:

	For the years ended December 31	
	2019	2018
Accumulated amount on January 1	\$ (13,732)	(15,873)
Recognized during the period	(322)	2,141
Accumulated amount on December 31	\$ (14,054)	(13,732)

6) Actuarial valuations

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Discount rate	1%	1.125%~1.375%
Future salary increase rate	2.00%~3.00%	2.00%~3.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$924 thousands.

The weighted average lifetime of the defined benefits plans is 11.94~14.42 years.

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7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2019		
Discount rate (change 0.25%)	\$ (2,061)	2,132
Future salary increasing rate (change 0.25%)	2,062	(2,005)
December 31, 2018		
Discount rate (change 0.25%)	(2,146)	2,225
Future salary increasing rate (change 0.25%)	2,159	(2,094)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(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 \$43,188 thousands and \$38,432 thousands for the years ended December 31, 2019 and 2018, respectively.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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(v) Income tax

(i) Tax expense

The components of income tax for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31	
	2019	2018
Current tax expense		
Current period	\$ 51,231	391,916
Land value increment tax	333,819	334,908
Additional surtax on unappropriated earnings	88,601	892
Adjustment for prior periods	<u>30,620</u>	<u>363</u>
	<u>504,271</u>	<u>728,079</u>
Deferred tax expense		
Origination and reversal of temporary differences	(41,516)	(10,930)
Adjustment in tax rate	<u>-</u>	<u>(4,608)</u>
Tax expense	<u>\$ 462,755</u>	<u>712,541</u>

The reconciliation of tax expense and income before tax for the years ended December 31, 2019 and 2018 are as followed:

	For the years ended December 31	
	2019	2018
Income before tax	\$ <u>3,951,772</u>	<u>9,450,872</u>
Income tax expense at domestic statutory tax rate	790,354	1,890,174
Adjustment in tax rate	-	(4,608)
Land tax exempt income	(954,519)	(1,477,386)
Book –tax difference between recognition time	119,612	157,675
Book –tax difference of capitalization	(69,777)	(101,059)
Book –tax difference between deferred sales commission	101,036	(32,038)
Land value increment tax	333,819	334,908
Financial assets measured at fair value through profit and loss	(9,273)	29,926
Tax loss deduction	-	(38,946)
Reversal of deferred tax liabilities	(56,503)	-
Impairment loss	11,400	-
Pay an extra income tax on all unappropriated earnings	88,601	892
Adjustment for prior periods	30,620	363
Others	<u>77,385</u>	<u>(47,360)</u>
Total	<u>\$ 462,755</u>	<u>712,541</u>

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(ii) Deferred tax asset and liability recognized

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred tax asset:

	Investment property impairment	Warranty	Others	Total
Balance on January 1, 2019	\$ 11,242	39,967	4,987	56,196
Debit/Credit income statement	-	(14,987)	-	(14,987)
Balance on December 31, 2019	<u>\$ 11,242</u>	<u>24,980</u>	<u>4,987</u>	<u>41,209</u>
Balance on January 1, 2018	\$ 11,242	24,682	4,734	40,658
Debit/Credit income statement	-	15,285	253	15,538
Balance on December 31, 2018	<u>\$ 11,242</u>	<u>39,967</u>	<u>4,987</u>	<u>56,196</u>

Deferred tax liabilities:

	Provision for land value increment tax	Others	Total
Balance on January 1, 2019	\$ 247,716	340	248,056
Debit/Credit income statement	(56,503)	-	(56,503)
Balance on December 31, 2019	<u>\$ 191,213</u>	<u>340</u>	<u>191,553</u>
Balance on January 1, 2018	<u>\$ 247,716</u>	<u>340</u>	<u>248,056</u>
Balance on December 31, 2018	<u>\$ 247,716</u>	<u>340</u>	<u>248,056</u>

(iii) The Company's income tax had been examined by the tax authorities till 2016. Except for Guang Yang Investment Co., Ltd and Bijiang Enterprise Co., Ltd., other domestic subsidiaries' income tax had been examined by the tax authorities till 2018, and the Guang Yang's and Bijiang's income tax had been examined by the tax authorities till 2017.

(w) Capital and other equity

As of December 31, 2019 and 2018, the total value of authorized ordinary shares were \$20,000,000 thousands and \$15,000,000 thousands, respectively, with par value of \$10 per share. The paid-in capital were \$11,666,288 thousands and \$11,666,266 thousands, respectively.

(i) Ordinary shares

For the year ended December 31, 2019, the convertible bonds issued by the Company amounting to \$22 thousands were converted into 2 thousands shares of common stock. The related registration procedures were completed during the year.

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(ii) Capital surplus

	December 31, 2019	December 31, 2018
Treasury share transactions	\$ 379,053	259,119
Difference arising from subsidiary's equity	33,525	33,525
Conversion of bonds	81	-
Capital surplus-premium from merger	62	62
Donation from shareholders	3,396	3,396
Other	<u>8,357</u>	<u>8,357</u>
	<u>\$ 424,474</u>	<u>304,459</u>

As of June 11, 2018, a resolution was approved during the general meeting of the shareholders for the distribution of cash dividends by capital surplus amounting to \$2,342,586 thousands, with a par value of \$2.008 per share.

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.

(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes or salary. 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 to be submitted to the stockholders' meeting for approval. The cash dividends shall not be below 10% of the total dividends.

Before the Company distributes its dividends or legal reserve, and part or all of its paid-in capital in cash, a resolution has to be made during the board meeting, which requires a quorum of two-thirds of all the directors, with more than half of the directors present in that meeting, to be proposed during the shareholder's meeting.

In addition, the general meeting of shareholders made a resolution on June 10, 2019 to amend the articles of incorporation for the Company to distribute the surplus earning and offset losses at the end of each quarter. If there are earnings during the quarter, the Company shall distribute the earnings in accordance with the abovementioned procedures.

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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 Ruling 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 2018 and 2017 was decided by the resolution adopted, at the general meeting of shareholders held on June 10, 2019 and June 11, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31			
	2018		2017	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 3.500	<u>4,083,194</u>	1.492	<u>1,740,607</u>

Earnings distribution for the second and third quarters of 2019 was decided based on the resolution approved during the general meetings of the shareholders held on August 13, 2019 and November 13, 2019, respectively, as follows:

	For the years ended December 31			
	Q2 2019		Q3 2019	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	1 \$	<u>1,166,628</u>	1	<u>1,166,629</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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(iv) Treasury shares

- 1) In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of December 31, 2019, the Company had not repurchased any share.
- 2) Prior to Company ACT amendment in 2001, subsidiaries of the Company, Ace Riches International Corp., Highwealth Real Estate Co., Ltd., and Chyi Yuh Construction Co., Ltd. held part of the Company's shares for investment purpose. Run Long Construction Co., Ltd., a subsidiary the Company has control over, acquired 11,950 thousands of the Company's shares for investment purpose in the public market in 2015. As of December 31, 2019 and 2018, the market price per share were \$46.3 and \$45.0, respectively.

The details of the treasury shares held by subsidiaries are as followed:

<u>Subsidiary</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Shares (thousands)</u>	<u>Book value</u>	<u>Shares (thousands)</u>	<u>Book value</u>
Ace Riches International Corp.	4,162	\$ 1,733	4,162	1,733
Highwealth Real Estate Co., Ltd.	8,045	10,850	8,045	10,850
Chyi Yuh Construction Co., Ltd.	2,495	-	2,495	-
Run Long Construction Co., Ltd.	11,950	71,227	11,950	54,178
	<u>26,652</u>	<u>\$ 83,810</u>	<u>26,652</u>	<u>66,761</u>

(v) Other equity items

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>	<u>Unrealized gains (losses) on available- for-sale financial assets</u>	<u>Total</u>
Balance on January 1, 2019	\$ 344	510,083	-	510,427
Exchange differences on foreign operations	(149)	-	-	(149)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	22,474	-	22,474
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(125)	-	(125)
Balance on December 31, 2019	<u>\$ 195</u>	<u>532,432</u>	<u>-</u>	<u>532,627</u>

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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available- for-sale financial assets	Total
Balance on January 1, 2018	\$ 436	-	4,958	5,394
Effects of retrospective application	-	471,689	(4,958)	466,731
Balance on January 1, 2018 after adjustments	436	471,689	-	472,125
Exchange differences on foreign operations	(92)	-	-	(92)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	45,478	-	45,478
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(7,084)	-	(7,084)
Balance on December 31, 2018	<u>\$ 344</u>	<u>510,083</u>	<u>-</u>	<u>510,427</u>

(x) Earnings per share

(i) Basic earnings per share

The Group's Basic earnings per share is calculated by profit attributable to ordinary shareholders of the Company for 2019 and 2018 are \$3,029,789 thousands and \$6,856,144 thousands, respectively, and the weighted average number of ordinary shares outstanding are 1,139,976 thousands shares and 1,139,975 thousands shares respectively. The related calculations are as follows:

1) Profit attributable to ordinary shareholders of the Company

	For the years ended December 31	
	2019	2018
Profit attributable to ordinary	<u>\$ 3,029,789</u>	<u>6,856,144</u>

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2) Weighted-average number of ordinary shares

	For the years ended December 31	
	2019	2018
Ordinary shares outstanding on January 1	1,166,627	1,166,627
Treasury shares	(26,652)	(26,652)
Effect of conversion of convertible notes	1	-
Weighted-average number of ordinary shares on December 31	1,139,976	1,139,975

(ii) Diluted earnings per share

The Company's diluted earnings per share is calculated by profit attributable to ordinary shareholders of the Company for 2018 and 2017 are \$3,122,453 thousands and \$6,947,766 thousands, respectively. After adjusting the effect of dilution of ordinary share, the weighted average number of ordinary shares for 2018 and 2017 are 1,372,978 thousands and 1,316,199 thousands shares, respectively. The related calculations are as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	For the years ended December 31	
	2019	2018
Profit attributable to ordinary shareholders of the Company	\$ 3,122,453	6,947,766

2) Weighted-average number of ordinary shares

	For the years ended December 31	
	2019	2018
Weighted-average number of ordinary shares (basic)	1,139,976	1,139,975
Impact of conversion of convertible bonds	232,016	175,131
Effect of restricted employee shares unvested	986	1,093
Weighted-average number of ordinary shares (diluted) on December 31	1,372,978	1,316,199

(y) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the year ended December 31, 2019			
	Sales of real estate department	Construction contractor department	Department store	Total
Primary geographical markets:				
Taiwan	\$ 23,317,788	367,305	113,108	23,798,201

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	For the year ended December 31, 2019			
	Sales of real estate department	Construction contractor department	Department store	Total
Major products/services lines:				
Net tenant-counter income	\$ -	-	46,052	46,052
Sales revenue	-	-	61,461	61,461
Sales of real estate	23,213,650	-	-	23,213,650
Construction contractor	-	361,693	-	361,693
Other revenue	104,138	5,612	5,595	115,345
	\$ 23,317,788	367,305	113,108	23,798,201
Timing of revenue recognition:				
Revenue transferred at a point in time	\$ 91,329	367,305	-	458,634
Products and services transferred over time	23,226,459	-	113,108	23,339,567
	\$ 23,317,788	367,305	113,108	23,798,201

	For the year ended December 31, 2018				
	Sales of real estate department	Construction contractor department	Eco- technology department	Other department	合 計
Primary geographical markets:					
Taiwan	\$ 43,934,427	127,932	140,291	2,321	44,204,971
Major products/services lines:					
Sales of real estate	\$ 43,863,790	-	-	-	43,863,790
Construction contractor	-	122,582	-	-	122,582
Other revenue	70,637	5,350	140,291	2,321	218,599
	\$ 43,934,427	127,932	140,291	2,321	44,204,971
Timing of revenue recognition:					
Revenue transferred at a point in time	\$ 70,637	127,886	-	-	198,523
Products and services transferred over time	43,863,790	46	140,291	2,321	44,006,448
	\$ 43,934,427	127,932	140,291	2,321	44,204,971

For net tenant-counter income, the Group acts as an agent and not a consignee. This decision was made by the management based on the following factors:

- 1) The Group could earn a fixed or discretionary amount.
- 2) The Group could not determine the sale price of the products.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>January 1,</u> <u>2018</u>
Contract assets- Construction	\$ 50,303	41,924	84,239
Contract asset- Labor Services	-	-	198,157
Less: Allowance for impairment	-	-	-
Total	<u>\$ 50,303</u>	<u>41,924</u>	<u>282,396</u>
Contract liabilities- Construction	\$ 126,565	312	5,172
Contract liabilities-Sales of real estate	6,037,956	3,354,352	8,238,344
Contract liabilities-Advance receipt	8,786	2,274	2,312
Contract liabilities-Gift certificates and reward points	29,852	-	-
Total	<u>\$ 6,203,159</u>	<u>3,356,938</u>	<u>8,245,828</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, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were \$2,020,724 thousands and \$6,345,954 thousands, 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 year ended December 31, 2019 and 2018.

As of December 31, 2019, customer loyalty program was allocated \$562 thousands.

(z) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 0.1% of the profit as employee compensation and less than 1% 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 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, 2019 and 2018, the Company estimated its employee remuneration amounting to \$36,000 thousands and \$48,000 thousands, respectively, and directors' and supervisors' remuneration amounting to \$8,400 thousands and \$12,000 thousands, 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. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. 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 2019 and 2018.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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(aa) Other operating income and expense

(i) Other income

The details of other income were as follows:

	For the years ended December 31	
	2019	2018
Interest income	\$ 33,660	28,774
Contract termination income	18,788	160,314
Dividend income	10,564	95,739
Other income	200,991	411,377
	\$ 264,003	696,204

(ii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2019	2018
Foreign exchange losses	\$ (1,930)	(74)
Gain (losses) on disposal of property, plant and equipment	1,091	(10,840)
Gains on disposal of investments	162,047	288,513
Gains (losses) on financial assets and liabilities at fair value through profit or loss	46,363	(149,629)
Gains to the rights transferred of the sale and leaseback	62,116	-
Impairment loss on disposals of property, plant and equipment	(57,000)	-
Gain on disposals of non-current assets held-for-sale	886,639	-
Other Income	254	-
Other expenses	(10,206)	(2,208)
	\$ 1,089,374	125,762

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Finance costs

For the years ended December 31, 2019 and 2018 details of finance cost of the Group were as follows:

	For the years ended December 31	
	2019	2018
Interest expense		
Bank loans and collateral	\$ 1,513,762	1,226,100
Amortization on discounted corporate bond	117,730	128,035
Interest on corporate bond	173,731	159,087
Other financial expenses	11,102	-
Less: capitalized interest	<u>(913,334)</u>	<u>(640,576)</u>
	<u>\$ 902,991</u>	<u>872,646</u>

(ab) Financial instruments

(i) Credit risk

1) Credit risk exposure

The financial instrument's biggest credit risk exposure is the same as the carrying amount of the financial assets.

2) The Group has a vast client base that is not connected; thus, the ability to concentrate the credit risk is limited.

3) Receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(d).

Other financial assets at amortized cost are other receivables (classified as other current financial assets). All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

The loss allowance provisions were determined as follows:

	Other
	receivables
Balance on December 31, 2019 (as opening balance)	<u>\$ 8,235</u>
Balance on December 31, 2018 (as opening balance)	<u>\$ 8,235</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
December 31, 2019				
Non derivative financial liabilities:				
Secured loans	\$ 54,843,929	9,206,254	40,530,017	5,107,658
Unsecured loans	12,245,673	6,908,739	5,119,275	217,659
Short-term transaction instrument payables	4,240,045	4,240,045	-	-
Convertible bond (Including less than 1 year)	10,640,714	-	10,640,714	-
Ordinary corporate bonds	19,420,202	182,820	19,237,382	-
Notes payable, accounts payable and other payable	9,288,622	9,230,058	57,694	870
Lease liabilities	<u>635,347</u>	<u>65,408</u>	<u>212,632</u>	<u>357,307</u>
	<u>\$ 111,314,532</u>	<u>29,833,324</u>	<u>75,797,714</u>	<u>5,683,494</u>
December 31, 2018				
Non derivative financial liabilities:				
Secured loans	\$ 45,330,367	4,268,864	35,372,946	5,688,557
Unsecured loans	6,928,501	2,308,460	4,620,041	-
Short-term transaction instrument payables	4,364,200	4,364,200	-	-
Convertible bond (Including less than 1 year)	10,640,820	-	10,640,820	-
Ordinary corporate bond	15,419,527	2,149,958	13,269,569	-
Notes payable, accounts payable and other payable	<u>7,943,610</u>	<u>7,870,235</u>	<u>72,037</u>	<u>1,338</u>
	<u>\$ 90,627,025</u>	<u>20,961,717</u>	<u>63,975,413</u>	<u>5,689,895</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

- 1) Exposure to foreign currency risk: None.
- 2) 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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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If the interest rate had increased / decreased by 0.5% basis points, the Group's interest expenses would have increased / decreased by \$336,570 thousands and \$264,739 thousands for the years ended December 31, 2019 and 2018, with all other variable factors remaining constant. Taking into account that capitalized interest of profit may decrease or increase by \$167,327 thousands and \$152,670 thousands. This is mainly due to the Group's borrowing at variable rates.

3) Other market price risk

For the years ended December 31, 2019 and 2018, 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			
	2019		2018	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Price of securities at reporting date				
Increasing 10%	\$ <u>55,036</u>	<u>62,944</u>	<u>52,838</u>	<u>62,917</u>
Decreasing 10%	\$ <u>(55,036)</u>	<u>(62,944)</u>	<u>(52,838)</u>	<u>(62,917)</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, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets mandatorily measured at fair value through profit or loss	\$ <u>629,443</u>	<u>629,443</u>	<u>-</u>	<u>-</u>	<u>629,443</u>
Financial assets at fair value through other comprehensive income					
Stocks in unlisted company	\$ <u>550,364</u>	<u>550,364</u>	<u>-</u>	<u>-</u>	<u>550,364</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 12,227,545	-	-	-	-
Notes and accounts receivable	1,907,364	-	-	-	-
Other financial assets- current	5,487,384	-	-	-	-
Other financial assets- non-current	<u>10,224,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$ <u>29,846,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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		December 31, 2019				
		Fair Value				
	Book Value	Level 1	Level 2	Level 3	Total	
Financial liabilities measured at amortized cost						
Short-term loans	\$ 56,817,836	-	-	-	-	
Short-term transaction instrument payables	4,225,150	-	-	-	-	
Notes payable, accounts payable and other payables	9,288,622	-	-	-	-	
Lease liabilities	565,795	-	-	-	-	
Other financial assets- current	99,047	-	-	-	-	
Corporate bonds payable (Due within 1 year)	29,074,992	-	-	-	-	
Long-term loans (Due within 1 year)	<u>6,271,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal	<u>\$ 106,342,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
		December 31, 2018				
		Fair Value				
	Book Value	Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss						
Derivative financial assets	\$ 1,000	-	1,000	-	1,000	
Derivative financial assets mandatorily measured at fair value through profit or loss	<u>629,174</u>	<u>629,174</u>	<u>-</u>	<u>-</u>	<u>629,174</u>	
Subtotal	<u>\$ 630,174</u>	<u>629,174</u>	<u>1,000</u>	<u>-</u>	<u>630,174</u>	
Financial assets at fair value through other comprehensive income						
Stocks in unlisted company	<u>\$ 528,381</u>	<u>528,381</u>	<u>-</u>	<u>-</u>	<u>528,381</u>	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 15,052,306	-	-	-	-	
Notes and accounts receivable	1,768,766	-	-	-	-	
Other financial assets- current	4,410,835	-	-	-	-	
Other financial assets- non-current	<u>7,486,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal	<u>\$ 28,718,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Financial liabilities measured at amortized cost						
Short-term loans	\$ 42,621,570	-	-	-	-	
Short-term transaction instrument payables	4,347,933	-	-	-	-	
Notes payable, accounts payable and other payables	7,943,610	-	-	-	-	
Other financial liabilities- current	21,892	-	-	-	-	
Corporate bonds payable (Due within 1 year)	25,083,843	-	-	-	-	
Long-term loans (Due within 1 year)	<u>5,978,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal	<u>\$ 85,997,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

- a) Financial assets measured at amortized cost (debt investment that has no active markets) and financial liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) 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.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

- 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.

4) Transfers between Level 1 and Level 2

Stock held by the Group quoted in an active market is sorted to Level 1. There is no difference regarding valuation techniques between 2019 and 2018. There is no transfer between first and second level measured at fair value in 2019 and 2018.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES Notes to the Consolidated Financial Statements

(ac) 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 receivable

The Group is 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 form the bank.

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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. On December 31, 2019 and 2018, no other guarantees were outstanding.

(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.

(ad) 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, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

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 2019, the Group's capital management strategy is consistent with the prior year as of 2018. The gearing ratio is maintained so as to ensure an "A" credit rating and ensure financing at reasonable cost. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2019, is as follows:

	December 31, 2019	December 31, 2018
Total liabilities	\$ 113,380,363	90,798,943
Less: cash and cash equivalents	<u>(12,227,545)</u>	<u>(15,052,306)</u>
Net debt	101,152,818	75,746,637
Total Equity	<u>34,443,182</u>	<u>40,102,148</u>
Less: hedging reserve	\$ 135,596,000	115,848,785
Debt-to-equity ratio	<u>74.60%</u>	<u>65.38%</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ae) 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, 2019 and 2018, were as follows:

- (i) By the lease to get the right-of-use asset, please refer to notes 6(k).
- (ii) For conversion of convertible bonds to ordinary shares, please refer to notes 6(q).

(7) Related-party transactions:

(a) Related-party transactions

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>
Tsai, ○○	Key management personnel
Jeng, ○○	Director of the Group
Jeng, ○○	The second immediate family of the director of the Group
Chen, ○○	Key management personnel
Huang, ○○	Spouse of key management personnel of the Group
Da Li Investment Co., Ltd.	The entity's chairman is the key management personnel of the Group
Goyu Construction Co., Ltd	The entity is a joint venture under the Group's joint arrangement
Da Wei Co., Ltd.	The entity's director is the key management personnel of the Group
Taichung Highwealth Culture and Art Foundation	Same president with the Group

(b) Significant transactions with related parties

(i) Purchase

The purchases price from related parties are summarized as follows:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
The entity is a joint venture under the Group's joint arrangement	<u>\$ 6,599</u>	<u>-</u>

There were no significant difference of the price and conditions for related parties and ordinary contract mentioned above.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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(ii) Payables to related parties

The payables to related parties were as follows:

<u>Accounted items</u>	<u>Categories</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable	Other related parties	\$ <u>6,929</u>	<u>-</u>

(iii) Leases

1) The Group rented the staff dormitory from related parties were as follows:

	<u>Rent expense</u>	
	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Other related parties	\$ <u>420</u>	<u>694</u>

2) The Group leased offices to related parties were as follows:

	<u>Rent income</u>	
	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Other related parties	\$ <u>41</u>	<u>41</u>

(iv) Others

- 1) In September 2008, the Group sold a portion of land to Tsai, ○○ with a land developing plan at \$5 millions recognized as other payables. The Group would repurchase the land without any interest if the plan was not completed within three years. Both parties agreed lengthening the expiry date unconditionally in October 20, 2011. As of December 31, 2019 and 2018, other payables were both \$5 millions.
- 2) In 2019, the Group donated \$5,000 thousands to Taichung Highwealth Culture and Art Foundation for its promotion and development.
- 3) The Group sold its premises to other related parties at the amount of \$19,667 thousands in 2019.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ <u>100,763</u>	<u>108,297</u>

Highwealth Construction

HIGHWEALTH CONSTRUCTION CORP. 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, 2019</u>	<u>December 31, 2018</u>
Financial assets at FVTPL	Mortgage	\$ 242,450	237,796
Inventories (construction)	Mortgage, issuing commercial paper and bonds payable	78,536,141	66,929,806
Other financial assets- current and non-current	Mortgage, issuing commercial paper, performance bond, real estate trust account, and bonds payable	14,921,013	10,830,796
Property, plant and equipment	Mortgage and bonds payable	2,083,061	2,829,302
Investment property at net value	Mortgage, issuing commercial paper, and bonds payable	4,520,192	4,017,685
		<u>\$ 100,302,857</u>	<u>84,845,385</u>

As of December 31, 2019 and 2018, the book value of pledged assets providing undrawn guaranteed loan are \$7,268,070 thousands and \$12,745,011 thousands, respectively. For the year ended in December 31, 2019, the Group provided notes receivable of presale cases \$305,980 thousands and subsidiaries' 50,000 thousands stock shares as collateral for the bank loan.

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

(i) Contract price signed with clients was as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Amount of signed contracts (construction)	\$ <u>66,361,406</u>	<u>29,257,922</u>
Received amount from contracts	\$ <u>6,037,956</u>	<u>3,354,352</u>
Outstanding checks received from presale cases	\$ <u>2,999,155</u>	<u>1,185,986</u>

(ii) Unrecognized commitments generated by signing contracts for purchasing land for construction, building bulk, and investment properties was as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Acquisition of inventory	\$ <u>9,843,319</u>	<u>8,034,679</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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(iii) Construction contract price signed by subsidiaries was as follows:

	December 31, 2019	December 31, 2018
Amount of signed contracts	\$ 3,373,750	831,167
Received amount from contracts	\$ 501,236	200,156

(b) Others

As of December 31, 2019 and 2018, the refundable deposits paid, through cooperation with the land owners, amounted to \$414,642 thousands and \$547,749 thousands, respectively. In light of the above matter, the subsidiary guaranteed a certain amount to the respective land owners for their share of the premises. When the land owners are able to sell their premises for more than half the price of the certain amount mentioned above, the subsidiary will purchase the remaining shares of premises from them in accordance with the contract at the settlement date.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, were as follows:

By function	For the years ended December 31					
	2019			2018		
	Operating cost	Operating Expense	Total	Operating cost	Operating Expense	Total
By item						
Employee benefits						
Salary	271,361	748,197	1,019,558	238,474	753,912	992,386
Labor and health insurance	14,611	76,322	90,933	1,720	78,704	80,424
Pension	7,610	36,607	44,217	840	38,841	39,681
Others	8,919	26,684	35,603	9,416	20,767	30,183
Depreciation (Note)	61,860	138,839	200,699	35,071	57,384	92,455
Depletion	-	-	-	-	-	-
Amortization	937	9,745	10,682	140	10,167	10,307

Note: In 2019, the depreciation expense of \$7,284, deriving from the subsidy for the renovation of the department store, was not included in the table above.

Highwealth Construction

HIGHWEALTH CONSTRUCTION CORP. 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:

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	Chyi Yuh Construction Co., Ltd	2	\$ 30,396,294	8,846,000	8,846,000	3,993,000	-	29.10 %	60,792,588	Y	N	N
0	The company	Bo Yuan Construction Co., Ltd	2	30,396,294	2,827,490	714,442	514,442	-	2.35 %	60,792,588	Y	N	N
0	The company	Well Rich International Co., Ltd	2	30,396,294	180,000	180,000	-	-	0.59 %	60,792,588	Y	N	N
1	Yeh Kee Enterprise Co., Ltd	The company	3	30,396,294	1,922,700	1,907,700	1,907,700	1,907,700	6.28 %	60,792,588	N	Y	N
2	Run Long Construction Co., Ltd.	Jin Jyun Construction Co., Ltd.	2	1,102,986	200,000	200,000	200,000	-	3.63 %	2,757,464	Y	N	N

Note 1: The numbering is as follows:

1. “0” represents the parent company.
2. Subsidiaries are sequentially numbered from 1 by company.

Note 2: 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 3: The Company and Yeh Kee Enterprise Co., Ltd. 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 200% of the net value of the company.
2. The guarantee amount for a single enterprise endorsement shall not exceed 100% of the current net value of the company.

Note 4: The Run Long Construction Co., Ltd. endorsed the operation method for the total amount of guarantee s 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 Run Long Construction Co., Ltd.
2. The guarantee amount for a single enterprise endorsement shall not exceed 20% of the current net value of Run Long Construction Co., Ltd.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Stock-Lee Shuo investment Co., Ltd.	-	Total non-current financial assets at fair value through other comprehensive income	712,500	\$ 545,364	19.00 %	545,364	19.00 %	
"	Stock-Shin Kong Rral Estate Management Co., Ltd.	-	Total non-current financial assets at fair value through other comprehensive income	500,000	5,000	1.67 %	5,000	1.67 %	
"	Stock- Da-Li Development Co., Ltd.	-	Financial assets at fair value through profit or loss-current	10,042,789	287,726	3.91 %	287,726	3.92 %	
Ace Riches International Corp.	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Total non-current financial assets at fair value through other comprehensive income	4,162,135	192,707	0.36 %	192,707	0.36 %	Note 2
Highwealth Real Estate Co., Ltd.	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Total non-current financial assets at fair value through other comprehensive income	8,044,810	372,475	0.69 %	372,475	0.69 %	Note 2
Chyi Yuh Construction Co., Ltd	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Total non-current financial assets at fair value through other comprehensive income	2,495,092	115,523	0.21 %	115,523	0.21 %	Note 2
"	Corporate bond China Rebar Co., Ltd.	-	Financial assets at amortized cost-current	3	-	- %	-	- %	Note 1
"	Stock- Da-Li Development Co., Ltd.	-	Financial assets at fair value through profit or loss-current	6,821,901	195,448	2.65 %	195,448	2.75 %	
Run Long Construction Co., LTD.	Stock- Da-Li Development Co., Ltd.	-	Financial assets at fair value through profit or loss-current	5,105,386	146,269	1.99 %	146,269	1.99 %	
"	Stock-Highwealth Construction Corp.	Ultimate Parent Company	Financial assets at fair value through other comprehensive income-current	11,950,000	553,285	1.02 %	553,285	1.02 %	Note 2

Note 1: Recognized as impairment loss.

Note 2: Reconciliated in the preparation of consolidated report.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal (Note 1)	Shares	Amount
The Company	Chyi Yuh Construction Co., Ltd.	Investments accounted for using equity method, net	Capital increase	The subsidiary	55,000,000	\$ 248,654	150,000,000	1,500,000	-	-	-	-	205,000,000	1,694,299
"	Bo Yuan Construction Co., Ltd.	"	Chyi Yuh Construction Co., Ltd.	"	-	-	73,700,000	930,000	-	-	-	-	73,700,000	975,454
"	Run Long Construction Co., Ltd.	"	-	-	11,098,000	(599,564)	5,174,000	322,981	-	-	-	-	16,272,000	(587,920)

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES Notes to the Consolidated Financial Statements

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal (Note 1)	Shares	Amount
Chyi Yuh Construction Co., Ltd.	Bo Yuan Construction Co., Ltd.	Investments accounted for using equity method, net	The Company	Ultimate parent company	73,700,000	925,525	-	-	73,700,000	930,000	839,999	90,001	-	-
"	Run Long Construction Co., Ltd.	"	-	-	9,036,000	213,795	6,441,000	427,784	-	-	-	-	15,477,000	276,169

Note 1: Do not result in a loss of control are accounted for as equity transactions.

Note 2: Reconciliated in the preparation of consolidated report.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

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
							Owner	Relationship with the Company	Date of transfer	Amount		
The Company	Hui An Third	January 29, 2019	\$ 1,460,666	1,460,666	Chang ○○	not related parties	-	-	-	-	Appraisal	Construction
"	Fu Xing North	March 7, 2019	5,111,580	5,111,580	Shang Chi Asset Corporation	"	-	-	-	-	"	"
"	Si Tun Section	April 29, 2019	1,416,882	1,416,882	Yu ○○ and other 8 people	"	-	-	-	-	"	"
"	Taichung City Si Tun district Tu Ku Section No. 115-3 and other 14 properties	May 29, 2019	539,764	539,764	Land Bank of Taiwan	"	-	-	-	-	Open tender	"
"	Hui An Fourth	June 5, 2019	1,925,200	1,925,200	Wej ○○	"	-	-	-	-	Appraisal	"
"	Ching Sheng Second	December 2, 2019	4,166,709	416,670	Han ○○ and other 5 people	"	-	-	-	-	"	"
"	Case: Chung Cheng	December 27, 2019	340,000	34,000	E. Sun Bank	"	-	-	-	-	"	"
Run Long Construction Co., Ltd.	Taichung City Si Tun district Hui An Section	February 26, 2019	1,926,436	1,926,436	Wang ○○ and other 5 people	"	-	-	-	-	"	"
"	Ching Sheng Section	December 2, 2019	3,558,261	355,826	Shen ○○ and other 2 people	"	-	-	-	-	"	"

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
The Company	Buildings and Land held for sale	February 12, 2019	Not applicable	Inventory sold thus not applicable	688,712	688,712	Inventory sold thus not applicable	Saying Wen Cultural & Educational Foundation	Non related parties	Earning profit	Appraisal	None
The Company	Fu Du Shin Third	August 1, 2019	July 18, 2018	1,008,451	1,029,690	1,029,690	20,633	New World Trade Asset Development Co., Ltd.	"	Business purpose	Appraisal	None
Run Long Construction Co., Ltd.	Property and plant	September 25, 2019	February, 1978-September, 2019	399,806	1,299,331	1,299,331	About 880 million	Lai ○○	"	Business purpose	Appraisal	None
Bo Yuan Construction Co., Ltd.	Investment property	October 7, 2019	Not applicable	531,917	760,588	760,588	203,457	Bank Taiwan Life Insurance Co., Ltd.	"	Earning profit	Appraisal	None

Note: The transaction included payments for buildings and the right to apply for building permit.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

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 Construcion Co., Ltd	Investee accounted for using equity method	Contracting project	\$ 3,741,838	16.18%	Pay by contract terms	-	-	(888,851)	(46.47)%	Note 2
The Company	Jin Jyun Construction Co., Ltd	Investee accounted for using equity method	Contracting project	2,280,250	9.86%	Pay by contract terms	-	-	(409,573)	(21.41)%	Note 2
Chyi Yuh Construcion Co., Ltd	The Company	The ultimate parent of the company	Contracted project	(3,929,437)	(68.42)%	Receive by contract terms	-	-	888,851	70.64%	Note 1
Chyi Yuh Construcion Co., Ltd	Run Long Construction Co., Ltd.	Investee accounted for using equity method	Contracted project	(1,524,635)	(26.55)%	Receive by contract terms	-	-	348,399	27.69%	Note 1
Chyi Yuh Construcion Co., Ltd	Bo Yuan Construction Co., Ltd.	Investee accounted for using equity method	Contracted project	(169,746)	(2.96)%	Receive by contract terms	-	-	906	0.07%	Note 1
Bo Yuan Construction Co., Ltd	Chyi Yuh Construcion Co., Ltd	Investee accounted for using equity method	Contracting project	154,190	50.68%	Pay by contract terms	-	-	(906)	(0.72)%	Note 2
Run Long Construction Co., Ltd	Chyi Yuh Construcion Co., Ltd	Investee accounted for using equity method	Contracting project	1,414,519	19.64%	Pay by contract terms	-	-	(348,399)	(41.69)%	Note 2
Run Long Construction Co., Ltd	Jin Jyun Construction Co., Ltd	Investee accounted for using equity method	Contracting project	464,716	6.45%	Pay by contract terms	-	-	(137,839)	(16.50)%	Note 2
Jin Jyun Construcion Co., Ltd	The Company	The ultimate parent of the company	Contracted project	(2,252,220)	(75.80)%	Receive by contract terms	-	-	409,573	49.55%	Note 1
Jin Jyun Construcion Co., Ltd	Run Long Construction Co., Ltd	Investee accounted for using equity method	Contracted project	(456,904)	(15.38)%	Receive by contract terms	-	-	137,839	16.76%	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.

Note 3: Reconciliated in the preparation of consolidated report.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

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		
Chyi Yuh Construcion Co., Ltd	The company	The ultimate parent of the company	888,851	5.82	-	-	-	-
"	Run Long Construction Co., Ltd	Investee accounted for using equity method	348,399	6.28	-	-	-	-
Jin Jyun Construcion Co., Ltd	The company	The ultimate parent of the company	409,573	7.73	-	-	-	-
"	Run Long Construction Co., Ltd	Investee accounted for using equity method	137,839	5.37	-	-	-	-

Note: Reconciliated in the preparation of consolidated report.

- (ix) Trading in derivative instruments: None

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	Chyi Yuh Construcion Co., Ltd	1	Accounts payable	\$ 888,851	Same with peer terms	0.60%
			1	Operating Cost	3,931,527	Same with peer terms	16.52%
		Jin Jyun Construction Co., Ltd	1	Accounts payable	409,573	Same with peer terms	0.28%
			1	Operating Cost	2,252,207	Same with peer terms	9.46%
1	Chyi Yuh Construcion Co., Ltd	The Company	2	Accounts Receivable	888,851	Same with peer terms	0.60%
			2	Operating Revenue	3,931,527	Same with peer terms	16.52%
		Run Long Construction Co., Ltd	3	Accounts Receivable	348,399	Same with peer terms	0.24%
			3	Operating Revenue	1,524,791	Same with peer terms	6.41%
		Bo Yuan Construction Co., Ltd	3	Accounts Receivable	660	Same with peer terms	-%
			3	Operating Revenue	169,746	Same with peer terms	0.71%
2	Run Long Construction Co., Ltd	Chyi Yuh Construcion Co., Ltd	3	Accounts payable	348,399	Same with peer terms	0.24%
			3	Operating Cost	1,524,791	Same with peer terms	6.41%
		Jin Jyun Construction Co., Ltd	3	Accounts payable	137,839	Same with peer terms	0.09%
			3	Operating Cost	456,904	Same with peer terms	1.92%
3	Bo Yuan Construction Co., Ltd	Chyi Yuh Construcion Co., Ltd	3	Accounts payable	660	Same with peer terms	-%
			3	Operating Cost	169,746	Same with peer terms	0.71%
		Jin Jyun Construction Co., Ltd	3	Accounts payable	137,839	Same with peer terms	0.09%
4	Jin Jyun Construction Co., Ltd	The Company	2	Accounts Receivable	409,573	Same with peer terms	0.28%
			2	Operating Revenue	2,252,207	Same with peer terms	9.46%
		Run Long Construction Co., Ltd	3	Accounts Receivable	137,839	Same with peer terms	0.09%
			3	Operating Revenue	456,904	Same with peer terms	1.92%

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
3. Subsidiaries and its subsidiaries

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Ace Riches International Corp.	Taiwan	Residential and building development, rental and sales	\$ 12,000	12,000	1,200,000	100.00 %	36,686	100.00 %	13,252	(5,477)	
"	Highwealth Real Estate Co., Ltd.	Taiwan	Real estate brokerage, real estate trading	25,000	25,000	2,500,000	100.00 %	61,930	100.00 %	25,124	(12,065)	
"	Chyi Yuh Construcion Co., Ltd	Taiwan	Construction, housing and building development rental services etc.	1,530,041	30,041	205,000,000	100.00 %	1,694,299	100.00 %	118,202	212,177	
"	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	779,424	456,443	16,272,000	5.28 %	(587,920)	5.28 %	655,920	(23,579)	
"	Yeh Kee Enterprise Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	2,423,152	2,423,152	2,200,000	100.00 %	2,437,292	100.00 %	(8,361)	(8,361)	
"	Bijiang Enterprise Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	1,302,900	1,302,900	7,200	100.00 %	1,298,617	100.00 %	(1,879)	(1,879)	
"	Highwealth Construction Co., Ltd.	Taiwan	Construction, housing and building development rental services etc.	5,000	5,000	500,000	100.00 %	3,022	100.00 %	(1,804)	(1,804)	
"	Bo Yuan Construction Co., Ltd	Taiwan	Residential and building development, rental services, etc.	930,000	-	73,700,000	100.00 %	975,454	100.00 %	3,138	66,443	
Chyi Yuh Construcion Co., Ltd.	Bo Yuan Construction Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	-	737,000	-	- %	-	100.00 %	3,138	Exempt from disclosure	
"	Guang Yang Investment Co., Ltd.	Taiwan	Investment	284,050	284,050	29,900,000	100.00 %	421,904	100.00 %	35,535	"	
"	Well Rich International Co., Ltd.	Taiwan	Wholesale of Building Materials	78,484	78,484	8,100,000	100.00 %	143,223	100.00 %	12,203	"	

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value				
Chyi Yuh Construction Co., Ltd.	RUN LONG Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	803,226	375,443	15,477,000	5.02 %	276,169	5.02 %	655,920	Exempt from disclosure	
"	Goyu Construction	Taiwan	Wholesale of Building Materials	98,000	98,000	9,800,000	35.00 %	91,584	35.00 %	(13,053)	"	
Guang Yang Investment Co., Ltd.	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	398,063	398,063	16,810,013	5.45 %	337,850	5.45 %	655,920	"	
Run Long Construction Co., Ltd.	Jin Jyun Construction Co., Ltd.	Taiwan	Construction, housing and building development rental services etc.	518,300	518,300	50,000,000	100.00 %	595,755	100.00 %	60,662	"	

Note 1: Reconciled in the preparation of consolidated report.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Chuan Xiang Commercial Co.	Construction material, furniture, metal parts	26,555 USD 900,000	(Note 1)	26,555 USD 900,000	-	-	26,555 USD 900,000	(431)	100.00%	100.00%	(431)	2,121	-
Shin Fu Yu Commercial Co.	Construction material wholesale	27,104 USD 900,000	(Note 1)	27,104 USD 900,000	-	-	27,104 USD 900,000	(31)	100.00%	100.00%	(31)	1,701	-

Note: Reconciled in the preparation of consolidated report.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 53,659 (USD1,800,000)	53,659 (USD1,800,000)	\$ 18,237,776

Note 1: Three types of investment method are as follows:

1. Directly investing in the mainland area
2. Investing in the mainland through companies in another country (Please note the name of the investing company from the other country)
3. Other methods

Note 2: Profit and loss recognized from investment for the current period:

1. If it is in preparation, and has no investment profit or loss, it should be noted
2. The basis for profit or loss from investment are as follows:
 - A. The international accounting firm which has cooperative relationships with the CPA in the Republic of China verifies its financial statements
 - B. Financial statement of the parent company is verified by the Taiwanese accountant
 - C. Others

(iii) Significant transactions: None

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

The Group has four reportable segments, which are the Group's strategic divisions, offer different products and services and are managed separately because they require different technology and marketing strategies. The chief operating decision maker of the Group reviews the internal management report at least quarterly. Information about reportable segments of the Group is detailed below:

- (i) Developing segment is responsible for developing new construction or lease opportunities.
- (ii) Construction segment is responsible for building construction.
- (iii) Department store manages the different shops within the store, supermarkets, and international import and export trade.
- (iv) Ecotechnology segment provides services for clearing waste. The Waste Reuse and Recycling Agreement signed with Department of Environmental Protection New Taipei City Government had expired in May 2018. Hence, there were no revenue incurred by the ecotechnology segment in 2019.

(b) Information about reportable segments and their measurement and reconciliations

	For the year ended December 31, 2019					
	Developing segment	Constructing segment	Department store	Other segment	Reconciliation and elimination	Total
Revenue from external customers	\$ 23,317,788	367,305	113,108	-	-	23,798,201
Intersegment	136,923	8,382,988	5,290	-	(8,525,201)	-
Interest revenue	30,147	2,323	359	863	(32)	33,660
Total revenue	\$ 23,484,858	8,752,616	118,757	863	(8,525,233)	23,831,861
Interest expenses	\$ 880,329	9,103	20,684	2,294	(9,419)	902,991
Depreciation and amortization	104,261	28,950	85,133	328	(7)	218,665
Share of profit (loss) of associates and joint ventures accounted for using equity method	224,993	17,061	-	35,796	(273,244)	4,606
Reportable segment profit or loss	\$ 4,389,077	267,808	(237,139)	35,073	(503,047)	3,951,772
Investments accounted for using equity method	\$ 5,923,202	932,709	-	337,850	(7,102,177)	91,584
Capital expenditure	89,152	7,008	388,380	-	(4,883)	479,657
Reportable segment assets	\$ 149,019,944	8,170,701	448,958	515,341	(10,331,399)	147,823,545
Reportable segment liabilities	\$ 107,594,097	7,423,691	893,321	1,314	(2,532,060)	113,380,363

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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	For the year ended December 31, 2018					
	Developing segment	Constructing segment	Ecotechnology segment	Other segment	Reconciliation and elimination	Total
Revenue from external customers	\$ 43,934,427	127,932	140,291	2,321	-	44,204,971
Intersegment	998,593	7,521,350	-	89,512	(8,609,455)	-
Interest revenue	26,636	1,292	35	838	(27)	28,774
Total revenue	<u>\$ 44,959,656</u>	<u>7,650,574</u>	<u>140,326</u>	<u>92,671</u>	<u>(8,609,482)</u>	<u>44,233,745</u>
Interest expenses	\$ 849,990	34,680	-	3	(12,027)	872,646
Depreciation and amortization	49,946	31,715	17,779	451	2,871	102,762
Share of profit (loss) of associates and joint ventures accounted for using equity method	586,465	229,755	-	141,489	(959,519)	(1,810)
Reportable segment profit or loss	<u>\$ 9,767,853</u>	<u>474,904</u>	<u>(17,315)</u>	<u>162,316</u>	<u>(936,886)</u>	<u>9,450,872</u>
Investments accounted for using equity method	\$ 3,497,665	1,957,246	-	435,696	(5,794,417)	96,190
Capital expenditure	756,497	2,847	346	-	(40,605)	719,085
Reportable segment assets	<u>\$ 125,979,572</u>	<u>7,621,470</u>	<u>901,881</u>	<u>1,253,399</u>	<u>(4,855,231)</u>	<u>130,901,091</u>
Reportable segment liabilities	<u>\$ 82,334,485</u>	<u>8,022,660</u>	<u>1,539</u>	<u>19,390</u>	<u>420,869</u>	<u>90,798,943</u>

(c) Geographic information:

The Group's revenues are all generated from domestic business.

(d) Major customers:

The Group does not have revenues from a single customer that exceeds 10% of the consolidated operating revenues in 2019 and 2018.

5. Latest Financial Statements of the Audited and Certified by CPAs

Independent Auditors' Report

To the Board of Directors of Highwealth Construction Corp.:

Opinion

We have audited the accompanying parent company only financial statements of Highwealth Construction Corp. ("the Company"), which comprise the parent company only balance sheets as of December 31, 2019 and 2018, the parent company only statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as December 31, 2019 and 2018, 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 audits 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 parent company only 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, 2019. 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.

1. Revenue recognition

Please refer to note 4(n) and 6(v) of the parent company only financial statements for the accounting policies 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 \$20,299,461 thousands in 2019, 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 testing the effectiveness of the design and implementing the internal control system of sales revenue. Inspection of sales contracts, bank account transaction record and real estate ownership transfer document, etc. Performing analytical procedures to advance payment to analyze the completeness of accounting procedures. Testing the samples of sales transaction before and after the end of the year to ensure the correctness of sales revenue.

2. Inventory valuation

Please refer to note 4(g) and 6(e) of the parent company only 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, 2019, inventory of the Company valued \$75,215,692 thousands, 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, economics, 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 valuation in performing our audit procedures.

Auditing procedures performed

Our principal audit procedures included understanding the Company's operating and accounting procedures for inventory valuation. Obtain the Company management's data of inventory valuation, inspecting and recalculating the net realizable value of inventory whether adequate. The net realizable value can be assessed in both ways: through reviewing the recent selling price of the premises, or by inquiring the selling price of premises nearby from the "Actual Selling Price of Real Estate" website.

Responsibilities of Management and Those Charged with Governance for the Parent Company only Financial Statements

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

Highwealth Construction

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 parent company only 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 parent company only 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 parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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 parent company only financial statements for the year ended December 31, 2019 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 Ti-Nuan Chien and Kuo-Yang Tseng.

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2020

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.

Parent Company only Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollar)

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (Note 6(a))	\$ 7,581,341	7	9,394,347	10
1110 Current financial assets at fair value through profit or loss (Notes 6(b) and 8)	287,726	-	304,728	-
1150 Notes receivable, net (Note 6(d))	1,271,200	1	1,239,151	1
1170 Accounts receivable, net (Notes 6(d) and 7)	103,176	-	183,745	-
130X Inventories (Notes 6(e), 7 and 8)	75,215,692	69	66,297,202	68
1410 Prepayments	332,607	-	245,988	-
1476 Other current financial assets (Notes 6(k), (y), 7, 8 and 9(b))	4,177,236	4	3,174,073	3
1479 Other current assets, others	20,988	-	28,656	-
1480 Current assets recognised as incremental costs to obtain contract with customers (Note 6(k))	<u>1,307,988</u>	<u>1</u>	<u>700,286</u>	<u>1</u>
	<u>90,297,954</u>	<u>82</u>	<u>81,568,176</u>	<u>83</u>
Non-current assets:				
1517 Non-current financial assets at fair value through other comprehensive income (Note 6(c))	550,364	1	528,381	1
1550 Investments accounted for using equity method, net (Notes 6(f), (g), and 8)	5,923,202	5	3,497,665	4
1600 Property, plant and equipment (Notes 6(h) and 8)	899,210	1	859,716	1
1755 Right-of-use assets (Notes 6(i))	10,093	-	-	-
1760 Investment property, net(Notes 6(j) and 8)	4,017,978	4	3,798,692	4
1780 Intangible assets	3,190	-	4,816	-
1840 Deferred tax assets (Notes 6(s))	14,544	-	14,544	-
1980 Other non-current financial assets (Notes 6(k) and 8)	<u>7,858,341</u>	<u>7</u>	<u>6,729,809</u>	<u>7</u>
	<u>19,276,922</u>	<u>18</u>	<u>15,433,623</u>	<u>17</u>
Total assets	<u>\$ 109,574,876</u>	<u>100</u>	<u>97,001,799</u>	<u>100</u>
Liabilities and Equity				
Current liabilities:				
2100 Short-term borrowings (Note 6(l))	\$ 43,277,303	39	29,912,189	30
2110 Short-term notes and bills payable (Note 6(m))	2,963,851	3	3,748,664	4
2130 Current contract liabilities (Notes 6(v), 7 and 9(a))	4,424,056	4	2,899,579	3
2150 Notes payable	7,535	-	19,813	-
2170 Accounts payable	601,524	1	645,259	1
2180 Accounts payable to related parties (Note 7)	1,303,836	1	643,798	1
2200 Other payables (Note 7)	2,887,678	3	1,603,992	2
2230 Current tax liabilities	37,435	-	16,629	-
2280 Lease liabilities (Note 6(p))	10,200	-	-	-
2305 Other current financial liabilities (Note 7)	231,712	-	116,648	-
2322 Long-term borrowings, current portion(Notes 6(n))	107,373	-	94,398	-
2399 Other current liabilities, others	<u>73,623</u>	<u>-</u>	<u>200,054</u>	<u>-</u>
	<u>55,926,126</u>	<u>51</u>	<u>39,901,023</u>	<u>41</u>
Non-Current liabilities:				
2530 Bonds payable (Note 6(o))	19,738,699	18	19,615,093	20
2540 Long-term borrowings (Note 6(n))	3,478,065	3	3,270,112	3
2570 Deferred tax liabilities (Note 6(s))	340	-	340	-
2640 Net defined benefit liability, non-current (Note 6(r))	<u>35,352</u>	<u>-</u>	<u>35,084</u>	<u>-</u>
	<u>23,252,456</u>	<u>21</u>	<u>22,920,629</u>	<u>23</u>
Total liabilities	<u>79,178,582</u>	<u>72</u>	<u>62,821,652</u>	<u>64</u>
Equity attributable to owners of parent:				
3100 Common stock (Note 6(t))	11,666,288	11	11,666,266	12
3200 Capital surplus (Note 6(t))	424,474	-	304,459	-
Retained earnings:				
3310 Legal reserve	7,227,303	7	6,307,154	7
3350 Unappropriated retained earnings	10,629,412	10	15,458,602	16
3400 Other equity interest (Note 6(t))	532,627	-	510,427	1
3500 Treasury stock (Note 6(t))	<u>(83,810)</u>	<u>-</u>	<u>(66,761)</u>	<u>-</u>
	<u>30,396,294</u>	<u>28</u>	<u>34,180,147</u>	<u>36</u>
Total equity	<u>\$ 109,574,876</u>	<u>100</u>	<u>97,001,799</u>	<u>100</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.**Parent Company only Statements of Comprehensive Income****For the years ended December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollar , Except for Earnings Per Common Share)**

		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(v))	\$ 20,373,762	100	30,717,971	100
5000	Operating costs (Note 6(e))	<u>14,683,003</u>	<u>72</u>	<u>21,848,707</u>	<u>71</u>
	Gross profit from operations	5,690,759	28	8,869,264	29
5910	Less: Unrealized profit (loss) from sales	<u>184</u>	<u>-</u>	<u>20,483</u>	<u>-</u>
	Gross profit from operations	<u>5,690,575</u>	<u>28</u>	<u>8,848,781</u>	<u>29</u>
	Operating expenses:				
6100	Selling expenses	1,175,942	6	1,646,635	5
6200	Administrative expenses	<u>886,483</u>	<u>4</u>	<u>667,708</u>	<u>2</u>
		<u>2,062,425</u>	<u>10</u>	<u>2,314,343</u>	<u>7</u>
	Net operating income	<u>3,628,150</u>	<u>18</u>	<u>6,534,438</u>	<u>22</u>
	Non-operating income and expenses:				
7010	Other income (Note 6(x) and 7)	136,343	1	419,768	1
7020	Other gains and losses, net (Note 6(x))	14,199	-	216,664	1
7050	Finance costs, net (Note 6(x))	(682,798)	(3)	(588,498)	(2)
7070	Share of profit of associates and joint ventures accounted for using equity method, net (Note 6(f))	<u>224,993</u>	<u>1</u>	<u>586,465</u>	<u>2</u>
	Total non-operating income and expenses	<u>(307,263)</u>	<u>(1)</u>	<u>634,399</u>	<u>2</u>
	Profit from continuing operations before tax	3,320,887	17	7,168,837	24
7950	Less: Income tax expenses (Note 6(s))	<u>291,098</u>	<u>1</u>	<u>312,693</u>	<u>1</u>
	Profit	<u>3,029,789</u>	<u>16</u>	<u>6,856,144</u>	<u>23</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains on remeasurements of defined benefit plans (Note 6(r))	167	-	2,401	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	22,474	-	45,478	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(489)	-	(260)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>22,152</u>	<u>-</u>	<u>47,619</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(149)	-	(92)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(149)</u>	<u>-</u>	<u>(92)</u>	<u>-</u>
8300	Other comprehensive income	<u>22,003</u>	<u>-</u>	<u>47,527</u>	<u>-</u>
	Total comprehensive income	<u>\$ 3,051,792</u>	<u>16</u>	<u>6,903,671</u>	<u>23</u>
	Earnings per share (Note 6(u))				
	Basic earnings per share	\$ <u>2.66</u>		\$ <u>6.01</u>	
	Diluted earnings per share	\$ <u>2.27</u>		\$ <u>5.28</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.

Parent Company only Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollar)

	Share capital		Retained earnings				Total other equity interest				Total equity
	Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury stock	
Balance on January 1, 2018	\$ 11,666,266	2,572,169	6,114,228	10,404,144	16,518,372	436	-	4,958	5,394	(69,429)	30,692,772
Effects of retrospective application	-	-	-	325,579	325,579	-	471,689	(4,958)	466,731	-	792,310
Equity at beginning of period after adjustments	11,666,266	2,572,169	6,114,228	10,729,723	16,843,951	436	471,689	-	472,125	(69,429)	31,485,082
Profit (loss)	-	-	-	6,856,144	6,856,144	-	-	-	-	-	6,856,144
Other comprehensive income	-	-	-	2,141	2,141	(92)	45,478	-	45,386	-	47,527
Total comprehensive income	-	-	-	6,858,285	6,858,285	(92)	45,478	-	45,386	-	6,903,071
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	192,926	(192,926)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	(2,342,586)	-	(1,740,607)	(1,740,607)	-	-	-	-	-	(1,740,607)
Cash dividends from capital surplus	-	3,396	-	-	-	-	-	-	-	-	(2,342,586)
Due to donated assets received	-	93,282	-	-	-	-	-	-	-	-	3,396
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	-	(202,957)	(202,957)	-	-	-	-	-	93,282
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(21,802)	-	-	-	-	-	-	-	2,668	(202,957)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(19,134)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	7,084	7,084	-	(7,084)	-	(7,084)	-	-
Balance on December 31, 2018	11,666,266	304,459	6,307,154	15,458,602	21,765,756	344	510,083	-	510,427	(66,761)	34,180,147
Effects of retrospective application	-	-	-	(14,959)	(14,959)	-	-	-	-	-	(14,959)
Equity at beginning of period after adjustments	11,666,266	304,459	6,307,154	15,443,643	21,750,797	344	510,083	-	510,427	(66,761)	34,165,188
Profit (loss)	-	-	-	3,029,789	3,029,789	(149)	22,474	-	22,325	-	3,029,789
Other comprehensive income	-	-	-	(322)	(322)	-	-	-	-	-	22,003
Total comprehensive income	-	-	-	3,029,467	3,029,467	(149)	22,474	-	22,325	-	3,051,792
Appropriation and distribution of retained earnings in 2018:											
Legal reserve appropriated	-	-	685,614	(685,614)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(4,083,194)	(4,083,194)	-	-	-	-	-	(4,083,194)
Appropriation and distribution of retained earnings for the period from January 1, 2019 to September 30, 2019											
Legal reserve appropriated	-	-	234,535	(234,535)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(2,333,257)	(2,333,257)	-	-	-	-	-	(2,333,257)
Conversion of convertible bonds	22	81	-	-	-	-	-	-	-	-	103
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	119,934	-	-	-	-	-	-	-	-	119,934
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	(507,223)	(507,223)	-	-	-	-	-	(507,223)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	(17,049)	(17,049)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	125	125	-	(125)	-	(125)	-	-
Balance on December 31, 2019	\$ 11,666,288	424,474	7,227,303	10,629,412	17,856,715	195	532,432	-	532,627	(83,810)	30,396,294

Note 1 : Appropriation and distribution of retained earnings in the second and third quarters of 2019: The appropriated legal reserve amounted to \$209,999 thousands and \$24,536 thousands, respectively; and the issued cash dividends amounted to \$1,166,628 thousands and \$1,166,629 thousands, respectively.

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.

Parent Company only Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollar)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 3,320,887	7,168,837
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	69,652	38,826
Amortization expense	3,929	3,819
Expected credit loss / Provision (reversal of provision) for bad debt expense	1,819	-
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(23,559)	69,826
Interest expense	682,798	588,498
Interest income	(14,482)	(14,156)
Dividend income	(4,778)	(44,603)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(224,993)	(586,465)
Loss on disposal of property, plant and equipment	-	12
Gain on disposal of investment properties	-	(288,513)
Unrealized profit from sales	184	20,483
Other revenue, overdue dividends and compensation of board and directors	-	3,396
Total adjustments to reconcile profit (loss)	490,570	(208,877)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Net loss (gain) on financial assets or liabilities at fair value through profit or loss, mandatorily measured at fair value	40,561	(26,278)
Increase in notes receivable	(32,049)	(759,845)
Decrease (increase) in accounts receivable	78,750	(126,376)
Increase in inventories	(8,589,200)	(1,175,012)
Decrease (increase) in prepayments	(76,910)	145,253
Decrease in other current assets	7,668	52,441
Decrease (increase) in other financial assets	(1,003,174)	61,548
Decrease (increase) in incremental costs to obtaining a contract	(607,702)	365,621
Total changes in operating assets	(10,182,056)	(1,462,648)
Changes in operating liabilities:		
Decrease (increase) in contract liabilities	1,524,477	(3,348,861)
Increase (decrease) in notes payable	(12,278)	7,581
Increase (decrease) in accounts payable	616,303	(162,517)
Increase in other payable	95,918	422,981
Increase (decrease) in other financial liabilities	115,064	57,705
Increase in other current liabilities	(126,431)	4,215
Increase in net defined benefit liability	435	388
Total changes in operating liabilities	2,213,488	(3,018,508)
Total changes in operating assets and liabilities	(7,968,568)	(4,481,156)
Total adjustments	(7,477,998)	(4,690,033)
Cash inflow (outflow) generated from operations	(4,157,111)	2,478,804
Income taxes paid	(274,035)	(255,716)
Net cash flows from (used in) operating activities	(4,431,146)	2,223,088

Highwealth Construction

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.

Parent Company only Statements of Cash Flows (CONT'D)

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollar)

	<u>2019</u>	<u>2018</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	491	-
Proceeds from disposal of financial assets designated at fair value through profit or loss	-	59,169
Acquisition of investments accounted for using equity method	(2,752,981)	(269,780)
Proceeds from disposal of investments accounted for using equity method	-	518,300
Acquisition of property, plant and equipment	(36,451)	(355,236)
Acquisition of intangible assets	(2,303)	(3,228)
Acquisition of investment properties	-	(531,548)
Proceeds from disposal of investment properties	-	446,454
Interest received	14,504	14,456
Dividends received	<u>137,357</u>	<u>378,548</u>
Net cash flows from (used in) investing activities	<u>(2,639,383)</u>	<u>257,135</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	22,696,834	18,061,505
Decrease in short-term loans	(9,324,413)	(13,386,069)
Decrease (increase) in short-term notes and bills payable	(784,813)	1,059,264
Proceeds from issuing bonds	-	2,497,500
Proceeds from long-term debt	316,400	1,703,511
Repayments of long-term debt	(95,472)	(71,026)
Payment of lease liabilities	(9,517)	-
Increase in other financial liabilities	(1,128,532)	(4,214,154)
Cash dividends paid	(5,249,822)	(4,083,193)
Interest paid	<u>(1,163,142)</u>	<u>(943,704)</u>
Net cash flows from financing activities	<u>5,257,523</u>	<u>623,634</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,813,006)</u>	<u>3,103,857</u>
Cash and cash equivalents at beginning of the year	<u>9,394,347</u>	<u>6,290,490</u>
Cash and cash equivalents at end of the year	<u><u>\$ 7,581,341</u></u>	<u><u>9,394,347</u></u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

For the years ended December 31, 2019 and 2018

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

(1) Company history

HIGHWEALTH CONSTRUCTION CORP. (the “Company”) was incorporated in January 1980 as a company limited by shares under the company Act of the Republic of China. Originally known as Yufu Construction Co., Ltd., after several times of rename. It changed its name to Hongju Construction Co., Ltd. after the acquisition of Hongju Construction Co., Ltd. in May 1989. Hongju Construction acquired Highwealth in 2000 and changed its name to Highwealth Construciton Corp. in May 2003. The Company registered address is 10F, No.267, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) The Company primarily engages in the business of construction, sales, and leasing of residual and commercial buildings. Please refer to the financial statements for the Company’s main business activities.

(2) Approval date and procedures of the parent company only financial statements:

The parent company only financial statements were authorized for issuance by the Board of Directors on March 20, 2020.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in 4(k).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of office equipment.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

HIGHWEALTH CONSTRUCTION CORP.**Notes to the Parent Company only Financial Statements**

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset.

4) Impacts on financial statements

On transition to IFRS 16, the Company recognised additional \$7,488 thousands of right-of-use assets and \$7,749 thousands of lease liabilities, recognizing the difference \$14,698 thousands in investments accounted for using equity method and \$14,959 thousands in retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.16%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	<u>\$ 8,161</u>
Discounted using the incremental borrowing rate at January 1, 2019 (Lease liabilities recognized at January 1, 2019)	<u>\$ 7,749</u>

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

- (b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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.

(4) Summary of significant accounting policies:

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 parent company only financial statements, the Chinese version shall prevail.

The following significant accounting policies have been applied consistently to all periods presented in the parent company only financial statements unless otherwise specified.

- (a) Statement of compliance

These 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”).

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

(b) Basis of preparation

(i) Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for the financial instruments.

- 1) Financial asset measured at Fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income are measured at fair value ;
- 3) The defined benefit liability (asset) is recognized as the fair value of the plan asset less the present value of defined benefit obligation and the upper limit impact mentioned in note 4(o).

(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 Company's parent company only financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All the financial information presented in New Taiwan Dollar has been rounded to the nearest thousands.

(c) Foreign currencies

(i) Currencies transaction

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) Fair value through other comprehensive income equity investment;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedge is effective.

HIGHWEALTH CONSTRUCTION CORP. Notes to the Parent Company only Financial Statements

(ii) Foreign operation

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated at the average exchange rate. Translation differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Current and non-current distinction

An asset is classified as current when

- (i) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) The Company holds the asset primarily for the purpose of trading;
- (iii) The Company expects to realize the asset within twelve months after the reporting period;
- (iv) The asset is cash or cash equivalent 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 when

- (i) The Company expects to settle the liability in its normal operating cycle;
- (ii) The Company holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period;
- (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 the issue of equity instruments do not affect its classification.

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

(e) Cash and cash equivalents

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

(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 Company 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 fair value through profit or loss (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
- 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

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

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

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., which in the case of quoted securities is normally compant the ex dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or 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.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest 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 Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, accounts receivable measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

- 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 trade 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.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or tWA or higher per Taiwan Ratings.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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 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 assets 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 ;

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Notes to the Parent Company only Financial Statements

- 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 the assets. For debt securities at FVOCI, the loss allowance 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 when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. 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 procedure for recovery of amounts due.

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets, 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 or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement 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.

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Notes to the Parent Company only Financial Statements

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) 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.

5) 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.

6) 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.

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

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.

7) 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.

(g) Inventory

(i) Construction industry

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

1) Land held for construction

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 (current market condition) in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value.

3) Properties and land held

Net realizable value is the estimated selling price (refer to the market condition estimated by authority) in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value.

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

(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 non-consolidated statement of comprehensive income, shall equal to profit for the year and other comprehensive income' attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's non-consolidated financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

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 measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for 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 when it is probable that future economic benefits associated with the expenditure will flow to the Company.

HIGHWEALTH CONSTRUCTION CORP. Notes to the Parent Company only 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 the current and comparative periods are as follows:

1) Buildings	3~50 years
2) Transportation equipment	5 years
3) Office equipment	3~5 years
4) Other equipment	3~5 years

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

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(k) Lease

Leases (applicable from January 1, 2019)

(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.
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer 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:

HIGHWEALTH CONSTRUCTION CORP.
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- 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.

(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 lives 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:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

HIGHWEALTH CONSTRUCTION CORP.
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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.

If an arrangement contains lease and non-lease components, the Company 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 Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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 and lease 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 sub-lease separately. It 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, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's 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'.

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

Leases (policy applicable before January 1, 2019)

(i) Lessor

A finance lease asset is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Other leases are operating leases and are not recognized in the Company's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. The incentive provided for lease recognize as the deduction for the lease payment under the straight-line basis over the term of the lease.

Contingent rent are recognized as expense in the period in when the lease adjustment are confirmed.

(l) Intangible assets

(i) Recognition and measurement

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

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 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.

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

(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.

The estimated useful lives for current and comparative periods are as follows:

Computer software	1 ~ 3 years
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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.

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.

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

(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. The properties have generally no alternative use for the Company due to contractual restrictions. However, 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.

(ii) Contract costs-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.

HIGHWEALTH CONSTRUCTION CORP. Notes to the Parent Company only Financial Statements

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided in the periods during which services are rendered by employees.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits 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.

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

(p) Income Taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses that are related to business combinations, expenses recognized in equity or other comprehensive income directly, and other related expenses, all current and deferred taxes are 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 not recognized for the following:

- (i) Assets and liabilities that are initially recognized from non-business combination transactions, with no effect on net income or taxable gains (losses).
- (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.

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, and reflect uncertainty related to income taxes, if any.

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

- (i) if the entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intend to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation; or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for unused tax losses available for carry-forward, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits and deductible temporary differences are also re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized.

HIGHWEALTH CONSTRUCTION CORP. Notes to the Parent Company only Financial Statements

(q) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by 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.

(r) Operating segments

Please refer to the consolidated financial report of Highwealth Construction Corp. for the years ended December 31, 2019 and 2018 for operating segments information.

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

The preparation of the parent company only financial statements in conformity with 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.

(a) Inventory valuation

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.

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.

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. For assumptions used in measuring fair value. Please refer notes as follows:

- (a) Note 6(j) Investment property.
- (b) Note 6(y) Financial instruments.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Bank overdrafts used for cash management purposes	\$ 1,866	2,382
Demand Deposits	<u>7,579,475</u>	<u>9,391,965</u>
Cash and cash equivalent	<u>\$ 7,581,341</u>	<u>9,394,347</u>

Please refer Note 6(y) 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

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Stocks listed on domestic markets	\$ 287,726	303,728
Put options and call options	<u>-</u>	<u>1,000</u>
Total	<u>\$ 287,726</u>	<u>304,728</u>

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

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

Please refer to note 8 for the financial asset that had been pledged as collateral for bank borrowings for the years ended December 31, 2019 and 2018.

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

	December 31, 2019	December 31, 2018
Equity investments at fair value through other comprehensive income:		
Unlisted Common Share	<u>\$ 550,364</u>	<u>528,381</u>

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

- (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.

As of December 31, 2019 and 2018, the Company has sold its shares at a fair value of \$491 thousands and \$59,169 thousands, respectively, and the Company realized a gain of \$125 thousands and \$7,084 thousands, respectively, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.

- (ii) For credit risk and market risk, please refer to note 6(y).
 (iii) As of December 31, 2019 and 2018, the financial assets at fair value through other comprehensive income of the Company had not been pledged as collateral for long-term borrowings.

- (d) Note and account receivables

	December 31, 2019	December 31, 2018
Note receivables	\$ 1,273,200	1,241,151
Trade receivables	104,168	186,748
Less: loss allowance	2,992	5,003
	\$ 1,374,376	1,422,896

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 incorporated forward looking information. The expected credit losses of the note receivables and trade receivables were as followed:

	December 31, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance Provision
Current	\$ 1,374,376	-	-
More than 365 days past due	2,992	100%	2,992
	\$ 1,377,368		2,992

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

	December 31, 2018		
	Gross carrying amount	Weighted- average loss rate	Loss allowance Provision
Current	\$ 1,422,896	-	-
More than 365 days past due	5,003	100%	5,003
	\$ 1,427,899		5,003

The movement in the allowance for notes and accounts receivable was as follows :

	For the years ended December 31	
	2019	2018
Balance on January 1	\$ 5,003	5,003
Impairment losses recognized	1,819	-
Amounts written off	(3,830)	-
Balance on December 31	\$ 2,992	5,003

(e) Inventory

	December 31, 2019	December 31, 2018
Properties and Land held for sale	\$ 12,496,069	21,486,639
Land held for construction sites	14,064,227	17,945,309
Construction in progress	48,151,146	25,951,582
Prepaid for land purchase	504,250	913,672
Total	\$ 75,215,692	66,297,202

For the years ended December 31, 2019 and 2018, the cost of goods sold recognized in parent company only comprehensive income amounted to \$14,644,621 thousands and \$21,825,700 thousands, respectively. For the years ended December 31, 2019 and 2018 because parts of properties and land held for sale had been sold, the factor led to net realizable value below cost has been gone, the increase in net realizable value write-off the amount of cost of goods sold \$44,951 thousands and \$1,600 thousands, respectively.

For the years ended December 31, 2019 and 2018, the Company has changed the usage of partial asset, and reclassified properties and land held for sale to property, plant and equipment and investment property according to definition, please refer to note 6(h) and (j).

For the years ended December 31, 2019 and 2018, construction in progress of the company is calculated using a capitalization rate 2.06% and 2.16%, respectively. For the amount of capitalized interest, please refer to note 6(w).

As of December 31, 2019 and 2018, the inventories of the Company had been pledged as collateral for bank borrowings, please refer to note 8.

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

(f) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 5,923,202	3,497,665
(i) Subsidiaries		

Please refer to consolidated financial statement of 2019.

For the disposal of Jin Jyun Construction Co., Ltd to Run Long Construction Co., Ltd, the resolution of the Board of Directors on September 7, 2018, please refer to note 7.

On November 13, 2018, the Board of Directors made a resolution to establish Highwealth Construction Co., a new subsidiary, with 100% of voting interest by \$5,000 thousands.

Due to the organizational structure adjustment of the Company, the Board of Directors made a resolution on June 25, 2019 to acquire 100% of the common stock of Bo Yuan Construction Co., Ltd., which was previously entirely owned by Chyi Yuh Construction Co., Ltd., by cash \$930,000 thousands. On August 8, 2019, the Company acquired direct control over Bo Yuan Construction Co., Ltd.

(ii) Guarantees

As of December 31, 2019 and 2018, the investments accounted for using equity method had been pledged as collateral for bank borrowings, please refer to note 8.

(g) Changes in a parent's ownership interest in a subsidiary

The Company acquired Run Long Construction Co., Ltd's shares with cash in 2019 and 2018.

The effects of the changes in shareholdings were as follows:

	For the years ended December 31	
	2019	2018
Carrying amount of non-controlling interest on acquisition	\$ 243,542	148,500
Consideration paid to non-controlling interests	(750,765)	(351,457)
Capital surplus differences between consideration and carrying amounts subsidiaries acquired	\$ (507,223)	(202,957)

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

(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, 2019 and 2018, were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:					
Balance on January 1, 2019	\$ 476,705	414,423	42,079	-	933,207
Reclassification from inventories	12,636	15,951	-	-	28,587
Additions	-	5,635	24,129	6,687	36,451
Disposals	-	-	(1,191)	-	(1,191)
Transfer form construction in progress	-	6,687	-	(6,687)	-
Reclassification to Investment property	(1,878)	(1,742)	-	-	(3,620)
Balance on December 31, 2019	<u>\$ 487,463</u>	<u>440,954</u>	<u>65,017</u>	<u>-</u>	<u>993,434</u>
Balance on January 1, 2018	\$ 257,691	301,259	39,042	-	597,992
Additions	219,014	113,164	16,880	6,178	355,236
Disposals	-	-	(20,021)	-	(20,021)
Transfer form construction in progress	-	-	6,178	(6,178)	-
Balance on December 31, 2018	<u>\$ 476,705</u>	<u>414,423</u>	<u>42,079</u>	<u>-</u>	<u>933,207</u>
Depreciation and impairments loss:					
Balance on January 1, 2019	\$ -	57,602	15,889	-	73,491
Depreciation	-	10,094	11,961	-	22,055
Reclassification to Investment Property	-	(131)	-	-	(131)
Disposals	-	-	(1,191)	-	(1,191)
Balance on December 31, 2019	<u>\$ -</u>	<u>67,565</u>	<u>26,659</u>	<u>-</u>	<u>94,224</u>
Balance on January 1, 2018	\$ -	50,370	25,915	-	76,285
Depreciation	-	7,232	9,983	-	17,215
Disposals	-	-	(20,009)	-	(20,009)
Balance on December 31, 2018	<u>\$ -</u>	<u>57,602</u>	<u>15,889</u>	<u>-</u>	<u>73,491</u>
Carrying amounts:					
Balance on December 31, 2019	<u>\$ 487,463</u>	<u>373,389</u>	<u>38,358</u>	<u>-</u>	<u>899,210</u>
Balance on December 31, 2018	<u>\$ 476,705</u>	<u>356,821</u>	<u>26,190</u>	<u>-</u>	<u>859,716</u>
Balance on January 1, 2018	<u>\$ 257,691</u>	<u>250,889</u>	<u>13,127</u>	<u>-</u>	<u>521,707</u>

As of December 31, 2019 and 2018, the property, plant and equipment of the Company had been pledged as collateral for bank borrowings, please refer to note 8.

Highwealth Construction

HIGHWEALTH CONSTRUCTION CORP. Notes to the Parent Company only Financial Statements

(i) Right-of-use assets

The Company leases assets including land and transportation equipment. Information about leases for which the Company as a lessee was presented below:

	<u>Land</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2019	\$ -	-	-
Effects of retrospective application	<u>9,167</u>	<u>1,886</u>	<u>11,053</u>
Balance on January 1, 2019 after adjustments	9,167	1,886	11,053
Additions	<u>11,968</u>	<u>-</u>	<u>11,968</u>
Balance on December 31, 2019	<u><u>\$ 21,135</u></u>	<u><u>1,886</u></u>	<u><u>23,021</u></u>
Depreciation and impairments loss:			
Balance on January 1, 2019	\$ -	-	-
Effects of retrospective application	<u>2,674</u>	<u>891</u>	<u>3,565</u>
Balance on January 1, 2019 after adjustments	2,674	891	3,565
Depreciation for the year	<u>8,735</u>	<u>628</u>	<u>9,363</u>
Balance on December 31, 2019	<u><u>\$ 11,409</u></u>	<u><u>1,519</u></u>	<u><u>12,928</u></u>
Carrying amounts:			
Balance on December 31, 2019	<u><u>\$ 9,726</u></u>	<u><u>367</u></u>	<u><u>10,093</u></u>

(j) Investment Property

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:				
Balance on January 1, 2019	\$ 2,070,966	1,924,053	-	3,995,019
Reclassification from inventories	105,627	148,404	-	254,031
Reclassification from Property, plant and equipment	1,878	1,742	-	3,620
Balance on December 31, 2019	<u><u>\$ 2,178,471</u></u>	<u><u>2,074,199</u></u>	<u><u>-</u></u>	<u><u>4,252,670</u></u>
Balance on January 1, 2018	\$ 642,894	715,458	132,882	1,491,234
Reclassification from inventories	1,123,788	1,007,186	-	2,130,974
Reclassification from construction in progress	386,640	277,790	(664,430)	-
Additions	-	-	531,548	531,548
Disposals	<u>(82,356)</u>	<u>(76,381)</u>	<u>-</u>	<u>(158,737)</u>
Balance on December 31, 2018	<u><u>\$ 2,070,966</u></u>	<u><u>1,924,053</u></u>	<u><u>-</u></u>	<u><u>3,995,019</u></u>

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	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Construction in progress</u>	<u>Total</u>
Depreciation and impairments loss:				
Balance on January 1, 2019	\$ 40,818	155,509	-	196,327
Depreciation	-	38,234	-	38,234
Reclassification from Property, plant and equipment	-	131	-	131
Balance on December 31, 2019	<u>\$ 40,818</u>	<u>193,874</u>	<u>-</u>	<u>234,692</u>
Balance on January 1, 2018	\$ 40,818	134,694	-	175,512
Depreciation	-	21,611	-	21,611
Disposals	-	(796)	-	(796)
Balance on December 31, 2018	<u>\$ 40,818</u>	<u>155,509</u>	<u>-</u>	<u>196,327</u>
Carrying amounts:				
Balance on December 31, 2019	<u>\$ 2,137,653</u>	<u>1,880,325</u>	<u>-</u>	<u>4,017,978</u>
Balance on December 31, 2018	<u>\$ 2,030,148</u>	<u>1,768,544</u>	<u>-</u>	<u>3,798,692</u>
Balance on January 1, 2018	<u>\$ 602,076</u>	<u>580,764</u>	<u>132,882</u>	<u>1,315,722</u>
Fair value:				
Balance on December 31, 2019				<u>\$ 6,717,162</u>
Balance on December 31, 2018				<u>\$ 5,944,851</u>

The investment property is real estate property owned by the Company and leased to third parties. Please refer to note 6 (q) and 6(v) for more information.

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. The fair value measurement for investment property has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

As of December 31, 2019 and 2018, the Company's investment property had been pledged as collateral for bank borrowings, please refer to note 8.

(k) Other current assets and other non-current assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other current financial assets	\$ 4,177,236	3,174,073
Current incremental costs of obtaining a contract	1,307,988	700,286
Other non-current financial assets	<u>7,858,341</u>	<u>6,729,809</u>
	<u>\$ 13,343,565</u>	<u>10,604,168</u>

(i) Other financial asset

Other financial assets include Trust account for presale of properties and land restricted deposit and construction deposit.

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(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, 2019 and 2018, the Company recognized \$483,395 thousands and \$911,881 thousands of amortized expense, respectively.

(iii) As of December 31, 2019 and 2018, the other financial assets of the Company had pledged as collateral for long-term borrowings, please refer to note 8.

(l) Short-term borrowings

	December 31, 2019	December 31, 2018
Unsecured bank loans	\$ 7,933,333	4,233,333
Secured bank loans	35,351,277	25,678,856
Less : Syndicated Loan Expense	(7,307)	-
Total	\$ 43,277,303	29,912,189
Range of interest rates	1.495%~2.30%	1.65%~2.30%

(i) The issue of bank loan and repayment

For the years ended December 31, 2019 and 2018, the incremental amounts are \$22,696,834 thousands and \$18,061,505 thousands, respectively; the repayment amounts are \$9,324,413 thousands and \$13,386,069 thousands, respectively. Please refer to note 6(x) for interest expense.

(ii) Collateral for Bank Loans

For the collateral for short-term borrowings, please refer to note 8.

(m) Short-term notes and bills payable

	December 31, 2019	
	Guarantee or acceptance institute	Range of interest rate
Commercial paper payable	Financial institute	1.65%~1.838%
		\$ 2,974,200
Less: Discount on short-term notes and bills payable		(10,349)
Total		\$ 2,963,851

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	December 31, 2018		
	Trust or acceptance institute	Range of interest rate	Amount
Commercial paper payable	Financial institute	1.60%~1.688%	\$ 3,764,200
Less: Discount on short-term notes and bills payable			(15,536)
Total			\$ 3,748,664

For the collateral for short-term notes and bills payable, please refer to note 8.

(n) Long-term borrowings

The Company's long-term borrowings details, conditions, and provisions were as follows:

	December 31, 2019			
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	1.69%~2.25%	110~127	\$ 3,585,438
Less: current portion				(107,373)
Total				\$ 3,478,065

	December 31, 2018			
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	1.69%~2.25%	110~127	\$ 3,364,510
Less: current portion				(94,398)
Total				\$ 3,270,112

(i) The issue of bank loan and repayment

The amount issued for the years ended December 31, 2019 and 2018 are \$316,400 thousands and \$1,703,511 thousands, respectively; the repayment amounts are \$95,472 thousands and \$71,026 thousands, respectively, please refer to note 6(x) for interest expense.

(ii) Collateral for Bank Loans

For the collateral for long-term borrowings, please refer to note 8.

(o) Bonds payable

The details of the Company's bonds payable were as follows:

	December 31, 2019	December 31, 2018
Secured convertible bonds - non-current	\$ 10,270,574	10,154,927
Secured ordinary corporate bond - non-current	9,468,125	9,460,166
Total	\$ 19,738,699	19,615,093

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(i) The Company issued the secured ordinary corporate bonds amounting to \$2,500,000 thousands \$5,000,000 thousands, and \$2,000,000 thousands with an interest rate of 0.9%, 1.15% and 1.00% in May 2018, April 2016, and November 2016. The secured ordinary corporate bond were issued for 5 years, interest paid annually, repayment of principal and interest at maturity.

(ii) The Company’s details of secured convertible bonds were as follows:

	December 31, 2019	December 31, 2018
Secured convertible bonds	\$ 10,577,820	10,577,820
Discount on bonds payable-unamortized amount	(307,246)	(422,893)
Ending balance: bonds payable	\$ 10,270,574	10,154,927
Embedded derivatives- put option and call option (FVPL)	\$ -	1,000

In June 2017, the Company issued a secured 5-year convertible bond with zero interest for \$10,577,820 thousands with the following conditions:

- 1) The conversion price was \$57.1 per share, when it comes to adjusting conversion price of subsidiary’s common share, it should adhere to the Company’s conversion rules. The conversion price change with formula within issuance details. The secured convertible bond does not have reset feature.
- 2) At any time within three months after the issuance date till 40 days before maturity date, the subsidiary would repurchase the bond at the face value if the close of the subsidiary's ordinary share price exceeded 130% of the bond's conversion price for successive 30 days, or the outstanding value of the bond was lower than 10% of the total issuance value.
- 3) The bondholders can execute put options after three years from the issuance date, the redemption value is 103.7971% of the bonds value (the real yield is 1.25%).
- 4) Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bond will be redeemed by the Company on the maturity date at 106.4082% of the principal amount of the bond (the real yield is 1.25%).

(iii) Please refer to the note 6(x) for the interest expense for the years ended December 31, 2019 and 2018. For the details of collateral of secured convertible bonds and bonds payable, please refer to note 8.

(p) Lease liabilities

The carrying amount of lease liabilities were as follows :

	December 31, 2019
Current	\$ 10,200

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For the maturity analysis, please refer to Note 6(y).

The amounts recognized in profit or loss were as follows :

	For the year ended December 31, 2019
Interest on lease liabilities	<u>\$ 181</u>
Expenses relating to short-term and low-value leases	<u>\$ 117,516</u>

The amounts recognized in the statement of cash flows for the Company was as follows :

	For the year ended December 31, 2019
Total cash outflow for leases	<u>\$ 127,214</u>

(i) Real estate leases

As of December 31, 2019, the Company leases land for its reception center. The leases of reception center typically run for a period of 2-3 years.

(ii) Other leases

The Company leases transportation equipment, with lease terms of three years.

The Company also leases office equipment, short-term reception center, and outdoor advertising. These leases are short-term and leases of low-value items. The Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

(q) Operating lease

(i) Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018
Less than one year	<u>\$ 5,329</u>
Between one and five years	<u>2,832</u>
	<u>\$ 8,161</u>

(ii) Leases as lessor

The Company leases out its investment property. 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) for investment property.

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As of December 31, 2019, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2019
Less than one year	\$ 64,132
One to two years	50,788
Two to three years	42,062
Three to four years	33,610
Four to five years	13,388
Total undiscounted lease payments	\$ 203,980

For the year ended December 31, 2018, non-cancellable operation lease rentals receivable was as follows:

	December 31, 2018
Less than one year	\$ 75,663
Between one and five years	188,302
	\$ 263,965

For the years ended December 31, 2019 and 2018, rental income from investment properties were \$61,450 thousands and \$49,579 thousands, respectively.

(r) Employee benefits

(i) Defined benefit plans

The expenses recognized in profit or loss for the Company were as follows:

	December 31, 2019	December 31, 2018
The present value of defined benefit plans	\$ 61,735	59,792
Fair value of plan asset	(27,607)	(25,799)
Net defined benefit liability	\$ 34,128	33,993

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

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The Company's Bank of Taiwan labor pension reserve account balance amounted to \$27,607 thousands as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

	For the years ended December 31	
	2019	2018
Defined benefit obligations at January 1	\$ 59,792	60,097
Current service cost and interest	1,243	1,463
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	700	(1,768)
Defined benefit obligations at December 31	<u>\$ 61,735</u>	<u>59,792</u>

3) Change of fair value of plan asset

The amounts included in the parent company only balance sheets in respect of the Company's fair value of plan asset for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31	
	2019	2018
Balance at January 1	\$ 25,799	24,177
Gains on remeasurements of defined benefit plans		
— Return on plan assets(excluding amounts included in net interest)	867	633
Amount that has been allocated to the plan	647	653
Expected return on plan asset	294	336
Fair value of plan assets, December 31	<u>\$ 27,607</u>	<u>25,799</u>

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- 4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	For the years ended December 31	
	2019	2018
Current service cost	\$ 570	638
Net interest of net liabilities for defined benefit obligations	379	489
	\$ 949	1,127
Administration expense	\$ 949	1,127

- 5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2019 and 2018, was as follows:

	For the years ended December 31	
	2019	2018
Accumulated amount at January 1	\$ (11,857)	(14,258)
Recognized during current period	167	2,401
Accumulated amount at December 31	\$ (11,690)	(11,857)

- 6) Actuarial valuations

The principal actuarial assumptions at the reporting date were as follows:

	2019.12.31	2018.12.31
Discount rate	1.000 %	1.125 %
Future salary increase rate	2.00 %	2.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$647 thousands.

The weighted average lifetime of the defined benefit plans is 11.94 years.

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7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Defined benefit obligation	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2019		
Discount rate	\$ (1,621)	1,675
Future salary increase rate	1,622	(1,579)
December 31, 2018		
Discount rate	(1,705)	1,765
Future salary increase rate	1,714	(1,665)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(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 for the years ended December 31, 2019 and 2018 amounted to \$9,224 thousands and \$8,994 thousands, respectively.

(s) Income tax

(i) Tax expense

The components of income tax for the years ended December 31, 2019 and 2018 were as follows:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Current tax expense		
Current period	\$ -	17,741
Land value increment tax	198,057	294,924
Additional surtax on unappropriated earnings	62,775	28
Adjustment for prior periods	<u>30,266</u>	<u>-</u>
Tax expense	<u>\$ 291,098</u>	<u>312,693</u>

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The reconciliation of tax expense and income before tax for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31	
	2019	2018
Income before tax	\$ <u>3,320,887</u>	<u>7,168,837</u>
Income tax expense at domestic statutory tax rate	664,177	1,433,768
Land tax exempt income	(757,497)	(1,270,924)
Book –tax difference between recognition time	111,057	148,869
Book –tax difference of capitalization	(57,390)	(114,260)
Profit or loss from investment accounted for using equity method	(44,999)	(117,293)
Book –tax difference between deferred sales commission	57,688	(29,055)
Land value increment tax	198,057	294,924
Financial assets measured at fair value through profit and loss	(4,712)	13,965
Unrealized profit or loss from associated company	37	4,097
Tax loss deduction	-	(38,946)
Additional surtax on unappropriated earnings	62,775	28
Adjustment for prior periods	30,266	-
Others	<u>31,639</u>	<u>(12,480)</u>
Total	<u>\$ 291,098</u>	<u>312,693</u>

(ii) Deferred tax asset and liability recognized

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred tax assets:

	Investment property impairment	Others	Total
Balance on January 1, 2019	\$ <u>11,242</u>	<u>3,302</u>	<u>14,544</u>
Balance on December 31, 2019	\$ <u>11,242</u>	<u>3,302</u>	<u>14,544</u>
Balance on January 1, 2018	\$ <u>11,242</u>	<u>3,302</u>	<u>14,544</u>
Balance on December 31, 2018	\$ <u>11,242</u>	<u>3,302</u>	<u>14,544</u>

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Deferred tax liabilities:

	Others
Balance on January 1, 2019	\$ 340
Balance on December 31, 2019	\$ 340
Balance on January 1, 2018	\$ 340
Balance on December 31, 2018	\$ 340

(iii) The Company's income tax had been examined by the tax authorities till 2016.

(t) Capital and other equity

As of December 31, 2019 and 2018, the total value of authorized ordinary shares were \$20,000,000 thousands and \$15,000,000 thousands, respectively, with par value of \$10 per share. The paid-in capital were \$11,666,288 thousands and \$11,666,266 thousands, respectively.

(i) Ordinary shares

For the year ended December 31, 2019, convertible bonds issued by the Company amounting to \$22 thousands, were converted into 2 thousands shares of common stock. The related registration procedures were completed.

(ii) Capital surplus

The balance of capital surplus as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Treasury share transactions	\$ 379,053	259,119
Difference arising from subsidiary's equity	33,525	33,525
Conversion premium of convertible bonds	81	-
Capital surplus-premium from merger	62	62
Donation from shareholders	3,396	3,396
Other	8,357	8,357
	\$ 424,474	304,459

As of June 11, 2018, a resolution was approved during the general meeting of the shareholders for the distribution of cash dividends by capital surplus amounting to \$2,342,586 thousands, with a par value of 2.008 per share.

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.

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(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes or salary. 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 to be submitted to the stockholders' meeting for approval. The cash dividends shall not be below 10% of the total dividends.

Before the Company distributes its dividends or legal reserve, and part or all of its paid-in capital in cash, a resolution has to be made during the board meeting, which requires a quorum of two-thirds of all the directors, with more than half of the directors present in that meeting, to be proposed during the shareholder's meeting.

In addition, the general meeting of shareholders made a resolution on June 10, 2019 to amend the articles of incorporation for the Company to distribute the surplus earning and offset losses at the end of each quarter. If there are earnings during the quarter, the Company shall distribute the earnings in accordance with the abovementioned procedures.

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 Ruling 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 2018 and 2017 was decided by the resolution adopted, at the general meeting of shareholders held on June 10, 2019 and June 11, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31			
	2018		2017	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 3.500	4,083,194	1.492	1,740,607

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Earnings distribution for the second and third quarters of 2019 was decided based on the resolution approved during the general meetings of the shareholders held on August 13, 2019 and November 13, 2019, respectively, as follows:

	For the years ended December 31			
	Q2 2019		Q3 2018	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 1	<u><u>1,166,628</u></u>	1	<u><u>1,166,629</u></u>

(iv) Treasury shares

- 1) In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of December 31, 2019, the Company had not repurchased any share.
- 2) Prior to Company ACT amendment in 2001, Subsidiaries of the Company, Ace Riches International Corp., Highwealth Real Estate Co., Ltd., and Chyi Yuh Construction Co., Ltd. held part of the Company's shares for investment purpose. Run Long Construction Co., Ltd., a subsidiary the Company has control over, acquired 11,950 thousands of the Company's shares for investment purpose in the public market in 2015. As of December 31, 2019 and 2018, the market price per share were \$46.3 and \$45.0, respectively.

The details of the treasury shares held by subsidiaries are as followed:

Subsidiary	December 31, 2019		December 31, 2018	
	Shares (thousands)	Book value	Shares (thousands)	Book value
Ace Riches International Corp.	4,162	\$ 1,733	4,162	1,733
Highwealth Real Estate Co., Ltd.	8,045	10,850	8,045	10,850
Chyi Yuh Construction Co., Ltd.	2,495	-	2,495	-
Run Long Construction Co., Ltd.	11,950	71,227	11,950	54,178
	<u><u>26,652</u></u>	<u><u>\$ 83,810</u></u>	<u><u>26,652</u></u>	<u><u>66,761</u></u>

Highwealth Construction

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(v) Other equity items

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available- for-sale financial assets	Total
Balance on January 1, 2019	\$ 344	510,083	-	510,427
Exchange differences on foreign operations	(149)	-	-	(149)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	22,474	-	22,474
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(125)	-	(125)
Balance on December 31, 2019	<u>\$ 195</u>	<u>532,432</u>	<u>-</u>	<u>532,627</u>
Balance on January 1, 2018	\$ 436	-	4,958	5,394
Effects of retrospective application	-	471,689	(4,958)	466,731
Balance on January 1, 2018 after adjustments	436	471,689	-	472,125
Exchange differences on foreign operations	(92)	-	-	(92)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	45,478	-	45,478
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(7,084)	-	(7,084)
Balance on December 31, 2018	<u>\$ 344</u>	<u>510,083</u>	<u>-</u>	<u>510,427</u>

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(u) Earnings per share

(i) Basic earnings per share

The Company's basic earnings per share is calculated by profit attributable to ordinary shareholders of the Company for 2019 and 2018 were \$3,029,789 thousands and \$6,856,144 thousands, respectively, and both the weighted average number of ordinary shares outstanding for 2019 and 2018 were 1,139,976 thousands and 1,139,975 thousands shares, respectively, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	For the years ended December 31	
	2019	2018
Profit attributable to ordinary shareholders of the Company	\$ 3,029,789	6,856,144

2) Weighted-average number of ordinary shares

	For the years ended December 31	
	2019	2018
Ordinary shares outstanding on January 1	1,166,627	1,166,627
Treasury shares	(26,652)	(26,652)
Effect of conversion of convertible notes	1	-
Weighted-average number of ordinary shares on December 31	1,139,976	1,139,975

(ii) Diluted earnings per share

The Company's diluted earnings per share is calculated by profit attributable to ordinary shareholders of the Company for 2019 and 2018 were \$3,122,453 thousands and \$6,947,766 thousands respectively. After adjusting the effect of dilution of ordinary share, the weighted average number of ordinary shares for 2019 and 2018 were 1,372,978 thousands and 1,316,199 thousands shares, respectively. The related calculations are as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	For the years ended December 31	
	2019	2018
Profit attributable to ordinary shareholders of the Company (diluted)	\$ 3,122,453	6,947,766

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2) Weighted-average number of ordinary shares (diluted)

	For the years ended December 31	
	2019	2018
Weighted-average number of ordinary shares (basic)	1,139,976	1,139,975
Effect of conversion of convertible bonds	232,016	175,131
Effect of employee share bonus	986	1,093
Weighted-average number of ordinary shares (diluted) on December 31	1,372,978	1,316,199

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31	
	2019	2018
Primary geographical markets:		
Taiwan	\$ 20,373,762	30,717,971
Major products/services lines:		
Sales of real estate	\$ 20,299,461	30,663,635
Other revenue	74,301	54,336
	\$ 20,373,762	30,717,971
Timing of revenue recognition:		
Revenue transferred at a point in time	\$ 74,301	54,336
Products and services transferred over time	20,299,461	30,663,635
	\$ 20,373,762	30,717,971

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities-sales of real estate	\$ 4,415,748	2,891,226	6,242,964
Contract liabilities-advance receipt	8,308	8,353	5,476
Total	\$ 4,424,056	2,899,579	6,248,440

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, 2019 and 2018, that was included in the contract liability balance at the beginning of the period were \$1,762,512 thousands and \$4,401,888 thousands, respectively.

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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, 2019 and 2018.

(w) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 0.1% of the profit as employee compensation and less than 1% 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 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, 2019 and 2018, the Company estimated its employee remuneration amounting to \$36,000 thousands and \$48,000 thousands, and directors' and supervisors' remuneration amounting to \$8,400 thousands and \$12,000 thousands, 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. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2019 and 2018.

(x) Other operating income and expense

(i) Other income

The details of other income were as follows:

	For the years ended December 31	
	2019	2018
Interest income	\$ 14,482	14,156
Contract termination income	14,377	158,491
Dividend income	4,778	44,603
Others	<u>102,706</u>	<u>202,518</u>
	<u>\$ 136,343</u>	<u>419,768</u>

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(ii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2019	2018
Foreign exchange losses	\$ (5)	-
Losses on disposal of property, plant and equipment	-	(12)
Gains on disposal of investments	-	288,513
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	23,559	(69,826)
Other expenses	(9,355)	(2,011)
	\$ 14,199	216,664

(iii) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2019	2018
Interest expense		
Bank loans and collateral	\$ 1,076,833	876,958
Amortization on discounted corporate bond	117,730	116,179
Interest on corporate bond	99,962	90,877
Other finance costs	181	-
Less: capitalized interest	(611,908)	(495,516)
	\$ 682,798	588,498

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

The financial instrument's biggest credit risk exposure is the same as the carrying amount of the financial assets.

2) Concentration of credit risk

The Company has a vast client base that is not connected; thus, the ability to concentrate the credit risk is limited.

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3) Receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(d).

Other financial assets at amortized cost are other receivables (classified as other current financial assets). All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

The loss allowance provisions were determined as follows:

	Other receivables
Balance on December 31, 2019(as opening balance)	\$ <u><u>8,235</u></u>
Balance on December 31, 2018(as opening balance)	\$ <u><u>8,235</u></u>

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
December 31, 2019				
Non derivative financial liabilities:				
Secured loans	\$ 41,607,416	8,690,022	30,046,658	2,870,736
Unsecured loans	8,102,799	4,048,716	4,054,083	-
Short-term transaction instrument payables	2,974,200	2,974,200	-	-
Convertible bond	10,640,714	-	10,640,714	-
Ordinary corporate bonds	9,688,502	100,000	9,588,502	-
Notes payable, accounts payable and other payable	4,691,499	4,632,935	57,694	870
Lease liability	10,308	10,308	-	-
	\$ 77,715,438	20,456,181	54,387,651	2,871,606
December 31, 2018				
Non derivative financial liabilities:				
Secured loans	\$ 31,350,689	2,549,253	25,219,551	3,581,885
Unsecured loans	4,359,395	303,978	4,055,417	-
Short-term transaction instrument payables	3,764,200	3,764,200	-	-
Convertible bond	10,640,820	-	10,640,820	-
Ordinary corporate bond	9,788,502	100,000	9,688,502	-
Notes payable, accounts payable and other payable	2,810,894	2,737,519	72,037	1,338
	\$ 62,714,500	9,454,950	49,676,327	3,583,223

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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(iii) Currency risk

- 1) Currency risk exposure: None
- 2) 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 \$249,133 thousands and \$185,127 thousands for the years ended December 31, 2019 and 2018, with an other variable factors remaining constant. Taking into account that capitalized interest of profit may decrease or increase by \$131,387 thousands and \$100,503 thousands. This is mainly due to the Company's borrowing at variable rates.

3) Other market price risk

For the years ended December 31, 2019 and 2018, 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:

<u>Prices of securities at the reporting date</u>	For the years ended December 31			
	2019		2018	
	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)
Increase 10%	\$ 55,036	28,773	52,838	30,373
Decrease 10%	\$ (55,036)	(28,773)	(52,838)	(30,373)

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(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:

	December 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets mandatorily measured at fair value through profit or loss	\$ 287,726	287,726	-	-	287,726
Financial assets at fair value through other comprehensive income					
Stocks in unlisted company	\$ 550,364	550,364	-	-	550,364
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 7,581,341	-	-	-	-
Notes and accounts receivable	1,374,376	-	-	-	-
Other financial assets - current	4,177,236	-	-	-	-
Other financial assets - non-current	7,858,341	-	-	-	-
Subtotal	\$ 20,991,294	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term loans	\$ 43,277,303	-	-	-	-
Short-term transaction instrument payables	2,963,851	-	-	-	-
Notes payable, accounts payable and other payables	4,691,499	-	-	-	-
Lease liabilities	10,200	-	-	-	-
Other financial liabilities- current	231,712	-	-	-	-
Corporate bonds payable	19,738,699	-	-	-	-
Long-term loans (Due within 1 year)	3,585,438	-	-	-	-
Subtotal	\$ 74,498,702	-	-	-	-

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	December 31, 2018				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 1,000	-	1,000	-	1,000
Derivative financial assets mandatorily measured at fair value through profit or loss	<u>303,728</u>	<u>303,728</u>	<u>-</u>	<u>-</u>	<u>303,728</u>
Subtotal	<u>\$ 304,728</u>	<u>303,728</u>	<u>1,000</u>	<u>-</u>	<u>304,728</u>
Financial assets at fair value through other comprehensive income					
Stocks in unlisted company	<u>\$ 528,381</u>	<u>528,381</u>	<u>-</u>	<u>-</u>	<u>528,381</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 9,394,347	-	-	-	-
Notes and accounts receivable	1,422,896	-	-	-	-
Other financial assets- current	3,174,073	-	-	-	-
Other financial assets- non-current	<u>6,729,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$ 20,721,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 29,912,189	-	-	-	-
Short-term transaction instrument payables	3,748,664	-	-	-	-
Notes payable, accounts payable and other payables	2,810,894	-	-	-	-
Other financial liabilities- current	116,648	-	-	-	-
Corporate bonds payable	19,615,093	-	-	-	-
Long-term loans (Due within 1 year)	<u>3,364,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$ 59,567,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

- a) Financial assets measured at amortized cost (debt investment that has no active markets) and financial liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

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3) 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.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

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.

4) Transfers between Level 1 and Level 2

Stock held by the Company quoted in an active market is sorted to Level 1. There is no difference regarding valuation techniques between 2019 and 2018. There is no transfer between first and second level measured at fair value in 2019 and 2018.

(z) Financial risk management

(i) Overview

The Company has 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.

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(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.

(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 receivable

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. At December 31, 2019 and 2018, 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.

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(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.

(aa) 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, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

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 2019, the Company's capital management strategy is consistent with the prior year as of 2018. The gearing ratio is maintained so as to ensure an "A" credit rating and ensure financing at reasonable cost. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2019, is as follows:

	December 31, 2019	December 31, 2018
Total liabilities	\$ 79,178,582	62,821,652
Less: cash and cash equivalents	<u>(7,581,341)</u>	<u>(9,394,347)</u>
Net debt	71,597,241	53,427,305
Total Equity	<u>30,396,294</u>	<u>34,180,147</u>
Less: hedging reserve	<u>\$ 101,993,535</u>	<u>87,607,452</u>
Debt-to-equity ratio	<u>70.20 %</u>	<u>60.98 %</u>

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(7) Related-party transactions:

(a) Names and relationship with related parties

The following are entities that have had transactions with related parties and the Company's subsidiaries during the periods covered in the parent company only financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Chyi Yuh Construction Co., Ltd.	Subsidiary company
Ace Riches International Corp.	Subsidiary company
Highwealth Real Estate Co., Ltd.	Subsidiary company
Jin Jyun Construction Co., Ltd.	Subsidiary company
Bo Yuan Construction Co., Ltd.	Subsidiary company
Guang Yang Investment Co., Ltd.	Subsidiary company
Well Rich International Co., Ltd.	Subsidiary company
Quan Xiang Trading (Shanghai) Co., Ltd	Subsidiary company
Xingfuyu Trading (Xiamen) Co., Ltd.	Subsidiary company
Run Long Construction Co., Ltd.	Subsidiary company
Yeh Kee Enterprise Co., Ltd.	Subsidiary company
Bijiang Enterprise Co., Ltd.	Subsidiary company
Highwealth Construction Co., Ltd.	Subsidiary company
Taichung Highwealth Culture and Art Foundation	Same president with the Company
Tsai ○○	Key management personnel of the subsidiary
Jeng ○○	Director of the Company
Chen ○○	Key management personnel of the Company
Huang ○○	Family of the key management personnel of the Company

(b) Significant transactions with related parties

(i) Operating revenue

Significant selling amount to related parties and the remaining balance were as follows:

	Recognized revenue in current period	
	For the years ended December 31	
	2019	2018
Subsidiary- Run Long Construction Co., Ltd.	\$ -	990,596

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There were no significant difference of the price and conditions for related parties and ordinary contract mentioned above.

(ii) Purchase

Significant purchasing amount to related parties and the remaining balance were as follows:

	<u>Purchasing</u>		<u>Accumulated amount</u>	
	<u>For the years ended December 31</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Subsidiary:				
Chyi Yuh Construction Co., Ltd	\$ 3,741,838	4,019,402	6,615,464	11,957,459
Jin Jyun construction Co., Ltd	2,280,250	1,229,559	3,412,821	1,460,135
Other subsidiaries	<u>810</u>	<u>14,140</u>	<u>810</u>	<u>90,377</u>
	<u>\$ 6,022,898</u>	<u>5,263,101</u>	<u>10,029,095</u>	<u>13,507,971</u>

There were no significant difference of the price and conditions for related parties and ordinary contract mentioned above.

(iii) Receivables from related parties

The details of receivables from related parties were as follows:

<u>Accounted items</u>	<u>Categories</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable	Subsidiaries	\$ 1,185	1,315
Other receivables	Subsidiaries	<u>1,273</u>	<u>1,476</u>
		<u>\$ 2,458</u>	<u>2,791</u>

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Accounted items</u>	<u>Categories</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable	Subsidiaries:		
	Chyi Yuh Construction Co., Ltd	\$ 888,851	462,525
Accounts payable	Jin Jyun Construction Co., Ltd	409,573	173,018
Accounts payable	Subsidiaries	5,412	8,255
Other payables	Subsidiaries	<u>8,924</u>	<u>17,912</u>
		<u>\$ 1,312,760</u>	<u>661,710</u>

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(v) Contract liabilities (Advanced receipts)

The details of contract liabilities from related parties were as follows:

<u>Categories</u>	<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries	Prepaid rents and administration fees	\$ <u>1,706</u>	<u>5,980</u>

(vi) Guarantees

The Company provided guarantees to subsidiary company. As of December 31, 2019 and 2018, the guarantee ceiling was \$9,740,442 thousands and \$9,501,390 thousands, respectively, and the amount was \$4,507,442 thousands and \$5,636,434 thousands, respectively.

Subsidiaries provided land for guarantees to the Company. As of December 31, 2019 and 2018, the guarantee ceiling was \$1,907,700 thousands and \$1,922,700 thousands, respectively, and the amount was \$1,907,700 thousands and \$1,922,700 thousands, respectively. In 2018, the Company paid subsidiary company \$30,942 thousands as handling fee for the guarantee mentioned above.

(vii) Others

1) The Details of the Company renting offices from related parties is as follows:

	<u>Guarantee deposit</u>		<u>Rental expense</u>	
	<u>For the years ended December 31</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ 1,614	1,614	9,238	8,148
Other related parties	-	-	-	274
	<u>\$ 1,614</u>	<u>1,614</u>	<u>9,238</u>	<u>8,422</u>

2) Recognizing rental revenue due to renting offices to related parties:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ <u>9,221</u>	<u>2,162</u>

3) Recognizing other income due to signing entrusted administration contract with related parties:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ <u>9,513</u>	<u>504</u>

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- 4) Paying consulting and service fee to related parties for selling real estate on consignment:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Subsidiary company – Ace Riches International Corp.	\$ 80,795	60,048
Subsidiaries	1,122	-
	<u>\$ 81,917</u>	<u>60,048</u>

- 5) Paying administration expense to related parties for administrating constructing site:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries	<u>\$ 6,175</u>	<u>30,308</u>

- 6) As of December 31, 2019 and 2018, cooperation cases with related parties were as follows:

<u>Case Name</u>	<u>Categories</u>	<u>Type</u>	<u>Security</u>
<u>2019.12.31</u>			
Buo Shao Section	Landowner-subsiary company-Yeh Kee Enterprise Co., Ltd.	Cooperation cases	Refundable deposit \$160,000
Buo Shao Section	Landowner-subsiary company-Bijiang Enterprise Co., Ltd	Cooperation cases	Refundable deposit 125,000
Guo Mao Section	Builder-subsiary company-Run Long Construction Co., Ltd.	Cooperation cases	Guarantee deposit 100,000
Hui An Fourth	Builder-subsiary company-Run Long Construction Co., Ltd.	Cooperation cases	Guarantee deposit 100,000
<u>2018.12.31</u>			
Buo Shao Section	Landowner-subsiary company-Yeh Kee Enterprise Co., Ltd.	Cooperation cases	Refundable deposit \$80,000
Buo Shao Section	Landowner-subsiary company-Bijiang Enterprise Co., Ltd	Cooperation cases	Refundable deposit 42,500
Guo Mao Section	Builder-subsiary company-Run Long Construction Co., Ltd.	Cooperation cases	Guarantee deposit 100,000

- 7) Performance bond received from related parties for contract work:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiary company	<u>\$ 114,199</u>	<u>166,701</u>

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- 8) In September, 2008, the Company sold a portion of land to Mr. Tsai,○○ with a land developing plan at 5 million dollars, recognized as other payables. The Company would repurchase the land without any interest if the plan was not completed within three years. Both parties agreed lengthening the expiry date unconditionally in October 20 2011. As of December 31, 2019 and 2018, other payables are both 5 million dollars.
- 9) The Company sold its premises to other related parties at the amount of \$19,667 thousands in 2019.
- 10) In September 2018, the Company sold 50,000 thousands shares of Jin Jyun Construction Co., Ltd. to Run Long Construction Co., Ltd. with the price \$518,300 thousands. Gain from disposal was recognized as the equity transaction. As of December 31, 2018, transactions were entirely completed.
- 11) The Company acquired 73,700 thousands shares of common stocks of Bo Yuan Construction Co., Ltd. from its subsidiary, Chyi Yuh Construction Co., Ltd., for \$930,000 thousands. As of December 31, 2019, transactions were entirely completed.
- 12) The Company bought gift certificates from Bo Yuan Construction Co., Ltd., for \$3,345 thousands in 2019.
- 13) In 2019, the Company donated \$5,000 thousands to Taichung Highwealth Culture and Art Foundation for its promotion and development.

(c) Key management personnel transactions

	For the years ended December 31	
	2019	2018
Short-term employee benefits	<u>\$ 67,660</u>	<u>60,338</u>

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(8) Pledged assets:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets at FVTPL	Mortgage	\$ 171,900	168,600
Inventories (construction)	Mortgage, issuing commercial paper and bonds payable	57,501,802	45,611,872
Other financial assets- current and non-current	Mortgage, issuing commercial paper, performance bond, real estate trust account, and bonds payable	11,348,263	9,087,489
Investment accounted for using equity method	Mortgage	1,298,617	1,300,497
Property, plant and equipment	Mortgage and bonds payable	832,318	833,526
Investment property at net value	Mortgage, issuing commercial paper, and bonds payable	3,974,571	3,478,657
		<u>\$ 75,127,471</u>	<u>60,480,641</u>

As of December 31, 2019 and 2018, the book value of pledged assets providing undrawn guaranteed loan are \$6,417,486 thousands and \$10,535,553 thousands, respectively.

(9) Commitments and contingencies:**(a) Unrecognized contractual commitments****(i) Contract price signed with clients were as follows:**

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Amount of signed contracts	<u>\$ 49,108,132</u>	<u>25,236,536</u>
Received amount from contracts	<u>\$ 4,415,748</u>	<u>2,891,226</u>
Outstanding checks received from presale cases	<u>\$ 2,551,904</u>	<u>1,031,575</u>

(ii) Unrecognized commitments generated by signing contracts for purchasing land for construction, building bulk, and investment properties are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Acquisition of inventory (construction)	<u>\$ 4,543,329</u>	<u>3,686,539</u>

(b) Others

As of December 31, 2019 and 2018 the refundable deposit paid for cooperation cases are \$424,642 thousands and \$445,249 thousands, respectively.

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HIGHWEALTH CONSTRUCTION CORP. Notes to the Parent Company only Financial Statements

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, were as follows:

By item	By function	For the year ended December 31					
		2019			2018		
		Operating cost	Operating Expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary	-	330,028	330,028	-	360,828	360,828	
Labor and health insurance	-	21,994	21,994	-	21,893	21,893	
Pension	-	10,173	10,173	-	10,121	10,121	
Remuneration of directors	-	16,783	16,783	-	21,685	21,685	
Others	-	-	-	-	-	-	
Depreciation	38,234	31,418	69,652	21,611	17,215	38,826	
Depletion	-	-	-	-	-	-	
Amortization	-	3,929	3,929	-	3,819	3,819	

For the years ended December 31, 2019 and 2018, the information on the number of employees and employee benefit expense of the Company is as follows :

	<u>2019</u>	<u>2018</u>
Number of employees	<u>322</u>	<u>291</u>
Number of directors (non-employee)	<u>4</u>	<u>4</u>
Average employee benefit expense	<u>\$ 1,139</u>	<u>1,369</u>
Average employee salary expense	<u>\$ 1,038</u>	<u>1,257</u>
Percentage of average employee salary expense	<u>(17.42)%</u>	

HIGHWEALTH CONSTRUCTION CORP. Notes to the Parent Company only 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:

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	Chyi Yuh Construction Co., Ltd	2	\$ 30,396,294	8,846,000	8,846,000	3,993,000	-	29.10 %	60,792,588	Y	N	N
0	The company	Bo Yuan Construction Co., Ltd	3	30,396,294	2,827,490	714,442	514,442	-	2.35 %	60,792,588	Y	N	N
0	The company	Well Rich International Co., Ltd	3	30,396,294	180,000	180,000	-	-	0.59 %	60,792,588	Y	N	N
1	Yeh Kee Enterprise Co., Ltd	The company	2	30,396,294	1,922,700	1,907,700	1,907,700	1,907,700	6.28 %	60,792,588	N	Y	N
2	Run Long Construction Co., Ltd.	Jin Jyun construction Co., Ltd.	2	1,102,986	200,000	200,000	-	-	3.63 %	2,757,464	Y	N	N

Note 1: The numbering is as follows:

1. “0” represents the parent company.
2. Subsidiaries are sequentially numbered from 1 by company.

Note 2: 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 3: The Company and Yeh kee Enterprise Co., Ltd. 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 200% of the net value of the company.
2. The guarantee amount for a single enterprise endorsement shall not exceed 100% of the current net value of the company.

Note 4: Run Long Construction Co., Ltd. endorsed the operation method for the total amount of guarantee s 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 Run Long Construction Co., Ltd.
2. The guarantee amount for a single enterprise endorsement shall not exceed 20% of the current net value of Run Long Construction Co., Ltd.

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HIGHWEALTH CONSTRUCTION CORP. Notes to the Parent Company only Financial Statements

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair value	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)		
The Company	Stock-Lee Shuo investment Co., Ltd.	-	Total non-current financial assets at fair value through other comprehensive income	712,500	\$ 545,364	19.00 %	545,364	
"	Stock-Shin Kong Rral Estate Management Co., Ltd.	-	Total non-current financial assets at fair value through other comprehensive income	500,000	5,000	1.67 %	5,000	
"	Stock- Da-Li Development Co., Ltd.	-	Financial assets at fair value through profit or loss-current	10,042,789	287,726	3.91 %	287,726	
Ace Riches International Corp.	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Total non-current financial assets at fair value through other comprehensive income	4,162,135	192,707	0.36 %	192,707	
Highwealth Real Estate Co., Ltd.	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Total non-current financial assets at fair value through other comprehensive income	8,044,810	372,475	0.69 %	372,475	
Chyi Yuh Construction Co., Ltd	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Total non-current financial assets at fair value through other comprehensive income	2,495,092	115,523	0.21 %	115,523	
"	Corporate bond-China Rebar Co., Ltd.	-	Financial assets at amortized cost-current	3	-	- %	-	Note 1
"	Stock- Da-Li Development Co., Ltd.	-	Financial assets at fair value through profit or loss-current	6,821,901	195,448	2.65 %	195,448	
Run Long Construction Co., Ltd.	Stock- Da-Li Development Co., Ltd.	-	Financial assets at fair value through profit or loss-current	5,105,386	146,269	1.99 %	146,269	
"	Stock-Highwealth Construction Corp.	Ultimate Parent Company	Financial assets at fair value through other comprehensive income-current	11,950,000	553,285	1.02 %	553,285	

Note 1 : Recognized as impairment loss.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Chyi Yuh Construction Co., Ltd.	Investments accounted for using equity method, net	Capital increase	The subsidiary	55,000,000	\$ 248,654	150,000,000	1,500,000	-	-	-	-	205,000,000	1,694,299
"	Bo Yuan Construction Co., Ltd.	"	Chyi Yuh Construction Co., Ltd.	"	-	-	73,700,000	930,000	-	-	-	-	73,700,000	975,454
"	Run Long Construction Co., Ltd.	"	-	-	11,098,000	(599,564)	5,174,000	322,981	-	-	-	-	16,272,000	(587,920)
Chyi Yuh Construction Co., Ltd.	Bo Yuan Construction Co., Ltd.	"	The Company	Ultimate parent company	73,700,000	925,525	-	-	73,700,000	930,000	839,999	90,001	-	-
"	Run Long Construction Co., Ltd.	"	-	-	9,036,000	213,795	6,441,000	427,784	-	-	-	-	15,477,000	276,169

Note: Do not result in a loss of control are accounted for as equity transactions.

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(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

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
							Owner	Relationship with the Company	Date of transfer	Amount		
The Company	Hui An Third	January 29, 2019	\$ 1,460,666	1,460,666	Chang ○○	not related parties			-	-	Appraisal	Construction
"	Fu Xing North	March 7, 2019	5,111,580	5,111,580	Shang Chi Asset Corporation	"	-	-	-	-	"	"
"	Si Tun Section	April 29, 2019	1,416,882	1,416,882	Yu ○○ and other 8 people	"	-	-	-	-	"	"
"	Taichung City Xi Tun district Tu Ku Section No. 115-3 and other 14 properties	May 29, 2019	539,764	539,764	Land Bank of Taiwan	"	-	-	-	-	Open tender	"
"	Hui An Fourth	June 5, 2019	1,925,200	1,925,200	Wei ○○	"	-	-	-	-	Appraisal	"
"	Ching Sheng Second	December 2, 2019	4,166,709	416,670	Han ○○ and other 5 people	"	-	-	-	-	"	"
"	Chung Cheng Case	December 27, 2019	340,000	34,000	E. Sun Bank	"	-	-	-	-	"	"
Run Long Construction Co., Ltd.	Taichung City Xi Tun district Hui An Section	February 26, 2019	1,926,436	1,926,436	Wang ○○ and other 5 people	"	-	-	-	-	"	"
"	Ching Sheng Section	December 2, 2019	3,558,261	355,826	Shen ○○ and other 2 people	"	-	-	-	-	"	"

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
The Company	Buildings and Land held for sale	February 12, 2019	Not applicable	Inventory sold thus not applicable	688,712	688,712	Inventory sold thus not applicable	Saying Wen Cultural & Educational Foundation	Non related parties	Earning profit	Appraisal	None
The Company	Fu Du Shin Third	August 1, 2019	July 18, 2018	1,008,451	1,029,690	1,029,690	20,633	New World Trade Asset Development Co., Ltd.	"	Business purpose	Counteroffer	None
Run Long Construction Co., Ltd.	Property and plant	September 25, 2019	February, 1978-September, 2019	399,806	1,299,331	1,299,331	About 880 million	Lai ○○	"	Business purpose	Appraisal	None
Bo Yuan Construction Co., Ltd.	Investment property	October 7, 2019	Not applicable	531,917	760,588	760,588	203,457	Bank Taiwan Life Insurance Co., Ltd.	"	Earning profit	Appraisal	None

Note: The transaction included payment for buildings and the right to apply for building permit.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

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	Investee accounted for using equity method	Contracting project	\$ 3,741,838	16.18%	Pay by contract terms	-	-	(888,851)	(46.47)%	Note 2
The Company	Jin Jyun Construction Co., Ltd	Investee accounted for using equity method	Contracting project	2,280,250	9.86%	Pay by contract terms	-	-	(409,573)	(21.41)%	Note 2
Chyi Yuh Construction Co., Ltd	The Company	The ultimate parent of the company	Contracted project	(3,929,437)	(68.42)%	Receive by contract terms	-	-	888,851	70.64%	Note 1
Chyi Yuh Construction Co., Ltd	Run Long Construction Co., Ltd	Investee accounted for using equity method	Contracted project	(1,524,635)	(26.55)%	Receive by contract terms	-	-	348,399	27.69%	Note 1
Chyi Yuh Construction Co., Ltd	Bo Yuan Construction Co., Ltd	Investee accounted for using equity method	Contracted project	(169,746)	(2.96)%	Receive by contract terms	-	-	906	0.07%	Note 1

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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)	
Bo Yuan Construction Co., Ltd	Chyi Yuh Constructicon Co., Ltd	Investee accounted for using equity method	Contracting project	154,190	50.68%	Pay by contract terms	-	-	(906)	(0.72)%	Note 2
Run Long Construction Co., Ltd	Chyi Yuh Constructicon Co., Ltd	Investee accounted for using equity method	Contracting project	1,414,519	19.64%	Pay by contract terms	-	-	(348,399)	(41.69)%	Note 2
Run Long Construction Co., Ltd	Jin Jyun Construction Co., Ltd	Investee accounted for using equity method	Contracting project	464,716	6.45%	Pay by contract terms	-	-	(137,839)	(16.50)%	Note 2
Jin Jyun Construction Co., Ltd	The Company	The ultimate parent of the company	Contracted project	(2,252,220)	(75.80)%	Receive by contract terms	-	-	409,573	49.55%	Note 1
Jin Jyun Construction Co., Ltd	Run Long Construction Co., Ltd	Investee accounted for using equity method	Contracted project	(456,904)	(15.38)%	Receive by contract terms	-	-	137,839	16.76%	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.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

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		
Chyi Yuh Constructicon Co., Ltd	The company	The ultimate parent of the company	888,851	5.82	-	-	-	-
"	Run Long Construction Co., Ltd	Investee accounted for using equity method	348,399	6.28	-	-	-	-
Jin Jyun Construction Co., Ltd	The company	The ultimate parent of the company	409,573	7.73	-	-	-	-
"	Run Long Construction Co., Ltd	Investee accounted for using equity method	137,839	5.37	-	-	-	-

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Ace Riches International Corp.	Taiwan	Residential and building development, rental and sales	\$ 12,000	12,000	1,200,000	100.00 %	36,686	13,252	(5,477)	
"	Highwealth Real Estate Co., Ltd.	Taiwan	Real estate brokerage, real estate trading	25,000	25,000	2,500,000	100.00 %	61,930	25,124	(12,065)	
"	Chyi Yuh Construction Co., Ltd	Taiwan	Construction, housing and building development rental services etc.	1,530,041	30,041	205,000,000	100.00 %	1,694,299	118,030	212,177	
"	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	779,424	456,443	16,272,000	5.28 %	(587,920)	655,920	(23,579)	
"	Yeh Kee Enterprise Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	2,423,152	2,423,152	2,200,000	100.00 %	2,437,292	(8,361)	(8,361)	
"	Bjjiang Enterprise Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	1,302,900	1,302,900	7,200	100.00 %	1,298,617	(1,879)	(1,879)	
"	Highwealth Construction Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	5,000	5,000	500,000	100.00 %	3,022	(1,804)	(1,804)	
"	Bo Yuan Construction Co., Ltd	Taiwan	Residential and building development, rental services, etc.	930,000	-	73,700,000	100.00 %	975,454	3,138	66,443	
Chyi Yuh Construction Co., Ltd.	Bo Yuan Construction Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	-	737,000	-	- %	-	3,138	Exempt from disclosure	

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
Chyi Yuh Construction Co., Ltd.	Guang Yang Investment Co., Ltd.	Taiwan	Investment	284,050	284,050	29,900,000	100.00 %	421,904	35,535	Exempt from disclosure	
"	Well Rich International Co., Ltd.	Taiwan	Wholesale of Building Materials	78,484	78,484	8,100,000	100.00 %	143,223	12,203	"	
"	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	803,226	375,443	15,477,000	5.02 %	276,169	655,920	"	
"	Goyu Construction	Taiwan	Wholesale of Building Materials	98,000	98,000	9,800,000	35.00 %	91,585	(13,053)	"	
Guang Yang Investment Co., Ltd.	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	398,063	398,063	16,810,013	5.45 %	337,850	655,920	"	
Run Long Construction Co., Ltd.	Jin Jyun Construction Co., Ltd.	Taiwan	Construction, housing and building development rental services etc.	518,300	518,300	50,000,000	100.00 %	595,755	60,662	"	

Note : Voting interest percentage differed due to secured bonds converted to ordinary shares.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Chuan Xiang Commercial Co.	Construction material, furniture, metal parts	26,555 USD 900,000	(Note 1)	26,555 USD 900,000	-	-	26,555 USD 900,000	(431)	100.00%	(431)	2,121	-
Shin Fu Yu Commercial Co.	Construction material wholesale	27,104 USD 900,000	(Note 1)	27,104 USD 900,000	-	-	27,104 USD 900,000	(31)	100.00%	(31)	1,701	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
53,659 (USD1,800,000)	53,659 (USD1,800,000)	18,237,776

Note 1: Three types of investment method are as follows:

1. Directly investing in the mainland area
2. Investing in the mainland through companies in another country (Please note the name of the investing company from the other country)
3. Other methods

Note 2: Profit and loss recognized from investment for the current period:

1. If it is in preparation, and has no investment profit or loss, it should be noted
2. The basis for profit or loss from investment are as follows:
 - A. The international accounting firm which has cooperative relationships with the CPA in the Republic of China verifies its financial statements
 - B. Financial statement of the parent company is verified by the Taiwanese accountant
 - C. Others

(iii) Significant transactions: None

(14) Segment information:

Please refer to the consolidated financial statements.

6. If the Company and Its Affiliates Encounter Any Financial Difficulties in the Past Year and as of the Date of Publication of the Annual Report, the Impact on the Company's Financial Status Shall Be Listed: Nil

VII. Review and Analysis of Financial Status and Business Results and Risk Issue

1. Financial Status

Main reasons for significant changes in assets, liabilities and equity in the last two years and their impacts, and the explanation for significant impacts' future plans:

Comparative Analysis Table of Financial Status

Unit: NT\$ thousand

Item	Year	2018	2019	Differences	
				Amount	%
Current assets		114,994,540	128,675,512	13,680,972	11.90
Property, plant and equipment		3,288,941	3,039,648	(249,293)	(7.58)
Intangible assets		25,054	24,718	(336)	(1.34)
Other assets		12,592,556	16,083,667	3,491,111	27.72
Total assets		130,901,091	147,823,545	16,922,454	12.93
Current liabilities		61,659,364	77,558,356	15,898,992	25.79
Non-current liabilities		29,139,579	35,822,007	6,682,428	22.93
Total liabilities		90,798,943	113,380,363	22,581,420	24.87
Capital		11,666,266	11,666,288	22	0.00
Capital reserve		304,459	424,474	120,015	39.42
Retained earnings		21,765,756	17,856,715	(3,909,041)	(17.96)
Other interests (including treasury stock)		443,666	448,817	5,151	1.16
Non-controlling interests		5,922,001	4,046,888	(1,875,113)	(31.66)
Total equity		40,102,148	34,443,182	(5,658,966)	(14.11)

Reasons for increase/decrease proportion of significant changes:(analysis for the increase or decrease change proportion reached 20% and with the amount exceeding the lower of NT\$100 million.)

- 1.Other assets: Non-current financial assets increase mainly due to an increase in collateralized asset of secured ordinary corporate bond in current period.
- 2.Liquid liabilities: Liquid liabilities increase mainly due to an increase in short-term loan in current period.
- 3.noncurrent liability: Noncurrent liability increase mainly because the company launch corporate bond.
- 4.Capital reserve increase: mainly because the company launch dividend to subsidiary company to and adjust capital reserve in current period.
- 5.Non-controlling interests decrease: mainly due to an increase in dividend of non-controlling interests.

Highwealth Construction

2. Financial Performance

Main reasons for significant changes in operating income, net operating profit and pre-tax net profit in the last two years, sales forecast and the basis, and possible impact on the Company's future financial status and the contingency plan:

1. Comparative analysis table of financial performance

Unit: NT\$ thousand

Item \ Year	2018	2019	Changes of increase or decrease	
			Amount	Rate of change %
Operating revenue	44,204,971	23,798,201	(20,406,770)	(46)
Decrease: sales returns and allowances	-	-	-	-
Net operating income	44,204,971	23,798,201	(20,406,770)	(46)
Operating costs	31,032,093	17,148,864	(13,883,229)	(45)
Operating margin	13,172,878	6,649,337	(6,523,541)	(50)
Operating expenses	3,669,516	3,143,345	(526,171)	(14)
Operating profit	9,503,362	3,505,992	(5,997,370)	(63)
Non-operating income and expenses	(52,490)	445,780	498,270	(949)
Net income before tax	9,450,872	3,951,772	(5,499,100)	(58)
Total income tax expense	712,541	462,755	(249,786)	(35)
Net profit after tax	8,738,331	3,489,017	(5,249,314)	(60)
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	8,738,331	3,489,017	(5,249,314)	(60)

Reasons for increase/decrease proportion of significant changes:(analysis for the increase or decrease change proportion reached 20% and with the amount exceeding the lower of NT\$100 million.)

- (1) Operating revenue: mainly due to a decrease in completed cases.
- (2) Operating costs: due to a decrease in operating revenue.
- (3) Operating margin: due to a decrease in operating revenue.
- (4) Operating profit: mainly due to an decrease in operating margin.
- (5) Net income before tax: mainly due to an decrease in operating net profit in current period.
- (6) Total income tax expense : mainly due to an decrease in land value increment tax of individual cases.
- (7) Net profit after tax and net income: mainly due to decreases in net sales and operating net profit in current period.

2. Analysis of variation of operational gross profit

	Amount of Variation	Analysis of variance			
	Decrease change	variance of price	variance of cost	variance of selling combination	variance of amount
Gross Profit	(6,523,451)	-	-	-	-

Note: 1. The Company belongs to the construction industry. Due to the characteristics of the industry, the differences will not be calculated.

2. It is mainly due to the decrease of net sales in 2019, which resulted in a decrease of NT\$6,523,541,000 in gross operating profit.

3. Sales forecast and the basis, and possible impact on the Company's future financial status and the contingency plan

The Company will focus on internal properties development-aspects according to internal business cycle and absorption.

3. Cash Flow

1. Latest cash flow analysis

Year	2018	2019	% of change
Cash flow ratio	15.19	(13.23)	187%
Cash flow adequacy ratio	71.79	9.05	(87)%
Cash reinvestment ratio	9.26	(31.61)	441%

Reasons for increase/decrease proportion analysis:

1. Cash flow ratio decrease: mainly due to a decrease in net cash flow from operating activities in 2019.
2. Cash flow adequacy ratio decrease: mainly due to an decrease in cash flow from operating activities in current period.
3. Cash reinvestment ratio decrease: mainly due to an increase in net cash flow from operating activities in current period.

2. Remedy for a lack of liquidity: timely apply for financing activities or bank loans.

3. Analysis of cash flow in the coming year

Unit: NT\$ thousand

Beginning cash balance	Net cash flow from operating activities throughout the year	Cash provided by (used in) throughout the year	Cash surplus (deficit)	Leverage of cash deficit	
(A)	(B)	(C)	(A)+(B)-(C)	Investment plan	Financing plan
11,576,731	(17,497,022)	(12,107,989)	6,187,698	-	-

Analysis:

(1) Operating activities: the forecasted net cash outflow from operating activities due to payment of land purchase and construction fee in the next year.

Highwealth Construction

- (2) Investing activities: cash provided by from investing activities mainly due to the purchase of odd office equipment and the purchase of fixed assets and equipment for Kaohsiung shopping mall.
- (3) Financing activities: the net cash inflow from financing activities increases due to bank loans repayment.

4 Impact of Major Capital Expenditure in the Past Year on the Financial Status: Nil.

5. Re-investment Policy in the Past Year, the Main Reason for Its Profit or Loss, the Improvement Plan and Investment Plan in the Next Year

The amount the Company's invested in re-invested businesses didn't reach 5% of paid-in capital ratio. The Company's main re-invested businesses include Chu Feng Hotel Management Consultant Co., Ltd., ChyiYuh Construction Co., Ltd., Highwealth Construction Corporation, I Chi Co., Ltd., Pi Chiang Enterprise Co., Ltd., Highwealth Real Estate (former name: Hung Liang Entertainment Ltd.), and to strive for Mass Rapid Transit Joint Development of XiSong section in Songshan District, Taipei City, it invested Boyuan Construction Corporation. Due to business need and strategy of diversification, subsidiary, ChyiYuh Construction Co., Ltd., re-invested Kuang Yang Investment Co., Ltd. to obtain management power from Run Long Construction Co., Ltd., and Chin Chun Construction Co., Ltd. became an affiliate of Highwealth Construction. The investment policy was to meet the need of business expansion, improvement in construction quality and trading securities. Statement of recognized profit or loss of re-investment in the latest year had no impact on the Company. In the future, the Company will keep giving careful consideration to investing related businesses with steady profit.

Re-invested businesses Information is Listed Below:

Unit: NT\$ thousand

Investor	Investee	2019		Improvement plans
		Net income	Investment profit(loss)	
The Company	Chu Feng Hotel	13,252	(5,477)	The Company will actively develop sales business and improving profitability.-
	Highwealth Real Estate (former name: Hung Liang Entertainment Ltd.)	25,124	(12,065)	The Company will actively develop sales business and improving profitability.
	ChyiYuh Construction	118,202	212,177	-
	Run Long Construction	655,920	(23,579)	- The Company will actively develop sales business and improving profitability.
	I Chi	(8,361)	(8,361)	The Company will actively develop sales business and improving profitability.
	Pi Chiang Enterprise	(1,879)	(1,879)	The Company will actively develop sales business and improving profitability.
	Highwealth Construction	(1,804)	(1,804)	The Company will actively develop sales business and improving profitability.
	Boyuan Construction	3,138	66,443	-

Investor	Investee	2019		Improvement plans
		Net income	Investment profit(loss)	
ChiyiYuh Construction	Boyuan Construction	3,138	Permit records confidential	-
	Kuang Yang Investment	35,535	As above	NA
	Yuan Sheng International	12,203	As above	NA
	Run Long Construction	655,920	As above	NA
	Kuo Yu Construction	(13,053)	As above	NA
Kuang Yang Investment	Run Long Construction	655,920	As above	NA
Run Long Construction	Chin Chun Construction	60,662	As above	NA

6. Analysis and Assessment of Risk Issues in the Past Year and as of the Date of Publication of the Annual Report

1. The impact of interest and exchange rate changes and inflation on the Company's profit and loss and future countermeasures

(1) The impact of interest rate changes on the Company's profit and loss

Unit: NT\$ thousand

Item		2018	2019
Interest income from bank deposits		28,774	33,660
Interest expenses		872,646	902,991
Operating revenue		44,204,971	23,798,201
Operating net profit		9,503,362	3,505,992
Net income		8,738,331	3,489,017
To operating revenue ratio	Interest income from bank deposits/operating revenue	0.07%	0.14%
	Interest expenses/operating Revenue	1.97%	3.79%
To operating net profit ratio	Interest income from bank deposits/operating net profit	0.30%	0.96%
	Interest expenses/operating net profit	9.18%	25.76%
To net income ratio	Interest income from bank deposits/net income	0.33%	0.96%
	Interest expenses/net income	9.99%	25.88%

The Company and its subsidiaries' short-term and long-term loans are floating-rate, so market rate changes will influence effective interest rate of short-term and long-term loans, which will cause cash flow swing. To cap rising housing market, the government will consistently tighten monetary policy on construction. The Central Bank of the Republic of China (Taiwan) slightly increases rediscount rate, rate on accommodations with collateral, and rate on accommodations without collateral, so actual interest rate on loan will increase; on the other hand, the Bank has to be aware of increasing costs for producers caused by inflation. See the table above, interest rate changes will influence the Company and its subsidiaries' operating costs.

Highwealth Construction

Future countermeasures: the Company will coordinate with reference banks and use call loan rate for response of market interest rates.

(2) The impact of exchange rate changes on the Company's profit and loss

The Company and its subsidiaries' main operating revenues and expenditures, long-term and short-term liabilities, and capital expenditures are denominated in New Taiwan dollars. So far, the Company's businesses only operated domestic buildings and sales, and the business partners are mostly domestic suppliers. Therefore, exchange rate changes had no impact on the Company's profit and loss.

Future countermeasures: Nil.

(3) The impact of inflation on the Company's profit and loss

The Company and its subsidiaries pay attention to the market swing at all time and maintain cooperative relationships with supplier and accounts. There is no inflation over the last few years, which won't cause risks in the short term; therefore, no impact of inflation on the Company and its subsidiaries' profit and loss.

Countermeasures:

A. Negotiate with suppliers: The Company and its subsidiaries pay attention to the market swing at all time and maintain cooperative relationships with supplier and accounts. Reducing the purchasing costs had minimized the influence of inflation; therefore, there is no impact of inflation on the Company over the past few years.

B. Adjust the price of products: Properly rising price with accounts' agreement, due to the increasing cost.

C. Strive for favorable interest rate consistently: The Company and its subsidiaries will consistently strive for favorable interest rate to lower the cost in the future. As the countermeasure of variable interest rate, the Company and its subsidiaries' financial personnel will keep in touch with banks and properly use every financial tool to reduce impact on variable interest rate. Therefore, no inflation risks occurred in the short term, and no impact of inflation on the Company and its subsidiaries' profit and loss.

2. 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:

(1) High risk and highly leveraged investments: Nil.

(2) Loans to others: Nil.

(3) Endorsements and guarantees

Unit: NT\$ thousand

Year	Guaranteed party		Limits on endorsement/guarantee amount provided to each guaranteed party	Maximum balance for the period	Ending balance
	Investor	Relationship			
2017	ChyiYuh Construction	Subsidiary	30,692,772	8,758,000	8,158,000
	Boyuan Construction	Sub-subsidiary	30,692,772	3,957,890	2,734,890
	Yuan Sheng International	Sub-subsidiary	30,692,772	180,000	100,000
2018	ChyiYuh Construction	Subsidiary	34,180,147	8,158,000	7,626,000
	Boyuan Construction	Sub-subsidiary	34,180,147	2,734,890	1,695,390
	Yuan Sheng International	Sub-subsidiary	34,180,147	180,000	180,000
2019	ChyiYuh Construction	Subsidiary	30,396,294	8,846,000	8,846,000
	Boyuan Construction	Subsidiary	30,396,294	2,827,490	714,442
	Yuan Sheng International	Sub-subsidiary	30,396,294	180,000	180,000

The Company makes endorsement/guarantees for re-invested companies, ChyiYuh Construction, Boyuan Construction and Yuansheng International Industrial Company to support their working capital needs. The Company has stipulated the “Operational Procedures for Endorsement and Guarantees” as the basis for making endorsement guarantees, which has been approved by the resolution of the Board of Directors and the shareholders’ meeting. The above guarantees were all handled pursuant to the “Operational Procedures for Endorsement and Guarantees” of the Company and implemented after the approval of the Audit Committee and Board of Directors.

(4) Derivative trading

The Company and its subsidiaries have set “Procedures for Acquisition or Disposal of Assets” as the basis for handling the trading of derivatives, which was approved by the Board of Directors and the shareholders' meetings. By referring to the meeting minutes of the Board of Directors and the shareholders' meetings of the Company, and the financial reports audited and certified by accountants, the Company hadn't engaged in derivative trading except for the derivative right of redemption and put option due to issuance of convertible bonds in the latest year and the application period of the year.

3.Future R&D projects and estimated R&D expenses

Both of the Company and its subsidiaries invest in housing construction business and related businesses, and have no plan to develop products; therefore, the Company and its subsidiaries didn't set up R&D department and no R&D expenses assigned. Construction companies are not good at technological industry and manufacturing need to design and develop new products. Thus, the company does not have the cost of development and the concrete result.

4.The impact of important domestic and overseas policy and regulation changes on the financial status of the Company and countermeasures

Through the relationship between housing market and increased and decreased interest by central in the history, there are six conclusions below:

- (1) Increased and decreased interests are directly related to currency, economic business and growth, and financial emergency.
- (2) The housing market is directly related to the increase and decrease of interest rate.
- (3) The increase of interest does no represent the meltdown of house price, The decrease of interest does no represent the increase of house price.
- (4) The housing market will be affect directly if the range of increase and decrease of interest rate are too large.
- (5) The position of businss cycle of housing market decide whether the increased and decreased interests are good to the housing market.
- (6) For developed countries, there are linked close relation among the slowdown of the economy, continuous low interese ratio, and stability of house price.

In conclusion, we have to face the spread of epidemic and judge the level of impact for the development of housing market in 2020. It is predicted that the influence will last to May and June. On the contrary, we will have to face the coming of zero interest rate in the future. The trend of future housing market full with uncertain variables due to abundance of short-line funds, generation of low interest rate, US- China trade world, Taiwan-China relations, and sub-replacement fertility. It worths prediction and research and the analysis observation of accurate number.

Highwealth Construction

- 5.The impact of technological and industrial changes on the financial status of the Company and countermeasures

The Company had formulated data processing guideline (including communication security) to implement internal control systems and maintain information security policy. By checking carefully and estimate data processing system from time to time to ensure the appropriateness and effectiveness.

- 6.The impact of corporate image change on the Company's crisis management and countermeasures

The Company and its subsidiaries maintain stable and practical attitude, and a good company image. With these advantages, more talented persons have been appealed to work for the Company, strengthened the operation team, presented the business performance to shareholders, and done the best for social responsibility. Therefore, there is no corporate image change on the Company and no impact of the Company's crisis management.

- 7.Expected benefits and possible risks of M&A and countermeasures

The Company and its subsidiaries hadn't had plant expansionas of the date of publication of the annual report.

- 8.Expected benefits and possible risks of plant expansion, and countermeasures

The Company and its subsidiaries hadn't had plant expansionas of the date of publication of the annual report.

- 9.The impact of concentration of purchase or sales and countermeasures

- i. The Company purchases mainly by obtaining lands and bidding price for every well-known Level A construction company. These transactions belong to construction industry, so there're won't be any impact of concentration of purchase.
- ii. Real estate sales business is for general customers, so there's no concentration of sales. The Company and its subsidiaries' source of purchase and target audience of sales all have different industry characteristics and scheduled operations. The Company and its subsidiaries also have diversified analysis of sales target audience and its future industry growth trend, so the source of purchase and target audience of sales can be scattered, to reach the goal of keeping a balanced and stable operation. Therefore, there's no risk of concentration of sales.

- 10.The impact of mass share transfer or change of Directors, Supervisors or shareholders holding more than 10% of the Company's shares, the risks and countermeasures:

The Company hadn't had any mass share transfer or change of Directors, Supervisors or shareholders holding more than 10% of the Company's shares as of the publication of the annual report; therefore, there's no impact of mass share transfer or change on Company's operation.

- 11.The impact of the change of management on the Company, the risks and countermeasures

The Company didn't have any impact of the change of management in the past few years and as of the date of publication of the annual report.

- 12.If there is any litigation or non-litigation, please list the significant litigation, non-litigation or administrative litigation with its judgment already made or pending which is related to the Company or the Company's Directors, Supervisors, General Manager, actual person in charge, shareholders holding more than 10% of the Company's shares or affiliates. If the result may have a significant impact on the shareholders' equity or the price of the Company's shares, please disclose the fact of the dispute, the claim amount, the date of commencement of the

litigation, the principal litigants and the handling of the situation as of the date of publication of the annual report:

- (1) Litigation, non-litigation or administrative litigation with its judgment already made or pending in the past two years and as of the publication of the annual report, which the result may have a significant impact on the shareholders' equity or the price of the Company's shares: Nil.
- (2) Significant litigation, non-litigation or administrative litigation with its judgment already made or pending which is related to the Company's Directors, Supervisors, General Manager, actual person in charge, shareholders holding more than 10% of the Company's shares or affiliates for the past two years and as of the publication of the annual report, which result may have a significant impact on the shareholders' equity or the price of the Company's shares: Nil.
- (3) Matters related with The Company's Directors, Supervisors, Manager, shareholders holding more than 10% of the Company's shares in the past two year and as of the date of publication of the annual report which have a substantial impact on the Art. 157 of the Securities Exchange Law and the handling of situation: Nil.

13. Other important risks and countermeasures: Nil.

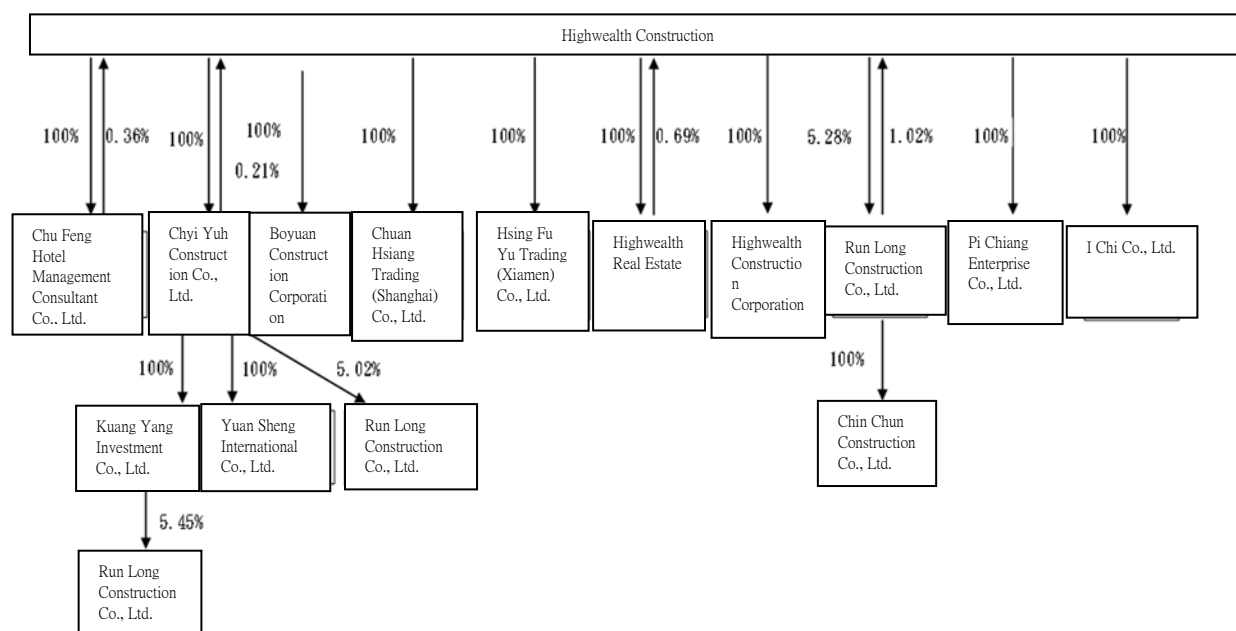
7. Other important matters: Nil

VIII. Special Notes

1. Information about the Company's Affiliates

1. Consolidated business reports of affiliated enterprises

(1) Organization chart



Note 1: Consolidated companies have purchased or dispose the equity of Run Long Construction, so it had shareholding ratio changes.

Note 2: For the consolidated companies' need to expand business and improve business efficiency, the organization had adjustment on August 2019. The equity of Boyuan Construction Corporation owned by ChyiYuh Construction Co., Ltd.'s had 100% sold to the company.

(2) Basic data of affiliates

Unit: NT\$ thousand

Affiliate	Date of establishment	Address	Paid-in capital	Major business
Controlling company Highwealth Construction	January 23, 1980	10F., No. 267, Lequn 2nd Rd, Taipei City	11,666,288	Contracted to construction to build commercial building and public housing for lease and sale
Affiliates Chu Feng Hotel Management Consultant Co., Ltd.	September 12, 1997	10F., No. 267, Lequn 2nd Rd, Taipei City	12,000	Housing and building development, lease, sale business
Highwealth Real Estate	October 08, 1999	10F., No. 267, Lequn 2nd Rd, Taipei City	25,000	Broker of real estate and real estate industry
ChyiYuh Construction Co., Ltd.	October 19, 1989	9F., No. 267, Lequn 2nd Rd, Taipei City	2,050,000	Construction, housing and building development, lease, sale business
I Chi Co., Ltd.	April 25, 1948	19F., No. 1507-1, Yucheng Rd., Gushan Dist., Kaohsiung City	22,000	Housing and building development, lease, sale business
Pi Chiang Enterprise Co., Ltd.	March 22, 1968	19F., No. 1507-1, Yucheng Rd., Gushan Dist., Kaohsiung City	7,200	Housing and building development, lease, sale business
Chuan Hsiang Trading (Shanghai) Co., Ltd.	February 17, 2012	China	26,555	Wholesale of building materials
Hsing Fu Yu Trading (Xiamen) Co., Ltd.	September 29, 2013	China	27,104	Wholesale of building materials
Highwealth Construction Corporation	November 26, 2018	2F., No. 250, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City	5,000	Housing and building development, lease, sale business
Boyuan Construction Corporation	December 07, 2004	8F-1, No. 267, Lequn 2nd Rd, Taipei City	737,000	Construction, housing and building development, lease, sale business
Kuang Yang Investment Co., Ltd.	June 21, 1997	8F-1, No. 267, Lequn 2nd Rd, Taipei City	299,000	Investment
Yuan Sheng International Co., Ltd.	April 17, 2012	9F, No. 267, Lequn 2nd Rd, Taipei City	81,000	Wholesale of building materials
Run Long Construction Co., Ltd.	January 10, 1977	No. 220, Dechang St., Yingge Dist., New Taipei City	3,083,305	Environmental technology, real estate development and leased property
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

(3) Information about common shareholders of entities presumed to have a controlling and subordinate relationship: Nil.

Highwealth Construction

(4) All affiliated companies' operating business cover industries such as:

A. Construction and investment.

B. The building engineering works of Highwealth Construction are contracted to ChyiYuh Construction Co., Ltd.

(5) Information about the directors, supervisors and general managers of the affiliates:

Affiliate	Title	Name or representative	Shareholding	
			Share	%
<u>Controlling company</u>				
Highwealth Construction	Chairman	Li Shuo Investment Co., Ltd. Representative: Zheng Zhilong	29,244,429	2.51%
	Director	Zheng Qintian	26,611,304	2.28%
	Director	Zheng Xiuhui	8,151,512	0.70%
	Director	Li Shuo Investment Co., Ltd. Representative: Fan Huajun,	29,244,429	2.51%
	Independent Director	Hong Xiyao,	0	0.00%
	Independent Director	Li Wencheng	0	0.00%
	Independent Director	Yan Yunqi	0	0.00%
<u>Affiliates</u>				
Chu Feng Hotel Management Consultant Co., Ltd.	Chairman	Highwealth Construction Representative: Fan Huajun	1,200,000	100%
	Director	Highwealth Construction Representative: Zheng Xiuhui	1,200,000	100%
	Director	Highwealth Construction Representative: Zheng Qintian	1,200,000	100%
	Supervisor	Highwealth Construction Representative: Zheng Zhilong	1,200,000	100%
Highwealth Real Estate	Chairman	Highwealth Construction Representative: Miao Chingte	2,500,000	100%
	Director	Highwealth Construction Representative: Hsu Yinglun	2,500,000	100%
	Director	Highwealth Construction Representative: Hsieh Chungchieh	2,500,000	100%
	Supervisor	Highwealth Construction Representative: Lin Chihlung	2,500,000	100%
ChyiYuh Construction Co., Ltd.	Chairman	Highwealth Construction Representative: Cheng Chunmin	205,000,000	100%
	Director	Highwealth Construction Representative: HsiungMengchi	205,000,000	100%
	Director	Highwealth Construction Representative: Fan Huajun	205,000,000	100%
I Chi Co., Ltd.	Chairman	Highwealth Construction Representative: Zheng Zhilong	2,200,000	100%
	Director	Highwealth Construction Representative: Zheng Qintian	2,200,000	100%
	Director	Highwealth Construction Representative: Fan Huajun	2,200,000	100%
	Supervisor	Highwealth Construction Representative: Zheng Xiuhui	2,200,000	100%

Affiliate	Title	Name or representative	Shareholding	
			Share	%
Pi Chiang Enterprise Co., Ltd.	Chairman	Highwealth Construction Representative: Zheng Zhilong	7,200	100%
	Director	Highwealth Construction Representative: Zheng Qintian	7,200	100%
	Director	Highwealth Construction Representative: Fan Huajun	7,200	100%
	Supervisor	Highwealth Construction Representative: Zheng Xiuhui	7,200	100%
Chuan Hsiang Trading (Shanghai) Co., Ltd.		Highwealth Construction Representative: Cheng Chunmin	-	100%
Hsing Fu Yu Trading (Xiamen) Co., Ltd.		Highwealth Construction Representative: Cheng Chunmin	-	100%
Highwealth Construction Corporation	Chairman	Highwealth Construction Representative: Fan Huajun	500,000	100%
	Director	Highwealth Construction Representative: Hung Mingyao	500,000	100%
	Director	Highwealth Construction Representative: Zheng Zhilong	500,000	100%
	Supervisor	Highwealth Construction Representative: HsiungMengchi	500,000	100%
Boyuan Construction Corporation	Chairman	ChyiYuh Construction Co., Ltd. Representative: Cao Yuanbo	73,700,000	100%
	Director	ChyiYuh Construction Co., Ltd. Representative: Hung Mingyao	73,700,000	100%
	Director	ChyiYuh Construction Co., Ltd. Representative: Fan Huajun	73,700,000	100%
Kuang Yang Investment Co., Ltd.	Chairman	ChyiYuh Construction Co., Ltd. Representative: Zheng Zhilong	29,900,000	100%
Yuan Sheng International Co., Ltd.	Chairman	ChyiYuh Construction Co., Ltd. Representative: Zheng Zhilong	8,100,000	100%
	Director	ChyiYuh Construction Co., Ltd. Representative: Hung Mingyao	8,100,000	100%
	Director	ChyiYuh Construction Co., Ltd. Representative: Fan Huajun	8,100,000	100%
Run Long Construction Co., Ltd.	Chairman	Dali Investment Co., Ltd. Representative: Tsai Tsungpin	12,071,518	3.92%
	Director	Kuang Yang Investment Co., Ltd. Representative: Chiu Pingtse	16,810,013	5.45%
	Director	Kuang Yang Investment Co., Ltd. Representative: Chen Kuoyen	16,810,013	5.45%
	Director	Kuang Yang Investment Co., Ltd. Representative: Hung Mingyao	16,810,013	5.45%
	Independent Director	Wu Kencheng	0	0%
	Independent Director	Yan Yunqi	0	0%
	Independent Director	Li Wencheng	0	0%
	Independent Director			

Highwealth Construction

Affiliate	Title	Name or representative	Shareholding	
			Share	%
Chin Chun Construction Co., Ltd.	Chairman	Run Long Construction Co., Ltd. Representative: Chiu Pingtse	50,000,000	100%
	Director	Run Long Construction Co., Ltd. Representative: Lin Zhilong	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%

(6) Overview of the operations of the affiliates

Unit: NT\$ thousand

Affiliate	Capital	Total assets	Non-current liabilities	Net worth	Operating revenue	Net operating income (loss)	Net income (after tax)	Earnings per share (after tax /NT\$)
Controlling company								
Highwealth Construction	11,666,288	109,574,876	79,178,582	30,396,294	20,373,762	3,628,150	3,029,789	2.66
Affiliates								
Chu Feng Hotel Management Consultant Co., Ltd.	12,000	244,457	15,228	229,229	129,870	(5,147)	13,252	11.04
Highwealth Real Estate	25,000	435,911	572	435,339	39,057	26,589	25,124	10.05
ChyiYuh Construction Co., Ltd.	2,050,000	13,584,318	10,292,168	3,292,150	5,742,854	74,744	118,030	0.58
I Chi Co., Ltd.	22,000	279,089	160,125	118,964	381	(4,689)	(8,361)	(3.80)
Pi Chiang Enterprise Co., Ltd.	7,200	168,966	169,726	(760)	0	(2,102)	(1,879)	(261.07)
Chuan Hsiang Trading (Shanghai) Co., Ltd.	26,555	2,198	77	2,121	0	(431)	(431)	(0.16)
Hsing Fu Yu Trading (Xiamen) Co., Ltd.	27,104	1,740	39	1,701	0	(31)	(31)	(0.01)
Highwealth Construction Corporation	5,000	3,174	151	3,023	0	(1,807)	(1,804)	(3.61)
Boyuan Construction Corporation	737,000	3,215,315	2,239,861	975,454	1,381,816	(97,873)	3,138	0.04
Kuang Yang Investment Co., Ltd.	299,000	511,404	1,197	510,207	35,796	35,535	35,535	1.18

Affiliate	Capital	Total assets	Non-current liabilities	Net worth	Operating revenue	Net operating income (loss)	Net income (after tax)	Earnings per share (after tax /NT\$)
Yuan Sheng International Co., Ltd.	81,000	255,478	104,763	150,715	36,304	5,775	12,203	1.51
Run Long Construction Co., Ltd.	3,083,305	28,075,005	22,560,077	5,514,928	1,684,425	(139,747)	655,920	2.13
Chin Chun Construction Co., Ltd.	500,000	1,803,013	1,189,856	613,157	2,971,135	71,455	60,662	1.21

2.Consolidated financial statements with the affiliates:

(find details at P.118-P.204 of the annual report)

Declaration

I hereby declare that the entities required to be included in the combined financial statements of the Company as of December 31, 2019 and for the year then ended 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 prepared in conformity under the International Accounting Standards (IAS) No. 27, which standards certified by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company and its subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Highwealth Construction

By Zheng Zhilong
Person in Charge



March 20, 2020

2. Private Securities in the Past Year and as of the Date of Publication of the Annual Report: Nil.

3. Holding or Disposal of the Company's Shares by Affiliates in the Past Year and as of the Date of Publication of the Annual Report:

April 13, 2020; unit: NT\$ thousand; share

Subsidiary	Paid-in capital	Capital resources	The Company shareholding ratio	Date of acquisition or disposal	Acquired shareholding and value (Note 1)	disposal of shareholding and value	Profit or loss of investment	Shareholding and value as of the date of publication of the annual report (Note 2)	Creation of pledge	Endorsement/guarantee amount provided by parent company to subsidiaries	Amount borrowed by parent company to subsidiaries
Chu Feng Hotel Management Consultant Co., Ltd.	12,000	Own funds	100%	January 2019 to December 2019	0	0	0	4,162,135 shares NT\$192,707 thousand	N/A	0	0
				January 2020 to the date of publication of the annual report	0	0	0	4,162,135 shares NT\$168,566 thousand	N/A	0	0
Highwealth Real Estate	25,000	Own funds	100%	January 2019 to December 2019	0	0	0	8,044,810 shares NT\$372,475 thousand	N/A	0	0
				January 2020 to the date of publication of the annual report	0	0	0	8,044,810 shares NT\$325,815 thousand	N/A	0	0
ChyiYuh Construction Co., Ltd.	2,050,000	Own funds	100%	January 2019 to December 2019	0	0	0	2,495,092 shares NT\$115,523 thousand	N/A	NT\$8,846,000 thousand (Note 3)	0
				January 2020 to the date of publication of the annual report	0	0	0	2,495,092 shares NT\$101,051 thousand	N/A	NT\$7,846,000 thousand (Note 4)	0
Run Long Construction Co., Ltd.	3,083,305	Own funds	5.72%	January 2019 to December 2019	0	0	0	11,950,000 shares NT\$553,285 thousand	10,200,000 shares	0	0
				January 2020 to the date of publication of the annual report	0	0	0	11,950,000 shares NT\$483,975 thousand	10,200,000 shares	0	0

Note 1: Capitalization of the year retained earnings for stock dividends.

Note 2: End-of-period valuation adjustment is included.

Note 3: End-of-period endorsements/guarantees are presented by quota, with NT\$3,993,000 thousand actually drawn. Endorsement/guarantee amount with secured property is NT\$0 thousand.

Note 4: End-of-period endorsements/guarantees are presented by quota, with NT\$3,993,000 thousand actually drawn. Endorsement/guarantee amount with secured property is NT\$0 thousand.

4. Other Necessary Supplementary Notes: Nil.

5. Matters in the Past Year and as of the Date of Publication of the Annual Report Which Have a Substantial Impact on Owner's Equity as Stipulated in Item 2, Paragraph 3 of Article 36 of the Securities Exchange Law: Nil.

