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興富發建設股份有限公司
Highwealth Construction Corporation

2020 Annual Report

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<https://www.highwealth.com.tw/>

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One. 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!

In 2020, the US-China conflict, the slowdown of the Chinese economy and the COVID-19 pandemic have heightened the risk diversification awareness. The Business Week covered a story whereby 250 thousand talents have relocated back to Taiwan. With the return of talents and capital, the housing market of Taiwan is expected to embrace a golden period of five to ten year once the pandemic is over. Although the authority has been expressing intention to suppress the housing market for the past two years, the construction industry is restricted by a shortage of land supply, pay rise and other factors. Costs are not lowered, but has since increased. Furthermore, a low interest rate market environment fuels the mentality of “buying over renting, which in turn fuels a substantial rigid demand, thus indirectly propels the economic development of the overall industry. We are committed to center the focus of the group’s investment in Taiwan for the coming five to ten years. We sincerely hope that every person can own a house.

The population between 20 to 34 years old amounts to 4.7 million people, in which the population between 20 to 24 years old that joins the workforce amounts to as high as 1.18 million people. For a family of two, in the next three to four years, there could be 600 thousand families who become first-time home owners. For the coming year, Highwealth will handover three to four thousand units, fostering a safe and conducive residential environment for Taiwanese. Encouraging young people to own homes so that they become a stabilizing force of the society, and providing positive thinking to young people in starting new families are missions of Highwealth and where the potential opportunities of housing market lie.

Under the market condition in 2020, the consolidated revenue of Highwealth and the subsidiaries amounted to NT\$24.5 billion, maintaining its leading position in the industry and proving that Highwealth Construction’s stable, self-disciplined and professional philosophy since establishment could flexibly adjust its business strategy to meet the market demand and maintain a consistent number of new rollout houses in a fast-changing environment filled with many uncertainties. Through multiple marketing channels and flexible housing purchase schemes, Highwealth has gained much recognition in the market, and that the overall performance remains steady and remarkable.

The capital stock of Highwealth has reached NT\$12.9 billion. The corporate management of the Company is undergoing a transformation stage, crossing from the original simple role as a construction company to development of land property. The focus of the business is also shifted to earning long-term and steady revenue streams. 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

Highwealth Construction

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 2021, we will continue to actively promote the land-purchasing cases in the north, central and south; if approvals are obtained successfully, the new high profile cases would include the Ankang at Neihu, Chingsheng at Zhongli, Shanchieh at Taoyuan at the north; high end office building at Huimin Section at Xitun district, Taichung City; Xin Du Section at Sanmin District, Fushan Section at Boxiao Section at Qianjin District and lastly, Qinghai Section at Gushan District (by subsidiary, Chyi Yuh Construction), at Kaohsiung City. 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 the shareholders of Highwealth's consolidated revenue of NT\$24.5 billion for 2020, in which the contributing construction cases include Xinzhuang JieShiBao, Shuanghu Hui, Taipei CBD Times Square, Yuanshan No. 1 Courtyard, Taipei No.1 Courtyard, Haiyang Duxin Condominium, Chungyan A+ Condominium, Highwealth Manor, Tamei and Tahe Condominiums at Jiangcui District, Water Park Case at Chupei City and disposal of Nangang Sanhsiao Land, etc. The contributing construction cases to the revenue at Taichung comprise Baida Fuyi Condominium, Hengyung Condominium, Legend of Orion, Castle of Orion, Boshi Condominium, Love of Orion, Taichung Country No.1 Courtyard, etc. In the south, the contributing construction cases include Huaren Hui Condominium, Yueh Cheng Condominium, Bo Yue Condominium, Da Yue Condominium, and King's No.1 Courtyard, coupled with the revenue contributions from subsidiary, Chyi Yuh Construction's projects, Boyuan Construction's projects, namely Taipei Chungshan Kaiyan Condominium and Hanlin Town, Runlong Construction's projects, namely Jingxin Wenhui, Taichung NTC State Commercial and Trade Center, Taichung Di Bao Condominium, Kuo Pin Condominium, Runlong Condominium, Yueh Cheng Condominium. These cases had created an after-tax profit of NT\$2.11 per share for 2020!

Highwealth is committed to create growth with change and innovation. Apart from the contribution made by the steady sales of existing houses, including sales made by subsidiaries, new cases are launched consistently to cater to the market demand in the northern, central, and southern Taiwan. For the northern and central areas, major projects worth over NT\$10 billion will be launched. In the next four years, new houses completed are expected to exceed NT\$200 billion. We continue to maintain the leading position in the industry in terms of construction and land holding. We are hopeful that our projects will be well received in the respective areas.

We are well versed in asset management. Facing competition posed by our counterparts, we focus on our foundation in the core construction industry and plan for making exponential growth in the future.

The Company has many projects all over Taiwan. In respond to a severe labor shortage, we have made early preparations. In addition to the Building Information Modeling (BIM), which has been in use for 10 years, and the precast construction, the R&D on aluminum module will be incorporated in the future to enhance efficiency and the quality of environmental protection. Although the costs will rise, the use of new technologies can be demonstrated and implemented at our sites the northern, central and southern areas. The new technologies shall be helpful in increasing the engineering quality and the overall construction technology.

The housing market has become the main driving force of our economic growth. As the leading construction brand of the country, Highwealth is committed to our philosophy of integrity and sustainable development, while closely monitoring the housing demand and the change of economic environment. We insist on product improvement, high quality service, safety, active development and financial health of the Company, creating the optimal profit and value for our customers, shareholders, employees and the Taiwan society.

We shall always remember our founding visions and strive to make investments to construction for Taiwan, providing ample job opportunities. For a work force of 165 people when we first listed in 2000, the number of employees of the Group has grown consistently to 1,500 people, increasing job opportunities close to nine fold! In the coming years, with the growth of the Group, we expect more partners to join our firm and work toward developing the Taiwan economy! Let us look forward to a better future together!

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

I. Operating Condition of 2020

(I) Business results

The Company's net consolidated revenue for 2020 was NT\$24,463,018 thousand, representing an increase of NT\$664,817 thousand as compared to NT\$23,798,201 thousand for 2019.

The Company's consolidated net profit before tax for 2020 was NT\$3,316,157 thousand, representing a decrease of NT\$635,615 thousand, as compared with to NT\$3,951,772 thousand for 2019.

The fluctuations are mainly due to the previous transformation in real estate market that turned to rigid demands for owner-occupied, small square-footage and low-price products. As a result, the total amount of the closed cases for the current period has decreased. The operating profits have also decreased as compared to the previous period. Therefore, the net operating profit has decreased correspondingly.

(II) Budget implementation status

In accordance with the public standards for information processing of the Company's public financial forecasting, it is not necessary for the Company to prepare financial forecasting for 2020.

(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: NT\$ thousand

Item	2020	2019
Net operating income	4,136,357	3,505,992
Non-operating income and expenses	(820,200)	445,780
Pre-tax net profit	3,316,157	3,951,772
Profit (loss)	2,823,254	3,489,017
Total comprehensive income	2,825,867	3,511,020

(IV) Profitability Capacity Analysis

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

Item	2020	2019
Return on Assets (%)	2.15	3.02
Return on Equity (%)	8.04	9.36
Pre-tax net profit to paid-in capital ratio (%)	25.70	33.87
Net Profit Ratio (%)	11.54	14.66
Earnings per share(NT\$)	2.11	2.66

(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 2021

Highwealth Group will continue to purchase land in Keelung, Taipei, New Taipei City, Taoyuan, Taichung, Tainan, and Kaohsiung districts in 2021, and venture into 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 expansion: Expand product development to professionalism, diversify operating risks, ensure project quality and progress, and vertically integrate upstream, midstream and downstream suppliers, such as suppliers of water, electricity building material, renovation, and real estate agencies. With a range of diversified operating strategies, the Company seeks to reduce operating costs, improve product competitiveness, optimize efficiency and continue development from base locations, so as to create service momentum and expand the scale of the Company.
2. In terms of development: Acquire land with a range of diversified methods and develop comprehensively. Apart from training professionals and establishing project teams, the Company strengthens the inter-industry strategic alliances, and establish national land information systems. Combining with the development and management philosophy, the Company strengthens the value of the entity, so as to facilitate land acquisition and project development, as well as actively developing 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, apart

from strengthening the internal control system, budget management and corporate governance, the Company has also enforced job accountability and digitalized various processes to increase work efficiency, and strengthened the coordination of horizontal and vertical communication to facilitate the management process for creating performance growth, while increasing work and management efficiency.

5. In terms of finances: Strengthen the financial operating capability, maintain the appropriate equity ratio to cater to the fluctuation of market interest rates, and raise the long and short-term funding requirements through the capital and money markets, so as to enhance the competitiveness of the Company.
6. In terms of resources: Continue to strengthen employee training, enhance the management capability of supervisors, provide training to cater to human resources requirement for future development, increase the competitiveness of the Company so as to provide high quality service and ensure the core value of the Company is entrusted to the future generation.

(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) Establish appropriate pricing, sales channels and advertisement strategy pertinent to the characteristics of the products, supervise target meeting of each sales scheme and closely monitor the market trend to allow flexible adjustments for facilitating project development and maximizing profitability.
- (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.
- (4) The product positioning and construction planning of projects that are yet to be developed must be responsive to the housing market demand and the change of economic environment. The Company shall seek to meet its targets to improve its products, services, safety and active development.

2. Sales strategies:

- (1) Sales conception of zero-residue house.
- (2) Conduct analysis of market demand and work well in product positioning.

- (3) Establish diversified marketing channels and apply big data technology.
- (4) Establish enterprise brand identification and “customer-oriented” service orientation.
- (5) Adopt the most appropriate construction method to work well in quality control and cost control.
- (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 projects, effectively integrate the resources of all parties, deepen the company branding, strengthen the development strategy of diversification of construction materials, and implement the policy of providing high quality products, cost reduction and fast-paced project development to expand the Company steadily.
2. Sustainable development: Seek domestic and overseas niche market projects in the future; apart from optimizing engineering technologies and construction quality, make use of the existing management team and AI to continue to maximize the value of the Company’s branding.
3. Development of a second core industry: Make use of existing commercial immovable property of construction cases to develop a fixed-income business entity, plan for a comprehensive development opportunity, and venture into a diversified blue ocean market to support the stable dividend policy

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

1. External competition: According to the latest statistics of the Ministry of the Interior, a total of 326 thousand houses were transacted in Taiwan in 2020, which translated to a yearly growth of 8.76%, the highest in seven years, compared to 300 thousand houses or a yearly growth of 8.6% in 2019. Since the transaction volume bottomed in 2016, it has been rising for the past four years. In particular, in December 2020, a total of 35 thousand houses were transacted, which was the highest in 60 months, proving the housing market continued to recover in 2020. Currently, most of the industry counterparts mainly cater to the rigid demand of owner-occupied houses with small square footage and low prices. Meanwhile, commercial buildings will become the focus of attention in the future market. The Company has to strengthen its branding, innovate the products, and simultaneously adding value and undertake flexible precision marketing, so as to continue to be the

market leader and take up 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 2020, the global economic development was impacted by the COVID-19 pandemic. However, fundamentally, Taiwan is a relatively safe and free environment, thus attracting foreign investments which have stimulated the local economy, job market and income level. Compounded by the relocation of 250 thousand Taiwanese talents back to Taiwan, the increase of first-time home owners (the population under 34 years old amounted to 4.7 million people), increase in construction costs (labor and material costs) and the zero interest rate environment globally, these factors prove that the property development sector has much growth momentum in the future. In conclusion, the Company is optimistic about the future of the housing market as this year will be a good opportunity to purchase houses for owner-occupation and investment for home buyers and the profits of commercial office investment are especially stable.

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



Two Company Profile

I. Date of establishment: January 23, 1980

II. 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>
2008	<p>(1) On July 9, the Financial Supervisory Commission of the Executive</p>

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

- (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

- (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.

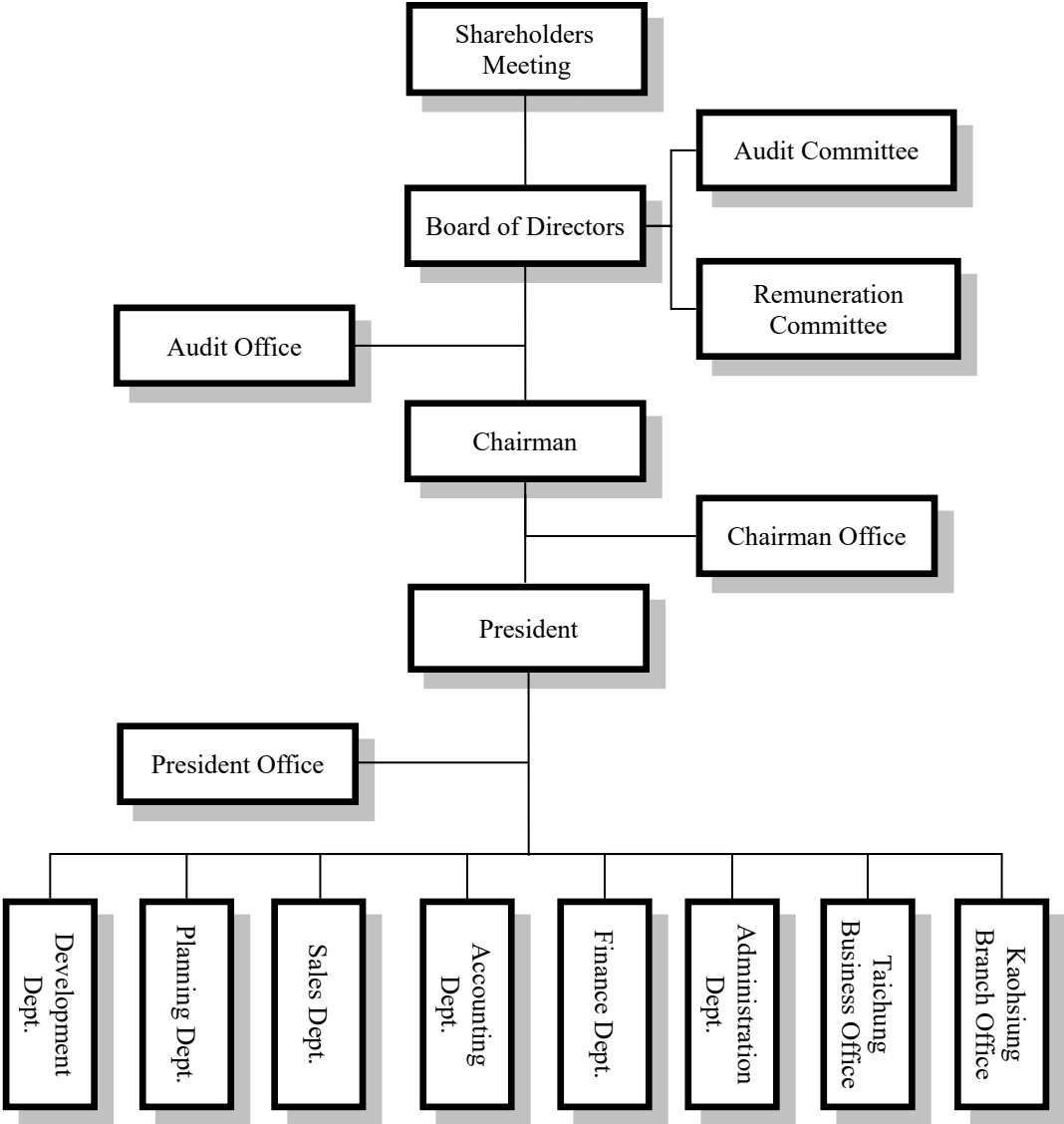
- 2012 In order to reduce idle funds and increase the return on shareholders' equity, the shareholders' regular meeting resolution on June 12 passed the cash reduction of NT\$1,496.00 million. After the capital reduction, the paid-in capital of the company was NT\$ 5,982.70 million.
- 2013 In 2013, the 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\$2,692.21 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. Debt NT\$1,002,000 Ten Thousands
- 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 3r.
- 2020 On August 3, the company was approved by the Financial Supervisory Commission to handle the transfer of surplus shares to new shares issued by NT\$1,166.62 million. After the capital increase, the paid-in capital of the company was NT\$12,832.91 million

Three Corporate Governance Report

I. Company Organization

(I) Organization System

1. Organizational Structure



2. Work Description of Major Departments

Name of the Department	Responsibility of the Job
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 companys various departments. 3. Propaganda of corporate culture and decision-makers management philosophy, and spiritual incentives for all colleagues. 4. The companys business visions, goals, and guidelines. 5. The integration of the companys operation and management system, the establishment of the companys 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 Dept.	<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 companys 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.

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Sales Dept.	<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 Dept.	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 Dept.	<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 Dept.	Handle various accounting, and tax report operations.
Finance Dept.	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 Taiwans development and sales of business processing and accounting, capital scheduling operations.
Taichung Business Office	Development, sales, and other business processing in central Taiwan.

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

(I) Information of Directors

April 12, 2021 Unit Shares,%

Job Title	Nationality/Place of Incorporation	Name	Gender	Date Elected	Term (Year)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks	
							Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	Holding shares ratio			Job Title	Name	Relation		
Legal Person Chairman	Republic of China	Run Ying Investment Co., Ltd. ^{Note 1}	Not applicable.	June 10, 2020	3 years	June 10, 2020	25,612,992	2.20%	28,174,291	2.18%	0	0%	0	0%	Highwealth Construction Legal Person Chairman	None	None	None	None	None	
Legal Person Chairman Representative ^{Note 1}	Republic of China	Zheng Zhilong	Male	June 10, 2020	Not applicable.	Not applicable.	0	0%	0	0%	2,423	0%	687,889	0.05%	Affiliated institution for advanced studies in interior design, China University of Technology Highwealth Advertising	Chairman of the company	None	None	None	None	
Legal Person Director Representative ^{Note 1}	Republic of China	Fan Huajun	Male	June 10, 2020	Not applicable.	Not applicable.	202	0%	222	0%	858	0%	0	0%	Dept. of Electrical Engineering, Kun Shan University Sales Executive Highwealth Advertising	President of the company	None	None	None	None	
Director	Republic of China	Zheng Qintian	Male	June 10, 2020	3 years	Feb 23, 2000	26,611,304	2.28%	29,275,725	2.27%	8,966,663	0.69%	0	0%	Civil Engineering, Cheng-Shiu Junior College of technology Director, Highwealth Construction	Group CEO	Director	Zheng Xiuhui	Couple	None	
Director	Republic of China	Zheng Xiuhui	Female	June 10, 2020	3 years	Feb 23, 2000	8,151,512	0.70%	8,966,663	0.69%	29,275,725	2.27%	28,174,291	2.18%	Civil Engineering, Kaohsiung Junior College of technology Vice President, Highwealth Construction Corp	The company's special assistant & Xing Ri-sheng Investment Co., Ltd. Chairman of the company Run Ying Investment Chairman of the company Run Ying Investment Chairman of the company	Director	Zheng Qintian	Couple	None	
Independent director	Republic of China	Hong Xiyao	Male	June 10, 2020	3 years	June 13, 2017	0	0%	0	0%	0	0%	0	0%	Barrington University, USA Honorary Doctorate in Business Chairman of Taiyen Biotech Co., Ltd.	None	None	None	None	None	
Independent director	Republic of China	Li Wencheng	Male	June 10, 2020	3 years	June 13, 2017	0	0%	0	0%	0	0%	0	0%	Central Police University President of Taiwan High Court	Run Long Construction Co., Ltd. Independent of the Company Independent director of Roo Hsing Construction Co., Ltd.	None	None	None	None	None
Independent director	Republic of China	Chen Tachun	Male	June 10, 2020	3 years	June 10, 2020	20,000	0%	22,000	0%	0	0%	0	0%	Master's in political sciences, Chinese Culture University	Associate Professor of National Taichung University of Science and Technology	None	None	None	None	None

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

2. The number of shares held above is based on the number of shares registered on the transfer date of shareholders on April 12, 2021; the total number of shares actually issued is 1,290,963,617 shares.



1. Major shareholders of legal person shareholder

Name of Legal Person Shareholder	Major shareholders of legal person shareholder
Jun Ying Investment Inc.	Zheng Qintian(70.06%), Zheng Xiuhui(22.34%), Zheng Junfang(3.8%), Zheng Qiaowen(3.8%)

2. The principal shareholder of legal person shareholder is legal person and its major shareholders: None

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

April 12, 2021

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director Number of		
	Criteria	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the company	1	2	3	4	5	6	7	8	9	10	11		12	
DIRECTOR : ZHENG, QIN TIAN	—	—	✓	—	—	—	—	—	—	—	—	—	—	—	—	—	—	None
DIRECTOR: ZHENG, XIU HUI	—	—	✓	—	—	—	—	—	—	—	—	—	—	—	—	—	—	None
Director : Run Ying Investment Co., Ltd Representative : Zheng, ZHI LONG	—	—	✓	—	—	✓	—	—	—	—	—	—	—	—	—	—	—	None
Director : Run Ying Investment Co., Ltd Representative : FAN, HUA JUN	—	—	✓	—	—	✓	—	—	—	—	—	—	—	—	—	—	—	None
Independent Director : Hong Xiyao	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Independent Director : Li Wencheng	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Independent Director : CHEN, TA CHUAN	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

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 stated in (1) Managers or Personnel of (2), (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (but not apply to independent directors appointed in accordance with the act or the laws and regulations of the local country by, and concurrently serving as such at the company and its parent or subsidiary or a subsidiary of the same parent).
- (6) Not a majority of the company’s director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (but not apply to independent directors appointed in accordance with the act or the laws and regulations of the local country by, and concurrently serving as such at the company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not if the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution (but not apply to independent directors appointed in accordance with the act or the laws and regulations of the local country by, and concurrently serving as such at the company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (but not apply to independent directors appointed in accordance with the act or the laws and regulations of the local country by, and concurrently serving as such at the company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution with an accumulated amount of less than NT\$500,000 in the last two years that provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) 8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
- (11) 9. Not been a person of any conditions defined in Article 30 of the Company Law.
- (12) 10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

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

April 12, 2021 Unit Shares;%

Job Title	Nationality	Name	Gender	Date Elected	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			Remarks
					Shares	Holding shares ratio	Shares	Holding shares ratio	Shares	Holding shares ratio			Job Title	Name	Relation	
President	Republic of China	Fan Huajun	Male	Jun. 2014	222	0	858	0	0	0	Electronical Engineering Division, Kun Shan University Sales of Highwealth Advertising	Chu Feng Hotel Management Consultant Co., Ltd. Director of Qiyu Construction Co., Ltd	None	None	None	None
Development Dept. Vice President	Republic of China	Liao Zhaoxiong	Male	Jun. 2006	173,003	0.01	85,800	0.01	0	0	Land Economics Dept., National Chung Hsing University Sales Assistant Manager, Hongju Construction	None	None	None	None	None
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	Chairman of Bo-Yuan Construction Corporation.	None	None	None	None
Finance Dept. Vice President	Republic of China	Wang Suyue	Female	Mar. 2005	368,765	0.03	0	0	0	0	Accounting Dept., Tunghai University Audit Supervisor, Ho Wang Construction Co., Ltd	None	None	None	None	None
Planning Dept. Associate Manager	Republic of China	Song Guozong	Male	Oct. 2003	40,000	0	0	0	0	0	Civil Engineering Division, Nanya Institute of Technology Shi Bangxing Architects	None	None	None	None	None
Sales Dept. Associate Manager	Republic of China	Chen Qiuwei	Male	Dec. 2009	34,765	0	0	0	0	0	Mechanical Engineering Dept., Feng Chia University Yuan Fu Advertising Co., Ltd	None	None	None	None	None
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	None	None	None	None	None
Kaohsiung Branch Finance Dept. Manager	Republic of China	Chen Qiulan	Female	Mar. 2005	51,980	0	0	0	0	0	Taitung Senior Commercial Vocational School Associate Manager, Financial Dept., Hon-yuang Construction Co., Ltd.	None	None	None	None	None
Supervisor of Corporate Governmance	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.	None	None	None	None	None

Note: The number of shares held above is based on the number of shares registered on the transfer date of shareholders on April 12, 2021; the total number of shares actually issued is 1,290,963,617 shares.

III. Remuneration of Directors, President, and Vice Presidents in the latest year

(I) Remuneration of Directors and Independent Directors

December 31, 2020 Unit: Thousand Dollars

Job Title	Name	Remuneration										Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10)	Compensation Paid from an Invested Company Other than the Company's Subsidiary or the parent company (Note 11)	
		Compensation (A) Note 2		Severance Pay (B)		Directors' Remuneration (C) (Note 3)		Allowances (D) (Note 4)		Ratio of total compensation (A+B+C+D) to net income (%) (Note 10)		Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)						
		The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company	Companies in the consolidated financial statements (Note 7)	The Company		Companies in the consolidated financial statements (Note 7)				The Company
		Cash Bonus	Stock Amount	Cash Bonus	Stock Amount																	
Director	Zheng Qintian																					
Director	Zheng Xiuhui																					
Chairman	Lishuo Investment (Stock) Company Representative: Cheng Chihlung (Dismissed on June 10, 2020)																					
	Run Ying Investment Co., Ltd. Representative: Cheng Chihlung (Served on June 10, 2020)	5,383	5,383	0	0	7,500	7,500	0	0	0.49%	0.49%	13,046	13,646	0	0	9,000	0	9,000	0	1.32%	1.34%	0
Director	Lishuo Investment (Stock) Company Representative: Fan Huajun (Dismissed on June 10, 2020)																					
	Run Ying Investment Co., Ltd. Representative: Fan Huajun (Served on June 10, 2020)																					
Independent director	Hong Xiyao																					
Independent director	Li Wencheng																					
Independent director	Yan Yunqi (Dismissed on June 10, 2020)	3,630	5,640	0	0	0	0	0	0	0.14%	0.21%	0	0	0	0	0	0	0	0	0.14%	0.21%	0
Independent director	Chen Tachun (Served on June 10, 2020)																					

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 (Note 9)	Companies in the consolidated financial statements (Note10) (H)	The Company (Note 9)	Companies in the consolidated financial statements (Note 10) (I)
Below NT\$1,000,000	Yan, Yun Qi, Chen, Ta Chun	Chen Tachun	Yan, Yun Qi, Chen, Ta Chun	Chen Tachun
NT\$1,000,000 (Included) ~ NT\$2,000,000 (Not Included)	Hong Xiyao, Yan Yunqi Fan Huajun, Zheng Qintian	Hong Xiyao, Yan Yunqi Fan Huajun, Zheng Qintian	Hong Xiyao, Li Wencheng	Hong Xiyao, Yan Yunqi
NT\$2,000,000 (Included) ~ NT\$3,500,000 (Not Included)	Zheng Qintian	Zheng Qintian, Li Wencheng		Li Wencheng
NT\$3,500,000 (Included) ~ NT\$5,000,000 (Not Included)				
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)			Zheng Qintian	Zheng Qintian
NT\$15,000,000 (Included) ~ NT\$30,000,000 (Not Included)				
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	8 persons	8 persons	8 persons	8 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, 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\$ 329 thousand as the cost for directors' vehicles provided by the company, and NT\$ 3,904 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 directors' remuneration and exposes the directors' 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 table are different from those in the Income Tax Law. Therefore, this statement is for the purpose of disclosure but not for taxation.

(II) Remuneration of president and vice president

December 31, 2020 Unit:Thousand Dollars

Job Title	Name (note 1)	Salary(A) Note 2		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Employees' 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 Bonus	Stock Amount	Cash Bonus	Stock Amount			
President	Fan Huajun													
Development Dept. Vice President	Liao Zhaoxiong													
Finance Dept. Vice President	Wang Suyue	7,511	8,111	0	0	6,668	8,374	4,200	0	4,200	0	0.69%	0.78%	None
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 NT\$1,000,000		
NT\$1,000,000 (Included) ~ NT\$2,000,000 (Not Included)		
NT\$2,000,000 (Included) ~ NT\$3,500,000 (Not Included)	Cao Yuanbo	Cao Yuanbo
NT\$3,500,000 (Included) ~ NT\$5,000,000 (Not Included)	Wang Suyue	
NT\$5,000,000 (Included) ~ NT\$10,000,000 (Not Included)	Fan Huajun, Liao Zhaoxiong	Fan Huajun, Liao Zhaoxiong, Wang Suyue
NT\$10,000,000 (Included) ~ NT\$15,000,000 (Not Included)		
NT\$15,000,000 (Included) ~ NT\$30,000,000 (Not Included)		
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	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. 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) should be filled out.

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 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. According to IFRS 2s 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 Companies 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 Companies 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 Companies 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 Companies 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 Companies President or Vice president for acting as a director, supervisor or manager of the Companies 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.



(III) Managers with Employee Remuneration Distribution

December 31, 2020 Unit: Thousand Dollars

	Title (Note 1)	Name (note 1)	Stock Amount	Cash Bonus	Total	Ratio of Total Amount to Net Income (%)
MANAGERS	CEO	Zheng Qintian	-	13,520	13,520	0.51%
	Chairman	Zheng Zhilong				
	President	Fan Huajun				
	Special Assistant to Chairman	Zheng Xiuhui				
	Supervisor of Corporate Governance	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 Dept. 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. | (4) Head of financial department. |
| (2) Vice president and equivalent. | (5) Head of accounting department |
| (3) Associate and equivalent. | (6) Other people who have the right to manage the company's affairs and are the company's authorized signatories. |

Note 4: If the directors, president and vice presidents receive the employees compensation (including shares and cash), shall filled in this form in addition to the attached form.

(IV) 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:

Job Title	2019		2020	
	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 statements
Director	1.32%	1.40%	1.46%	1.55%
President and Vice President	0.61%	0.66%	0.69%	0.78%

The directors, president and vice president's remuneration is paid under the remuneration committee exercised the care of a good administrator in faithfully performing the official power listed below, and shall submit its recommendations for deliberation by the board of directors.

- I. Establish and regularly review the policies, systems, standards and structures of the company's directors and managers for performance evaluation and compensation
- II. Evaluate and establish the remuneration of directors and managers.

When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:

- I. With respect to the performance assessment and remuneration of directors and managers of the company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure.
- II. It shall not produce an incentive for the directors or managers to engage in activity to pursue remuneration exceeding the risks that the company may tolerate.
- III. It shall take into consideration the characteristics of the industry and the nature of the company's business when determining the ration of bonus payout based on the short-term performance of its directors and senior

management and the time for payment of the variable part of remuneration.

“Remuneration” as used in the preceding two paragraphs includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures. Its scope shall be consistent with that of remuneration for directors and managers as set out in the “Regulations Governing Information to be Published in Annual Reports of Public Companies.”

IV. Implementation of Corporate Governance

(I) Operation of the board meeting:

Information on the operation of the board meeting

The term of board of director ends on June 10, 2020 and hold the re-election. The previous term of board of director convened meeting for 5 times(A) and the new term of board of director convened meeting for 9 times(A), the attendance of the directors as follows:

Job 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	5	0	100%	Dismissed on June 10, 2020
	Run Ying Investment Co., Ltd Representative: Zheng Zhilong	9	0	100%	Served on June 10, 2020
Director	Zheng Qintian	14	0	100%	Reappointed
Director	Lishuo Investment Co., Ltd Representative : Fan Huajun	5	0	100%	Dismissed on June 10, 2020
	Run Ying Investment Co., Ltd Representative : Fan Huajun	9	0	100%	Served on June 10, 2020
Director	Zheng Xiuhui	14	0	100%	Reappointed
Independent director	Hong Xiyao	14	0	100%	Reappointed
Independent director	Li Wencheng	14	0	100%	Reappointed
Independent director	Yan Yunqi	1	4	20%	Dismissed on June 10, 2020
Independent director	Chen Tachun	8	1	89%	Served on June 10, 2020

Other items to be recorded:

- 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:
There are no items included in Article 14-3 of the Securities Exchange Act and comments objected or retained by other Independent Directors in record or the resolutions of the Board of directors in a written statement.
- 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:
The board of directors agreed to sell housing and parking space of the related construction to managers on May 12, 2020, except director Fan Huajun avoid himself from conflict of interest, the remaining directors agreed to pass the case.
The board of directors agreed the appointment of 4th remuneration committee on June 10, 2020, except 2 independent director Mr. Hong Xiyao and Mr. Li Wencheng avoid himself from conflict of interest, the remaining directors agreed to pass the case.
The board of directors agreed the remuneration of the 2nd independent directors on August 14, 2020, except 2 independent director Mr. Hong Xiyao and Mr. Li Wencheng avoid himself from conflict of interest, the remaining directors agreed to pass the case.
- 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.
The board of director enacted the Self-Evaluation or Peer Evaluation of the Board of Directors on December 27, 2019. The company shall regularly self-evaluate or peer evaluate the board of directors and individual director annually(Since 2020), and filed the result to the Taiwan Stock Exchange Corporation before the Q1 of the next fiscal year.

4. The goals for strengthening the board’s function in the current and the previous year (e.g. establishment of an audit committee, promote information transparency), and their implementation.
 The company established the audit committee to replace the power of supervisors and six meetings were convened in the year 2020. The board of director approved to set the head of corporate governance of the company on March 19, 2019. The Board of Director approved Mr. Lin Wenlong as the newly appointed head of corporate governance on August 13, 2019.

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	Result of Evaluation
Every year	January 01, 2020 to December 31, 2020	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	(1) Overall Result: Significantly exceed standards (2) Items for improvement: the member of board of directors continuously attending advanced studies courses on corporate governance. (3) Improvement plans: To encourage the directors to attend advanced studies courses
		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	(1) Overall Result: Significantly exceed standards (2) Items for improvement: Directors continuously enhance with professional knowledge by attending diverse advanced studies courses in addition to their scope of professional ability. (3) Improvement plan: Encourage the directors take extra advanced studies courses and with more diversity in addition to the amount of hours required annually.
		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	(1) Overall Result: Exceed standards (2) Items for improvement: Directors continuously enhance with professional knowledge by attending diverse advanced studies courses in addition to their scope of professional ability. (3) Improvement plan: Encourage them to attend extra advanced studies courses with more diversity.

(II) The operation of the audit committee

- The company’s audit committee was established in June 13, 2017, to replace the supervisors system. The audit committee consists of all of the independent directors with 3 years term and can be re-elected. One of the audit shall be with the profession of accounting and finance. One of the member of the audit committee shall be elected as the convener among the audit committee. The audit committee is empowered by its charter to conduct any study or investigation it deems appropriate to fulfill its responsibilities. It has direct access to the internal auditors, the CPAs and all employees of the company.
- The Audit Committee assists the Board of Directors in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company. The Audit Committee is responsible to review the following major

matters: Financial Statements, Internal control systems, Material Assets or derivatives transactions, material lending funds, endorsements or guarantees, matters consists of directors' self-interest, offering or issuance of any equity-type securities, hiring or dismissal of an attesting CPA, or the compensation given thereto, appointment or discharge of financial, accounting, or internal auditing officers and etc.

(1) Review and Check of Financial Statements

Annual business report, financial statements and earning distribution proposals of the company shall be approved by the Audit Committee, and reviewed and discussed by the Board of Directors. After the approval of the Board of Directors, proposed to the shareholders' meeting.

(2) Evaluate the Effectiveness of Internal Control System

The self-evaluation results of the internal control system were conducted under routine by different unit within the company annually and checked by the audit committee. The audit committee shall check the internal control system with the result of operation; goal of efficiency achieved; reliability, timeliness, transparency of the report; effective enact and implementation in accordance to laws and regulations; and to reasonably ensure the achievement of the goals.

(3) Appointment and Evaluation of CPAs

The Audit Committee shall conduct assessments of CPA professionalism, independence, and reasonableness of audit fees at the end of each fiscal year. The consequence of the assessment of the certified public accountant's service in 2020 has been consult by the board of directors and passed on March 20, 2020. Han, Yi-Lian and Jian, Di-Nuan, the accountant of KPMG are in compliance with visa independence and the standard of the competence assessment.

The operation of the audit committee

The term of board of director ends on June 10, 2020 and hold the re-election. The previous term of audit committee convened meeting for 3 times(A) and the new term of audit committee convened meeting for 4 times(A), the independent directors sit in the meeting as follows:

Job 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	7	0	100%	Reappointed
	Li Wencheng	7	0	100%	Reappointed
	Chen Tachun	3	1	75%	Served on June 10, 2020
	Yan Yunqi	1	2	33%	Dismissed on June 10, 2020

Other items to be recorded:

- I. 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 companies handling of the opinions of the Audit Committee if there is one of the following circumstances:
There is no such matter of the company that is listed in the Article 14-5 of the Securities and Exchange Act or other matters that have not been approved by the Audit Committee and have been approved by more than two-thirds of all directors.
- II. Should a director recuse himself or herself from a decision about which he or she has a conflict of interest, the name of the director, contents of the resolution, reasons for recusal, and the results of the vote should be noted; If an independent director has any conflict of interest regarding issues discussed during the meeting that could result in harm to the Company's interests said director shall recuse himself or herself. If this prevents the Committee from coming to a decision, then the situation shall be reported to the Board of Directors and the Board of Directors will make the final decision on said resolution.
- III. Communication between the independent directors and the internal audit supervisors and accountants (shall include the major issues, methods and results of the companies 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 2020 independent directors, internal auditing officer, and accountants are on our website.
 - (2) Internal audit supervisor regularly communicate the audit results with audit committee and report in the meeting. If there is any special circumstances will also report to the member of audit committee immediately, there is no such condition within the year. The communication between audit committee and internal audit supervisor works well.
 - (3) The CPAs of the company report the result of reviewing financial statement and other communication matters requested by laws and regulations in written or in-person. If there is any special conditions, the CPAs will report to the members of the Audit Committee immediately. There is no such conditions within the year. The communication between the audit committee and the CPAs is good.

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.

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

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
I. Does the company follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has the company established and disclosed its own Corporate Governance Best Practice Principles?	✓		The company has established the “Corporate Governance Best Practice Principles” by the approval of the Board of Directors on September 23, 2010 and disclosed on the company’s website.	No significant variances
II. The company’s shareholding structure and shareholders equity				
(I) Does the company stipulate internal operating procedures to deal with shareholders suggestions, doubts, disputes and litigation matters, and implement them according to procedures?	✓		(I) There are service units, spokesman, and a mailbox 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 the law, it will be handled by the legal affairs unit.	No significant variances
(II) Does the company have a list of the ultimate controllers of the major shareholders and major shareholders of the actual control company?	✓		(II) 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.	
(III) Does the company establish, implement and control the risk control and firewall mechanism between the enterprises?	✓		(III) 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 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	
(IV) Does the company stipulate internal regulations and prohibit insiders from using the undisclosed information on the market to buy and sell securities?	✓		(IV) 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.	
III. the composition and duties of the board of directors				
(I) Does the board of directors formulate a diversified policy and implement it in terms of membership?	✓		(I) 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. 1. Elementary condition and value: Gender, Ages, Nationality, and cultures, and	No significant variances

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
<p>(II) Does the company voluntarily set up other functional committees in addition to the salary remuneration committee and the audit committee?</p> <p>(III) Does the company stipulate the performance appraisal methods of the board of directors and their assessment methods, and conduct performance evaluations every year and regularly?</p> <p>(IV) Does the company regularly assess the independence of the visa accountant?</p>	✓		<p>so on.</p> <p>2. Professional knowledge and techniques: professional background. (such as law, accounting, industry, financial, sell, or technology), professional skills, and other experiences of industry.</p> <p>3. The situation that the members of the board of directors carry out the diversification policy is in Note 1, The diversification policy has been disclosed on the company’s website.</p> <p>(II) At present, the Company has set up salary compensation committees and audit committees according to law. The company will be setting up other functional committees in order to comply with the related law and regulations.</p> <p>(III) The company has established a “Board Performance Evaluation Method” by the approval of the board of directors on December 27, 2019, 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.</p> <p>(IV) 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 2020 has been consult by the board of directors and passed on March 19, 2021. Han, Yi-Lian and Jian, Di-Nuan, the accountant of KPMG are in compliance with visa independence and the standard of the competence assessment (Note 2).</p>	
<p>IV. 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 meeting in accordance with the law, handling company registration and change registration, making board of directors and shareholders meeting, etc.)?</p>	✓		<p>The company set the position of Head of Corporate Governance by the approval on board of directors on March 19, 2019, to make the corporate governance in practice and improve the efficiency of the board of directors. The board of directors approved Mr Lin Wenlong as the head of the corporate governance of the company on the August 13, 2019 to in charge with the matters related to corporate governance. The head of corporate governance Mr. Lin Wenlong has the experience as head for more than 3 years of stock affairs and corporate governance in public companies. The power of corporate governance at least includes holding and preparing agendas for board of directors’ meeting and shareholders’ meeting; assisting the appointment of directors and continuous advance studies; providing necessary documents for directors to executing their business; assisting director to compliance with the laws, regulations and other matters related to the company’s article of corporation and contracts, and etc. The summary of 2021 business executing by the head of corporate governance: holding and preparing agendas for</p>	No significant variances

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
			<p>board of directors’ meeting and shareholders’ meeting in accordance of the laws; assisting continuous advance studies for the directors; providing necessary documents for directors to executing their business; assisting director to compliance with the laws, regulations and other matters related to the company’s article of corporation and contracts, and etc.</p> <p>The advanced studies courses taken by the head of corporate governance exceed 12 hours in the year 2020 (3 hours each on Analysis of employees’ compensation strategy and instruments applied; Analysis on the irregular transactions of Directors and Supervisors and case studies; Analysis on the transactions between Directors, Supervisors and related parties and case studies; and The compliance matter of newly revised corporate governance and exercising powers of the board of directors).</p>	
V. Does the company establish communication channels with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up stakeholder areas on the companys 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 companys 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
VI. 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
VII. Information disclosure (I) Has the company set up a website to disclose financial and corporate governance information? (II) Does the company adopt other information disclosure methods (such as setting up an English website, appointing a dedicated person responsible for the collection and disclosure of company information, implementing the spokesman system, and posting the companys corporate briefing process on the website, etc.)? (III) Does the Company announce 2 month after 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?	✓ ✓		<p>(I) The company has set up the website, collects and disclosed the executing information by the responsible departments. (http://www.highwealth.com.tw).</p> <p>(II) 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 corporate meeting, it will be announced based on the rules, and the relevant financial information will be put on the website.</p> <p>(III) At present, the company declares the financial report 3 month after the end of accounting year and declare the financial report of the first, second, and the third quarter and the monthly operational situation. We will assess the possibility of execution depends on the situation of operation in the future.</p>	No significant variances
VIII. 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	✓		(I) Employees 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 Companys interests under the preconditions of employees’ assurance and safety, hoping that employees can make contributions to	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
<p>policies, the Company’s purchase of liability insurance for directors and supervisors, etc.)?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>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.</p> <p>(II) 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.</p> <p>(III) 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 provides sufficient information for investors reference.</p> <p>(IV) Supplier relationship: The company keeps good relations with suppliers and ensures stable contract implantation.</p> <p>(V) 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.</p> <p>(VI) Training for the directors and supervisors: The company has communicated with the directors (including the independent director) and encouraged them to participate advanced studies lesson to reach the standard hours.</p> <p>(VII) 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.</p> <p>(VIII) 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.</p> <p>(IX) 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 insurance has been reported to the board of directors on May 12, 2020 during June 30, 2020 to June 30, 2021.</p>	<p>No significant variances</p>
<p>IX. 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>				

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	YES	NO	Abstract Illustration	
<p>The company has completed the corporate governance evaluation self-assessment report for 2020, and the indicators that have not been reached have set improvement targets and deadlines according to the company's current situation.</p> <p>1. Items that been improved:</p> <ol style="list-style-type: none"> The company enacted and disclosed the regulation and the practice of prohibition the director and employees to earn profit from undisclosed insider information to the market on the company's website. 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 companies”? The company has disclosed the communication situation among independent directors, internal audit officers, and accountants on the website. The company will try to declare the important message in English simultaneously before the deadline. <p>2. Priority to enhance according to items that have not been improved:</p> <p>The company will disclose the annual greenhouse emission, water consumption and total weight of waste for the past two years.</p>				

Note1: For strengthening the management of the company and promoting the formation and construction of the board of directors to develop well, the formation of the board of the directors should consider the requests, 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 directors (June 10, 2020 ~ June 09, 2023) :

Job Title	Name	Nationality	Formation			
			Gender	The employee of the company	Age	Seniority of tenure as independent director
Legal Person Chairman Representative	Zheng Zhilong	Republic of China	Male	√	>50	
Legal Person Director Representative	Fan Huajun	Republic of China	Male	√	>50	
Director	Zheng Qintian	Republic of China	Male	√	>50	
Director	Zheng Xiuhui	Republic of China	Female	√	>50	
Independent director	Hong Xiyao	Republic of China	Male		>50	> 3
Independent director	Li Wencheng	Republic of China	Male		>50	> 3
Independent director	Chen Tachun	Republic of China	Male		>50	< 3

Job Title	Name	Experience in industry/ Specialty									
		Financial Accounting	Law	Marketing	Operational Judgment	Business Management	Crisis Management	Knowledge of the Industry	Perspective of Global Market	Leadership	Capability of Decision
Legal Person Chairman Representative	Zheng Zhilong	√		√	√	√	√	√	√	√	√
Legal Person Director Representative	Fan Huajun	√		√	√	√	√	√	√	√	√
Director	Zheng Qintian	√		√	√	√	√	√	√	√	√
Director	Zheng Xiuhui	√		√	√	√	√	√	√	√	√
Independent director	Hong Xiyao	√		√	√	√	√	√	√	√	√
Independent director	Li Wencheng		√		√	√	√	√	√	√	√
Independent director	Chen Tachun			√	√	√	√	√	√	√	√

Note 2: The important assessment index of the independency and qualification of the Certified Public Accountants in 2020 as follows:

Highwealth Construction Corporation
Assessment Form of the Independency and Qualification of the Certified Public Accountants in 2020

I. 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).

II. Assessment target:

Name of Accountant:	Han, Yi-Lian Jian, Di-Nuan	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”.

Item	Assessment Index	The evaluation shows qualified Independence Criteria	
		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 inappropriate 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

<ol style="list-style-type: none"> 1. Finish the 2020 attestation of finance and taxation as scheduled. 2. Provide service of consulting the company's finance and taxation irregularly.
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◎ Result of assessment

<p>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.</p>

(IV) The operation of the Remuneration Committee

1. Remuneration Committee Member Information

Identity (note 1)	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)										No. of other listed companies working as remuneration committee member of	Remarks (remuneration committees authority)	
		Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the company	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	9	10			
Independent director	Yan Yunqi (Note 3)	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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	Li Wencheng (Note 3, 4)	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent director	Hong Xiyao (Note 4)	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Others	Cai Chichan (Note 3, 4)	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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) 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 stated in (1) Managers or Personnel of (2), (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (but not apply to independent directors appointed in accordance with the act or the laws and regulations of the local country by, and concurrently serving as such at the company and its parent or subsidiary or a subsidiary of the same parent).
- (6) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (but not apply to independent directors appointed in accordance with the act or the laws and regulations of the local country by, and concurrently serving as such at the company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not if the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution (but not apply to independent directors appointed in accordance with the act or the laws and regulations of the local country by, and concurrently serving as such at the company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (but not apply to independent directors appointed in accordance with the act or the laws and regulations of the local country by, and concurrently serving as such at the company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution with an accumulated amount of less than NT\$500,000 in the last two years that provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

Note 3: The member Mr. Yan Yunqi (Independent Director), Li Wencheng (Independent Director) and Cai Chi-chan of the 3rd remuneration committee reached their terms on June 10, 2020.

Note 4: The board of directors agreed to appointing three members of 4th remuneration committee, Mr. Lee Wencheng (independent director), Hong Xiyao (independent director) and Cai, Chichan on June 10, 2020, with terms from June 10, 2020 to June 9, 2023 and the term ended as the board of directors.

2. Remuneration Committee Operation Status

- (1) The remuneration committee of the company was established by the approval of the board of directors on December 19, 2011.
- (2) The board of directors appointed the 3 members of the 4th term of remuneration committees on June 10, 2020. The term is from June 10, 2020 to June 09, 2023.
- (3) The sixth meeting of board of directors in the year 2020 approved Mr. Li Wencheng (as the company's independent director), Mr. Hong Xiyao (as the company's independent director) and Mr. Cai Chi-chan as the member of remuneration committee. Mr. LiWencheng was elected as the convener by the election among the remuneration committee.
- (4) Remuneration committee Meetings convened once for the 3rd term and 3 times for the 4th term(A), and the attendance is as follows:

Job Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) 【 B/A 】 (Note 1)	Remarks (Note 2, 3)
Convener (Independent directors)	Yan Yunqi	0	1	0%	Dismissed on June 10, 2020
Convener (Independent directors)	Li Wencheng	4	0	100%	Reappointed
Member (Independent directors)	Hong Xiyao	3	0	100%	Served on June 10, 2020
Member	Cai Chi-chan	4	0	100%	Reappointed

Other items to be recorded:

- I. 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.
- II. 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.

Note 2: The member Mr. Yan Yunqi (Independent Director), Li Wencheng (Independent Director) and Cai Chi-chan of 3rd remuneration committee reached their terms on June 10, 2020.

Note 3: The board of directors agreed to appointing three members of 4th remuneration committee, Mr. Lee Wencheng (independent director), Hong Xiyao (independent director) and Cai, Chichan on June 10, 2020, with terms from June 10, 2020 to June 9, 2023 and the term ended as the board of directors.

(V) 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	Abstract Illustration	
I. Does the company assess the risk of the environment, society, and issue of management of the company and set up a policy or strategy of risk management, according to principle of importance?	✓		The company has enacted the “Corporate Social Responsibility Best Practice Principles” 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 with the principle of materiality by Planning Department(as the concurrent unit of the CSR matters). 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.	No significant variances
II. Does the company set up a unit to promote CSR, and authorized managerial level to handle by the board of the director, and report to the board of the director?	✓		The company allocated the planning department as the concurrent unit of promoting Corporate Social Responsibilities. Every department shall actively promoting CSR evaluation and planning with the responsibility of its own. Issues of CSR were required to communicate and coordinate by the management department. In future, the company will continue to practice the corporate social responsibility and report to board of directors depends on the situation to achieve the sustainable development.	No significant variances
III. Environmental Issue (I) Does the company set up an appropriate environmental management system, according to the feature of the industry? (II) Does the company dedicate in promoting efficiency of the usage of any sources, and use renewable materials that have low impact to the environment. (III) 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? (IV) Does the company calculate the emission of green house gas, water consumption, and the amount of waste, and set up a managerial policy of energy saving and carbon reduction, reducing green house gas, reducing using water, or other waste.	✓ ✓ ✓ ✓		(I) The company values the environmental protection and resources conservation. Practice energy saving, power saving, and water saving in our business operation. The wastes in construction site are totally handled by professional and legal environmental company. Making an effort for environmental protection. (II) The company dedicated in reusing paper, and preserving the materials such as cabinets, glasses, curtains, doors, and window when moving the office. The company reducing the wastage of our building materials and put in use of suitable reclaimed materials. We separate the building waste and the domestic trash, practice waste classification and recycling. (III) 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. (IV) The company dedicated in the measures of energy saving and carbon reduction. Taking the effect of climate change 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 maintenance of air conditioning. The company will disclose the emission of greenhouse 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 1% than last year as a goal, to reach the goal of greenhouse gas reduction and sustainable development.	No significant variances
IV. Social Issues (I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		(I) The company practice its corporate social responsibility to ensure the basic human rights of the entire staff, support and follow the world recognized human rights norms, for examples Universal Declaration of Human Rights, in compliance of labor laws domestically and refuse	

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	YES	NO	Abstract Illustration	
<p>(II) Does the company set up and practice the measures of employees' welfare (including payment, vacation, and others), and adjust the payment according to the performance of the operation?</p> <p>(III) Whether the company offers both safe and healthy working environment for its employees, and put into practice of safety and health education on a regular basis or not?</p> <p>(IV) Whether an effective career development training project is available for employees or not?</p> <p>(V) Whether the health and security of the customers, privacy of the clients, and marketing and indication are following the rules, and related consumer protection policies and grievance procedures are available by the company?</p> <p>(VI) Whether the company set up a managerial policy of supplier, asking them to follow the rules, such as environmental rules, workplace safety and health, and labor rights?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>any conditions harmed to the human rights. The company's human rights policy applied to all of the unit within the company, treating employees, customers, suppliers and others with dignity, and provide sufficient educational training to the following content to improve and adjust the management related to the human right issue continuously. The company focus on the following human right issues: Forbidding From the Use of Child Laborers, Forbidding Forced or Compulsory Labor, Freedom of Religious beliefs, Freedom of association, Against discrimination, bullying and harassment and providing safety, hygiene and healthy working environment.</p> <p>(II) The company has a reasonable measure of employees' welfare. The policy of payment, vacation, and other welfares 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.</p> <p>(III) The company provides staffs a safe and healthy work place. There is an central air conditioning system, lighting equipment, work place that good for eyes and ears, Evacuation Route and emergency lifesaving instant exit, regular maintenance 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 employees. The rules about labor's safety and health have been sent to the employees' email.</p> <p>(IV) 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.</p> <p>(V) 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.</p> <p>(VI) Suppliers are required to submit qualified raw materials, and whether suppliers have historically affected environmental and social records or not is also assessed. The suppliers 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 stay honest. 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.</p>	No significant variances
V. Does the company edit the report that disclose information not about financial information according to	✓		The company's CSR report that disclose information not about finance is according to international principle or instruction of report editing. Through the CSR report, it	No significant variances

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons																																				
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international principle or instruction of report editing? Are the report confirm and guarantee by third testing unit?			enhances the reliability of information about stakeholders. The trend of domestic and international CSR reports will be the standard for the certification Agency.																																					
<p>VI. 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: The company enacted the Corporate Social Responsibility Best Practice Principles and requested the management department as the concurrent unit for promoting corporate social responsibility. The Management Department is assisting to prepare the report of corporate social responsibility, evaluate and planning the CSR practice with their duties, and communicate and organize the related issues, to make the company review the existing result and planning for future. Overall, no significant variance</p> <p>VII. Other important information to help understand the operation of corporate social responsibility:</p> <ol style="list-style-type: none"> 1. Environmental protection: The wastes of the companys various construction sites are fully contracted and handled by professional and legal environmental protection companies. Each site has a director who is responsible for rectification and environmental maintenance management. 2. Community participation: Participate in all the cases to distinguish the owners 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. 3. Social contribution, social service, social welfare: 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 2020, as follows: <p style="text-align: right;">Unit: NT\$ Dollar</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Name of Donated Organizations</th> <th style="width: 30%;">Amount</th> </tr> </thead> <tbody> <tr> <td colspan="2">Social Welfare</td> </tr> <tr> <td>Taichung City Culture and Education Association</td> <td style="text-align: right;">8,000,000</td> </tr> <tr> <td>Penghu County Government</td> <td style="text-align: right;">1,000,000</td> </tr> <tr> <td>Taiwan Four Season Culture and Education Association</td> <td style="text-align: right;">270,000</td> </tr> <tr> <td>Kaohsiung Harbor City Police Friendship Association</td> <td style="text-align: right;">120,000</td> </tr> <tr> <td>National Taichung University of Science and Technology</td> <td style="text-align: right;">99,535</td> </tr> <tr> <td>Rende Community Development Association, Rende District, Tainan City</td> <td style="text-align: right;">60,000</td> </tr> <tr> <td>Taichung Ci-Xin charity</td> <td style="text-align: right;">41,740</td> </tr> <tr> <td>Bureau of Social Affairs, Keelung City</td> <td style="text-align: right;">30,000</td> </tr> <tr> <td>Taipei City Elderly Service Association</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>Taiwan Mind Body Spirit Whole Person Health Association</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>Bangqiao Qiong Zi Charity Association</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td colspan="2">Religious Group</td> </tr> <tr> <td>Tzunan Temple</td> <td style="text-align: right;">1,000,000</td> </tr> <tr> <td>Taian Temple</td> <td style="text-align: right;">100,000</td> </tr> <tr> <td>Chinese Taipei Mazu Association</td> <td style="text-align: right;">60,000</td> </tr> <tr> <td>Ciguang Temple</td> <td style="text-align: right;">1,539</td> </tr> </tbody> </table> <ol style="list-style-type: none"> 4. Consumer Rights: 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 companys social responsibility. 5. Human rights, safety and health: In order to take care of employees retirement life, the company has set a personal salary to each pension employ ee 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. 6. Issues, communication channel, and way of replying that stakeholders pay attention to: The company takes the stakeholders seriously. For understanding their thoughts and making good communication, the company divides the stakeholders into eight communities: employees, investors, clients, suppliers, governance, social media, community, and society. The company communicates with stakeholders through many channels. The information of main issue focused by the stakeholders the communication channels and the person for contact have been disclosed in the companys website ° (https://www.highwealth.com.tw) 					Name of Donated Organizations	Amount	Social Welfare		Taichung City Culture and Education Association	8,000,000	Penghu County Government	1,000,000	Taiwan Four Season Culture and Education Association	270,000	Kaohsiung Harbor City Police Friendship Association	120,000	National Taichung University of Science and Technology	99,535	Rende Community Development Association, Rende District, Tainan City	60,000	Taichung Ci-Xin charity	41,740	Bureau of Social Affairs, Keelung City	30,000	Taipei City Elderly Service Association	20,000	Taiwan Mind Body Spirit Whole Person Health Association	20,000	Bangqiao Qiong Zi Charity Association	20,000	Religious Group		Tzunan Temple	1,000,000	Taian Temple	100,000	Chinese Taipei Mazu Association	60,000	Ciguang Temple	1,539
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(VI) 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>I. Setting business integrity policies and programs</p> <p>(I) Does the company set the policy of trust management pass by the board of directors and express its commitment to the policies and practices of integrity management in its regulations and in the external documents, and do the board of directors and the management actively implement the business policies?</p> <p>(II) (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 Article7 in "Principle of listed company's honesty for management"?</p> <p>(III) (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>(I) The company enacted the "Corporate Social Responsibility Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" with the resolution of board of directors, review and amended regularly to comply the laws. The stock affairs and auditing personnel to attend the external courses of "Continued Training on the prevention of insider trading and insiders' share transfers" on September 30, 2020 and October 22, 2020. The company invites law firms to hold the nationwide webinar of the ethical corporate management and insider trading on October 28, 2020.</p> <p>(II) The company set up "Code of honest management" and the Companys "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 companys assets, interests and image.</p> <p>(III) 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>	No significant variances
<p>II. Implementation of integrity management</p> <p>(I) 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>(II) 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)?</p> <p>(III) Has the company formulated</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company conducts commercial activities on the principle of fairness and transparency. When signing a contract with others, the legal personnel review the terms of the contract, and the contractual content will strengthen the relevant provisions of the integrity clause.</p> <p>(II) The company except establishing the audit unit belongs to the board of directors and assign the management department and legal affairs department to in charge CSR and evaluating whether the company had disobeyed the CSR. The company review the implementation, interpretation and counseling of ethical corporate management in all the department in accordance of Ethical Corporate Management Best Practice Principles and related regulations. The company invites law firms to hold the nationwide webinar internal training of the ethical corporate management and insider trading on October 28, 2020. And reported to the board of directors for the condition of implementation on November 12, 2020. The company will continuing planning for related courses in 2021.</p> <p>(III) The Companys "Directors Meeting Rules"</p>	No significant variances

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for Listed Companies and reasons
	YES	NO	Abstract Illustration	
<p>policies to prevent conflicts of interest, provided appropriate channels for statements and implemented them?</p> <p>(IV) Has the Company established an effective accounting system and internal control system for the implementation of integrity management, which is checked by the internal auditing unit on a regular basis or audited by external auditors?</p> <p>(V) Does the company hold regular internal and external training on business integrity?</p>	<p>✓</p> <p>✓</p>		<p>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.</p> <p>(IV) 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 attend the board of directors' meeting and audit committee's meeting regularly, and report on the operation of auditing.</p> <p>(V) The company disseminating in the internal supervisors and cross-department meeting and invites law firms for webinar on Ethical Corporate Management and Insider trading, to let the employees understand the concept and regulations on ethical corporate management and its importance.</p>	No significant variances
<p>III. The operation status of reporting system.</p> <p>(I) (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?</p> <p>(II) Has the company set up standard investigation procedures and a related confidentiality mechanism for the matter being reported?</p> <p>(III) Does the company take measures to protect the reporter from improper treatment?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) 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.</p> <p>(II) 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.</p> <p>(III) 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.</p>	No significant variances
<p>IV. 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?</p>	<p>✓</p>		<p>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 companys website.</p>	No significant variances

Evaluation Item	Implementation Status		Differences with Corporate Governance Best Practice Principles for Listed Companies and reasons
	YES	NO	
V.	<p>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.</p> <p>The Company has formulated the Corporate Governance Best Practice Principles (including "Procedures for Ethical Management and Guidelines for Conduct"). The company has no significant variance by implementation of the complete internal control system and various guidelines, and with the regular review on it.</p>		
VI.	<p>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.):</p> <p>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>		

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

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:

1. For the related principles and guidelines, please check in the "Related information on Corporate Governance" under "Corporate Governance Zone" in "Stakeholders" from the company's website (<https://www.highwealth.com.tw>)
2. Go to the public information observatory (<http://mops.twse.com.tw>). 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.

(VIII) Other important information that is sufficient to enhance understanding of the operation of corporate governance.

1. The company established remuneration committee, audit committee and other functional committee and appointed Mr. Lin Wenlong as the head of corporate governance by the approval of the board of directors to executing powers completely with the board of directors.
2. For the amendment for law compliance and consider the change in environment of the company. The company's principles and guidelines shall be amended in time as the criterion for behaviors of directors, managers and employees. The company's website shall establish the corporate governance zone in the company's website to disclose the related management procedure. With the concept of corporate sustainability management, the company shall complete the corporate governance operating in all aspects of organizational structure, regulations and system, implementations and review.

3. Training situation of directors of the Company and its subsidiaries

Name of the Company	Job Title	Name	Date of further training	Held by	Training Program	Duration (hour)
Highwealth Construction	Director	Zheng Xiuhui	November 13, 2020	Taiwan Stock Exchange Corporation	The 2020 Dissemination Meeting of Corporate Governance and Corporate Integrity for the Directors and Supervisors	3
	Independent director	Hong Xiyao	July 03, 2020	Taiwan Corporate Governance Association	The Macroscopic view of corporate sustainability development around the world - from prospect 2050 to action 2020	3
			August 11, 2020	Taiwan Corporate Governance Association	The Responding Strategy of Company Transformation	3
	Independent director	Li Wencheng	June 30, 2020	Securities & Futures Institute	Analysis on the transactions between Directors, Supervisors and related parties and case studies	3
			September 1, 2020	Taiwan Corporate Governance Association	Legal Responsibility of Insider Trading and case studies	3
			September 8, 2020	Taiwan Corporate Governance Association	Proxy Contest and Case Studies	3
	Independent director	Chen Tachun	June 29, 2020	Securities & Futures Institute	The commercial strategy and corporate governance in response to the world's unsustainable under the COVID-19.	3
			July 03, 2020	Taiwan Corporate Governance Association	The Macroscopic view of corporate sustainability development around the world - from prospect 2050 to action 2020	3
			July 14, 2020	Securities & Futures Institute	Risk of law of the supervisors and how to response it from the aspect of big business cases	3
			July 16, 2020	Securities & Futures Institute	The principle and application of artificial intelligence	3
August 11, 2020			Taiwan Corporate Governance Association	The Responding Strategy of Company Transformation	3	
September 8, 2020			Taiwan Corporate Governance Association	Proxy Contest and Case Studies	3	
Run Long Construction			Director	HUNG, MING-YAO	September 03, 2020	Securities & Futures Institute
	November 13, 2020	Taiwan Stock Exchange Corporation	The 2020 Dissemination Meeting of Corporate Governance and Corporate Integrity for the Directors and Supervisors		3	
	Independent director	Yan Yunqi	August 19, 2020	Securities & Futures Institute	The seminar for listed companies to understand the hedge transaction of derivative and its practice in 2020	3
	Independent director	Li Wencheng	June 30, 2020	Securities & Futures Institute	Analysis on the transactions between Directors, Supervisors and related parties and case studies	3
			September 1, 2020	Taiwan Corporate Governance Association	Legal Responsibility of Insider Trading and case studies	3
		September 8, 2020	Taiwan Corporate Governance Association	Proxy Contest and Case Studies	3	

(IX) Implementation of the internal control system

1. Internal Control Statement

**Highwealth Construction Corporation
Internal Control Statement**

March 19, 2021

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

- I. The company acknowledges that the implementation and maintenance of internal control system is the responsibility of 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.
- II. 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.
- III. 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”.
- IV. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
- V. 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, 2020, and they can reasonably assure the aforesaid goals have been achieved.
- VI. 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.
- VII. This statement has been approved by the meeting of Board of Directors on March 19, 2021, and those 7 directors in presence all agree on the contents of this statement.

Highwealth Construction Corporation



Chairman : Zheng Zhilong



President : Fan Huajun



- 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.

(X) 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.

(XI) 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:

- 2020 Significant resolution made by the shareholder’s annual meeting and its implementation

Date/Session	Content of Meeting Minutes		Special Items
	Items	Execution	
June 10, 2020 2020 Shareholders Annual Meeting	(1) Pass the annual business report and financial report for 2019	The related forms and books are register to the competent authorities for reference in accordance of the Company Act and related laws and Regulations	None
	(2) Approval of 2019 Earning Distribution	The mid-term of 2019 earning contribution is approved for NT2 per share in cash dividend, and approved to distribute NT\$ 1 per share for cash dividend and stock dividend in the year 2019. The distribution is made by the approval of shareholder’s meeting on October 30, 2020.	
	(3) 2019 Capital Increase from Retained Earnings and Issuance of New Stocks.	In effect after the approval of Shareholders’ meeting and approved and registered by the Ministry of Economic Affairs on October 16, 2020.	
	(4) Pass the amendment of articles in corporation	The registration of amendment to the Article of Incorporation is approved by the Ministry of Economic Affairs on June 22, 2020 and announced on the Company’s website.	
	(5) Amendments to partial articles of the “Rules of Procedures for Shareholders’ Meetings.”	It has been handled according to the procedure and put on the website.	
	(6) Re-election of all the Directors of the Company.	In effect after the approval of Shareholders’ meeting and approved and registered by the Ministry of Economic Affairs on October 16, 2020.	
	(7) Proposal for the Release on Prohibition of Newly Elected Directors and their Representatives Working in Competing Companies.	Register to the competent authority for reference in accordance of the Company Act and related Laws and Regulations.	

- Important resolutions of audit committee as of 2020 and the date of publication of the annual report.

Date/Session	Content of Meeting Minutes		Special Items
	Brief summary of the motion	Implementation	
Jan, 10, 2020 2020, Session 1	(1) Proposed to sell the land of Nangang section of Nangang District, Taipei City.	(1) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.	None
	(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.”.	(2) The case was passed by all the attending directors unanimously.	
	(3) Proposed to apply for a secured financing loan case from financial institutions.	(3) The case was passed by all the attending directors unanimously.	
	(4) Proposed to apply for a secured financing loan case from financial institutions.	(4) The case was passed by all the attending directors unanimously.	
March,3, 2020 2020, Session 2	(1) Proposed to invest additional land from Xitun section, Xitun District, Taichung city.	(1) The case was passed by all the attending directors unanimously, and authorized the	None

Date/Session	Content of Meeting Minutes		Special Items
	Brief summary of the motion	Implementation	
	<p>(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.</p> <p>(3) Proposed to apply for a loan case from financial institutions.</p> <p>(4) Proposed to apply to the financial institution for a short-term working capital loan case.</p> <p>(5) Proposed to apply for a secured financing loan case from financial institutions.</p>	<p>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>	
March 20, 2020 2020, Session 3	<p>(1) Discussion on the company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2019.</p> <p>(2) Discussion on the company's 2019 annual employee compensation and the amount of directors' compensation and the method of issuance.</p> <p>(3) Discussion on consolidated financial statements for 2019.</p> <p>(4) Discussion on annual business report and financial statements for 2019.</p> <p>(5) Case of assessment: The independency of certified public accountants</p> <p>(6) Case of change: The independency of certified public accountants</p> <p>(7) Proposed earnings distribution for 2019.</p> <p>(8) Proposed to distribute new share from earning in 2019.</p> <p>(9) Amended certain sections of the Company Articles.</p> <p>(10) Amended certain sections of the "Principle of honest management"</p> <p>(11) Set up "Procedure and guide line of honest management"</p> <p>(12) Amended certain sections of the "Principle of procedure of editing financial report"</p> <p>(13) Discussion on the company's "Internal Control System Statement" and "Internal Audit System".</p> <p>(14) Revised certain parts of the Company Articles on "corporate governance code of practice".</p> <p>(15) Revised certain parts of the Company Articles on "Principle of corporate social responsibility".</p> <p>(16) Revised certain parts of the Company Articles on "Principle of shareholder's meeting".</p> <p>(17) Case of re-election of director</p> <p>(18) Discharge the restriction of new director</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 and submitted to report at shareholders meeting.</p> <p>(3) The case was passed by all the attending directors unanimously.</p> <p>(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.</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.</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> <p>(17) The case was passed by all the attending directors unanimously.</p> <p>(18) The case was passed by all the attending</p>	None

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Date/Session	Content of Meeting Minutes		Special Items
	Brief summary of the motion	Implementation	
	<p>competition.</p> <p>(19) Discussion on the matters related to the holding of shareholders' meeting of 2020.</p> <p>(20) Discussion on the shareholder's proposal rights of the shareholders' meeting in 2020, and nomination of director</p> <p>(21) Case of land development and bid credit</p> <p>(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".</p> <p>(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.</p> <p>(24) Proposed to apply for a secured financing loan case from financial institutions.</p> <p>(25) Proposed to apply to the financial institution for the case of issuing commercial promissory notes due to the need of operational turnover.</p> <p>(26) Proposed to apply for a loan case from financial institutions.</p> <p>(27) Proposed to apply to the financial institution for a working capital loan case.</p>	<p>directors unanimously.</p> <p>(19) The case was passed by all the attending directors unanimously.</p> <p>(20) The case was passed by all the attending directors unanimously.</p> <p>(21) The case was passed by all the attending directors unanimously.</p> <p>(22) The case was passed by all the attending directors unanimously.</p> <p>(23) The case was passed by all the attending directors unanimously.</p> <p>(24) The case was passed by all the attending directors unanimously.</p> <p>(25) The case was passed by all the attending directors unanimously.</p> <p>(26) The case was passed by all the attending directors unanimously.</p> <p>(27) The case was passed by all the attending directors unanimously.</p>	
April 29, 2020 2020, Session 4	<p>(1) Review on the qualification of directors and independent directors qualification.</p> <p>(2) Lifted the non-competing restrictions for the nominated candidates of directors (including independent directors) and their representatives</p> <p>(3) Proposed to apply for a loan case from financial institutions.</p> <p>(4) Proposed to apply to the financial institution for a working capital loan case.</p> <p>(5) Proposed to apply for a secured financing loan case from financial institutions.</p> <p>(6) Proposed to apply for a loan case from financial institutions.</p> <p>(7) Proposed to apply for a secured financing loan case from financial institutions.</p> <p>(8) Proposed to apply to the financial institution for a working capital loan case.</p> <p>(9) Proposed to apply for a secured financing loan case from financial institutions.</p>	<p>(1) The case was passed by all the attending directors unanimously, the results will be announced in accordance of the rules and notify to the nominated shareholder.</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> <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>	None
May 12, 2020 2020, Session 5	<p>(1) Consolidated financial statements of the company for first quarter 2020.</p> <p>(2) Proposed earnings distribution as of first quarter in 2020.</p> <p>(3) The company intended to sale the housing and parking space of the related construction project to managerial personnel.</p>	<p>(1) The case was passed by all the attending directors unanimously after the chairman consulted.</p> <p>(2) The case was passed by all the attending directors unanimously after the chairman consulted.</p> <p>(3) Except for directors who did not participate in the discussion and avoid voting in accordance with the law, the remaining directors agreed to pass the case.</p>	None

Date/Session	Content of Meeting Minutes		Special Items
	Brief summary of the motion	Implementation	
	<p>(4) Purchased the liability insurance for directors of the company in 2020.</p> <p>(5) Proposed to apply for a secured financing loan case from financial institutions.</p> <p>(6) Proposed to apply for a secured financing loan case from financial institutions.</p> <p>(7) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Boyuan Construction Co., Ltd.".</p> <p>(8) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Chyiyuh 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>	
June 10, 2020 2020, Session 6	<p>(1) The election of chairman.</p> <p>(2) The Appointment of members of fourth remuneration committee of the company</p> <p>(3) 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>(4) Proposed to apply for a secured financing loan case from financial institutions.</p> <p>(5) Proposed to apply to the financial institution for the case of issuing commercial promissory notes due to the need of operational turnover.</p>	<p>(1) Zheng Zhilong (the Representative of Run Ying Investment Inc.) was elected as the new chairman of the company among the directors.</p> <p>(2) Except for directors who did not participate in the discussion and avoid voting in accordance with the law, the remaining directors agreed to pass the case.</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>	None
August 5, 2020 2020 Session 7	<p>(1) Proposed to invest additional land from HuiGuo section, Xitun District, Taichung city.</p>	<p>(1) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.</p>	None
August 14, 2020 2020, Session 8	<p>(1) Consolidated financial statements of the company for second quarter 2020.</p> <p>(2) In 2019, the company proposed to set up related matters of ex-dividend date of capital increase from the earnings, distributing cash dividend and etc.</p> <p>(3) The matter of authorizing loan credit from financial institutions.</p> <p>(4) Proposed to apply to the financial institution for a working capital loan case.</p> <p>(5) Proposed to apply to the financial institution for the case of issuing commercial promissory notes.</p> <p>(6) Proposed to apply to the financial institution for the case of issuing commercial promissory notes.</p> <p>(7) The company proposed to provide Jintai section, Zhongshan District, Taipei City, total of 8 other houses with Yongcui section, Banqiao District, New Taipei City, total of 5 under construction cases for syndicated loans hosted by KGI Commercial Bank.</p> <p>(8) The remuneration of the second term of independent directors.</p>	<p>(1) The case was passed by all the attending directors unanimously after the chairman consulted.</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, and authorized the chairman to handle the bank funding within the credit.</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) 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.</p>	None
September 8, 2020	<p>(1) The company proposed to invest on the</p>	<p>(1) The case was passed by all the attending</p>	None

Highwealth Construction

Date/Session	Content of Meeting Minutes		Special Items
	Brief summary of the motion	Implementation	
2020, Session 9	<p>development of the land of Section 1, Zhong Rd., Taoyuan District, Taoyuan City</p> <p>(2) Proposed to apply to the financial institution for the case of issuing commercial promissory notes due to the need of operational turnover.</p> <p>(3) Proposed to apply to the financial institution for a working capital loan case.</p> <p>(4) Proposed to apply to the financial institution for a working capital loan case.</p> <p>(5) Proposed to apply for a secured financing loan case from financial institutions.</p>	<p>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>	
October 15, 2020 2020 Session 10	<p>(1) Proposed to apply for a secured financing loan case from financial institutions.</p> <p>(2) Proposed to apply for a secured financing loan case from financial institutions.</p> <p>(3) Proposed to apply to the financial institution for a working capital loan case.</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>	None
November 12, 2020 2020, Session 11	<p>(1) Consolidated financial statements of the company for third quarter 2020.</p> <p>(2) The company intended to sale the housing and parking space of the related construction project to related parties.</p> <p>(3) Proposed to transfer inventory on the record to investable real estate.</p> <p>(4) 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>(5) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Boyuan Construction Co., Ltd."</p> <p>(6) 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."</p> <p>(7) Proposed to apply for a secured financing loan case from financial institutions.</p>	<p>(1) The case was passed by all the attending directors unanimously after the chairman consulted.</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> <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>	None
November 26, 2020 2020, Session 12	<p>(1) The company proposed to issue 2020-1 Secured Ordinary Company Bond</p> <p>(2) The company proposed to issue 2020-2 Secured Ordinary Company Bond</p> <p>(3) The company proposed to apply for a secured financing loan case from financial institutions.</p> <p>(4) The company proposed to apply for a secured financing loan case from financial institutions.</p> <p>(5) The company intended to dispose the shop front and the parking space of "Taipei Times Square."</p> <p>(6) Proposed to apply to the financial institution for the case of issuing commercial promissory notes due to the need of operational turnover.</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, and authorized the chairman to handle follow-up related matters.</p> <p>(4) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.</p> <p>(5) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.</p> <p>(6) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.</p>	None
December 10, 2020 2020, Session 13	<p>(1) Proposed to provide additional land from Hui-guo section, Xitun District, Taichung city and entrust First Commercial Bank to arrange the case of syndicated loans.</p>	<p>(1) The case was passed by all the attending directors unanimously.</p>	None
December 24, 2020 2020, Session 14	<p>(1) The company's audit project for 2021.</p>	<p>(1) The case was passed by all the attending directors unanimously.</p>	None

Date/Session	Content of Meeting Minutes		Special Items
	Brief summary of the motion	Implementation	
	(2) The company proposed to issue 2021-1 Secured Ordinary Company Bond (3) The company proposed to issue 2021-2 Secured Ordinary Company Bond (4) The company proposed to apply for a secured financing loan case from financial institutions. (5) The company proposed to apply for a secured financing loan case from financial institutions. (6) The company intended to dispose the office on the 10th floor and the parking space of "Taipei Times Square." (7) 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) The case was passed by all the attending directors unanimously. (4) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters. (5) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters. (6) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters. (7) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.	
January 11, 2021 2021, session 1	(1) Proposed to invest additional land from Huishun section, Xitun District, Taichung city.	(1) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.	None
February 24, 2021 2021, session 2	(1) Proposed to invest additional land from Xitun section, Xitun District, Taichung city. (2) 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 the follow-up matters. (2) The case was passed by all the attending directors unanimously.	None
March 19, 2021 2021, Session 3	(1) Discussion on the company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2020. (2) Discussion on the company's 2020 annual employee compensation and the amount of directors' remuneration and the method of issuance. (3) Discussion on annual business report and financial statements for 2020. (4) Case of assessment: The independency of certified public accountants of 2020. (5) Proposed earnings distribution for 2020. (6) Revised certain parts of the Company Articles on "Principle of shareholder's meeting". (7) Amendments to partial articles of "Regulations for Election of Directors." (8) Amendments to partial articles of "Principle of shareholders' meeting." (9) Amendments to the "Rules Governing the Scope of Powers of Independent Directors." (10) Amendments to the "Audit Committee Charter." (11) Amendments to the "Remuneration Committee Charter." (12) Amendments to partial articles of "Principle of performance evaluation of the board of directors."	(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 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 (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. (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.	None

Highwealth Construction

Date/Session	Content of Meeting Minutes		Special Items
	Brief summary of the motion	Implementation	
	(13) Amendments to the "Codes of Ethical Conduct."	(13) The case was passed by all the attending directors unanimously.	
	(14) Issue of enacted the "Rules Governing Financial and Business Matters Between the Company and its Affiliated Companies."	(14) The case was passed by all the attending directors unanimously.	
	(15) Issue of enacted the "Regulations for Appointment and Dismissal of Internal Audit Personnel."	(15) The case was passed by all the attending directors unanimously.	
	(16) Discussion on the matters related to the holding of shareholders' meeting of 2021.	(16) The case was passed by all the attending directors unanimously.	
	(17) Discussion on the shareholder's proposal rights of the shareholders' meeting in 2021.	(17) The case was passed by all the attending directors unanimously.	
	(18) Set up the record date of changing registration for the 2021 First Quarter Fifth domestic convertible company bond(Securities Number 25425) issuing common stock.	(18) The case was passed by all the attending directors unanimously.	
	(19) The company proposed to invest on the development of the land of Shanjie Section, Guishan District, Taoyuan City	(19) The case was passed by all the attending directors unanimously, and authorized the chairman to handle follow-up related matters.	
	(20) The company intended to sale the parking space of the related construction project to managerial personnel.	(20) Except for directors who did not participate in the discussion and avoid voting in accordance with the law, the remaining 6 directors agreed to pass the case.	
	(21) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Chiyuh Construction Co., Ltd".	(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 grandson company "Boyuan Construction Co., Ltd.	(22) The case was passed by all the attending directors unanimously.	
March 31, 2021 2021, Session 4	(1) The company proposed to sign the contract on urban renewal of Gongjian Section, Xizhi District, New Taipei City.	(1) The case was passed by all the attending directors unanimously.	None
	(2) Proposed to apply for a secured financing loan case from financial institutions.	(2) The case was passed by all the attending directors unanimously.	

3. Important resolutions of audit committee as of the year 2020 and the date of publication of the annual report.

Date/Session	Content of Meeting Minutes		Special Items
	Brief summary of the motion	Implementation	
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.	None
March, 20, 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. (3) Discussion on annual business report and financial statements for 2019. (4) Case of assessment: The independency of certified public accountants (5) Case of change: The independency of certified public accountants (6) Proposed earnings distribution for 2019. (7) Proposed to distribute new share from earning in 2019. (8) Amended certain sections of the Company Articles. (9) Amended certain sections of the "Principle of procedure of editing financial report" (10) Discussion on the company's "Internal Control System Statement" and "Internal Audit System". (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". (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."	(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. (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.	None
May 12, 2020 2020, Session 3	(1) Consolidated financial statements of the company for first quarter 2020. (2) The company intended to sale the housing and parking space of the related construction project to managerial personnel. (3) Purchased the liability insurance for directors of the company in 2020. (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." (5) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Chiyuh 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.	None
June 10, 2020 2020, Session 4	(1) The company intended to elect the convener of the 2nd term of the Audit Committee. (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) Mr. Hong Xiyao was elected as the convener and the chair of the meeting by the members attending the meeting unanimously (2) The case was passed by all the attending directors unanimously.	None
August 14, 2020 2019 Session 5	(1) Consolidated financial statements of the company for second quarter 2020.	(1) The case was passed by all the attending directors unanimously.	None
November 12, 2020 2020 Session 6	(1) Consolidated financial statements of the company for third quarter 2020. (2) The company intended to sale the housing and parking space of the related construction project to related parties.	(1) The case was passed by all the attending directors unanimously. (2) The case was passed by all the attending directors unanimously.	None

Highwealth Construction

Date/Session	Content of Meeting Minutes		Special Items
	Brief summary of the motion	Implementation	
	<p>(3) Proposed to transfer inventory on the record to investable real estate.</p> <p>(4) 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>(5) Proposed to continue to provide endorsement guarantee amount for the financial institution's application for financing extension to subsidiary company "Boyuan Construction Co., Ltd."</p> <p>(6) 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."</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>	
December 24, 2020 2020 Session 7	<p>(1) The company intended to dispose the office on 10th floor and the parking space of "Taipei Times Square", Taipei City</p> <p>(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."</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>	None
March 19, 2021 2021 Session 1	<p>(1) Discussion on the company's "Evaluation of Internal Control System Effectiveness" and "Internal Control System Statement" for 2020.</p> <p>(2) Discussion on annual business report and financial statements for 2020.</p> <p>(3) Case of assessment: The independency of certified public accountants of 2020.</p> <p>(4) Proposed earnings distribution for 2020.</p> <p>(5) The company intended to sale the parking space of the related construction project to managerial personnel.</p> <p>(6) Proposed to donate to the "Highwealth culture and art foundation in Taichung."</p> <p>(7) 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>(8) 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> <p>(5) The case was passed by all the attending directors unanimously.</p> <p>(6) Except for directors who did not participate in the discussion and avoid voting in accordance with the law, the remaining 2 directors agreed to pass the case.</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>	None

4. Important resolutions of compensation committee as of the year 2020 and the date of publication of the annual report.

Date/Session	Content of Meeting Minutes		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.	None
June 10, 2020 2020, Session 2	(1) The company intended to elect the convener of the 4th term of Compensation Committee.	(1) Mr. Li Wencheng was elected as the convener and the chair of the meeting by the members attending the meeting unanimously.	None
August 14, 2020 2020, Session 3	(1) The remuneration of the second term of independent directors.	(1) The member Li Wencheng and Hong Xiyao avoid themselves from conflict of interest, not participate in discussion and voting, and result in remuneration committee unable to make solution with insufficient of remuneration members. The resolution may be made by two-third of directors attending the meeting agree.	None
December 24, 2020 2020, Session 4	(1) Allocation of 2019 Directors' remuneration (2) 2019 Employees' compensation for managers of the company (3) Performance bonus of managers in 2020	(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.	None
March 19, 2021 2021, Session 1	(1) Discussion on the company's 2020 annual employee compensation and the amount of directors' remuneration 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.	None

(XII) 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.

(XIII) 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: Nil

V. Accountant Public Fee Information

Accountant Public Fee Information Level

Accounting firm name	Accountant name		Check period	Remarks
KPMG Taiwan	Han, Yi-Lian	Jian Dinuan	January, 2020 - December 2020	None

Note 1: 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.

Reason of replacement and disclosure information on audit and non-audit public fees.

Note 2: If the other non-audit public fees exceed 25% of the total non-audit public fees shall allocated separately with the service items,

Shall indicates the content of service provided in the remark

Amount Unit: NT\$ Thousand

Amount Level		Public Fee Item	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:
 - (1) Non-audited public fee: NT\$210 thousand
 - (2) Non-audit public fee nature: business registration and others.

VI. Accountant Replacement Information:

(1) Regarding the former certified public accountant

Date of the replacement	Approved by the Board of Directors on March 20, 2020		
Reason for replacement and Description	To cope with the internal rotation of the KPMG, the CPAs of the company will be replaced to Han I-Lien and Chien Tinuan from Chien Tinuan and Tseng Guoyang starting from issuing of Financial Statement 2020 First Quarter.		
State whether the appointment is terminated or rejected	by the consignor	CPA	Consignor
	or CPAs		
	Appointment terminated automatically	Not applicable.	Not applicable.
	Appointment rejected (Discontinued)	Not applicable.	Not applicable.
The Opinions other than unmodified Opinion issued in the last two years and the reasons for the said opinions	Not applicable.		
Is there any disagreement in opinion with the issuer	Yes	-	Accounting principle or practice
		-	disclosure of financial statements
		-	auditing scope or procedures
		-	Others
	None	✓	
Explanation:			
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

(2) Regarding the successor certified public accountant

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

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

VIII. In the 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**(I) Changes in shareholdings of directors, managers and major shareholders:**

Unit: Share

Job Title	Name	2020		As of April 12, 2021	
		Number of shares held Increase (minus)	Pledged shares Increase (minus)	Number of shares held Increase (minus)	Pledged shares Increase (minus)
Legal Person Director (Note 1)	Lishuo Investment (Stock) Company	—	—	—	—
Legal Person Director (Note 2)	Run Ying Investment Co., Ltd.	2,561,299	—	—	—
Chairman	Zheng Zhilong	—	—	—	—
Currently Chairman & President	Fan Huajun	20	—	—	—
Director	Zheng Qintian	2,664,421	—	—	—
Director	Zheng Xiuhui	815,151	—	—	—
Independent director	Hong Xiyao	—	—	—	—
Independent director	Li Wencheng	—	—	—	—
Independent Director (Note 1)	Yan Yunqi	—	—	—	—
Independent Director (Note 2)	Chen Tachun	2,000	—	—	—
Development Dept. Vice President	Liao Zhaoxiong	15,727	—	—	—
Kaohsiung Branch Vice President	Cao Yuanbo	—	—	—	—
Finance Dept. Vice President	Wang Suyue	33,524	—	—	—
Planning Dept. Associate Manager	Song Guozong	3,777	—	—	—
Sales Dept. Associate Manager	Chen Qiuwei	3,160	—	—	—
Accounting Dept. Associate Manager	Li Xiutai	—	—	—	—
Kaohsiung Branch Finance Dept. Manager	Chen Qiulan	13,543	—	8,000	—
Supervisor of Corporate Governance	Lin Wenlong	—	—	—	—

Note 1: Dismissed on June 10, 2020

Note 2: Served on June 10, 2020.

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

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

IX. 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, 2021 Unit: Shares;%

Name (Note 1)	Personal Holding Share		Spouse & Minor Shareholding		Holding shares in the name of others		Names and relationships of the top ten shareholders who have a relationship with each other or are relatives of a spouse or a second degree kinship. (Note3)		Remarks
	Shares	Holding shares ratio Note 2	Shares	Holding shares ratio Note 2	Shares	Holding shares ratio Note 2	Name (or Name)	Relation	
Xing Ri-sheng Investment Co., Ltd. Representative : Zheng Xiuhui	98,837,849	7.66	0	0	0	0	Zheng Qintian Zheng Junfang Xie Shuying Zheng Yousheng Cai Congbin	Spouse Mother & Child 2nd Degree Kinship 2nd Degree Kinship 2nd Degree Kinship	
Era Winner Investment Co., Ltd Representative : Huang Qingshui	78,938,890	6.12	Note 4	Note 4	Note 4	Note 4	Note 4	Note 4	Note 4
Da-Li Investment Co., Ltd Representative: Tsai Tsungpin	58,384,395	4.52	0	0	0	0	Zheng Qintian Zheng Xiuhui Zheng Junfang Zheng Yousheng Xie Shuying	2nd Degree Kinship 2nd Degree Kinship 2nd Degree Kinship 2nd Degree Kinship 2nd Degree Kinship	
Wu Chaohong	52,955,900	4.10	Note 4	Note 4	Note 4	Note 4	Note 4	Note 4	Note 4
Wan Shengfa Investment Co., Ltd Representative : Zheng Yousheng	46,668,642	3.62	0	0	0	0	Xie Shuying Zheng Qintian Zheng Xiuhui Zheng Junfang Cai Congbin	Spouse 2nd Degree Kinship 2nd Degree Kinship 2nd Degree Kinship 2nd Degree Kinship	
Yuanta/P-shares Taiwan Dividend Plus ETF Deposit account	46,342,905	3.59	Note 4	Note 4	Note 4	Note 4	Note 4	Note 4	Note 4
Qingshiban Investment Co., Ltd. Legal person representatives: LOTUS(Mauritious) GLOBAL INVESTMENTS LTD: Zheng Junfang	40,825,180	3.16	0	0	0	0	Zheng Qintian Zheng Xiuhui Xie Shuying Zheng Yousheng Cai Congbin	Father & Child Mother & Child 2nd Degree Kinship 2nd Degree Kinship 2nd Degree Kinship	
Chang Gung Medical Foundation	36,609,035	2.84	Note 4	Note 4	Note 4	Note 4	Note 4	Note 4	Note 4
Lishuo Investment (Stock) Company Representative : Xie Shuying	32,168,871	2.49	0	0	0	0	Zheng Yousheng Zheng Qintian Zheng Xiuhui Zheng Junfang Cai Congbin	Spouse 2nd Degree Kinship 2nd Degree Kinship 2nd Degree Kinship 2nd Degree Kinship	
Zheng Qintian	29,275,725	2.27	8,966,663	0.69	0	0	Zheng Xiuhui Zheng Junfang Xie Shuying Zheng Yousheng Cai Congbin	Spouse Father & Child 2nd Degree Kinship 2nd Degree Kinship 2nd Degree Kinship	

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

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

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

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

X. The number of shares held by the company, the company's directors, 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, 2021 Unit: Share;%

Re-investment business	Investment by the company		Directors, managers and investments directly or indirectly controlling the business		Comprehensive Investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Chu Feng Hotel Management Consultant Co., Ltd.	1,200,000	100%	0	0%	1,200,000	100%
Highwealth Real Estate	2,500,000	100%	0	0%	2,500,000	100%
ChyiYuh Construction Co., Ltd.	205,000,000	100%	0	0%	205,000,000	100%
Run Long Construction Co., Ltd.	21,153,600	5.72%	70,875,443	19.16%	92,029,043	24.88%
Chin Chun 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%
Pi Chiang Enterprise Co., Ltd.	7,200	100%	0	0%	7,200	100%
Xingfuyu Trading (Xiamen) Co., Ltd	0	100%	0	0%	0	100%
Chuan Hsiang Trading (Shanghai) Co., Ltd.	0	100%	0	0%	0	100%
Highwealth Construction Corporation	500,000	100%	0	0%	500,000	100%
Boyuan Construction Corporation	73,700,000	100%	0	0%	73,700,000	100%
Kuang Yang 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%

Four. Capital Overview

I. Capital and Shares

(I) Source of Share Capital

1. Types of stocks:

Share Type	Authorized Shares			Remarks
	Issued Shares	Un-issued Shares	Total	
Common Stock	1,290,963,617 shares	709,036,383 shares	2,000,000,000	Listed company stock

Note: The above-stated shares including the company bond transfer to common stock is not yet registered.

2. Source of share capital as of date of publishing:

April 12, 2021 Unit: Shares ; NTS

Year and Month	Par value	Authorized Shares		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Share Capital	Non-cash Capital Increase	Others
2005/11	10	360,000,000	3,600,000,000	301,732,767	3,017,327,670	Earnings NTS159,616,880 APIC 217,598,800 [1]	None	None
2006/01	10	360,000,000	3,600,000,000	302,037,669	3,020,376,690	CB conversion 3,049,020 [2]	None	None
2006/04	10	360,000,000	3,600,000,000	303,590,764	3,035,907,640	CB conversion NTS15,530,950 (Note 3)	None	None
2006/07	10	600,000,000	6,000,000,000	363,831,994	3,638,319,940	CB conversion NTS29,585,190 Earnings NTS514,031,470 APIC 58,795,640 [4]	None	None
2006/10	10	600,000,000	6,000,000,000	364,906,040	3,649,060,400	CB conversion NTS10,740,460 (Note 5)	None	None
2007/01	10	600,000,000	6,000,000,000	386,324,915	3,863,249,150	CB conversion NTS214,188,750 (Note 6)	None	None
2007/04	10	600,000,000	6,000,000,000	388,294,393	3,882,943,930	CB conversion NTS19,694,780 (Note 7)	None	None
2007/07	10	600,000,000	6,000,000,000	389,164,492	3,891,644,920	CB conversion 8,700,990 [8]	None	None
2007/08	10	1,000,000,000	10,000,000,000	551,431,968	5,514,319,680	Earnings NTS1,531,904,000 Capital Surplus NTS90,770,760 (Note 9)	None	None
2007/10	10	1,000,000,000	10,000,000,000	552,536,381	5,525,363,810	CB conversion NTS11,044,130 (Note 8)	None	None
2008/01	10	1,000,000,000	10,000,000,000	553,039,549	5,530,395,490	CB conversion 5,031,680 [8]	None	None
2008/04	10	1,000,000,000	10,000,000,000	554,277,070	5,542,770,700	CB conversion NTS12,375,210 (Note 8)	None	None
2008/07	10	1,000,000,000	10,000,000,000	554,621,583	5,546,215,830	CB conversion 3,445,130 [8]	None	None
2008/08	10	1,000,000,000	10,000,000,000	589,250,283	5,892,502,830	Earnings NTS307,466,000 APIC 38,821,000 [10]	None	None
2008/10	10	1,000,000,000	10,000,000,000	589,431,606	5,894,316,060	CB conversion 1,813,230 [8]	None	None
2009/07	10	1,000,000,000	10,000,000,000	639,810,879	6,398,108,790	CB conversion NTS503,792,730 (Note 8)	None	None
2009/08	10	1,000,000,000	10,000,000,000	669,722,810	6,697,228,100	Earnings NTS276,116,310 APIC 23,003,000 [11]	None	None
2010/01	10	1,000,000,000	10,000,000,000	670,327,355	6,703,273,550	CB conversion 6,045,450 [12]	None	None
2010/04	10	1,000,000,000	10,000,000,000	698,934,702	6,989,347,020	CB conversion NTS286,073,470 (Note 13)	None	None
2010/07	10	1,000,000,000	10,000,000,000	701,527,154	7,015,271,540	CB conversion NTS25,924,520 (Note 13)	None	None
2010/10	10	1,000,000,000	10,000,000,000	706,870,904	7,068,709,040	CB conversion NTS53,437,500 (Note 13)	None	None
2011/01	10	1,000,000,000	10,000,000,000	712,234,843	7,122,348,430	CB conversion NTS53,639,390 (Note 13)	None	None
2011/04	10	1,000,000,000	10,000,000,000	719,499,482	7,194,994,820	CB conversion NTS72,646,390 (Note 13)	None	None
2011/06	10	1,000,000,000	10,000,000,000	724,876,108	7,248,761,080	CB conversion 53,766,260 [13]	None	None
2011/10	10	1,000,000,000	10,000,000,000	729,711,055	7,297,110,550	CB conversion 48,349,470 [13]	None	None
2011/12	10	1,000,000,000	10,000,000,000	728,016,778	7,280,167,780	Treasury stock 214,620,000 CB conversion NTS197,677,230 (Note 13)	None	None
2012/04	10	1,000,000,000	10,000,000,000	732,161,027	7,321,610,270	CB conversion 41,442,490 [13]	None	None
2012/07	10	1,000,000,000	10,000,000,000	747,870,073	7,478,700,730	CB conversion 15,709,046 [13]	None	None
2012/07	10	1,000,000,000	10,000,000,000	598,270,073	5,982,700,730	Cash withdrawal 1,496,000,000 [14]	None	None
2014/09	10	1,500,000,000	15,000,000,000	897,405,110	8,974,051,100	Earnings NTS2,991,350,370 (Note 15)	None	None
2015/09	10	1,500,000,000	15,000,000,000	1,166,626,643	11,666,266,643	Earnings NTS2,692,215,330 (Note 16)	None	None
2019/04	10	1,500,000,000	15,000,000,000	1,166,628,752	11,666,287,520	CB conversion NTS21,090 (Note 17)	None	None
2019/06	10	2,000,000,000	20,000,000,000	1,166,628,752	11,666,287,520	(Note 18)	None	None
2020/10	10	2,000,000,000	2,000,000,000	1,283,291,627	12,832,916,270	Earnings NTS1,166,628,750 [Note 19]	None	None
2021/03	10	2,000,000,000	2,000,000,000	1,290,963,617	12,909,636,170	CB conversion NTS76,719,700 [Note 20]	None	None

Note 1: Approved by FSC on June 28, 2005. (ref. FSC document No. 0940125900)

Note 2-3: Approved by FSC on Sept. 15, 2005. (ref. FSC document No. 0940135371)

Note 4: Approved by FSC on Sept. 15, 2005. (ref. FSC document No. 0940135371)

Approved by FSC on May 26, 2006. (ref. FSC document No. 0950121590)

Note 5-6: Approved by FSC on Sept. 15, 2005. (ref. FSC document No. 0940135371)

Note 7: Approved by FSC on Sept. 15, 2005. (ref. FSC document No. 0940135371)

Approved by FSC on June 13, 2006. (ref. FSC document No. 0950002841)

Note 8: Approved by FSC on June 13, 2006. (ref. FSC document No. 0950002841)

Note 9: Approved by FSC on July, 09, 2007. (ref. FSC document No. 0960035526)

Note 10: Approved by FSC on July 9, 2008. (ref. FSC document No. 0970034417)

Note 11: Approved by FSC on June 26, 2009. (ref. FSC D&I Center No. 0980032081)

Note 12: Approved by FSC on April 9, 2008. (ref. FSC document No. 0970011133)

Note 13: Approved by FSC on April 9, 2008. (ref. FSC document No. 0970011133)

Approved by FSC on April 16, 2009. (ref. FSC document No. 0980014192)

Note 14: Approved by FSC on July 23, 2012. (ref. FSC document No. 1010031538)

Note 15: Approved by FSC on Aug. 5, 2014. (ref. FSC D&I Center No. 1030029588)

Note 16: Approved by FSC on Sept. 3, 2015. (ref. FSC D&I Center No. 1040036020)

Note 17: Approved by business letter on May 22, 2017. (ref. FSC D&I Center No. 1060016434)

Note 18: Approved by FSC on June 26, 2019. (ref. Business letter No. 10801078730)

Note 19: Approved by FSC on October 16, 2020. (ref. Business letter No. 10901193320)

Note 20: The transferred common stock is registered.

3. Summary reporting system related information: None.

(II) Status of Shareholders

April 12, 2021

Item \ Type	Government Agencies	Financial Institutions	Other Juridical Persons	Individual	Foreign Institutes and Foreigners	Total
Shareholders	3	17	213	74,964	444	75,641
Shares	354,608	54,792,267	512,963,316	548,163,395	174,690,031	1,290,963,617
Shareholding ratio	0.03%	4.24%	39.74%	42.46%	13.53%	100.00%

Note: The above-stated shares including the company bond transfer to common stock is not yet registered.

(III) Shareholding Distribution Status

1. Common shares dispersion:

Common Stock

April 12, 2021

Shareholding Tiers (Unit: Share)	Number of Shareholders	Shares	Shareholding ratio
1 ~ 999	12,859	3,682,774	0.29%
1,000 ~ 5,000	44,548	92,761,287	7.19%
5,001 ~ 10,000	8,900	62,971,878	4.88%
10,001 ~ 15,000	3,611	43,314,763	3.36%
15,001 ~ 20,000	1,596	28,151,221	2.18%
20,001 ~ 30,000	1,601	38,983,881	3.02%
30,001 ~ 40,000	712	24,821,657	1.92%
40,001 ~ 50,000	429	19,536,777	1.51%
50,001 ~ 100,000	796	55,604,936	4.31%
100,001 ~ 200,000	296	39,937,360	3.09%
200,001 ~ 400,000	134	35,978,947	2.79%
400,001 ~ 600,000	51	25,277,732	1.96%
600,001 ~ 800,000	23	15,413,525	1.19%
800,001 ~ 1,000,000	10	8,854,305	0.68%
≥ 1,000,001	75	795,672,574	61.63%
Total	75,641	1,290,963,617	100.00%

Note: The above-stated shares including the company bond transfer to common stock is not yet registered.

2. Preferred shares dispersion: None.

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

Name	Shares	Shareholding ratio
Xing Ri-sheng Investment Co., Ltd.	98,837,849	7.66%
Era Winner Investment Co., Ltd	78,938,890	6.12%

Note: The above figures reflect our shareholding records as of April 12, 2020.

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

Unit: NT\$ dollar

Item		YEAR	2019	2020	Until the end of the current year March 31, 2021
marker price per share	maximum		52.20	47.50	46.45
	minimum		44.50	32.85	42.50
	average		48.06	43.76	44.42
Net worth per share	Before distribution		28.05	24.89	Note 5
	After distribution		25.05	Note 4	–
Earnings per share	Weighted average amount of shares		1,139,975 thousand share	1,254,563 thousand shares	Note 5
	Earnings per share	Before Retrospectively Adjustment	2.66	2.11	Note 5
		After Retrospectively Adjustment	2.42		
Dividends per share (NT\$)	Cash dividends		3	2	–
	Issuance of bonus share	Earnings dividend	1	Note 4	–
		Capital reserve dividend	–	–	–
	Accrued dividend		–	–	–
Profitability	Price-to-Earning Ratio (times) (Note 2)		19.86	20.74	–
	Price-to-Dividend Ratio (Note 3)		16.02	Note 4	–
	Cash dividend yield (Note 4)		6.24	Note 4	–

Note 1: The 2019 annual shareholders' meeting has yet to be convened to determine dividend distribution.

Note 2: Price / earnings ratio = average closing price per share for the year / earnings per share.

Note 3: Price / dividend ratio = average closing price per share for the year / cash dividend per share.

Note 4: Cash dividend yield rate = cash dividend per share / average closing price per share for the year.

Note 5: As of the annual report publication date, the quarterly report for Q1 2021 has not been produced.

(VI) Dividend Policy and Implementation Status

1. 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 earnings concluded in a year are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for the legal reserve. However, no further provision for the legal reserve is required if the Company has accumulated legal reserve of an amount equal to paid-in capital. In addition, the legal reserve shall be allocated or reversed in accordance with laws and regulations or regulations stipulated by the competent authority. The remaining balance and the beginning balance of the undistributed earnings constitute the accumulated distributable earnings. Of the aforementioned accumulated distributable earnings, not less than 20% shall be allocated as shareholders' bonus. The board of directors shall prepare the proposal for distribution and submit it to the shareholders' meeting for resolution. 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.

2. Proposed dividend distribution:

The proposed distribution of 2020 profits were passed at the Board of Directors' meeting on March 19, 2021. A cash dividend of NT\$2 (NT\$2000 per thousand share) was proposed and will be discussed at the annual shareholders' meeting on June 10, 2021.

4. Significant changes to dividend policy: None.

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

The proposal of 2020 earnings distribution were approved by the board of directors on March 19, 2021 with in cash and no issuance of bonus share.

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

1. Information related to employee bonus and directors' and supervisors' remuneration in the Articles of Incorporation: Please refer to the above-mentioned (6) dividend policy.

2. 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.

3. 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\$7.5 million were passed at the Board of Directors' meeting on March 19, 2021. 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 19, 2021, the Board of Directors' meeting has determined that there will be no stock dividend distribution.

4. 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	2019		
	Actual Amount Paid	Estimated Amount	Diff.
Employee cash bonus	NT\$ 36,000 thousand	NT\$ 36,000 thousand	0
Employee stock bonus	0	0	0
Directors' Remuneration	NT\$ 8,400 thousand	NT\$ 8,400 thousand	0

(IX) Buyback of Treasury Stock: None.

II. Corporate Bonds

(I) Status of Outstanding Corporate Bonds

March 31, 2021

Type of Corporate Bonds	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	April 12, 2016	April 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	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Issuing price	At face value	At face value	At face value	At face value
Total amount	Total Par Value NT\$ 3 Billion	Total Par Value NT\$ 2 Billion	Total Par Value NT\$ 2 Billion	Total Par Value NT\$ 3.5 Billion
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.
Underwriting institution	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	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Restrictions	None	None	None	None
Credit rating agency, assessment date and results	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Secondary rights	Amount of conversion (exchange or subscriptions) to ordinary shares, oversea depositary receipts, or other securities	Not applicable.	Not applicable.	Not applicable.
	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
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	Not applicable.	Not applicable.	Not applicable.	Not applicable.

March 31, 2021

Type of Corporate Bonds	2020-1 Secured Ordinary Corporate Bond (CUSIP: B86405; Code name: P09 Highwealth1)	2020-2 Secured Ordinary Corporate Bond (CUSIP: B86406; Code name: P09 Highwealth2)	2021-1 Secured Ordinary Corporate Bond (CUSIP: B86407; Code name: P10 Highwealth1)	2021-2 Secured Ordinary Corporate Bond (CUSIP: B86408; Code name: P10 Highwealth2)
Date of issuance	December 30, 2020	December 30, 2020	January 14, 2021	January 14, 2021
Face Value	NT\$ 1 million	NT\$ 1 million	NT\$ 1 million	NT\$ 1 million
Place of issuance	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Issuing price	At face value	At face value	At face value	At face value
Total amount	Total Par Value NT\$ 3 Billion	Total Par Value NT\$ 2 Billion	Total Par Value NT\$ 2 Billion	Total Par Value NT\$ 2 Billion
Interest rate	Coupon rate: fixed rate at 0.53% per annum	Coupon rate: fixed rate at 0.53% per annum	Coupon rate: fixed rate at 0.52% per annum	Coupon rate: fixed rate at 0.50% per annum
Duration	5-year period, maturity date: December 30, 2025	5-year period, maturity date: December 30, 2025	5-year period, maturity date: January 14, 2026	3-year period, maturity date: January 14, 2024
Assurance agency	Bank of Taiwan Co., Ltd.	Land Bank of Taiwan Co., Ltd.	Mega International Bank Co., Ltd.	Taiwan Cooperative Bank Co., Ltd.
Trustee	Land Bank of Taiwan Co., Ltd.	JihSun International Bank Co., Ltd.	Land Bank of Taiwan Co., Ltd.	JihSun International Bank Co., Ltd.
Underwriting institution	BankTaiwan Securities Co.,Ltd.	Land Bank of Taiwan Co., Ltd.	Mega Securities Co., Ltd	Taiwan Cooperative Securities Co., Ltd.
Certifying attorney	Zhong-jie Wei, attorney	Zhong-jie Wei, attorney	Zhong-jie Wei, attorney	Zhong-jie Wei, attorney
Certifying accountant	Han I-Lien and Chien Tinuan	Han I-Lien and Chien Tinuan	Han I-Lien and Chien Tinuan	Han I-Lien and Chien Tinuan
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 billion
Terms of redemption or early repayment	The company may exercise its right of redemption by the coupon payment date after three years of issuance and can be redeemed totally.	The company may exercise its right of redemption by the coupon payment date after three years of issuance and can be redeemed totally.	Not applicable.	Not applicable.
Restrictions	None	None	None	None
Credit rating agency, assessment date and results	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Secondary rights	Amount of conversion (exchange or subscriptions) to ordinary shares, oversea depositary receipts, or other securities	Not applicable.	Not applicable.	Not applicable.
	Issuing and conversion (or exchange or subscription) method	Please refer to the prospectus of the first secured ordinary corporate bonds for 2020.	Please refer to the prospectus of the second secured ordinary corporate bonds for 2020.	Please refer to the prospectus of the first secured ordinary corporate bonds for 2021.
Potential impact of issuance, conversion, exchange, subscription, or issuing method and conditions on the dilution of equity and existing shareholders' rights	Please refer to the prospectus of the first secured ordinary corporate bonds for 2020.	Please refer to the prospectus of the second secured ordinary corporate bonds for 2020.	Please refer to the prospectus of the first secured ordinary corporate bonds for 2021.	Please refer to the prospectus of the second secured ordinary corporate bonds for 2021.
Custodian of the target(s) of conversion	Not applicable.	Not applicable.	Not applicable.	Not applicable.

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

March 31, 2021

Type of Corporate Bonds	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	Nov. 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\$ 3 billion	NT\$ 2 billion	NT\$ 2 billion
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 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.

(2) Status of Outstanding Convertible Corporate Bonds

March 31, 2021

Type of Corporate Bonds	Domestic Convertible Corporate Bond No. 5 (CUSIP: 25425)
Date of issuance	June 8, 2017
Face Value	NT\$100,000
Place of issuance	In Taiwan
Issuing price	Issued at 100.2% of face value
Total amount	NT\$ 10.02 billion
Interest rate	0%
Duration	Five years, maturity date: June 8, 2022
Assurance agency	Taiwan Cooperative Bank Co., Ltd., Mega International Commercial Bank Co., Ltd., Agricultural Bank of Taiwan Co., Ltd., Chang Hwa 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 (Taiwan) Commercial Bank Co., Ltd.
Trustee	Land Bank of Taiwan Co., Ltd.
Underwriting institution	Fubon Securities Co., Ltd
Certifying attorney	Yi-cheng Peng, attorney, Handsome Attorneys-at-law Office
Certifying accountant	Accountant Chien Tinuan and Tseng Kuoyang of KPMG Certified Public Accountant Office
Repayment method	If the bondholder converts the bonds to the Company's ordinary shares in accordance with Article 10 of the Regulations on Issuance and Conversion of Convertible Corporate Bonds, and redeems them in advance by the Company and repurchases them from the business office of the securities firm according to Article 18, or the bondholder sells them back in advance according to Article 19, the bondholder shall be repaid in cash at maturity with interest compensation calculated in addition to the par value of the bonds.
Outstanding Amount	NT\$9,712,200 thousand
Terms of redemption or early repayment	Please refer to the conversion method.
Restrictions	Please refer to the 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
	Issuance and Conversion (Exchange or Subscription) Method
Possible Equity Dilution Status and Impact on Existing Shareholders' Equity	Assuming that all of the bond holders request to convert the convertible bonds to ordinary shares of the Company at the conversion price of NT\$37.5, and the estimated maximum number of convertible shares are 258,992 thousand shares and the maximum dilution effect on the original shareholders' equity is of 16.71%.
Custodian of the target(s) of conversion	Not applicable.

III. Preferred Shares: None.**IV. Overseas Depository Receipts: None.****V. Employee Stock Options and New Restricted Employee Shares: None.****VI. New Shares Issuance in Connection with Merger and Acquisition: None.****VII. Financial Plans and Implementation:****(I) Content of the plan**

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

(II) Implementation of the plan

The comparison between the implementation and the expectation effectiveness of the use stated in the plans of preceding paragraphs with the analysis as until the quarter prior to the annual report published and printed.

1. The company issue the 2020 1st secured common company bond on December 30, 2020 with the par value of NT\$3 Billion and achieved for the purpose of repay the first and second secured company bond of 2016. The 2020 company bond will be repaid on April 12, 2021.
2. The company issued the 2020 second secured common company bond on December 30, 2020 with par value of NT\$2 Billion for the purpose of repaying bank loans, and completed with funding and execution. The funds repays the bank in full at the 4th quarter of 2020, the effectiveness were presented.

Five. Operational Highlights

I. Business Activities

(I) Business Activities

1. Main fields of business:

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

- (1) H701020 Industrial Factory Buildings Lease Construction and Development
- (2) H701040 Specialized Field Construction and Development
- (3) H701060 Public Works Construction and Investment
- (4) H701070 New County and Community Construction and Investment
- (5) H703010 Factory Building Rental and Leasing
- (6) H703020 Warehouse Rental and Leasing
- (7) H703030 Office Building Rental and Leasing
- (8) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

2. Weighting of business activities:

Units: NT\$ 000; %

Activities \ YEAR	2019		2020	
	Amount	Weight (%)	Amount	Weight (%)
Construction	23,317,788	97.98	22,755,194	93.02
Development	367,305	1.54	1,583,139	6.47
Environmental protection technology	-	-	-	-
Rental and leasing	113,108	0.48	124,685	0.51
Total	23,798,201	100.00	24,463,018	100.00

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

(1) Existing products and services

Apartment buildings: Apartments, suites, and parking spaces.

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

(2) 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.

(II) Industry Overview

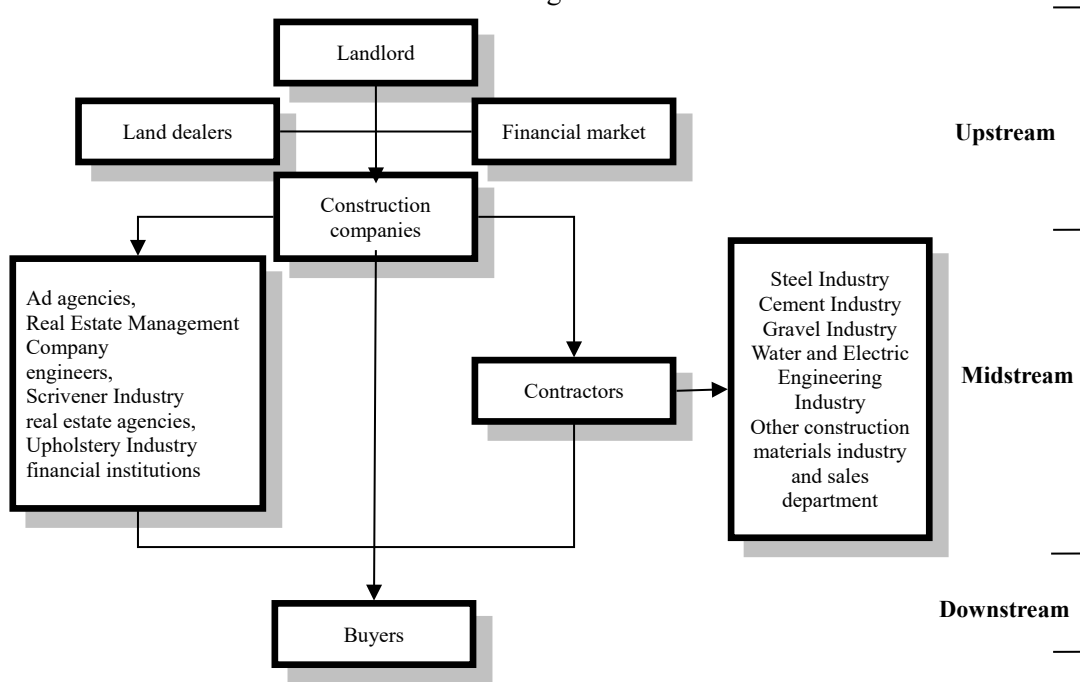
1. Industry status and overview

The prosperity of the development and construction industry is an important indicator of the wellbeing of the overall economic and financial environment in Taiwan. The first half of 2020 was affected by the COVID-19 pandemic, the domestic economic reach its bottom in the second quarter of the year, causing the willingness of people to buy their house decreased, and reduced in housing transaction and transfer decreased compared to the previous year. With the pandemic under control in May, the consuming went back to standard, the brilliant export performance and relatively steady in economic performance. The domestic housing market were different from expected under the pandemic, the market benefiting from the investment of Taiwanese companies coming back from overseas, low interest rate and quantitative easing policy, pushing the confidence of buying houses. The transaction is gradually increased from the policies, deferred asset and the population of buying property all joint together. The amount of housing transaction and transfer is increased 8.66% on 2020 compared to 2019, shows that the housing market entering the next phase. Pandemic to the housing market cannot be significantly proofed, but maybe transferred to a new-normal. As the transactions in housing market high in its popularity, the price of housing were increased and some of the region shows irrational pricing and speculation in off-plan property. On December 3, 2020, the government issued the cross-ministry “Healthy Real Estate Market Plan” wanting to eradicate the madness of flipping properties. The related ministries is launching all kinds of measures to restrain the speculation in short-term and dynamic adjustment in accordance to the housing market in long-term. These all result in impacts to the housing market.

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

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. The relationship among the industry’s up-, mid-, and

downstream is illustrated in the diagram below:



3. Product development trends

- (1) 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.
- (2) 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.
- (3) 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.

4. 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.

(III) Overview of Technology and R&D

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

1. Technology know-hows and research outlook

(1) Construction 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.

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.

(2) 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.

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

1. 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.

2. 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.

II. Market and Sales Overview

(I) Market Analysis

1. 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.

2. Market share

For the summary of the company's operating revenue in 2020, please see the table below:

Top 10 Listed Construction Companies in Terms of Operating Revenue in 2020

Rank	Name of the Company	operating revenue (NT\$ ('000))
1	Kingdom Construction	27,181,548
2	Farglory Group	26,845,946
3	Highwealth	24,463,018
4	Continental Holdings	21,688,648
5	Goldsun Building Materials Co., Ltd	18,877,800
6	DACIN Construction	15,108,083
7	Ruentex Group	14,442,940
8	Guo-Yang	14,277,947
9	Gen-Ji	14,131,558
10	Guo-Jian	13,967,552

Data source: public information observatory

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

(1) 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 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

According to the statistics of Cushman & Wakefield, the amount in land market transaction in the year 2020 were NT\$ 3.049 Billion, it is the 2 conservative years exceeds NT\$ 3 Billion after the record of NT\$ 3,140 Billion in 2019. The main reason were the quantitative easing policy issued by the central bank in 2020, the funding effect motivates the real estate developer to response in action. Real Estate Developer still the main buyer in domestic land market in 2020. Real Estate Developer on exchange market purchasing lands and continuous development in office properties, and letting the sales strategy more flexible.

(B) Number of construction licenses and building user permits 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. The housing construction permit (excluding farmhouses) issued were 121,689 in 2018; 148,566 in 2019 and 160,039 in 2020. Year 2019 and 2020 broke the record of over 83 years. The newly built housing will be facing pressures from supply and demand. The Housing user permit(excluding farmhouses) were 98,953 in 2018; 92,284 in 2019 and 98,260 in 2020. Due to the difference in development schedule, the construction permit issued not reflected on the user permit issued in the year 2019 and 2020.

According to the monthly report from Construction and Planning Agency, Ministry of Interior, the construction permit issued in six special municipalities were 131,755 in 2020, compared to 2019 increased in 6,811 as 124,944. The user permit issued were 81,239 in 2020 and compared to 2019 increased in 5,273 as 75,966.

Table shows the Housing Construction Permit and Housing User Permit issued

Unit: Number of households, Total floor area(m²)

Area	Item	Housing Construction Permit				Housing User License			
		Year 2020 January- December	2019 January- December	Compared to the same period in the previous year		Year 2020 January- December	2019 January- December	Compared to the same period in the previous year	
				(%)	Rank			(%)	Rank
Taipei City	Number of approved households	9,720	11,832	-17.85%	6	4,835	5,518	-12.38%	6
	Total Floor Area	1,334,501	1,588,123	-15.97%	6	692,094	764,894	-9.52%	5
New Taipei City	Number of approved households	26,916	24,440	10.13%	4	14,220	21,048	-32.44%	7
	Total Floor Area	3,381,902	3,235,642	4.52%	4	1,890,759	2,875,281	-34.24%	7
Taoyuan City	Number of approved households	22,233	15,343	44.91%	2	14,604	14,687	-0.57%	5
	Total Floor Area	3,337,234	2,372,032	40.69%	2	2,146,149	2,272,556	-5.56%	4
Hsinchu City and County	Number of approved households	11,143	7,098	56.99%	1	7,941	6,387	24.33%	3
	Total Floor Area	1,704,469	1,107,914	53.84%	1	1,253,920	1,038,349	20.76%	2
Taichung City	Number of approved households	33,861	29,042	16.59%	3	18,097	13,869	30.49%	2
	Total Floor Area	5,050,303	4,352,691	16.03%	3	1,711,402	2,418,731	-29.24%	6
Tainan City	Number of approved households	13,800	15,702	-12.11%	5	7,457	6,940	7.45%	4
	Total Floor Area	2,069,086	2,365,296	-12.52%	5	1,324,914	1,220,465	8.56%	3
Kaohsiung	Number of approved households	14,082	21,487	-34.46%	7	14,085	7,517	87.38%	1
	Total Floor Area	1,935,000	3,068,828	-36.95%	7	2,344,125	1,201,740	95.06%	1

Source: Monthly Report of Construction and Planning Statistics from the Construction and Planning Agency, Ministry of the Interior.

Highwealth Construction

The real estate developer got confidence in the reflow in housing market with the Quantitative easing policy issued by the central bank all over the world, sufficient funding in housing market and the lowest interest rate. According to the statistics of central bank, the balance of construction loans increased to NT\$2.4978 Trillion in January, 2021, with the annual increased rate of 18.70% and breaking the record of August 2011, shows that the real estate developer still buying new lands and launching new cases. With the huge amount of construction permit issued in 2019 and 2020, new cases were expected to be available for market after 2021. Result in the potential supply in housing market is increasing.

(C) Property roll-out

Newly launched cases in the 4th quarter 2020 were 295 cases, coming to a total of 23,609 cases launched. The total amount of case launched were NT\$324.8 Billion, shows an decreased to the previous quarter and increased to the same quarter as last year. Further observation in different region, New Taipei City, Taichung, Kaohsiung with stable pricing and other region still increasing in price as in comparison of closing price. As in the comparison of transaction amount, decreased in Hsinchu City and county, stable in Taipei, New Taipei City, Taoyuan and Tainan, and increased in Taichung and Kaohsiung. When taking into account seasonal fluctuations, we conclude that pricing in New Taipei City has neared a short-term high, other region has higher compared to the previous term, 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, compared to the same quarter as last year, the structure of housing market is increased in closing price and steady amount of transactions. Observing performance in different region, it is obscured in Hsinchu City and County, other regions are still popular.

	Nationwide	Taipei City	New Taipei City	Taoyuan City	Hsinchu City and County	Taichung City	Tainan City	Kaohsiung
Case	295	37	67	46	17	36	41	51
	(2.1%)	(0.0%)	(4.7%)	(17.9%)	(-10.5%)	(-10.0%)	(-21.2%)	(34.2%)
	《13.9%》	《54.2%》	《19.6%》	《4.5%》	《-29.2%》	《9.1%》	《36.7%》	《6.3%》
Number of launched households	23,609	1,243	5,149	3,685	729	5,039	2,524	5,240
	(-7.4%)	(-23.4%)	(-26.7%)	(-11.1%)	(-17.5%)	(-12.7%)	(-31.1%)	(120.1%)
	《-3.2%》	《13.0%》	《6.3%》	《-30.0%》	《-39.3%》	《25.0%》	《11.1%》	《-7.5%》
Amount of launched cases (in NT\$ 100 Million)	3,248	556	755	456	80	528	211	662
	(-7.1%)	(4.9%)	(-29.1%)	(-24.3%)	(-10.8%)	(-8.7%)	(-35.2%)	(116.7%)
	《9.2%》	《46.0%》	《2.9%》	《-28.6%》	《-46.2%》	《29.9%》	《10.0%》	《39.6%》

Note: Quarter-to-Quarter change in (); Year-to-Year change in 《 》.

Source: Q4 2020 Statistics reported by Cathay Real Estate

(2) Demand

According to the date of Directorate-General of Budget, Accounting and Statistic and the Agency of Construction and planning, the operating cost fro

construction still increasing, the problem of lacking human resources still not yet resolved. With the popularity in housing market, motivates the real estate developer to continue to buying new lands, result in closing price of land were increasing. The real estate developers facing the problem of operating costs, land costs increased and lack of human resources.

According to the statistics of central bank, the balance of housing loans were NT\$8.1058 Trillion in January, 2021, with annual increase of 9.17%, continues to break the record from February 2007, shows the housing market is in demand. The first half of 2020, due to the impact of the COVID-19 pandemic, decrease the willingness of people to buy house and the amount of transfer from transactions in six special municipalities were showed as decrease compared to the same period of previous year. With the time of second half of the year, the pandemic control measures were efficient domestically and with steady economic performance. The housing market benefit from the Taiwanese companies in China back home and bring their investment home; quantitative easing policy and low interest rate, the confidence of buying houses is increased. Result in the popularity quickly went back as of the demanding of first-time buyer, replaced housing and deferred assets. The housing market demand is increasing and especially in the urban area with major constructions and with positive industrial development.

The quantitative easing policy and low interest rate around the world will not be changed with in the short period of time, the investment is continuing. If the change in pandemic, political and economic situation is rare in 2021, the transactions in housing market of 2021 still have the opportunity to grow moderately. For facing uncertainty of the economic, real estate still the first choice of domestic funding for hedge. According to the data of Yunching House, real estate is the most preference for financial hedge in the first quarter of 2021 and weighted as 51%. In the funding overflow and quantitative easing measures by over the world. Consumers expecting for depreciation, therefore looking for target to hedging. The pricing in real estate is solid and not as fluctuated as financial products and with the benefit of rental income. The environment of low interest rate and the loan interest is low, making the real estate as the target for hedging.

(3) Growth

The housing policy of luxury tax, actual price registration and land tax and land value increment tax, the domestic housing market from popular to a decline. Over more than four years of consolidation in housing market, the housing

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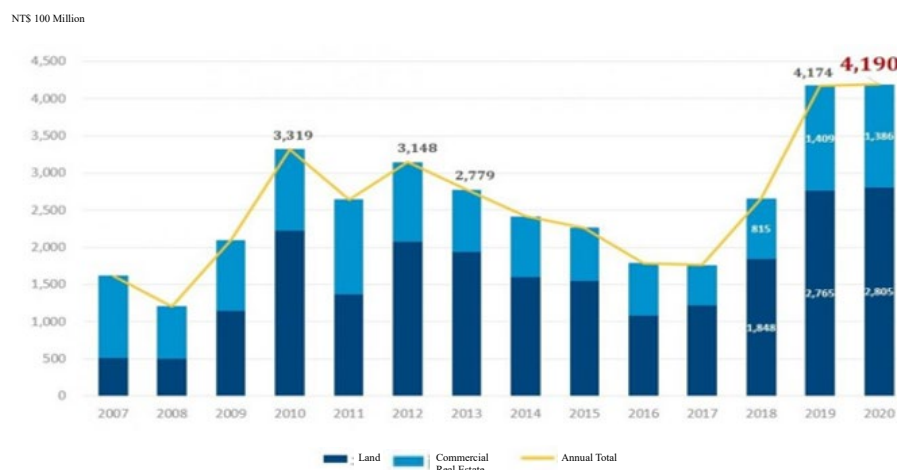
transaction closing price and amount is decreasing. Only under the impact of low interest, quantitative easing and Taiwanese companies coming back to Taiwan, the housing price changing its movement to upward.

According to the statistics of Colliers International, the total transactions of commercial estate as NT\$138.6 Billion in 2020, compared with NT\$140.9 Billion in 2019, just an slight decreased of 1.6% and as the second highest in the history. Except NT\$58.9 Billions were contributed by the manufacturing industry for owner-occupation and also attracts the investment buyer to back to the market. For example, Financial and Insurance industry also contributes NT\$43.2 Billion as the third highest of the past 100 years and the REITs also contributed NT\$5.1 Billion. The combination of the two comes to 35%. The popularity of commercial real estate is still higher than the industrial real estate in 2020, the amount of transactions exceed NT\$83.7 Billion and with an increase of 47% compared to the previous year. If combining the industrial used land of NT\$39.6 Billions were up to NT\$ 123.3 Billion, and it is the second conservative years exceeding NT\$100 Billions, as the record from starting of the statistics. Further observation for the investment of commercial real estate in six special municipalities, highest in Taipei City with NT\$50.7 Billions and decreased by over NT\$30 Billions compared to last year. Second highest as Taoyuan City of NT\$31.8 Billions with an increase of 220%, and Tainan City with NT\$14.6 Billion which is 630% times more than last year.

Amount of transactions from commercial property and land investment

Market Dynamics of 2020 Taiwan Commercial Real Estate/Land Investment

The Transaction of Land and Commercial Real Estate was over 400 Billion for two consecutive years.



COLLIERS INTERNATIONAL | PRIVATE & CONFIDENTIAL

Data source: Public Information Observatory;
Organized by Colliers International

4. Competitive advantages
 - (1) Great capital resources and credit worthiness
 - (2) Superior land development abilities with visions
 - (3) Rigorous product design to satisfy market needs
 - (4) Precise control of construction quality, progress, and costs
5. Long-term opportunities, threats, and our countermeasures
 - (1) Opportunities
 - ① The interest rate for housing loans remains at low level since 2019. According to the central bank, interest rates for housing loan from 5 major banks in January were 1.362%. It is still in the relative low level over the past.
 - ② 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.
 - ③ The government promoted “The Program of welcoming Taiwanese businesses to invest in Taiwan” from 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 for real estate to the industry simultaneously. In 2020, the amount of trade includes land of industry, factory and office, and plant house come to NT\$103.9 Billion (With annual increase of 24.27%), the transactions continued from year 108, the amount of trade comes to the new level, reflects that the demand for real estate of manufacturing industry is steady and the investment for industrial real estate continues to be demanding.
 - (2) 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.
 - ③ The Central Bank of China issues the new selective credit measures to the housing market on December 2020, four major rules as follows:
 - I. For the corporate buyers, the loan-to-value (LTV) ratio would be capped at 60 percent for their first property and 50 percent for second and more properties, and loans were without grace period.
 - II. For natural person the LTV ratio would be capped at 60 percent for third and more properties, and with no grace period. Same applies to the high-priced housing loans.
 - III. For land financing, with the limitation of 65 percent of their value and set aside 10 percent loans for construction with a concrete development plan

required.

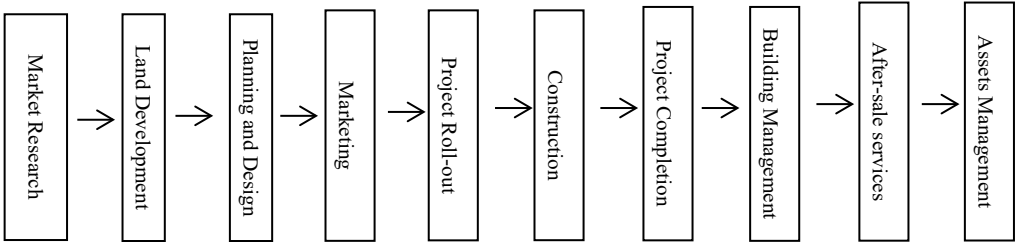
IV. Loans for unsold household restrained to 50 percent.

(3) 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).

(II) Main Products and Manufacturing Process

- 1. Major products and their main uses
 - (1) Luxury apartment buildings: apartments, suites, parking spaces.
 - (2) Luxury office buildings: storefronts, malls, suites, parking spaces.
- 2. The manufacturing process of main products



(III) Supply of Major Source Materials

- 1. 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 Kaohisung, we will seek joint construction opportunities, form strategic alliances, and partake in urban renewal projects or MRT joint development. There will be no shortage of land.
- 2. 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.
- 3. 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.

(IV) Major Suppliers and Clients

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

Unit: NT\$ ('000)

Item	2019				2020			
	Name	Amount	Percentage (%)	Relation	Name	Amount	Percentage (%)	Relation
1	ShangZhi Asset Development Co., Ltd.	5,111,580	15.98%	None	TAH HSIN INDUSTRIAL	8,375,890	18.87%	None
	Others	26,878,086	60.57%	None	Others	36,001,944	81.13%	None
	Net Purchase	31,989,666	100.00%	None	Net Purchase	44,377,834	100.00%	None

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.

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

Unit: NT\$ thousand

Item	2019				2020			
	Name	Amount	Percentage (%)	Relation	Name	Amount	Percentage (%)	Relation
	Others	23,798,201	100.00%	None	Others	24,463,018	100.00%	None
	Net Sales	23,798,201	100.00%	None	Net Sales	24,463,018	100.00%	None

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.

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.

(V) Production in the Last Two Years

Unit: NT\$ thousand

Product \ Year	2019		2020	
	Volume	Value of Production	Volume of Production	Value of Production
Housing	616	4,554,574	1,515 households	10,284,666
Construction	–	265,443	–	1,502,317
Others	–	1,193,143	–	3,585,359
Total	–	6,013,160	–	15,372,342

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. Others refer to costs of lease and sales of empty land.

(6) Sales in the Last Two Years

Unit: NT\$ thousand

Product \ Year	2019				2020			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Housing	1,456	22,177,578	–	–	1,105 households	17,455,488	–	–
Construction	–	361,692	–	–	–	1,577,561	–	–
Others	–	1,258,931	–	–	–	5,429,969	–	–
Total	–	23,798,201	–	–	–	24,463,018	–	–

Note: 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.

III. Human Resource Information(Ratio of employees in service, average years of service, average age and education) in the Last Two Years and as of the annual report published and printed

Consolidated human resource information including years of service, age, and educational background of the Company and our subsidiaries in the last two years and as of March 31, 2021:

YEAR		2019	2020	Until the End of March 2021
Number of employees	Employee	960	965	959
	Engineers	409	370	364
	Total	1,369	1,355	1,323
Average age		37.6	37.6	37.6
Average years of service		4.2	4.5	4.6
Educational Background	PhD	0%	0%	0%
	Master's	7.09%	7.27%	6.73%
	College	81.74%	81.80%	82.09%
	High School	10.52%	10.34%	10.35%
	Below high school	0.65%	0.59%	0.83%

IV. Environmental Protection Expenditure

(I) 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.

(II) 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:

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

(III) Contingent Liability in Environmental Protection: None.

V. Labor Relations

(I) 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:

1. 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 Management Policy includes the following benefits:

- | | |
|---|---|
| (1) Annual bonus | (6) Pension |
| (2) Wedding gifts and funeral solarium | (7) performance bonus, |
| (3) Uniforms, | (8) Bonus Allocation, |
| (4) Employee housing discounts, | (9) Year-end banquet |
| (5) Labor insurance, health insurance, group insurance, | (10) Other benefits defined by the Committee. |

2. 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. Employees can take these courses on their own initiative or with the recommendation of their supervisors. The training program includes:

Highwealth Construction

(1) 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.

(2) On-job training and further training

- ① The Company provides on-job training based on each department's needs.
- ② The Company can hold irregular educational training in accordance of the need for the employees, the employees can take these courses on their own initiative or with the recommendation of their supervisors.

(3) Training for new hires in the Company and its subsidiaries in the recent year:

Name of the Company	Unit	Target	Training Program	Hours
Highwealth Construction	Administration Dept.	New Staffs	Traning for demonstrating HR system	1
	Sales Dept.	Staffs in Department of Business Management	Training for demonstrating AHM system	8
			New Forest Life/Highwealth Dahe Sales Lecture	4
	Department of Planning	Staffs in Department of Planning	Visiting construction cases	10
			Post-Pandemic : Fission	8
			Analysis of performance of digital advertisement	1.5
			Augmented Application and Labelling Management of Line Application	4
			Cooperative cases sharing: Common Wealth CSR	2
			Awoo SEO evaluation on suggested content and adjustment	8
	Accounting Dept.	New Staffs	Employee Internal Educational Training	4
			Training for demonstrating ACM system	4
		Accounting Personnel	Educational training on the XBRL and filing financial statements	8
			Educational Training on the IFRS and etc.	4
	Audit Office	Audit Personnel	Dealing of common errors when preparing IFRS financial statements by the Internal Audit personnel	6
			The practical audit control of saving business cost and competition strategies	6
			Seminar of Listed company's bushiness.	3
	Finance Dept.	Service Personnel	2020 Continued Training on the prevention of insider trading and insiders' share transfers.	3
Run Long Construction	Department of Finance and Department of Accounting	Finance and Accounting Personnel	Research and discussion on the analysis of improving the company's ability in self-preparing financial statement policy, and practice of internal audit and internal control	6
			Accounting Officers of Issuers, Securities Firms, and Securities Exchanges—Continued Training	3
			IFRS Adoption Seminar	12
			Analysis on most recent corporate governance policy and set up auditing and law compliance for the corporate governance personnel.	6
			Seminar of Listed company's bushiness.	3
			XBRL Educational Training Courses	7
	Audit Office	Audit Personnel	The analysis of the competent authority's policy to assisting companies to improve the ability of preparing financial statements on its own and the internal control management in practice.	6
			The competent authority required to set up auditing and law compliance for the corporate governance personnel.	6

Name of the Company	Unit	Target	Training Program	Hours
			Seminar of Listed company's bushiness.	3
Boyuan Construction	Unit of Market	Staffs in market	First Aid Training	36
Chiyuh Construction	Management Office	New Staffs	Corporate system and operational system	1
Well Rich International	Management Office	New Staffs	orientation training	1

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

① Training on corporate governance received by managers:

Name of the Company	Job Title	Name	Held by	Training Program	Hours	
Highwealth Construction	Supervisor of Corporate Governance	Lin Wenlong	Securities & Futures Institution	Analysis of employees' compensation strategy and instruments applied	3	
			Securities & Futures Institution	Analysis on the irregular transactions of Directors and Supervisors and case studies	3	
			Securities & Futures Institution	Analysis on the transactions between Directors, Supervisors and related parties and case studies	3	
			Securities & Futures Institution	The compliance matter of newly revised corporate governance and exercising powers of the board of directors.	3	
	Assistant auditing manager	Jie-yun Chiu	The Institute of Internal Auditors	The function and Task of managers from the Blue Print of management	6	
			The Institute of Internal Auditors	Practical experience after the implementation of the Company Act and the analysis to the recent issued interpretative letters or directives	6	
			Taiwan Stock Exchange Corporation	2020 Continued Training on the prevention of insider trading and insiders' share transfers.	3	
			Taiwan Stock Exchange Corporation	Seminar of Listed company's bushiness.	3	
			Taiwan Stock Exchange Corporation	Accounting Officers of Issuers, Securities Firms, and Securities Exchanges—Continued Training	3	
	Assistant accounting manager	Li Xiutai	Accounting Research and Development Foundation	IFRS Adoption Seminar	12	
	RUN LONG Construction	Accounting manager	Ya-mei Lin	Accounting Research and Development Foundation	IFRS Adoption Seminar	12
				Taipei Exchange, Taiwan Stock Exchange Corporation	Accounting Officers of Issuers, Securities Firms, and Securities Exchanges—Continued Training	3

② Employee off-site training:

Target	Training Program	Hours
Engineers	Basic Engineering Education Training	5
Entire Engineering Personnel	Project Training	6
	User change Training	2
Entire Engineering, Electrical and Mechanic and Safety and Hygiene Personnel	Safety and Hygiene educational training	3
Deputy Director or personnel higher	Advanced Engineering Professional Training	7
Deputy Director or personnel higher Head of mechanics engineering from all the district	BES Engineering Corporation District Observation and Learning Educational Training	8
Director of engineering or personnel higher in the nation	Potential Special Training Camp	16

The Company has formulated a staff retirement scheme in accordance with the Employee Retirement Measures of the Labor Law. 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) the company deposits 6% of employees' salary to the individual accounts of labor pension at the Bureau of Labor Insurance as well, if they choose the new scheme.

3. 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.

(II) 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.

VI. Important Contracts

Type	Case	by the consignor	Duration	Content	Restrictions
Construction (note 1)	Danhai 3	Taisei Corporation	Until warranty expiry	Construction	None
	Minzhu	DACIN Construction	Until warranty expiry	Construction	None
	Neihu	DACIN Construction	Dec. 2012 to warranty expiry	Construction	None
	Xindu section	Sunglory Institution	Apr. 2018 to warranty expiry	Construction	None
	Berkely Park	Guoyuan Construction Co., Ltd.	Jun. 2018 to warranty expiry	Construction	None
	De'an	Taisei Corporation	Feb. 2019 to warranty expiry	Construction	None
	Hui min san	Wells	Jan. 2020 to warranty expiry	Construction	None
Joint construction [note 2]	Guangwu	TransGlobe Life	Mar. 2015 to completion	Guangwu, Hsinchu	None
	Beishindu	Ho et al.	Aug. 2016 to completion	Banqiao, New Taipei	None
	Hsinchu Guangwu	Zhang et al.	Nov. 2017 to completion	Guangwu, Hsinchu	None
	Zhonghe Yuanotong	Chuangding Construction Co., Ltd.	Dec. 2015 to completion	Zhonghe, New Taipei	None
	Gongjian Section	WORLDWIDE FREIGHT TERMINAL INC.	March 2021 to completion	Xizhi District, New Taipei City	None
Joint investment	Beishindu	Sunglory Institution	Aug. 2016 to completion	Banqiao, New Taipei	None
	De'an	Huan Ding Development Hai Ju Construction	Apr. 2013 to completion	Zhongshan, Keelung	None
Technical service	Hyatt Hotel Jinshan	Hyatt International (Asia) Limited	42 months starting from Dec. 2017	Consulting prior to hotel opening	None
	Hyatt Hotel Jinshan	HYATT INTERNATIONAL(ASIA)LIMITED	Dec. 2017 to 20 years after opening	Hotel management	None
Lease	Kaohsiung	Southeast Cement Corp. Goldsun Co., Ltd	Feb. 2016 to Feb. 2032	Kaohsiung	None
	Office	Taiwan Life Insurance Co., Ltd.	5.5 years since January, 2021	Taipei City	None

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

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

Six. Financial Profile

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

(I) Condensed Balance Sheet and Consolidated Income Statement

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

Unit: NT\$ thousand

YEAR		Financial Analysis in the Past Five Years (Note 1)					Financial analysis as of March 31, 2021
		2016	2017	2018	2019	2020	
Item							
Current assets		106,858,946	116,661,850	114,994,540	128,675,512	162,562,921	Note 3
Property, plant and equipment		2,416,561	2,366,802	3,288,941	3,039,648	1,164,500	Note 3
Intangible assets		25,584	26,558	25,054	24,718	25,692	Note 3
Other assets		1,855,036	5,050,660	12,592,556	16,083,667	17,054,245	Note 3
Total assets		111,156,127	124,105,870	130,901,091	147,823,545	180,807,358	Note 3
Current liabilities	Before distribution	58,665,660	63,862,328	61,659,364	77,558,356	115,378,276	Note 3
	After distribution	64,498,793	67,945,521	65,742,558	78,724,985	Note 2	Note 3
Non-current liabilities		13,760,121	25,932,472	29,139,579	35,822,007	29,628,564	Note 3
Total liabilities	Before distribution	72,425,781	89,794,800	90,798,943	113,380,363	145,006,840	Note 3
	After distribution	78,258,914	93,877,993	94,882,137	114,546,992	Note 2	Note 3
Interests attributable to parent company owner		34,578,269	30,692,772	34,180,147	30,396,294	32,121,924	Note 3
Capital		11,666,266	11,666,266	11,666,266	11,666,288	12,902,969	Note 3
Capital surplus		2,583,914	2,572,169	304,459	424,474	680,821	Note 3
Retained earnings	Before distribution	20,387,926	16,518,372	21,765,756	17,856,715	18,089,249	Note 3
	After distribution	14,554,793	14,777,765	17,682,562	16,690,086	Note 2	Note 3
Other interests		2,220	5,394	510,427	532,627	535,453	Note 3
Treasury stock		(62,057)	(69,429)	(66,761)	(83,810)	(86,568)	Note 3
Non controlling interests		4,152,077	3,618,298	5,922,001	4,046,888	3,678,594	Note 3
Total equity	Before distribution	38,730,346	34,311,070	40,102,148	34,443,182	35,800,518	Note 3
	After distribution	32,897,213	30,227,877	36,018,954	33,276,553	Note 2	Note 3

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

Note 2: The Earning Distribution of 2020 hasn't been approved by the Board of Directors.

Note 3: As of the date of publication of the annual report, accountants haven't provided financial information as of March 31, 2021.

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, 2021
	2016	2017	2018	2019	2020	
Operating revenue	35,057,830	18,670,078	44,204,971	23,798,201	24,463,018	Note 2
Gross profit from operations	11,289,543	4,973,067	13,172,878	6,649,337	6,851,279	Note 2
Operating income	7,733,030	2,631,174	9,503,362	3,505,992	4,136,357	Note 2
Non-operating income and expenses	123,674	101,839	(52,490)	445,780	(820,200)	Note 2
Income from continuing operations before income tax	7,856,704	2,733,013	9,450,872	3,951,772	3,316,157	Note 2
Net income of continuing business units	7,268,083	2,442,625	8,738,331	3,489,017	2,823,254	Note 2
Income of suspended business unit	–	–	–	–	–	Note 2
Net income	7,268,083	2,442,625	8,738,331	3,489,017	2,823,254	Note 2
Other comprehensive profits and losses (Net value after tax)	(1,131)	7,723	47,527	22,003	2,613	Note 2
Total comprehensive income	7,266,952	2,450,348	8,785,858	3,511,020	2,825,867	Note 2
Net income attributable to stockholders of the parent	6,349,210	1,929,261	6,856,144	3,029,789	2,645,801	Note 2
Net income attributable to non-controlling interests	918,873	513,364	1,882,187	459,228	177,453	Note 2
Total comprehensive income attributable to stockholders of the parent	6,348,079	1,936,984	6,903,671	3,051,792	2,648,414	Note 2
Total comprehensive income attributable to non-controlling interests	918,873	513,364	1,882,187	459,228	177,453	Note 2
Earnings per share	5.57	1.69	6.01	2.42	2.11	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 information as of March 31, 2021.

Highwealth Construction

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

Unit: NT\$ thousand

Item	Year	Financial analysis for the past five years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		76,191,680	78,468,299	81,568,176	90,297,954	117,780,867
Property, plant and equipment		530,464	521,707	859,716	899,210	437,576
Intangible assets		1,914	5,407	4,816	3,190	2,757
Other assets		2,434,110	7,540,001	14,569,091	18,374,522	17,955,274
Total assets		79,158,168	86,535,414	97,001,799	109,574,876	136,176,474
Current liabilities	Before distribution	36,606,031	37,844,505	39,901,023	55,926,126	83,419,739
	After distribution	42,439,164	41,927,698	43,984,217	57,092,755	Note 2
Non-current liabilities		7,973,868	17,998,137	22,920,629	23,252,456	20,634,811
Total liabilities	Before distribution	44,579,899	55,842,642	62,821,652	79,178,582	104,054,550
	After distribution	50,413,032	59,925,835	66,904,846	80,345,211	Note 2
Interests attributable to parent company owner		34,578,269	30,692,772	34,180,147	30,396,294	32,121,924
Capital		11,666,266	11,666,266	11,666,266	11,666,288	12,902,969
Capital surplus		2,583,914	2,572,169	304,459	424,474	680,821
Retained earnings	Before distribution	20,387,926	16,518,372	21,765,756	17,856,715	18,089,249
	After distribution	14,554,793	14,777,765	17,682,562	16,690,086	Note 2
Other interests		2,220	5,394	510,427	532,627	535,453
Treasury stock		(62,057)	(69,429)	(66,761)	(83,810)	(86,568)
Total equity	Before distribution	34,578,269	30,692,772	34,189,147	30,396,294	32,121,924
	After distribution	28,745,136	26,609,579	30,096,953	29,229,665	Note 2

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

Note 2: The Earning Distribution of 2020 hasn't been approved by the Board of Directors.

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)				
		2016	2017	2018	2019	2020
Operating revenue		18,925,829	12,252,697	30,717,971	20,373,762	18,157,516
Operating margin		6,355,174	3,416,282	8,869,264	5,690,759	12,521,372
Operating income		4,141,712	1,862,368	6,534,438	3,628,150	3,988,711
Non-operating income and expenses		2,527,735	237,417	634,399	(307,263)	(995,944)
Income from continuing operations before income tax		6,669,447	2,099,785	7,168,837	3,320,887	2,992,767
Net income of continuing business units		6,349,210	1,929,261	6,856,144	3,029,789	2,645,801
Income of suspended business unit		–	–	–	–	–
Net income		6,349,210	1,929,261	6,856,144	3,029,789	2,645,801
Other comprehensive income, net of tax		(1,131)	7,723	47,527	22,003	2,613
Total comprehensive income		6,348,079	1,936,984	6,903,671	3,051,792	2,648,414
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		5.57	1.69	6.01	2.42	2.11

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

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

YEAR	Name of the firm	Accountant name	Opinion
2016	KPMG Taiwan	Di-nuang Jian, Gou-yang Tseng,	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
2020	KPMG Taiwan	Han I-Lien, Chien Tinuan	Unqualified opinion

II. Financial Analysis in the Past Five Years

(I) Financial analysis - International Financial Reporting Standards (concise)

Item		Financial Analysis in the Past Five Years (Note 1)					Financial analysis as of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Financial structure %	Debt to asset ratio	65	72	69	77	80	Note 2
	Long term capital to property, plant and equipment ratio	2,172	2,545	2,105	2,312	5,619	Note 2
Solvency %	Current ratio	182	183	186	166	141	Note 2
	Quick ratio	30	29	36	26	23	Note 2
	Interest coverage ratio	16	5	12	5	5	Note 2
Operating capacity	Receivable turnover rate (times)	22	10	22	13	13	Note 2
	Average cash recovery day	17	34	16	28	27	Note 2
	Inventory turnover rate (times)	0.27	0.14	0.33	0.17	0.14	Note 2
	Payable turnover rate(times)	4	2	5	3	3	Note 2
	Days sales outstanding	1,352	2,443	1,106	2,147	2,607	Note 2
	Property, plant and equipment Turnover rate (times)	14	7	16	8	12	Note 2
	Total asset turnover rate (times)	0.31	0.15	0.35	0.17	0.15	Note 2
Profitability	Return on assets (%)	7	3	7	3	2	Note 2
	Return on equity (%)	18.62	6.69	23.49	9.36	8.04	Note 2
	Pre-tax net profit to paid-in capital ratio (%)	67.35	23.42	81.01	33.87	25.7	Note 2
	Net profit rate (%)	20.73	13.08	19.77	14.66	11.54	Note 2
	Earnings per share(NT\$)	5.57	1.69	6.01	2.66	2.11	Note 2
Cash Flow	Cash flow ratio (%)	2.32	Note 3	15.19	Note 3	Note 3	Note 2
	Cash flow adequacy ratio (%)	33.48	Note 3	71.79	Note 3	Note 3	Note 2
	Cash reinvestment ratio (%)	Note 3	Note 3	9.26	Note 3	Note 3	Note 2
Leverage	Operating leverage	1.17	1.44	1.14	1.42	1.31	Note 2
	Financial leverage	1.07	1.37	1.10	1.35	1.27	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. Increase in long term capital to property, plant and equipment ratio: Due to reduce of the net worth of property, plant and equipment.
2. Days sales outstanding increase: due to an decrease in inventory turnover rate in current period.
3. Property, plant and equipment turnover rate increase: mainly due to the reduce of the net worth of property, plant and equipment.
4. Return on assets and return on equity decrease: mainly due to a decrease in net profit after-tax in current period.
5. Pre-tax net profit to paid-in capital ratio decrease: mainly due to a decrease in pre-tax net profit in current period.
6. Net profit ratio decrease: mainly due to a decrease in net profit after-tax
7. Earnings per share decrease: mainly due to a decrease in net profit after tax in current period..

Note 1: The financial statement from 2016 to 2020 was certified by the CPAs.

Note 2: As of the date of publication of the annual report, accountants haven't provided financial information as of March 31, 2021.

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.

(II) Financial analysis - International Financial Reporting Standards (consolidated)

Item		Year	Financial analysis for the past five years (Note 1)			
		2016	2017	2018	2019	2020
Financial structure	Debt to asset ratio (%)	56	65	65	72	76
	Long term capital to property, plant and equipment ratio (%)	8,022	9,333	6,642	5,966	12,057
Solvency	Current ratio (%)	208	207	204	161	141
	Quick ratio (%)	27	28	36	24	22
	Interest coverage ratio	24	7	13	6	5
Operating capacity	Receivable turnover rate (times)	26	22	31	15	13
	Average cash recovery day	14	16	11	25	28
	Inventory turnover rate (times)	0.20	0.13	0.32	0.2	0.14
	Payable turnover rate(times)	7	6	16	9	7
	Days sales outstanding	1,825	2,808	1,141	1,825	2,607
	Property, plant and equipment turnover rate (times)	31	23	44	23	27
	Total asset turnover rate (times)	0.24	0.14	0.33	0.19	0.15
Profitability	Return on assets (%)	8	3	8	3	3
	Return on shareholders' equity (%)	18.23	5.91	21.14	9.38	8.46
	Pre-tax net profit to paid-in capital ratio (%)	57.17	17.99	61.45	28.47	23.19
	Net profit rate (%)	33.55	15.74	22.32	14.87	14.57
	Earnings per share(NT\$)	5.57	1.69	6.01	2.42	2.11
Cash Flow	Cash flow ratio (%)	Note 2	1.70	5.57	Note 2	Note 2
	Cash flow adequacy ratio (%)	Note 2	69.43	47.57	Note 2	Note 2
	Cash reinvestment ratio (%)	Note 2	(10.93)	(3.49)	Note 2	Note 2
Leverage	Operating leverage	1.20	1.38	1.11	1.24	1.18
	Financial leverage	1.08	1.24	1.11	1.23	1.22

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. Increase in long term capital to property, plant and equipment ratio: Due to reduce of the net worth of property, plant and equipment.
2. Inventory turnover rate (times) decrease: mainly due to a decrease in cost of sales in current period and average inventory.
3. Payable turnover rate(times) decrease: mainly due to a decrease in operating costs.
4. Days sales outstanding increase: due to an decrease in inventory turnover rate (times) in current period.
5. Total asset turnover rate decrease: mainly due to a decrease in operating revenue.

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)

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

Highwealth Construction Corporation
Audit Committee's Review Report

The Board of Directors prepared the 2020 financial statements of the Company and its consolidated subsidiaries, which was audited by the accountants of KPMG Certified Public Accountant Office, Han I-Lien and Chien Tinuan. The Audit Committee has reviewed the business report and earnings appropriation proposal, and finds no material misstatement. In accordance with the Securities and Exchange Act, Article 14-4 and the Company Act, Article 219, the Committee hereby submits the review report.

To

2021 Annual Shareholder's Meeting of Highwealth Construction Corporation

Audit Committee Convener: Hong Xiyao



March 19, 2021

IV. Financial Statement of Recent Year

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, 2020 and 2019, 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 at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“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, 2020 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 Groups sales revenue was \$22,657,004 thousand in 2020, whether revenue is presented fairly has a significant impact on financial statement. Therefore, the recognition of sales revenue is one of the most important evaluation in performing our audit procedures.

Auditing procedures performed

Our principal audit procedures included 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.. 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 “Revenue” and 6(e) of the consolidated financial statements for the accounting policies on measuring inventory, assumption used and uncertainties considered in determining the net realizable value and the details of inventory.

Description of key audit matter

As of December 31, 2020, inventory of the Group valued \$132,633,229 thousand, constituting 73% 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, 2020 and 2019, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (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.

Highwealth Construction

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, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2021

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2020 and 2019
(Expressed in Thousand of New Taiwan Dollars)

Assets		December 31, 2020		December 31, 2019		Liabilities and Equity		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 10,538,810	6	12,227,545	9	2100	Short-term borrowings (Note 6(n))	\$ 74,772,187	41	56,817,836	38
1110	Financial assets at fair value through profit or loss—current (Notes 6(b) and 8)	270,366	-	629,443	-	2110	short-term transaction instrument payables (Note 6(o))	8,332,703	5	4,225,151	3
1140	Current contract assets (Note 6(y))	14,027	-	50,303	-	2130	Current contract liabilities (Note 6(y))	11,692,080	7	6,203,159	5
1150	Notes receivable, net (Notes 6(d) and 8)	1,524,590	1	1,484,144	1	2150	Notes payable	3,740	-	7,657	-
1170	Accounts receivable, net (Note 6(d))	244,242	-	423,220	-	2170	Accounts payable (Note 7)	6,325,327	3	6,050,414	5
130X	Inventory (Notes 6(e) and 8)	132,633,229	73	105,967,814	72	2200	Other payables	2,215,128	1	2,258,099	2
1410	Prepayment	602,091	-	616,740	-	2216	Dividends payable (Note 6(w))	557	-	1,167,169	-
1461	Non-current assets classified as held for sale (Note 6(f) and 8)	1,787,896	1	-	-	2230	Current tax liabilities	327,601	-	74,239	-
1476	Other financial assets-current (Notes 6(m) 、(ab) 、8 and 9(b))	12,310,906	8	5,487,384	4	2250	Provisions—Current (Notes 6(s) and (u))	162,060	-	137,991	-
1479	Other current assets, others	191,218	-	230,516	-	2280	Lease liabilities (Note 6(r))	62,057	-	65,209	-
1480	Current assets recognized as incremental costs to obtain contract with customers (Note 6(m))	2,445,546	1	1,558,403	1	2305	Other financial liability-current	93,917	-	99,047	-
		<u>162,562,921</u>	<u>90</u>	<u>128,675,512</u>	<u>87</u>	2321	Current Portion of reverse bonds (Note 6(q))	8,462,758	5	-	-
						2322	Current portion of long-term borrowings (Note 6(p))	1,995,648	1	257,788	-
						2399	Other current liabilities, others(note)	932,513	1	194,597	-
								<u>115,378,276</u>	<u>64</u>	<u>77,558,356</u>	<u>53</u>
Non-current assets:						Non-Current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	553,139	-	550,364	-	2530	Bonds payable (Note 6(q))	25,399,497	14	29,074,991	20
1550	Investments accounted for using equity method, net (Note 6(g))	128,595	-	91,584	-	2540	Long-term borrowings (Note 6(p))	3,536,443	3	6,013,239	4
1600	Property, plant and equipment (Note 6(j) and 8)	1,164,500	1	3,039,648	2	2570	Deferred tax liabilities	191,553	-	191,553	-
1755	Right-of-use assets (Note 6(k))	446,755	-	492,209	-	2580	Lease liabilities, non-current (Note 6(r))	458,956	-	500,586	-
1760	Investment property (Notes 6(l) and 8)	4,503,417	3	4,563,599	3	2640	Net defined benefit liability, non-current (Note 6(u))	42,115	-	41,638	-
1780	Intangible assets	25,692	-	24,718	-			<u>29,628,564</u>	<u>17</u>	<u>35,822,007</u>	<u>24</u>
1840	Deferred tax assets	47,365	-	41,209	-			<u>145,006,840</u>	<u>81</u>	<u>113,380,363</u>	<u>77</u>
1980	Other non-current financial assets (Note 6(m))	11,148,989	6	10,224,220	8	Total liabilities					
1915	Prepayments for business facilities	106,098	-	-	-	Equity attributable to owners of parent:					
1990	Other non-current assets, others	119,887	-	120,482	-	3100	Common stock (Note 6(w))	12,902,969	7	11,666,288	8
		<u>18,244,437</u>	<u>10</u>	<u>19,148,033</u>	<u>13</u>	3200	Capital surplus (Note 6(w))	680,821	-	424,474	-
						Retained earnings (Note 6(w)):					
						3310	Legal reserve	7,295,747	4	7,227,303	5
						3350	Unappropriated earnings	10,793,502	6	10,629,412	7
						3400	Other equity (Note 6(w))	535,453	-	532,627	-
						3500	Treasury stock (Note 6(w))	(86,568)	-	(83,810)	-
								<u>32,121,924</u>	<u>17</u>	<u>30,396,294</u>	<u>20</u>
						36XX	Non-controlling interests (Note 6(i))	3,678,594	2	4,046,888	3
								<u>35,800,518</u>	<u>19</u>	<u>34,443,182</u>	<u>23</u>
						Total equity					
						Total liabilities and equity					
								<u>\$ 180,807,358</u>	<u>100</u>	<u>147,823,545</u>	<u>100</u>

Financial profile

Highwealth Construction

(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, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(y))	\$ 24,463,018	100	23,798,201	100
5000	Operating cost (Note 6(e))	17,611,739	72	17,148,864	72
	Gross profit from operations	6,851,279	28	6,649,337	28
	Operating expenses:				
6100	Selling expenses (Note 6(m))	1,451,014	6	1,673,787	7
6200	Administrative expenses	1,263,908	5	1,469,558	6
		2,714,922	11	3,143,345	13
	Net operating income	4,136,357	17	3,505,992	15
	Non-operating income and expenses:				
7100	Total interest income (Notes 6(aa))	22,762	-	33,660	-
7010	Other income (Note 6(aa) and 7)	165,185	1	230,343	1
7020	Other gains and losses (Note 6(aa))	(115,742)	-	1,089,374	5
7050	Finance costs, net (Note 6(aa))	(887,416)	(4)	(902,991)	(4)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Note 6(g))	(4,989)	-	(4,606)	-
	Total non-operating income and expenses	(820,200)	(3)	445,780	2
	Profit (loss) from continuing operations before tax	3,316,157	14	3,951,772	17
7950	Less: Income tax expenses (Note 6(v))	492,903	2	462,755	2
	Profit (loss)	2,823,254	12	3,489,017	15
	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 (Note 6(u))	(213)	-	(322)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	2,775	-	22,474	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		2,562	-	22,152	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	51	-	(149)	-
8399	Less: 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	51	-	(149)	-
8300	Other comprehensive income	2,613	-	22,003	-
	Total comprehensive income	\$ 2,825,867	12	3,511,020	15
	Profit, attributable to:				
8610	Profit, attributable to owners of parent company	\$ 2,645,801	11	3,029,789	13
8620	Profit, attributable to non-controlling interests	177,453	1	459,228	-
		\$ 2,823,254	12	3,489,017	15
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent company	\$ 2,648,414	11	3,051,792	13
8720	Comprehensive income, attributable to non-controlling interests	177,453	1	459,228	2
		\$ 2,825,867	12	3,511,020	15
	Earnings per share (Note 6(w))				
9750	Basic earnings per share	\$ 2.11		2.42	
9850	Diluted earnings per share	\$ 1.80		2.10	

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, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Share capital					Total other equity interest						
	Retained earnings					Unrealized gains		Total other equity			Total equity	
	Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	(losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Treasury stock	owners of parent	Non-controlling interests	Total equity
Balance on January 1, 2019	\$ 11,666,266	304,459	6,307,154	15,458,602	21,765,756	344	510,083	510,427	(66,761)	34,180,147	5,922,001	40,102,148
Effects of retrospective application	-	-	-	(14,959)	(14,959)	-	-	-	-	(14,959)	(140)	(15,099)
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	5,921,861	40,087,049
Profit (loss)	-	-	-	3,029,789	3,029,789	-	-	-	-	3,029,789	459,228	3,489,017
Other comprehensive income	-	-	-	(322)	(322)	(149)	22,474	22,325	-	22,003	-	22,003
Total comprehensive income	-	-	-	3,029,467	3,029,467	(149)	22,474	22,325	-	3,051,792	459,228	3,511,020
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)	-	(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)	-	(2,333,257)
Conversion of convertible bonds	22	81	-	-	-	-	-	-	-	103	-	103
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	119,934	-	-	-	-	-	-	-	119,934	-	119,934
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	(507,223)	(507,223)	-	-	-	-	(507,223)	-	(507,223)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	(17,049)	(17,049)	17,049	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,351,250)	(2,351,250)
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	4,046,888	34,443,182
Profit (loss)	-	-	-	2,645,801	2,645,801	-	-	-	-	2,645,801	177,453	2,823,254
Other comprehensive income	-	-	-	(213)	(213)	51	2,775	2,826	-	2,613	-	2,613
Total comprehensive income	-	-	-	2,645,588	2,645,588	51	2,775	2,826	-	2,648,414	177,453	2,825,867
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	68,444	(68,444)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(1,166,629)	(1,166,629)	-	-	-	-	(1,166,629)	-	(1,166,629)
Stock dividends of ordinary share	1,166,628	-	-	(1,166,628)	(1,166,628)	-	-	-	-	-	-	-
Conversion of convertible bonds	70,053	203,150	-	-	-	-	-	-	-	273,203	-	273,203
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	53,304	-	-	-	-	-	-	-	53,304	-	53,304
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	(79,797)	(79,797)	-	-	-	-	(79,797)	-	(79,797)
Changes in ownership interests in subsidiaries	-	5	-	-	-	-	-	-	(2,758)	(2,753)	2,753	-
Changes in other capital surplus	-	(112)	-	-	-	-	-	-	-	(112)	-	(112)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(548,500)	(548,500)
Balance at December 31, 2020	\$ 12,902,969	680,821	7,295,747	10,793,502	18,089,249	246	535,207	535,453	(86,568)	32,121,924	3,678,594	35,800,518



(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, 2020 and 2019
(Expressed in Thousand of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 3,316,157	3,951,772
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	228,483	207,983
Amortization expense	14,340	10,682
Expected credit loss	4,680	1,819
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(40,633)	(46,363)
Interest expense	887,416	902,991
Interest income	(22,762)	(33,660)
Dividend income	(15,166)	(10,564)
Share of loss of associates and joint ventures accounted for using equity method	4,989	4,606
Gain on disposal of property, plan and equipment	(1,836)	(1,091)
Gain on disposal of investment properties	(112,057)	(162,047)
Gain on lease modifications	(141)	(254)
Gain on disposal of non-current assets classified as held for sale	-	(886,639)
Impairment loss on non-financial assets	250,000	57,000
Gain to the rights transferred of the sale and leaseback	-	(62,116)
Total adjustments to reconcile profit (loss)	1,197,313	(17,653)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease on financial assets or liabilities at fair value through profit or loss	399,526	47,094
Decrease (increase) in contract assets	36,276	(8,379)
Increase in notes receivable	(43,426)	(5,885)
Decrease (increase) in accounts receivable	177,278	(134,532)
Increase in inventories	(25,699,587)	(13,959,363)
Increase in prepayments	(38,679)	(230,282)
Decrease (increase) in other current and non-current assets	39,905	(97,131)
Increase in other financial assets	(6,815,107)	(1,111,018)
Increase in assets recognised as incremental costs to obtain contract with customers	(887,143)	(787,152)
Total changes in operating assets	(32,830,957)	(16,286,648)
Changes in operating liabilities:		
Increase in contract liabilities	4,575,045	2,846,221
Decrease in notes payable	(3,917)	(12,355)
Increase (decrease) in accounts payable	274,913	(56,644)
Increase (decrease) in other payables	(62,191)	216,454
Increase (decrease) in provisions	24,069	(80,979)
Increase (decrease) in other financial liabilities	(5,130)	77,155
Increase (decrease) in other current liabilities	737,916	(138,897)
Increase in net defined benefit liability	264	239
Total changes in operating liabilities	5,540,969	2,851,194
Total changes in operating assets and liabilities	(27,289,988)	(13,435,454)
Total adjustments	(26,092,675)	(13,453,107)
Cash inflow generated from operations	(22,776,518)	(9,501,335)
Income taxes paid	(250,706)	(757,284)
Net cash flows from (used in) operating activities	(23,027,224)	(10,258,619)

(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, 2020 and 2019
(Expressed in Thousand of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	491
Acquisition of investments accounted for using equity method	(42,000)	-
Proceeds from disposal of non-current assets classified as held for sale	913,876	1,286,739
Acquisition of property, plant and equipment	(83,275)	(455,847)
Proceeds from disposal of property, plant and equipment	4,695	231,682
Acquisition of intangible assets	(15,351)	(10,380)
Proceeds from disposal of intangible assets	43	-
Proceeds from disposal of investment properties	154,093	518,330
Increase in prepayments for business facilities	(106,098)	-
Interest received	20,526	30,049
Dividends received	15,166	10,564
Net cash flows from (used in) investing activities	<u>861,675</u>	<u>1,611,628</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	44,588,960	30,917,734
Decrease in short-term loans	(26,635,600)	(16,492,233)
Increase (decrease) in short-term notes and bills payable	4,107,552	(122,782)
Proceeds from issuing bonds	5,000,000	5,900,000
Repayments of bonds	-	(2,000,000)
Proceeds from long-term debt	550,000	682,200
Repayments of long-term debt	(1,288,936)	(615,457)
Payment of lease liabilities	(53,740)	(50,132)
Increase in other financial liabilities (includes current)	(924,769)	(2,737,259)
Cash dividends paid	(2,795,749)	(7,237,596)
Interest paid	(1,958,120)	(1,671,366)
Changes in non-controlling interests	(112,828)	(750,765)
Net cash flows from (used in) financing activities	<u>20,476,770</u>	<u>5,822,344</u>
Effect of exchange rate changes on cash and cash equivalents	44	(114)
Net increase (decrease) in cash and cash equivalents	(1,688,735)	(2,824,761)
Cash and cash equivalents at beginning of the year	<u>12,227,545</u>	<u>15,052,306</u>
Cash and cash equivalents at end of the year	<u>\$ 10,538,810</u>	<u>12,227,545</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

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.). The Group’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 Group as of and for the year ended December 31, 2020 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group primarily engages in the business of construction, sales, 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 19, 2021.

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

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

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

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

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

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

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

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

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

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

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

Summary of significant accounting policies:

The 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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 IFRSs, IAS, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC.

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Fair instruments measured at 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 consolidated financial statements are presented in New Taiwan Dollars, (NTD), which is the Company’s functional currency. All the financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparing consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any 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, 2020	December 31, 2019	
The Company	Qi Yu 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
The Company	Ju Feng Hotel Management 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 Property Management 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	5.72% (Note)	5.28% (Note)	The Company doesn't hold more than 50% of interest directly and indirectly but have substantial controlling power and considered as subsidiary
The Company	Bo Yuan Construction Co., Ltd.	Residence Buildings Lease Construction, and Department sotres	100.00%	100.00%	The Company hold more than 50% interest of the subsidiary directly
The Company	Yi chi 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	Bi Chiang Enterprise Co., Ltd.	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, 2020	December 31, 2019	
The Company	Highwealth Construction Corp.	Construction Industry、Residence and Buildings Lease Construction	100.00%	100.00%	The Company hold more than 50% interest of the subsidiary directly
QI Yu	Guang Yang Investment Co., Ltd.	Investment industry	100.00%	100.00%	Qi Yu hold more than 50% interest of the subsidiary directly
QI Yu	Yuan Sheng International Co., Ltd.	Wholesale of construction Material	100.00%	100.00%	Qi Yu hold more than 50% interest of the subsidiary directly
Qi Yu	Run Long Construction Co.	Waste treatment、Residence and Buildings Lease Construction	5.02% (Note)	5.02% (Note)	Qi Yu doesn't hold more than 50% of interest directly and indirectly but have substantial controlling power and considered as subsidiary
Guang Yang	Run Long Construction Co.	Waste treatment、Residence and Buildings Lease Construction	5.62% (Note)	5.45% (Note)	Guang Yang doesn't hold more than 50% of interest directly and indirectly but have substantial controlling power and considered as 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:The Group's shareholdings change because the Group invested or disposed of shareholdings of Run Long Construction during 2020.

(iii) 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;

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

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.

(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;

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(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 losses, 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

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 measured at amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Business model assessment

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

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 (“ECL”) 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 account receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

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 months 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. An evidence that a financial asset is credit-impaired includes the following observable data.

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

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

The gross carrying amount of a financial asset is written off either partially or in full to extent that there is no realistic prospect of recovery. 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 instruments

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

2) Equity instruments

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all 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 offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

(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 methods of determining the net realizable value are as follows:

1) Construction site

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

2) Construction in progress

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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Real estate 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 selling costs and selling expenses needed to sell the real estate.

(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

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 initially recognized at cost and then subsequently measured at cost less depreciation and accumulated impairment loss. The depreciation expense is appropriated in accordance with the depreciable amount after the initial recognition. The depreciation methods, useful lives, and residual values of investment property are same as the practice of the property, plant, and equipment.

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

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 expenditure

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

(iii) Depreciation

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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(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 Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) The Group has the right to direct the use of the asset throughout the period of use only if either:
 - The Group has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - The relevant decisions about how and for what purpose the asset is used are predetermined and:
 - The Group 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 Group designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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:

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

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

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

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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

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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 transactions, 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.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- The rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- The change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- There is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) As 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.

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

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

(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.

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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

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(iii) Amortization

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

- | | |
|-------------------------|--------------|
| 1) Patent and trademark | 1 ~ 10 years |
| 2) Computer software | 1 ~ 3 years |

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

(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.

(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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

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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 the 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 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 based on the retail price. The Group has recognized contract liability at the time of sale based on the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 based on 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.

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).

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 fulfil 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.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil 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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

(s) Income Taxes

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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

- (t) Earnings per share

The Group disclose the Company's basic and diluted earnings per share attributable to ordinary equity holders of 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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

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(u) Operating segments

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

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

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

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(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. Therefore, Run Long Construction Co., Ltd. is considered a subsidiary.

The information for the assumptions of uncertainty and the estimation have significant risks on amount of assets and liabilities that have reflected the effect of the Covid-19 and will result in significant adjustments in the following year 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.

The Group' accounting policies and disclosures included financial and non-financial assets and liabilities measured at fair value. The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This 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.

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

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

The transfers policy between levels of the fair value hierarchy

If there are any movements of financial instruments measured at fair value between Level 1, Level 2, and Level 3, the Group recognizes the movement at the reporting date. 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, 2020	December 31, 2019
Bank overdrafts used for cash management purposes	\$ 7,035	4,856
Demand Deposits	10,501,775	12,122,689
Time Deposits	30,000	100,000
Cash and cash equivalent	\$ 10,538,810	12,227,545

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, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss:		
Stocks listed on domestic markets	\$ 263,550	629,443
Call options and conversion options	6,816	-
Total	\$ 270,366	629,443

- (i) For the net gain or loss on fair value on financial instruments at FVTPL, please refer to note 6(aa).
- (ii) As of December 31, 2020, and 2019, the gain or loss due to acquisition and disposal on financial assets at fair value through profit and loss of the Group was \$11,009 thousand, \$410,535 thousand, \$0 and \$47,094 thousand, respectively.
- (iii) For credit risk and market risk; please refer to note 6(ab).

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

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- (iv) As of December 31, 2020 and 2019, the financial assets at fair value through profit and loss of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.
 (c) Financial assets at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income:		
Unlisted Common Share	\$ 553,139	550,364

- (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, the Group has sold its shares at a fair value of \$491 thousand, and the Group realized a gain of \$125 thousand, 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, 2020 and 2019, 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, net

	December 31, 2020	December 31, 2019
Note receivables	\$ 1,529,570	1,486,144
Trade receivables	246,934	424,212
Less: Loss allowance	7,672	2,992
	\$ 1,768,832	1,907,364

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, 2020		
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance Provision
Current	\$ 1,768,832	-	-
365 days past due	7,672	100%	7,672
	\$ 1,776,504		7,672

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

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	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

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

	For the years ended December 31	
	2020	2019
Balance on January 1	\$ 2,992	5,003
Impairment losses reversed	4,680	1,819
Amounts written off	-	(3,830)
Balance on December 31	\$ 7,672	2,992

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

(e) Inventories

	December 31, 2020	December 31, 2019
Spare parts	\$ 10,598	11,129
Raw materials and consumables	1,696	804
Finished goods	4,881	7,291
Total	17,175	19,224
Properties and land held for sale	\$ 14,033,182	16,283,008
Land held for construction sites	25,368,907	20,681,957
Construction in progress	92,903,286	67,877,847
Prepaid for land purchase	310,679	1,105,778
Total	132,616,054	105,948,590
In total	\$ 132,633,229	105,967,814

For the years ended December 31, 2020 and 2019, the cost of good sold recognized in consolidated comprehensive income amounted to \$16,054,535 thousand and \$16,805,736 thousand, respectively. For the years ended December 31, 2020 and 2019 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 \$7,886 thousand and \$44,951 thousand, respectively.

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For the years ended December 31, 2020 and 2019, 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, 2020 and 2019, construction in progress of the Group is calculated using a capitalization rate 1.85%~1.99% and 2.04%~2.10%, respectively. For capitalized interest, please refer to note 6(aa).

As of December 31, 2020, and 2019, 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

Based on the resolution made during the Board Meeting on November 26, 2020, and December 24, 2020, the Group expected to dispose the land and building on JinTai section, Zhongshan Dist. in Taipei City, and the selling process had been proceeded. Therefore, the Group reclassified the property and building to non-current assets held for sale. As of December 31, 2020, the carrying value of non-current assets held for sale was \$1,787,896 thousand, which the contract amount for the sale-and-leased-back was \$3,688,880 thousand (include taxes).

The Group disposed the land and buildings in DeChang section, Yingge district by the resolution of the Board of directors 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 sales of the above land and plant was \$1,299,474 thousand (tax included). As of December 2019, the transfer process was completed and relevant payments were received. For the profit or loss on the disposal, please refer to note 6(aa).

The Group's non-current assets held for sale had been pledged as collateral for bank borrowings, please refer to note 8.

(g) 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, 2020	December 31, 2019
Joint ventures	<u>\$ 128,595</u>	<u>91,584</u>

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

	December 31, 2020	December 31, 2019
Carrying amount of individually insignificant associates' equity	<u>\$ 128,595</u>	<u>91,584</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the year ended December 31	
	2020	2019
Attributable to the Group:		
Profit (loss) from continuing operations	\$ (4,989)	(4,606)
Comprehensive income	<u>\$ (4,989)</u>	<u>(4,606)</u>

Guoyu Building Materials Co., Ltd., a joint venture of the Group, made a cash capital increase of \$120,000 thousand in 2020 for expanding its operations and development, and the Group acquired \$42,000 thousand based on its shareholding ratio.

(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 2020 and 2019.

The effects of the changes in shareholdings were as follows:

	For the years ended December 31	
	2020	2019
Carrying amount of non-controlling interest on acquisition	\$ 33,031	243,542
Consideration paid to non-controlling interests	(112,828)	(750,765)
Retained Earnings	<u>\$ (79,797)</u>	<u>(507,223)</u>

(i) Material non-controlling interests of subsidiaries

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

Subsidiaries	Main operation place	Percentage of non- controlling interests	
		December 31, 2020	December 31, 2019
Run Long Construction Co., Ltd	Taiwan	83.64%	84.25%

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in this information are 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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

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

	December 31, 2020	December 31, 2019
Current asset	\$ 32,877,608	24,473,681
Non-Current asset	3,920,382	4,645,698
Current Liability	(23,527,423)	(12,901,157)
Noncurrent Liability	<u>(8,199,631)</u>	<u>(10,703,294)</u>
Net assets	<u>\$ 5,070,936</u>	<u>5,514,928</u>
Non-controlling interests	<u>\$ 3,678,594</u>	<u>4,046,888</u>
	For the years ended December 31	
	2020	2019
Sales revenue	<u>\$ 7,656,236</u>	<u>4,198,656</u>
Net income	\$ 117,248	655,920
Other comprehensive income	<u>49,668</u>	<u>15,535</u>
Comprehensive income	<u>\$ 166,916</u>	<u>671,455</u>
Profit, attributable to non-controlling interests	<u>\$ 177,453</u>	<u>459,228</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 177,453</u>	<u>459,228</u>
	For the years ended December 31	
	2020	2019
Net cash flows from operating activities	\$ (4,268,952)	(6,070,319)
Net cash flows from investing activities	269,114	1,301,788
Net cash flows from financing activities	<u>4,011,701</u>	<u>3,047,307</u>
Effect of exchange rate changes on cash and cash equivalents	<u>\$ 11,863</u>	<u>(1,721,224)</u>
Dividends to NCI	<u>\$ 515,797</u>	<u>2,107,708</u>

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, 2020 and 2019, were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Constructio n in progress</u>	<u>Total</u>
Cost:						
Balance on January 1, 2020	\$ 1,345,199	1,172,772	3,634	940,163	1,666	3,463,434
Additions	-	4,673	1,699	76,903	-	83,275
Disposals	-	-	-	(53,274)	-	(53,274)
Transfer from (to)	-	(69,903)	-	69,903	-	-
Construction in progress	-	-	-	1,666	(1,666)	-
Reclassification to properties held for sale	(859,907)	(799,841)	-	-	-	(1,659,748)
Effect of changes in foreign exchange rates	-	-	-	(7)	-	(7)
Balance on December 31, 2020	<u>\$ 485,292</u>	<u>307,701</u>	<u>5,333</u>	<u>1,035,354</u>	<u>-</u>	<u>1,833,680</u>
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 properties held 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>
Depreciation and Impairment:						
Balance on January 1, 2020	\$ 3,850	186,065	3,634	230,237	-	423,786
Depreciation	571	32,474	177	89,729	-	122,951
Impairment	-	-	-	250,000	-	250,000
Disposals	-	-	-	(50,415)	-	(50,415)
Transfer from (to)	-	(27,188)	-	27,188	-	-
Reclassification to properties held for sale	-	(77,132)	-	-	-	(77,132)
Effect of changes in foreign exchange rates	-	-	-	(10)	-	(10)
December 31, 2020	<u>\$ 4,421</u>	<u>114,219</u>	<u>3,811</u>	<u>546,729</u>	<u>-</u>	<u>669,180</u>
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)

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Constructio n in progress</u>	<u>Total</u>
Reclassification to properties held for sale	-	(165,615)	-	(8,005)	-	(173,620)
Effect of changes in foreign exchange rates	-	-	-	(14)	-	(14)
Balance on 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>
Carrying amounts:						
Balance on December 31, 2020	<u>\$ 480,871</u>	<u>193,482</u>	<u>1,522</u>	<u>488,625</u>	<u>-</u>	<u>1,164,500</u>
Balance on January 1, 2019	<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>
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>

- (i) In order to manage activating strategies of assets and obtain the maximum effectiveness, the Group transferred the assets to the non-current assets held for sale in 2020 and 2019. Please refer to note 6 (f) and (e) for details.
- (ii) The lease improvement includes the renovation cost for the mall operations, etc. Based on the assessment in 2020 and 2019, the carrying amount was determined to be higher than its recoverable amount so an impairment loss \$250,000 thousand and \$57,000 thousand was recognized. Please refer to note 6(aa).
- (iii) As of December 31, 2020, and 2019, 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:

Cost:	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Balance on January 1, 2020	\$ 29,682	622,715	1,886	654,283
Additions	11,567	-	-	11,567
Lease Improvement	(23,951)	-	-	(23,951)
Balance on December 31, 2020	<u>\$ 17,298</u>	<u>622,715</u>	<u>1,886</u>	<u>641,899</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Balance on January 1, 2019	\$ -	-	-	-
Effects of retrospective application	9,167	608,349	1,886	619,402
Balance on January 1, 2019 after adjustments	9,167	608,349	1,886	619,402
Additions	20,515	24,279	-	44,794
Lease Improvement	-	(9,913)	-	(9,913)
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, 2020	\$ 13,254	147,301	1,519	162,074
Depreciation	11,928	42,258	367	54,553
Lease Improvement	(21,483)	-	-	(21,483)
Balance on December 31, 2020	<u>\$ 3,699</u>	<u>189,559</u>	<u>1,886</u>	<u>195,144</u>
Balance on January 1, 2019	\$ -	-	-	-
Effects of retrospective application	2,674	109,090	891	112,655
Balance on January 1, 2019 after adjustments	2,674	109,090	891	112,655
Depreciation	10,580	41,248	628	52,456
Lease Improvement	-	(3,037)	-	(3,037)
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, 2020	<u>\$ 13,599</u>	<u>433,156</u>	<u>-</u>	<u>446,755</u>
Balance on December 31, 2019	<u>\$ 16,428</u>	<u>475,414</u>	<u>367</u>	<u>492,209</u>

(l) Investment Property

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Total</u>
Cost:			
Balance on January 1, 2020	\$ 2,500,256	2,286,588	4,786,844
Transfer from inventory	120,736	117,377	238,113
Disposals	(22,087)	(20,485)	(42,572)
Reclassification to properties held for sale	(111,356)	(100,665)	(212,021)
Balance on December 31, 2020	<u>\$ 2,487,549</u>	<u>2,282,815</u>	<u>4,770,364</u>
Balance on January 1, 2019	\$ 2,313,388	2,215,444	4,528,832
Transfer in from inventory	337,037	281,776	618,813
Transfer from property, plant and equipment	1,878	1,742	3,620
Disposals	(152,047)	(212,374)	(364,421)
Balance on December 31, 2019	<u>\$ 2,500,256</u>	<u>2,286,588</u>	<u>4,786,844</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Depreciation and Impairment:

Balance on January 1, 2020	\$	40,818	182,427	223,245
Depreciation	-		50,979	50,979
Disposals	-		(536)	(536)
Reclassification to properties held for sale	-		(6,741)	(6,741)
Balance on December 31, 2020	\$	40,818	226,129	266,947
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	-		(8,138)	(8,138)
Balance on December 31, 2019	\$	40,818	182,427	223,245

Carrying amounts:

Balance on December 31, 2020	\$	2,446,731	2,056,686	4,503,417
Balance on January 1, 2019	\$	2,272,570	2,065,153	4,337,723
Balance on December 31, 2019	\$	2,459,438	2,104,161	4,563,599

Fair value:

Balance on December 31, 2020	\$	7,047,090
Balance on January 1, 2019	\$	6,780,482
Balance on December 31, 2019	\$	7,593,261

The investment property includes several commercial buildings owned by the Group for renting to the third party. 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.

As of December 31, 2020 and 2019, the Group's investment property had been pledged as collateral for bank borrowings, please refer to note 8.

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

	December 31, 2020	December 31, 2019
Other current financial assets	\$ 12,310,906	5,487,384
Current incremental costs to obtaining a contract	2,445,546	1,558,403
Other non-current financial assets	11,148,989	10,224,220
	\$ 25,905,441	17,270,007

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Other financial asset

Other financial assets include trust account for presale of properties and land, restricted deposit, performance guarantee, reserve account for corporation bonds 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, 2020 and 2019, the Group recognized \$446,621 thousand and \$540,800 thousand of selling expense.

(iii) As of December 31, 2020, and 2019, 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, 2020	December 31, 2019
Unsecured bank loans	\$ 6,769,325	11,769,668
Secured bank loans	68,021,680	45,067,977
Less: Syndicated loan expense	(18,818)	(19,809)
Total	\$ 74,772,187	56,817,836
Range of interest rates	1.23%~2.14%	1.43%~2.40%

(i) The issue of bank loan and repayment

For the years ended December 31, 2020 and 2019, the incremental amounts are \$44,588,960 thousand and \$30,917,734 thousand, respectively; the repayment amounts are \$26,635,600 thousand and \$16,994,324 thousand, 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.

(o) Short-term notes and bills payable

	December 31, 2020	
	Guarantee or acceptance institute	Range of interest rate
Commercial paper payable	Financial institute	0.398%~1.82%
		\$ 8,339,900
Less: Discount on short-term notes and bills payable		(7,197)
Total		\$ 8,332,703

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	December 31, 2019		
	Guarantee or acceptance institute	Range of interest rate	Amount
Commercial paper payable	Financial institute	0.648%~1.838%	\$ 4,236,200
Less: Discount on short-term notes and bills payable			(11,049)
Total			<u>\$ 4,225,151</u>

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, 2020			
	Currency	Range of interest rate	Maturity	Amount
Unsecured bank loans	TWD	1.85%	2025	\$ 178,918
Secured bank loans	TWD	1.44%~1.94%	2021~2038	5,353,173
Less: current portion				(1,995,648)
Total				<u>\$ 3,536,443</u>

	December 31, 2019			
	Currency	Range of interest rate	Maturity	Amount
Unsecured bank loans	TWD	2.45%~2.48%	2022~2030	\$ 214,442
Secured bank loans	TWD	1.69%~2.25%	2021~2038	6,056,585
Less: current portion				(257,788)
Total				<u>\$ 6,013,239</u>

(i) The issue of bank loan and repayment

The amount issued for the years ended December 31, 2020 and 2019 are \$550,000 thousand and \$682,200 thousand, respectively; the repayment amounts are \$1,288,936 thousand and \$615,457 thousand, respectively, please refer to note 6(aa).

(ii) Collateral for bank Loans

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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(q) Bonds payable

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

	December 31, 2020	December 31, 2019
Secured ordinary corporate bond-current	\$ 8,462,758	-
Secured convertible bonds- non-current	10,114,500	10,270,574
Secured ordinary corporate bond- non-current	15,284,997	18,804,417
Total	\$ 33,862,255	29,074,991

- (i) The Group issued a secured ordinary corporate bond amounting to \$5,000,000 thousand \$2,500,000 thousand, \$5,000,000 thousand, and \$2,000,000 thousand dollars with an interest rate of 0.53%, 0.90%, 1.15%, and 1.00% in December 2020, 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 thousand, \$1,500,000 thousand, and \$2,000,000 thousand dollars 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, 2020	December 31, 2019
Secured convertible bonds	\$ 10,577,820	10,577,820
Discount on bonds payable-unamortized amount	(185,335)	(307,140)
Accumulated convertible amount	(277,985)	(106)
Ending balance: bonds payable	\$ 10,114,500	10,270,574
Derivative-call option and convertible option (FVPL)	\$ 6,816	-

In June 2017, the Group 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 Group'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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

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- 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 Group 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, 2020 and 2019.
- (r) Lease liabilities

The carrying amount of lease liabilities were as follows :

	December 31, 2020	December 31, 2019
Current	<u>\$ 62,057</u>	<u>65,209</u>
Non-current	<u>\$ 458,956</u>	<u>500,586</u>

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

The amounts recognized in profit or loss were as follows :

	For the years ended December 31	
	2020	2019
Interest on lease liabilities	<u>\$ 10,824</u>	<u>11,102</u>
Expenses relating to short-term and low-value leases	<u>\$ 138,999</u>	<u>145,484</u>

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

	For the years ended December 31	
	2020	2019
Total cash outflow for leases	<u>\$ 203,563</u>	<u>206,718</u>

- (i) Real estate leases

As of December 31, 2020, and 2019, the Group leases land and buildings for its office, reception center, parking lot, and department store. The leases of reception center typically run for a period of 2-3 years, of 5 years for office space, of 20 years for parking lot, and of 16 years for department store.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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

	<u>Warranty</u>
Balance on January 1, 2020	\$ 124,907
Provisions added at current period	<u>30,780</u>
Balance on December 31, 2020	<u>\$ 155,687</u>
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>

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

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(l) sets out information about the operating leases of investment property.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

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A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2020	December 31, 2019
Less than one year	\$ 90,206	88,599
One to two years	71,030	70,720
Two to three years	60,641	62,586
Three to four years	51,864	54,049
Four to five years	31,880	27,213
More than five years	6,225	16,994
Total undiscounted lease payments	<u>\$ 311,846</u>	<u>320,161</u>

The rental income from investment property for the years ended December 31, 2020 and 2019 are \$89,944 thousand and \$90,074 thousand.

(u) Employee benefits

(i) Defined benefit plans

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

	December 31, 2020	December 31, 2019
The present value of defined benefit plans	\$ 77,631	75,056
Fair value of plan asset	(36,927)	(34,642)
Net defined benefit liability	<u>\$ 40,704</u>	<u>40,414</u>

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 \$36,927 thousand as of December 31, 2020. 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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

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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	
	2020	2019
Defined benefit obligations at January 1	\$ 75,056	72,320
Current service cost and interest	1,326	1,415
Remeasurements loss (gain):		
– Return on plan assets excluding interest income	2,295	668
– Actuarial loss (gain) arising from:	(1,046)	653
Defined benefit obligations at December 31	\$ 77,631	75,056

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

	December 31, 2020	December 31, 2019
Short-term paid leave liability	\$ 6,373	13,084

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	
	2020	2019
Fair value of plan assets at January 1	\$ 34,642	32,334
Remeasurements loss (gain):		
– Return on plan assets excluding interest income	1,036	999
Contributions paid by the employer	898	923
Expected return on defined plan assets	351	386
Fair value of plan assets at December 31	\$ 36,927	34,642

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 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	
	2020	2019
Current service costs	\$ 576	570
Net interest of net liabilities for defined benefit obligations	399	459
	\$ 975	1,029
Administration expense	\$ 975	1,029

- 5) Actuarial valuations

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

	December 31, 2020	December 31, 2019
Discount rate	0.625%	1%
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 \$874 thousand.

The weighted average lifetime of the defined benefits plans is 11.10~12.93 years.

- 6) 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	
	Increase 0.25%	Decrease 0.25%
December 31, 2020		
Discount rate	\$ (1,938)	1,924
Future salary increasing rate	2,000	(1,874)
December 31, 2019		
Discount rate	(2,061)	2,132
Future salary increasing rate	2,062	(2,005)

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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(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 \$44,365 thousand and \$43,188 thousand for the years ended December 31, 2020 and 2019, respectively.

(v) Income tax

(i) Income tax expense

The components of income tax expense for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Current tax expense		
Current period	\$ 344,786	51,231
Land value increment tax	182,033	333,819
Additional 10% surtax on unappropriated earnings	-	88,601
Adjustment for prior periods	(27,760)	30,620
	<u>499,059</u>	<u>504,271</u>
Deferred tax expense		
Origination and reversal of temporary differences	(6,156)	(41,516)
Income tax expense	<u>\$ 492,903</u>	<u>462,755</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2020 and 2019 were as followed:

	For the years ended December 31	
	2020	2019
Profit before tax	\$ 3,316,157	3,951,772
Income tax expense at domestic statutory tax rate	663,231	790,354
Land tax exempt income	(506,642)	(954,519)
Book –tax difference between recognition time	51,360	119,612
Book –tax difference of capitalization	(76,264)	(69,777)
Book –tax difference between deferred sales commission	100,378	101,036
Land value increment tax	182,033	333,819
Financial assets measured at fair value through profit and loss	(8,127)	(9,273)
Reversal of deferred tax liabilities	-	(56,503)
Impairment loss	50,000	11,400
Pay an extra 10% income tax on all unappropriated earnings	-	88,601
Adjustment for prior periods	(27,760)	30,620
Others	64,694	77,385
Total	\$ 492,903	462,755

(ii) Deferred tax asset and liability recognized

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

Deferred tax asset:

	Investment property impairment	Warranty	Others	Total
Balance on January 1, 2020	\$ 11,242	24,980	4,987	41,209
Debit/Credit income statement	-	6,156	-	6,156
Balance on December 31, 2020	\$ 11,242	31,136	4,987	47,365
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	\$ 11,242	24,980	4,987	41,209

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred tax liabilities:

	Provision for land value increment tax		
	Others	Total	
Balance on January 1, 2020	\$ 191,213	340	191,553
Balance on December 31, 2020	\$ 191,213	340	191,553
Balance on January 1, 2019	\$ 247,716	340	248,056
Debit/Credit income statement	(56,503)	-	(56,503)
Balance on December 31, 2019	\$ 191,213	340	191,553

(iii) The Group's income tax had been examined by the tax authorities till 2018, while the 2017 income tax had not yet been examined. Except for, Highwealth Property Co., Ltd. and Yuan Sheng International Co., Ltd, other domestic subsidiaries' income tax had been examined by the tax authorities till 2018, and the Highwealth's and Yuan Sheng's income tax had been examined by the tax authorities till 2019.

(w) Capital and other equity

(i) Ordinary shares

As of December 31, 2020, and 2019, the number of authorized ordinary shares were amounted \$20,000,000 thousand with par value of \$10 per share. As of that date, the paid-in capital were \$12,902,969 thousand and \$11,666,288 thousand, respectively.

As of 2020 and 2019, the reconciliation of the Group's outstanding shares as follows:

	Ordinary Shares	
	2020	2019
Balance on January 1	1,166,629	1,166,629
Capital surplus increase	116,633	-
Convertible corporation bonds transferred	7,005	2
Balance on December 31, 2020	1,290,267	1,166,629

A resolution was passed during the general meeting of shareholders held on June 10, 2020 for the issuance of 100 new shares per thousand shares by retained earnings and capital surplus, amounting to \$1,166,628 thousand. The Group has received approval from the Financial Supervisory Commission for this capital increase on August 3, 2020. In addition, a resolution was passed during the Board Meeting, to set October 1, 2020 as the date of capital increase, and completed the requisition in October 16, 2020.

For the years ended December 31, 2020 and 2019, due to the convertible bonds' holder exercised the convert option, the Group issuance of 7,005 thousand new shares and 2 thousand new shares with the amount of \$70,053 thousand and \$22 thousand, respectively. Among the 7,005 thousand shares had not performed the registration.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Capital surplus

	December 31, 2020	December 31, 2019
Treasury share transactions	\$ 432,357	379,053
Difference arising from subsidiary's equity	33,530	33,525
Conversion of bonds	203,231	81
Capital surplus-premium from merger	62	62
Donation from shareholders	3,284	3,396
Other	8,357	8,357
	<u>\$ 680,821</u>	<u>424,474</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

In accordance with the Group's articles of incorporation, which were approved during the general meeting of shareholders held on June 10, 2020, after paying the income taxes, the Group's net earnings should first be used to offset the prior years' deficits. Of the remaining balance, 10% is to be appropriated as legal reserve, and in accordance with the regulations of the competent authority or reversal appropriated retained earnings. And then any remaining profit, together with any undistributed retained earnings, shall not be distributed less than 20% as shareholders' dividends proposed by the Board of Directors to be submitted to the stockholders' meeting for approval. The cash dividends should not be less than 10% of the total dividends.

As the Group distributes dividends or legal reserves and part or all of paid-in capital in cash, the Group should hold a Board meeting to pass the resolution by more than half of the directors present at the Board meeting, which requires a quorum of two third of all the directors. The resolution should be submitted to the Shareholder's meeting.

In addition, on June 10, 2019, before the general meeting of shareholders made a resolution to amend the articles of incorporation that the Group would distribute surplus earning and offset loss at the end of each quarter. If there are earnings at final accounts of each quarter, the Group shall distribute earnings in accordance with the abovementioned procedures.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Legal reserve

When a Group incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of unappropriated earnings prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for the years ended December 31, 2020 and 2019 was decided by the resolution adopted, at the general meeting of shareholders held on June 10, 2020 and 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31			
	2019		2018	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 3.0	3,499,886	3.5	4,083,194
Stock	1.0	<u>1,166,628</u>	-	<u>-</u>
Total		<u>\$ 4,666,514</u>		<u>4,083,194</u>

Earnings distribution for second and third quarters of 2019 was decided by the resolution adopted, at the general meeting of shareholders held on August 13, 2019 and November 13, 2019, respectively. The dividend distributions to shareholders were \$1,166,628 thousand and \$1,166,629 thousand, respectively. Earnings distribution of 2020 was decided by the resolution adopted, at the general meeting of shareholders held on March 19, 2021. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31	
	2020	
	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 2.0	<u>2,581,927</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 Group's retained earnings, share premium, and realized capital reserves. As of December 31, 2020, the Group hadn't repurchased any share.
- 2) Prior to Company ACT amendment in 2001, Subsidiaries of the Group, Ju Feng Hotel Management Co., Ltd, Highwealth Property Co., Ltd. and Qi Yu Construction Co., Ltd. held part of the Company's shares for investment purpose. Run Long Construction Co., Ltd., the subsidiary that the Company has control over, and acquired 11,950 thousand of the Company's shares for investment purpose in the open market in 2015 and obtained 1,195 shares for stock dividend from retained earnings in 2020. As of December 31, 2020 and 2019, the market price per share were \$45.85 and \$46.3, respectively.

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

<u>Subsidiary</u>	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Shares (thousand)</u>	<u>Book value</u>	<u>Shares (thousand)</u>	<u>Book value</u>
Ju Feng Hotel Management Co., Ltd.	4,578	\$ 1,733	4,162	1,733
Highwealth Property Co., Ltd.	8,849	10,850	8,045	10,850
Qi Yu Construction Co., Ltd.	2,745	-	2,495	-
Run Long Construction Co., Ltd.	13,145	73,985	11,950	71,227
	29,317	\$ 86,568	26,652	83,810

(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>Total</u>
Balance on January 1, 2020	\$ 195	532,432	532,627
Exchange differences on foreign operations	51	-	51
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	2,775	2,775
Balance at December 31, 2020	\$ 246	535,207	535,453

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	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 at December 31, 2019	\$ 195	532,432	532,627

(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 Group for 2020 and 2019 are \$2,645,801 thousand and \$3,029,789 thousand, respectively, and the weighted average number of ordinary shares outstanding are 1,254,563 thousand shares and 1,253,974 thousand shares respectively. For related calculation are as follows:

1) Profit attributable to ordinary shareholders of the Group

	For the years ended December 31	
	2020	2019
Profit attributable to ordinary shareholders	\$ 2,645,801	3,029,789

2) Weighted-average number of ordinary shares (diluted)

	For the years ended December 31	
	2020	2019
Ordinary shares outstanding at January 1	1,166,629	1,166,627
Treasury shares	(29,317)	(29,317)
Effect of conversion of convertible notes	588	1
Stock dividends	116,663	116,663
Weighted-average number of ordinary shares at December 31	1,254,563	1,253,974

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Diluted earnings per share

The Group's diluted earnings per share is calculated by profit attributable to ordinary shareholders of the Group for 2020 and 2019 are \$2,739,518 thousand and \$3,122,453 thousand respectively. After adjusting the effect of dilution of ordinary share, the weighted average number of ordinary shares for 2020 and 2019 are 1,521,657 thousand and 1,486,976 thousand shares, respectively. For related calculation are as follows:

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

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Profit attributable to ordinary shareholders of the Group	<u>\$ 2,739,518</u>	<u>3,122,453</u>

2) Weighted-average number of ordinary shares

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Weighted-average number of ordinary shares (basic)	1,254,563	1,253,974
Effect of conversion of convertible bonds	266,076	232,016
Effect of restricted employee shares unvested	1,018	986
Weighted-average number of ordinary shares (diluted)	<u>1,521,657</u>	<u>1,486,976</u>

(y) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>For the year ended December 31, 2020</u>			
	<u>Sales of real estate department</u>	<u>Construction contractor department</u>	<u>Department store</u>	<u>Total</u>
Primary geographical markets:				
Taiwan	<u>\$ 22,755,194</u>	<u>1,583,139</u>	<u>124,685</u>	<u>24,463,018</u>
Major products/services lines:				
Sales of real estate	\$ 22,657,004	-	-	22,657,004
Construction contract	-	1,577,561	-	1,577,561
Sales Revenue	-	-	68,657	68,657
Net tenant – counter income	-	-	46,358	46,358
Other revenue	98,190	5,578	9,670	113,438
	<u>\$ 22,755,194</u>	<u>1,583,139</u>	<u>124,685</u>	<u>24,463,018</u>
Timing of revenue recognition:				
Revenue transferred at a point in time	\$ 98,190	1,583,139	8,308	-
Products and services transferred over time	22,657,004	-	116,377	93,018
	<u>\$ 22,755,194</u>	<u>1,583,139</u>	<u>124,685</u>	<u>24,463,018</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the year ended December 31, 2019			
	Sales of real estate department	Construction contractor department	Department store	Total
Primary geographical markets:				
Taiwan	<u>\$ 23,317,788</u>	<u>367,305</u>	<u>113,108</u>	<u>23,798,201</u>
Major products/services lines:				
Sales of real estate	\$ 23,213,650	-	-	23,213,650
Construction contract	-	361,693	-	361,693
Sales Revenue	-	-	61,461	61,461
Net tenant – counter income	-	-	46,052	46,052
Other revenue	104,138	5,612	5,595	115,345
	<u>\$ 23,317,788</u>	<u>367,305</u>	<u>113,108</u>	<u>23,798,201</u>
Timing of revenue recognition:				
Revenue transferred at a point in time	\$ 91,329	367,305	2,283	460,917
Products and services transferred over time	23,226,459	-	110,825	23,337,284
	<u>\$ 23,317,788</u>	<u>367,305</u>	<u>113,108</u>	<u>23,798,201</u>

For net tenant-counter income, the Group acts as an agent not a consignor. This decision was made by the management depending 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 it sells.

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Contract assets- Construction	\$ 14,027	50,303	41,924
Less: Allowance for impairment	-	-	-
Total	<u>\$ 14,027</u>	<u>50,303</u>	<u>41,924</u>
Contract liabilities- Construction	\$ -	126,565	312
Contract liabilities-Sales of real estate	11,609,186	6,037,956	3,354,352
Contract liabilities-Advance receipt	9,017	8,786	2,274
Contract liabilities-Gift certificates and reward points	73,877	29,852	-
Total	<u>\$ 11,692,080</u>	<u>6,203,159</u>	<u>3,356,938</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of January 1, 2020, and 2019, the beginning balance of contract liabilities that were accounted for as 2020 and 2019, revenue amounts to \$759,416 thousand and \$2,016,184 thousand.

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, 2020 and 2019.

As of December 31, 2020, and 2019, customer loyalty program was allocated \$208 thousand and \$562 thousand.

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

In accordance with the articles of incorporation, the Group 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 Group 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.

The remunerations to employees amounted to both \$36,000 thousand and the remunerations to directors amounted to \$7,500 thousand and \$8,400 thousand, respectively, for the years ended December 31, 2020 and 2019. These amounts were calculated using the Group's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Group's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. For relevant information, please refer to the Market Observation Post System Website. For the year ended December 31, 2020 and 2019, there is no difference between the estimate amounts in consolidated financial statements and the actual abovementioned distributed amounts.

(aa) Non-operating income and expense

(i) Interest income

For the years ended December 31, 2020 and 2019 interest income were as follows:

	For the years ended December 31	
	2020	2019
Interest income		
Construction deposits paid	\$ 2,344	3,681
Bank deposits and Notes interest	13,193	22,918
Other	7,225	7,061
	\$ 22,762	33,660

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Other income

For the years ended December 31, 2020 and 2019 revenue were as follows:

	For the years ended December 31	
	2020	2019
Contract termination income	\$ 20,296	18,788
Dividend income	15,166	10,564
Other income	129,723	200,991
	\$ 165,185	230,343

(iii) Other gains and losses

For the years ended December 31, 2020 and 2019 other gains and losses were as follows:

	For the years ended December 31	
	2020	2019
Foreign exchange losses	\$ (343)	(1,930)
Gain on disposal of property, plant and equipment	1,836	1,091
Gains on disposal of investments	112,057	162,047
Gains on financial assets and liabilities at fair value through profit or loss	40,633	46,363
Gains to the rights transferred of the sale and leaseback	-	62,116
Impairment loss on disposals of property, plant and equipment	(250,000)	(57,000)
Gain on disposals of non-current assets held for sale	-	886,639
Other Income	141	254
Other expenses	(20,066)	(10,206)
	\$ (115,742)	1,089,374

(iv) Finance costs

For the years ended December 31, 2020 and 2019 details of finance cost of the Group were as follows:

	For the years ended December 31	
	2020	2019
Interest expense		
Bank loans and collateral	\$ 1,764,392	1,508,072
Amortization on discounted corporate bond	109,298	117,730
Interest on corporate bond	181,915	173,731
Other financial expenses	35,752	16,792
Less: capitalized interest	(1,203,941)	(913,334)
	\$ 887,416	902,991

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ab) Financial instruments

(i) Credit risk

1) Credit risk exposure

The financial instrument's biggest credit risk exposure is 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 includes other receivables (classified as other financial assets-current). 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 provision as of December 31, 2020 and 2019 was determined as follows:

	Other receivables
Balance at December 31, 2020 (as beginning balance)	<u><u>\$ 8,235</u></u>
Balance at December 31, 2019 (as beginning 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, 2020				
Non derivative financial liabilities:				
Secured loans	\$ 75,816,751	6,623,040	53,950,267	15,243,444
Unsecured loans	7,071,335	6,087,947	983,388	-
Short-term transaction instrument payables	8,339,900	8,339,900	-	-
Other financial liability— current	93,917	-	93,917	-
Convertible bond (Including less than 1 year)	10,362,835	-	10,362,835	-
Ordinary corporate bonds	24,369,754	8,666,100	15,703,654	-
Notes payable, accounts payable and other payables	8,544,752	8,505,617	39,107	28
Lease liabilities	580,268	58,431	211,848	309,989
	<u><u>\$ 135,179,512</u></u>	<u><u>38,281,035</u></u>	<u><u>81,345,016</u></u>	<u><u>15,553,461</u></u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<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	-	-
Other financial liability—current	99,047	-	99,047	-
Convertible bond (Including less than 1 year)	10,640,714	-	10,640,714	-
Ordinary corporate bond	19,420,202	182,820	19,237,382	-
Notes payable, accounts payable and other payables	9,483,339	9,424,775	57,694	870
Lease liabilities	635,347	65,408	212,632	357,307
	<u>\$ 111,608,296</u>	<u>30,028,041</u>	<u>75,896,761</u>	<u>5,683,494</u>

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

(iii) Market risk

- 1) 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.

If the interest rate had increased / decreased by 0.5% basis points, the Group's interest expense would have increased / decreased by \$443,185 thousand and \$336,570 thousand for the years ended December 31, 2020 and 2019. Taking into account that capitalized interest of profit may decrease or increase by \$188,055 thousand and \$167,327 thousand, respectively. This is mainly due to the Group's borrowing at variable rates.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Price of securities at reporting date	For the years ended December 31			
	2020		2019	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 10%	\$ 55,314	26,355	55,036	62,944
Decreasing 10%	\$ (55,314)	(26,355)	(55,036)	(62,944)

(iv) Information of fair value

1) Valuation techniques for financial instruments measured at fair value

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 6,816	-	6,816	-	6,816
Non-derivative financial assets mandatorily measured at fair value through profit or loss	263,550	263,550	-	-	263,550
Subtotal	\$ 270,366	263,550	6,816	-	270,366
Financial assets at fair value through other comprehensive income					
Stocks in unlisted company	\$ 553,139	-	553,139	-	553,139
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 10,538,810	-	-	-	-
Notes and accounts receivable	1,768,832	-	-	-	-
Other financial assets—current	12,310,906	-	-	-	-
Other financial assets—non-current	11,148,989	-	-	-	-
Subtotal	\$ 35,767,537	-	-	-	-

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		December 31, 2020			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term loans	\$ 74,772,187	-	-	-	-
Short-term investment payables	8,332,703	-	-	-	-
Notes payable, accounts payable and other payables	8,544,752	-	-	-	-
Lease liabilities	521,013	-	-	-	-
Other financial liabilities – current	93,917	-	-	-	-
Corporate bonds payable (Due within 1 year)	33,862,255	-	-	-	-
Long-term loans (Due within 1 year)	5,532,091	-	-	-	-
Subtotal	\$ 131,658,918	-	-	-	-
		December 31, 2019			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 629,443	629,443	-	-	629,443
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	\$ 12,227,545	-	-	-	-
Notes and accounts receivable	1,907,364	-	-	-	-
Other financial assets- current	5,487,384	-	-	-	-
Other financial assets- non-current	10,224,220	-	-	-	-
Subtotal	\$ 29,846,513	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term loans	\$ 56,817,836	-	-	-	-
Short-term investment payables	4,225,150	-	-	-	-
Notes payable, accounts payable and other payables	9,483,339	-	-	-	-
Lease liabilities	565,795	-	-	-	-
Other financial liabilities – current	99,047	-	-	-	-
Corporate bonds payable (including current portion)	29,074,991	-	-	-	-
Long-term loans (including current portion)	6,271,027	-	-	-	-
Subtotal	\$ 106,537,185	-	-	-	-

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 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.
The fair value of financial assets, which is regarded as being quoted in an active market, held by the Group is disclosed as follows sorted by character:
- i) A financial instrument 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.
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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 for the year ended December 31, 2020 and 2019. There is no transfer between first and second level measured at fair value in 2020 and 2019.

(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'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 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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees to subsidiaries that directly and indirectly hold more than 50% of the voting shares and companies with business relations. At December 31, 2020, the situation about the Group provided guarantees to wholly owned subsidiaries, please refer to note 13(a). As of December 31, 2019, the Group did not provide any guarantee externally.

(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.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of 2020, the Group's capital management strategy is consistent with the prior year as of 2019. The gearing ratio is maintained so as to ensure 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, 2020, is as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 145,006,840	113,380,363
Less: cash and cash equivalents	(10,538,810)	(12,227,545)
Net debt	134,468,030	101,152,818
Total Equity	35,800,518	34,443,182
Capital after adjustment	\$ 170,268,548	135,596,000
Debt-to-equity ratio	78.97%	74.60%

(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, 2020 and 2019, 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) and 6(w).

(7) Related-party transactions:

(a) Name and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Tsai, ○○	The subsidiary's key management personnel
Chen, ○○	Key management personnel
Fan, ○○	Director of the Group
Jeng, ○○	The second immediate family of the director of the Group
Wu, ○○	The second immediate family of the key management personnel
Huang, ○○	Spouse of key management personnel of the Group
Lin, ○○	Key management personnel
Da Li Investment Co., Ltd.	The subsidiary of the entity's chairman is the key management personnel of the Group
Goyu Building Material Co., Ltd	The entity is a joint venture under the Group's joint arrangement
Taichung Highwealth Culture and Art Foundation	Same president with the Group

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Operating revenue

The sales price from related parties are summarized as follows:

	Revenue recognized		Prepayment for selling real estate	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Chen ○○	\$ -	-	514	-
Fan ○○	-	-	952	-
Lin ○○	-	-	143	-
Wu ○○	7,329	-	-	-
Total	<u>\$ 7,329</u>	<u>-</u>	<u>1,609</u>	<u>-</u>

The contract amount for selling the real estate to the related parties was \$30,509 thousand (including tax), and the selling price and receivable term do not have significant different from unrelated parties.

(ii) Purchase

The purchases price from related parties are summarized as follows:

	For the years ended December 31	
	2020	2019
The entity is a joint venture under the Group's joint arrangement	<u>\$ 45,072</u>	<u>6,599</u>

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors.

(iii) Payables to related parties

The payables to related parties were as follows:

Accounted items	Categories	December 31, 2020	December 31, 2019
Accounts payable	Other related parties	<u>\$ 1,358</u>	<u>6,929</u>

(iv) Leases

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

	Rent income	
	December 31, 2020	December 31, 2019
Other related parties	<u>\$ 420</u>	<u>420</u>

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	Rent expense	
	For the years ended December 31	
	2020	2019
Other related parties	\$ 41	41

- (v) Others

- 1) In September, 2008, The Group sold a portion of land to Tsai, ○○ with a land developing plan at \$5,000 thousand, recorded within 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, 2020, and 2019, other payables were both \$5,000 thousand.
- 2) In 2019, the Group donated \$5,000 thousand dollars to Taichung Highwealth Culture and Art Foundation for its promotion and Art Foundation for its promotion and development.
- 3) The Group sold the premises to other related parties for the amount of \$19,667 thousand in 2019.

- (c) Key management personnel transaction

Key management personnel compensation comprised:

	For the years ended December 31	
	2020	2019
	\$ 98,166	100,763
Short-term employee benefits		

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2020	December 31, 2019
Financial assets at FVTPL – current	Mortgage	\$ 180,000	242,450
Notes receivable	Mortgage	60,849	-
Inventories (construction)	Mortgage, issuing commercial paper and bonds payable	102,068,232	78,536,141
Other financial assets – current and non-current	Mortgage, issuing commercial paper, performance bond, real estate trust account and bond payable	22,567,819	14,921,013
Property, plant and equipment	Mortgage and bonds payable	446,754	2,083,061
Investment property at net value	Mortgage, issuing commercial paper and bonds payable	4,448,333	4,520,192
Non – current assets for sale	Mortgage and bonds payable	1,244,613	-
		\$ 131,016,600	100,302,857

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

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As of December 31, 2020, and 2019, the book value of pledged assets providing undrawn guaranteed loan are \$4,350,292 thousand and \$7,268,070 thousand, respectively. For the years ended December 31, 2020 and 2019, the Group provided \$1,157,804 thousand and \$305,980 thousand of notes receivable of presale cases and \$9,307 thousand and \$50,007 thousand of shares of its subsidiaries as collateral for the bank loan.

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

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

	December 31, 2020	December 31, 2019
Amount of signed contracts	<u>\$ 106,494,954</u>	<u>66,361,406</u>
Received amount from contracts	<u>\$ 11,609,186</u>	<u>6,037,956</u>
Outstanding checks received from presale cases	<u>\$ 6,089,383</u>	<u>2,999,155</u>

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

	December 31, 2020	December 31, 2019
Acquisition of inventory (construction)	<u>\$ 4,014,262</u>	<u>9,843,319</u>

(iii) Construction contract price signed by subsidiaries is as follows:

	December 31, 2020	December 31, 2019
Amount of signed contracts	<u>\$ 651,791</u>	<u>3,373,750</u>
Received amount from contracts	<u>\$ 358,878</u>	<u>501,236</u>

(iv) As of December 31, 2020, and 2019, due to the Group had not recognize the transaction of sale and lease back, the expect rent expense to be paid in the future is \$483,946 thousand, and the expect lease term is January, 2021 to July, 2026.

(b) Others

As of December 31, 2020, and 2019, the refundable deposit paid for cooperation cases are \$411,649 thousand and \$414,642 thousand, respectively.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

The resolution passed during the board meeting on March 19, 2021, the Group decided to donate 712,500 thousand shares, and amounting to \$548,139 thousand of Li Shon Investment Co., Ltd., owned by the Group to other related party-Taichung Highwealth Culture and Art Foundation.

(12) Other:

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

By item	For the years ended December 31					
	2020			2019		
	Operating cost	Operating Expense	Total	Operating cost	Operating Expense	Total
Employee benefits						
Salary	\$ 290,394	738,594	1,028,988	271,361	748,197	1,019,558
Labor and health insurance	26,910	63,736	90,646	14,611	76,322	90,933
Pension	14,022	31,318	45,340	7,610	36,607	44,217
Others	11,414	33,936	45,350	8,919	26,684	35,603
Depreciation (Note)	64,559	155,863	220,422	61,860	138,839	200,699
Depletion	-	-	-	-	-	-
Amortization	2,300	12,040	14,340	937	9,745	10,682

Note: In 2020 and 2019, depreciation expense was excluded \$8,061 thousand and \$7,284 thousand renovation subsidies for public facilities in department stores.

(Continued)

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	Qi Yu Construction Co., Ltd	2	\$ 32,121,924	7,846,000	7,546,000	4,113,000	-	23.49%	64,243,848	Y	N	N
0	The company	Bo Yuan Construction Co., Ltd	2	32,121,924	1,086,788	965,917	465,917	-	3.01%	64,243,848	Y	N	N
0	The company	Yuan Sheng International Co., Ltd	2	32,121,924	200,000	200,000	100,000	-	0.62%	64,243,848	Y	N	N
1	Yi Chi Enterprise Co., Ltd	The company	3	32,121,924	1,907,700	1,907,700	1,907,700	1,907,700	5.94%	64,243,848	N	Y	N
2	Run Long Construction Co., Ltd.	Jin Jyun construction CO., Ltd.	2	1,014,187	200,000	-	-	-	- %	2,535,468	Y	N	N
3	Qi Yu Construction Co., Ltd.	Goya Building Material Co., Ltd.	6	32,121,924	42,000	42,000	3,500	-	0.13%	64,243,848	N	N	N
3	Qi Yu Construction Co., Ltd.	Yuang Sheng International Co., Ltd.	2	32,121,924	100,000	100,000	39,992	-	0.31%	64,243,848	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, Yi Chi Enterprise Co., Ltd., and Qi Yu construction 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 guarantees and the limit for endorsement of a single enterprise;

1. The total amount of guarantee for external endorsement shall not exceed 50% of the net value of 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.

(Continued)

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Securities held as of December 31, 2020 (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 (thousand)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Stock-Li Shuo Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	712,500	\$ 548,139	19.00%	548,139	19.00%	
"	Stock-Shin Kong Rral Estate Management Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	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	8,785,010	263,550	2.31%	263,550	3.91%	
Ju Feng Hotel Management Co., Ltd.	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Financial assets at fair value through other comprehensive income – non-current	4,578,348	209,917	0.36%	209,917	0.36%	Note 2
Highwealth Real Estate Co., Ltd.	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Financial assets at fair value through other comprehensive income – non-current	8,849,291	405,740	0.69%	405,740	0.69%	Note 2
Qi Yu Construction Co., Ltd.	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Financial assets at fair value through other comprehensive income – non-current	2,744,601	125,840	0.21%	125,840	0.21%	Note 2
"	Company Debt- China Rebar Co., Ltd.	-	Financial assets at amortized cost – current	3	-	- %	-	- %	Note 1
Run Long Construction Co., Ltd.	Stock-Highwealth Construction Corp.	Ultimate Parent Company	Financial assets at fair value through other comprehensive income-current	13,145,000	602,698	1.02%	602,698	1.04%	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:None

(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 Guo Section	February 26, 2020	\$ 8,375,890	8,375,890	Da o Industrial Co., Ltd.	Non-related party	-	-	-	-	Public Bidding	Plan for construction
"	Shi Zheng Hui Min Second	March 3, 2020	4,356,155	4,356,155	Mr. Yang, other 7 people, and Ju o construction Co., Ltd.	"	-	-	-	-	Appraisal	"
"	Hui Guo Section	August 5, 2020	3,220,262	3,220,262	Mr. Chang and other 2 people	"	-	-	-	-	"	"
"	Zhong Road Fifth	September 8, 2020	2,490,499	2,490,499	Mr. Huang, other 13 people and Gao o Investment Co., Ltd.	"	-	-	-	-	"	"
Run Long Construction Co., Ltd.	Hsinchu Guang Wu Section	March 3, 2020	1,981,707	65,000	Gao o Investment Co., Ltd., Mr. Chang and other 3 people	"	-	-	-	-	"	"

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

(Continued)

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 (including tax)	Amount actually receivable	Gain from disposal (Note)	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
The Company	Properties and land held for sale	January 10, 2020	July 19, 2016	3,412,167	5,235,116	5,235,116	About 1,790 million	Ya o International Development · Xin o Real Estate and Hai o International Development	Non related parties	Business purpose	Appraisal	None
The Company	Investment Property · Plant and Equipment	December 24, 2020	Not applicable	445,739	1,246,370	311,593	About 635 million (Note 2)	Tai o Insurance Co., Ltd.	"	"	"	Will sell in the way of sales — and-least back
Qi Yu Construction Co., Ltd.	Property · Plant and Equipment	December 24, 2020	December 25, 2015	1,186,501	1,220,800	305,200	(164,144) (Note 3)	Tai o Insurance Co., Ltd.	"	"	"	"
Run Long Construction Co., Ltd.	Properties and land held for sale	September 2, 2020	Not applicable	Not applicable due to sale of inventory	736,380	736,380	Not applicable due to sale of inventory	Chuan o Insurance Co., Ltd.	"	"	"	None
Run Long Construction Co., Ltd.	Property · Plant and Equipment	December 24, 2020	December 25, 2015	1,187,386	1,221,710	305,428	(165,479) (Note 3)	Tai o Insurance Co., Ltd.	"	"	"	Will sell in the way of sales — and-least back

Note 1: Cost and Expenditure of disposal incurred were excluded.

Note 2: Excluded the unrealized gains or losses amounted about 1,636 million.

Note 3: Had recognized impairment losses and classified as other gains and losses in 2020 financial reports of Run Long Construction Co., Ltd. and Qi Yu Construction Co., Ltd.

(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	Qi Yu Construction Co., Ltd	Investee accounted for using equity method	Contracting project	\$ 7,266,482	21.27%	Pay by contract terms	-	-	(1,055,035)	(61.64)%	Note 2
The Company	Jin Jyun Construction Co., Ltd	Investee accounted for using equity method	Contracting project	2,055,676	6.02%	Pay by contract terms	-	-	(199,391)	(11.65)%	Note 2
Qi Yu Construction Co., Ltd	The Company	The ultimate parent of the company	Contracted project	(6,478,224)	(72.69)%	Receive by contract terms	-	-	1,055,035	75.50%	Note 1
Qi Yu Construction Co., Ltd	Run Long Construction Co., Ltd	Investee accounted for using equity method	Contracted project	(2,373,024)	(26.63)%	Receive by contract terms	-	-	531,969	33.32%	Note 1
Run Long Construction Co., Ltd	Qi Yu Construction Co., Ltd	Investee accounted for using equity method	Contracting project	2,619,754	30.60%	Pay by contract terms	-	-	(531,969)	(41.33)%	Note 2
Run Long Construction Co., Ltd	Jin Jyun Construction Co., Ltd	Investee accounted for using equity method	Contracting project	1,117,126	13.05%	Pay by contract terms	-	-	(284,628)	(22.11)%	Note 2
Jin Jyun Construction Co., Ltd	The Company	The ultimate parent of the company	Contracted project	(2,173,880)	(42.18)%	Receive by contract terms	-	-	199,391	14.27%	Note 1
Jin Jyun Construction Co., Ltd	Run Long Construction Co., Ltd	Investee accounted for using equity method	Contracted project	(1,442,394)	(27.99)%	Receive by contract terms	-	-	284,628	50.84%	Note 1
Yuan Sheng International Co., Ltd.	The Company	The ultimate parent of the company	Contracted project	(159,656)	(72.02)%	Receive by contract terms	-	-	74,566	57.90%	Note 1

(Continued)

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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		
Qi Yu Construction Co., Ltd	The company	The ultimate parent of the company	\$ 1,055,035	6.67	-	-	1,054,975	-
"	Run Long Construction Co., Ltd	Investee accounted for using equity method	531,969	5.39	-	-	326,732	-
Jin Jyun Construction Co., Ltd	The company	The ultimate parent of the company	199,391	7.14	-	-	183,014	-
"	Run Long Construction Co., Ltd	Investee accounted for using equity method	284,628	6.83	-	-	284,628	-

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions					
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets		
0	The Company	Qi Yu Construction Co., Ltd	1	Accounts payable	\$ 1,055,035	Same with peer terms	61.64%		
				Operating Cost	7,266,482	Same with peer terms	21.27%		
				Jin Jyun Construction Co., Ltd	1	Accounts payable	199,391	Same with peer terms	11.65%
						Operating Cost	2,055,676	Same with peer terms	6.02%
		Yuan Sheng International Co., Ltd.	1	Accounts payable	74,566	Same with peer terms	4.36%		
				Operating Cost	57,144	Same with peer terms	0.17%		
1	Qi Yu Construction Co., Ltd	The Company	2	Accounts Receivable	1,055,035	Same with peer terms	75.50%		
				Operating Revenue	6,478,224	Same with peer terms	72.69%		
		Run Long Construction Co., Ltd	3	Accounts Receivable	531,969	Same with peer terms	33.32%		
				Operating Revenue	2,373,024	Same with peer terms	26.63%		
2	Run Long Construction Co., Ltd	Qi Yu Construction Co., Ltd	3	Accounts payable	531,969	Same with peer terms	41.33%		
				Operating Cost	2,619,754	Same with peer terms	30.60%		
		Jin Jyun Construction Co., Ltd	3	Accounts payable	284,628	Same with peer terms	22.11%		
				Operating Cost	1,117,126	Same with peer terms	13.05%		
4	Jin Jyun Construction Co., Ltd	The Company	2	Accounts Receivable	199,391	Same with peer terms	14.27%		
				Operating Revenue	2,173,880	Same with peer terms	42.18%		
		Run Long Construction Co., Ltd	3	Accounts Receivable	284,628	Same with peer terms	50.84%		
				Operating Revenue	1,442,394	Same with peer terms	27.99%		
Yuan Sheng International Co., Ltd.	The Company	2	Accounts Receivable	74,566	Same with peer terms	56.01%			
			Operating Revenue	159,656	Same with peer terms	72.02%			

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

(Continued)

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousand)	Percentage of ownership	Carrying value				
The Company	Ju Feng Hotel Management Co., Ltd.	Taiwan	Residential and building development, rental and sales	\$ 12,000	12,000	1,200,000	100.00%	29,449	100.00%	4,690	(3,634)	
"	Highwealth Property Co., Ltd.	Taiwan	Real estate brokerage, real estate trading	25,000	25,000	2,500,000	100.00%	53,318	100.00%	15,479	378	
"	Qi Yu Construction Co., Ltd.	Taiwan	Construction, housing and building development rental services etc.	1,530,041	1,530,041	205,000,000	100.00%	1,553,351	100.00%	8,147	5,004	
"	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	861,910	779,424	21,153,600	5.72%	(588,202)	5.72%	117,248	(12,296)	
"	Yi Chi Enterprise Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	2,423,152	2,423,152	2,200,000	100.00%	2,436,161	100.00%	(1,131)	(1,131)	
"	Bi Jiang Enterprise Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	1,302,900	1,302,900	7,200	100.00%	1,264,737	100.00%	(33,880)	(33,880)	
"	Highwealth Construction Co.	Taiwan	Construction, housing and building development rental services etc.	5,000	5,000	500,000	100.00%	1,302	100.00%	(1,720)	(1,720)	
"	Bo Yuan Construction Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	930,000	930,000	73,700,000	100.00%	541,710	100.00%	(429,713)	(429,713)	
Qi Yu Construction Co., Ltd.	Guang Yang Investment Co., Ltd.	Taiwan	Investment	284,050	284,050	29,900,000	100.00%	327,698	100.00%	6,630	Exempt from disclosure	
"	Yuan Sheng International Co., Ltd.	Taiwan	Wholesale of Building Materials	78,484	78,484	8,100,000	100.00%	140,110	100.00%	8,425	"	
"	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	803,226	803,226	18,572,400	5.02%	253,598	5.02%	117,248	"	
"	Goyu Building Materials Co., Ltd.	Taiwan	Wholesale of Building Materials	140,000	98,000	14,000,000	35.00%	128,595	35.00%	(13,585)	"	
Guang Yang Investment Co., Ltd.	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	428,405	398,063	20,792,415	5.62%	327,634	5.62%	117,248	"	
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%	619,822	100.00%	143,791	"	

Note : Reconciliated in the preparation of consolidated report, while Goyu Construction is investment adopted equity method.

(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 (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	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	(1)	26,555 USD 900,000	-	-	26,555 USD 900,000	(443)	100.00%	100.00%	(443)	1,704	-
Shin Fu Yu Commercial Co.	Construction material wholesale	27,104 USD 900,000	(1)	27,104 USD 900,000	-	-	27,104 USD 900,000	(155)	100.00%	100.00%	(155)	1,571	-

Note: Reconciliated in the preparation of consolidated report.

(Continued)



HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
53,659 (USD1,800,000)	53,659 (USD1,800,000)	19,273,154 (Note)

Note 1: 3 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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Xing Ri Sheng Investment Co., Ltd.		98,837,849	7.76%
Ear Winner Investment Co., Ltd.		78,938,890	6.11%

(14) Segment information:

(a) General information

The Group has three reportable segments listed as follows. The reportable segments are the Group's strategic divisions. They 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 internal management report at least quarterly. Information about reportable segments of the Group is detailed below.

- (i) Developing segment is responsible for developing new constructing or rental opportunities.
- (ii) Constructing segment is responsible for constructing buildings.
- (iii) Department stores manages department stores, supermarkets, and international import and export trade.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	For the year ended December 31, 2020					
	Developing segment	Constructing segment	Department store	Other segment	Reconciliation and elimination	Total
Revenue from external customers	\$ 22,755,194	1,583,139	124,685	-	-	24,463,018
Intersegment	141,343	12,704,930	12,309	-	(12,858,582)	-
Interest revenue	20,498	1,737	475	91	(39)	22,762
Total revenue	\$ 22,917,035	14,289,806	137,469	91	(12,858,621)	24,485,780
Interest expenses	\$ 868,754	990	17,605	107	(40)	887,416
Depreciation and amortization	104,976	27,892	109,641	314	-	242,823
Share of profit (loss) of associates and joint ventures accounted for using equity method	(550,977)	15,396	-	2,802	527,790	(4,989)
Reportable segment profit or loss	\$ 3,113,564	278,645	(422,169)	6,032	340,085	3,316,157
Investments accounted for using equity method	\$ 5,914,922	850,001	-	327,634	(6,963,962)	128,595
Capital expenditure	18,872	139,592	46,012	-	248	204,724
Reportable segment assets	\$ 182,660,461	8,197,909	210,695	472,920	(10,734,627)	180,807,358
Reportable segment liabilities	\$ 139,612,464	7,840,261	1,077,227	702	(3,523,814)	145,006,840
	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**Notes to the Consolidated Financial Statements**

(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.

	For the year ended December 31
	2020
Construction Department—Ya ○ Shin International Development	\$ 2,340,682
Construction Department—Shin ○ Real Estate	<u>2,340,682</u>
	<u>\$ 4,681,364</u>

V. The Parent Only Financial Statement Audited by the CPAs of the Recent Year

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, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our 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, 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to note 4(o) and 6(w) of the parent company only financial statements for the account 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 \$18,074,191 thousand in 2020, whether revenue is presented fairly has a significant impact on financial statement. Therefore, the recognition of sales revenue is one of the most important evaluation in performing our audit procedures.

Auditing procedures proformed

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. 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, 2020, inventory of the Company valued \$97,465,526 thousand, constituting 72% 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 proformed

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.

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.

Highwealth Construction

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, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2021

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.
Balance Sheets
December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollar)

Assets		December 31, 2020		December 31, 2019		Liabilities and Equity		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 6,543,049	5	7,581,341	7	2100	Short-term borrowings (Note 6(m))	\$ 58,184,725	43	43,277,303	39
1110	Current financial assets at fair value through profit or loss (Notes 6(b) and 8)	270,366	-	287,726	-	2110	Short-term notes and bills payable (Note 6(n))	4,976,720	4	2,963,851	3
1150	Notes receivable, net (Note 6(d))	1,290,121	1	1,271,200	1	2130	Current contract liabilities (Notes 6(w), 7 and 9(a))	7,948,977	6	4,424,056	4
1170	Accounts receivable, net (Notes 6(d) and 7)	107,195	-	103,176	-	2150	Notes payable	3,633	-	7,535	-
130X	Inventories (Notes 6(e), 7 and 8)	97,465,526	72	75,215,692	69	2170	Accounts payable	394,350	-	601,524	1
1410	Prepayments	217,737	-	332,607	-	2180	Accounts payable to related parties (Note 7)	1,313,731	1	1,303,836	1
1460	Non-current assets classified as held for sale, net (Note 6(f))	733,106	1	-	-	2200	Other payables (Note 7)	1,717,064	2	2,887,678	3
1476	Other current financial assets (Notes 6(l), (z), 7,8 and 9(b))	9,186,064	7	4,177,236	4	2230	Current tax liabilities	187,862	-	37,435	-
1479	Other current assets, others	13,178	-	20,988	-	2280	Lease liabilities (Note 6(q))	1,442	-	10,200	-
1480	Current assets recognized as incremental costs to obtain contract with customers (Note 6(l))	1,954,525	1	1,307,988	1	2305	Other current financial liabilities (Note 7)	176,268	-	231,712	-
		<u>117,780,867</u>	<u>87</u>	<u>90,297,954</u>	<u>82</u>	2321	Bonds payable, current portion (Note 6(p))	6,981,477	5	-	-
						2322	Long-term borrowings, current portion (Note 6(o))	941,422	1	107,373	-
						2399	Other current liabilities, others	592,068	-	73,623	-
								<u>83,419,739</u>	<u>62</u>	<u>55,926,126</u>	<u>51</u>
Non-current assets:						Non-Current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	553,139	-	550,364	1	2530	Bonds payable (Note 6(p))	17,548,006	13	19,738,699	18
1550	Investments accounted for using equity method, net (Notes 6(g), (h), and 8)	5,295,101	4	5,923,202	5	2540	Long-term borrowings (Note 6(o))	3,049,178	2	3,478,065	3
1600	Property, plant and equipment (Notes 6(i) and 8)	437,576	-	899,210	1	2570	Deferred tax liabilities (Note 6(t))	340	-	340	-
1755	Right-of-use assets (Notes 6(j))	1,427	-	10,093	-	2640	Net defined benefit liability, non-current (Note 6(s))	37,287	-	35,352	-
1760	Investment property, net(Notes 6(k) and 8)	3,876,811	3	4,017,978	4			<u>20,634,811</u>	<u>15</u>	<u>23,252,456</u>	<u>21</u>
1780	Intangible assets	2,757	-	3,190	-			<u>104,054,550</u>	<u>77</u>	<u>79,178,582</u>	<u>72</u>
1840	Deferred tax assets (Notes 6(t))	14,544	-	14,544	-		Total liabilities				
1980	Other non-current financial assets (Notes 6(l) and 8)	8,214,252	6	7,858,341	7		Stockholders Equity:				
		<u>18,395,607</u>	<u>13</u>	<u>19,276,922</u>	<u>18</u>	3100	Common stock (Note 6(u))	12,902,969	9	11,666,288	11
						3200	Capital surplus (Note 6(u))	680,821	1	424,474	-
							Retained earnings (Note 6(u)):				
						3310	Legal reserve	7,295,747	5	7,227,303	7
						3350	Unappropriated retained earnings	10,793,502	8	10,629,412	10
						3400	Other equity interest (Note 6(u))	535,453	-	532,627	-
						3500	Treasury stock (Note 6(u))	(86,568)	-	(83,810)	-
							Total equity	<u>32,121,924</u>	<u>23</u>	<u>30,396,294</u>	<u>28</u>
Total assets		<u>\$ 136,176,474</u>	<u>100</u>	<u>109,574,876</u>	<u>100</u>		Total liabilities and equity	<u>\$ 136,176,474</u>	<u>100</u>	<u>109,574,876</u>	<u>100</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.
Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollar, Except for Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue (Note 6(w))	\$ 18,157,516	100	20,373,762	100
5000 Operating costs (Note 6(e))	12,521,372	69	14,683,003	72
Gross profit from operations	5,636,144	31	5,690,759	28
5910 Less: Unrealized profit (loss) from sales	-	-	184	-
5920 Add: Realized profit (loss) on from sales(note)	1,236	-	-	-
Gross profit from operations	5,637,380	31	5,690,575	28
Operating expenses:				
6100 Selling expenses (Note 7)	923,931	5	1,175,942	6
6200 Administrative expenses	724,738	4	886,483	4
	1,648,669	9	2,062,425	10
Net operating income	3,988,711	22	3,628,150	18
Non-operating income and expenses:				
7100 Total interest income (Note 6(y))	8,424	-	14,482	-
7010 Other income (Notes 6(y) and 7)	50,385	-	121,861	1
7020 Other gains and losses, net (Note 6(y))	136,188	1	14,199	-
7050 Share of profit of associates and joint ventures accounted for using equity method, net (Note 6(y))	(713,351)	(4)	(682,798)	(3)
7070 Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Note 6(g))	(477,590)	(3)	224,993	1
Total non-operating income and expenses	(995,944)	(6)	(307,263)	(1)
Profit from continuing operations before tax	2,992,767	16	3,320,887	17
7950 Less: Income tax expenses(Note 6(t))	346,966	2	291,098	1
Profit	2,645,801	14	3,029,789	16
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(s))	(1,469)	-	167	-
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	2,775	-	22,474	-
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	1,256	-	(489)	-
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	2,562	-	22,152	-
8360 Components of other comprehensive income that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	51	-	(149)	-
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	51	-	(149)	-
8300 Other comprehensive income	2,613	-	22,003	-
Total comprehensive income	\$ 2,648,414	14	3,051,792	16
Earnings per share (Note 6(v))				
Basic earnings per share	\$ 2.11		2.42	
Diluted earnings per share	\$ 1.80		2.10	

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.
Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(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	Total other equity interest	Treasury stock		
Balance on January 1, 2019	\$ 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	-	-	-	-	3,029,789	
Other comprehensive income	-	-	-	(322)	(322)	(149)	22,474	22,325	-	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	
Profit (loss)	-	-	-	2,645,801	2,645,801	-	-	-	-	2,645,801	
Other comprehensive income	-	-	-	(213)	(213)	51	2,775	2,826	-	2,613	
Total comprehensive income	-	-	-	2,645,588	2,645,588	51	2,775	2,826	-	2,648,414	
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	68,444	(68,444)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	(1,166,629)	(1,166,629)	-	-	-	-	(1,166,629)	
Stock dividends of ordinary share	1,166,628	-	-	(1,166,628)	(1,166,628)	-	-	-	-	-	
Conversion of convertible bonds	70,053	203,150	-	-	-	-	-	-	-	273,203	
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	53,304	-	-	-	-	-	-	-	53,304	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	(79,797)	(79,797)	-	-	-	-	(79,797)	
Changes in ownership interests in subsidiaries	-	5	-	-	-	-	-	-	(2,758)	(2,753)	
Changes in other additional paid in capital	-	(112)	-	-	-	-	-	-	-	(112)	
Balance at December 31, 2020	\$ 12,902,969	680,821	7,295,747	10,793,502	18,089,249	246	535,207	535,453	(86,568)	32,121,924	

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HIGHWEALTH CONSTRUCTION CORP.**Statements of Cash Flows****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollar)**

	<u>2020</u>	<u>2019</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,992,767	3,320,887
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	76,193	69,652
Amortization expense	4,859	3,929
Expected credit loss	4,680	1,819
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(44,151)	(23,559)
Interest expense	713,351	682,798
Interest income	(8,424)	(14,482)
Dividend income	(15,166)	(4,778)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	477,590	(224,993)
Loss on disposal of property, plant and equipment	133	-
Gain on disposal of investment properties	(112,057)	-
Unrealized profit from sales	-	184
Realized loss (profit) on from sales	(1,236)	-
Total adjustments to reconcile profit (loss)	<u>1,095,772</u>	<u>490,570</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets or liabilities at fair value through profit or loss, mandatorily measured at fair value	61,327	40,561
Increase in notes receivable	(21,901)	(32,049)
Decrease (increase) in accounts receivable	(5,719)	78,750
Increase in inventories	(21,678,220)	(8,589,200)
Decrease (increase) in prepayments	63,748	(76,910)
Decrease in other current assets	7,810	7,668
Increase in other financial assets	(5,008,875)	(1,003,174)
Increase in incremental costs to obtaining a contract	(646,537)	(607,702)
Total changes in operating assets	<u>(27,228,367)</u>	<u>(10,182,056)</u>
Changes in operating liabilities:		
Increase in contract liabilities	3,216,148	1,524,477
Decrease in notes payable	(3,902)	(12,278)
Increase (decrease) in accounts payable (include related parties)	(197,279)	616,303
Increase (decrease) in other payable	(23,979)	95,918
Increase (decrease) in other financial liabilities	(55,444)	115,064
Increase (decrease) in other current liabilities	518,445	(126,431)
Increase in net defined benefit liability	466	435
Total changes in operating liabilities	<u>3,454,455</u>	<u>2,213,488</u>
Total changes in operating assets and liabilities	<u>(23,773,912)</u>	<u>(7,968,568)</u>
Total adjustments	<u>(22,678,140)</u>	<u>(7,477,998)</u>
Cash inflow (outflow) generated from operations	(19,685,373)	(4,157,111)
Income taxes paid	(195,344)	(274,035)
Net cash flows from (used in) operating activities	<u>(19,880,717)</u>	<u>(4,431,146)</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HIGHWEALTH CONSTRUCTION CORP.
Statements of Cash Flows (CONT'D)
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollar)

	2020	2019
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	491
Acquisition of investments accounted for using equity method	(82,485)	(2,752,981)
Proceeds from disposal of non-current assets classified as held for sale	308,773	-
Acquisition of property, plant and equipment	(3,938)	(36,451)
Acquisition of intangible assets	(4,426)	(2,303)
Proceeds from disposal of investment properties	154,093	-
Interest received	8,460	14,504
Dividends received	221,459	137,357
Net cash flows from (used in) investing activities	601,936	(2,639,383)
Cash flows from (used in) financing activities:		
Increase in short-term loans	35,411,358	22,696,834
Decrease in short-term loans	(20,504,355)	(9,324,413)
Increase (decrease) in short-term notes and bills payable	2,012,869	(784,813)
Proceeds from issuing bonds	5,000,000	-
Proceeds from long-term debt	550,000	316,400
Repayments of long-term debt	(144,838)	(95,472)
Payment of lease liabilities	(11,746)	(9,517)
Increase in other financial liabilities	(355,911)	(1,128,532)
Cash dividends paid	(2,333,257)	(5,249,822)
Interest paid	(1,383,631)	(1,163,142)
Net cash flows from financing activities	18,240,489	5,257,523
Net increase (decrease) in cash and cash equivalents	(1,038,292)	(1,813,006)
Cash and cash equivalents at beginning of the year	7,581,341	9,394,347
Cash and cash equivalents at end of the year	\$ 6,543,049	7,581,341

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements
For the years ended December 31, 2020 and 2019
(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 financial statements:

The parent company only financial statements were authorized for issuance by the Board of Directors on March 19, 2021.

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

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

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

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

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

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

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

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

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent company only financial statements are summarized as below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of preparation

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

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

(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 NTD has been rounded to the nearest thousand.

(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

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

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.

(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;

HIGHWEALTH CONSTRUCTION CORP.**Notes to the Parent Company only Financial Statements**

(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.

(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.

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

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

2) Fair value through other comprehensive income (FVOCI)

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

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- 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 company the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the 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 consider 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.

HIGHWEALTH CONSTRUCTION CORP.**Notes to the Parent Company only Financial Statements**

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and 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:

- 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 accounts 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 months 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.

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

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. An evidence that a financial asset is credit-impaired includes the following observable data.

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

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

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. 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.

HIGHWEALTH CONSTRUCTION CORP.**Notes to the Parent Company only Financial Statements**

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity instruments

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 instruments

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

3) 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.

HIGHWEALTH CONSTRUCTION CORP.

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

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

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 offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

(i) 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, and capitalization of interest.

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) Construction site

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

2) Construction in progress

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

HIGHWEALTH CONSTRUCTION CORP.**Notes to the Parent Company only Financial Statements**

3) Real estate for sales

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 selling cost and expenses need to sell the real estate.

(h) Non-current assets held for sale

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

(i) Investing subsidiaries

In preparing the parent company only financial statements of the Company, investee company that controlled by the Company is accounted for under the equity method. Under equity method, profit for the year and other comprehensive income for the year reported in an entity's Parent Company only financial statement of comprehensive income, shall equal to profit for the year and other comprehensive income attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's Parent Company only financial 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.

(j) Investment property

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

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

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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.

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(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 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.

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

(l) Lease

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period 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 Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) The Company has the right to direct the use of the asset throughout the period of use only if either:
 - The customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - The relevant decisions about how and for what purpose the asset is used are predetermined and:
 - The customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - The customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(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.

HIGHWEALTH CONSTRUCTION CORP.

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

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

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

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

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

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

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component based on 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.

HIGHWEALTH CONSTRUCTION CORP.**Notes to the Parent Company only Financial Statements**

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 incurred in negotiating and arranging on operating lease is added to the net investment of the lease asset. 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' .

(m) 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.

(n) 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

(o) 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

(p) 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.

(q) 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.

HIGHWEALTH CONSTRUCTION CORP.**Notes to the Parent Company only Financial Statements**

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.

(r) Earnings per share

The Company disclose the Company' s basic and diluted earnings per share attributable to ordinary shareholders 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.

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

(s) Operating segments

Please refer to the consolidated financial report of Highwealth Construction Corp. for the years ended December 31, 2020 and 2019 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 Regulations Governing the Preparation of Financial Reports by securities Issuers, the Regulations and the IFRSs endorsed by the FSC, requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

(a) Valuation of inventories

Inventories are measured at the lower of cost and net realizable value. The Company's evaluate the selling price in the market is below the cost, and write off the cost of inventory to net realizable value.

The estimation of net realizable value is based on current market conditions. Please refer note 6(e) for inventory valuation.

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

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

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

The transfers policy between levels of the fair value hierarchy

If there is any movement of financial instruments measured at fair value between Level 1, Level 2 and Level 3, the Company recognizes the movement at the reporting date. Please refer notes as follows:

(a) Note 6(k) Investment property.

(b) Note 6(z) Financial instruments.

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Bank overdrafts used for cash management purposes	\$ 3,862	1,866
Demand Deposits	6,539,187	7,579,475
Cash and cash equivalent	<u>\$ 6,543,049</u>	<u>7,581,341</u>

Please refer Note 6(z) 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, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss:		
Stocks listed on domestic markets	\$ 263,550	287,726
Embedded derivative-call options and conversion options	6,816	-
Total	<u>\$ 270,366</u>	<u>287,726</u>

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

In 2020 and 2019, the acquisition and disposal gain or loss on financial assets at fair value through profit or loss of the Company was \$11,009 thousand, \$72,336 thousand, \$0 thousand and \$40,561 thousand, respectively.

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

Please refer to note 8 for the financial asset that had been pledged as collateral for bank borrowings for the years ended December 31, 2020 and 2019.

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income:		
Unlisted Common Share	<u>\$ 553,139</u>	<u>550,364</u>

(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.

HIGHWEALTH CONSTRUCTION CORP.

Notes to the Parent Company only Financial Statements

As of December 31, 2019, the Company has sold its shares at a fair value of \$491 thousand, and the Company realized a gain of \$125 thousand, 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(z).
- (iii) As of December 31, 2020, and 2019, 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, 2020	December 31, 2019
Note receivables	\$ 1,295,101	1,273,200
Trade receivables	109,887	104,168
Less: loss allowance	<u>7,672</u>	<u>2,992</u>
	<u>\$ 1,397,316</u>	<u>1,374,376</u>

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, 2020		
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance Provision
Current	\$ 1,397,316	-	-
More than 365 days past due	<u>7,672</u>	100%	<u>7,672</u>
	<u>\$ 1,404,988</u>		<u>7,672</u>
	December 31, 2019		
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance Provision
Current	\$ 1,374,376	-	-
More than 365 days past due	<u>2,992</u>	100%	<u>2,992</u>
	<u>\$ 1,377,368</u>		<u>2,992</u>

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

	For the years ended December 31	
	2020	2019
Balance on January 1	\$ 2,992	5,003
Impairment losses recognized	4,680	1,819
Amounts written off	-	(3,830)
Balance on December 31	<u>\$ 7,672</u>	<u>2,992</u>

(e) Inventories

	December 31, 2020	December 31, 2019
Properties and Land held for sale	\$ 10,271,781	12,496,069
Land held for construction sites	24,570,145	14,064,227
Construction in progress	62,623,600	48,151,146
Prepaid for land purchase	-	504,250
Total	<u>\$ 97,465,526</u>	<u>75,215,692</u>

For the years ended December 31, 2020 and 2019, the cost of goods sold recognized in parent company only comprehensive income amounted to \$12,480,646 thousand and \$14,644,621 thousand, respectively. For the years ended December 31, 2020 and 2019, 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 \$7,886 thousand and \$44,951 thousand, respectively.

For the years ended December 31, 2020 and 2019, 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(i) and (j).

For the years ended December 31, 2020 and 2019, construction in progress of the company is calculated using a capitalization rate 1.91% and 2.06%, respectively. For capitalized interest, please refer to note 6(y).

As of December 31, 2020, and 2019, the inventories of the Company had been pledged as collateral for bank borrowings, please refer to note 8.

(f) Non-current assets held for sale

Based on the resolution made during the Board Meeting on November 26, 2020, and December 24, 2020, the Company expected to dispose the land and building on JinTai section, Zhongshan Dist in Taipei City, and the selling process had been proceeded. Therefore, the Company reclassified the property and building to non-current assets held for sale. As December 31, 2020, the carrying value of non-current assets held for sale was \$733,106 thousand, which the contract amount for the sold and leased back was \$1,246,370 thousand (include taxes). The assets held for sale of the Company had been pledged as collateral, please refer to note 8.

HIGHWEALTH CONSTRUCTION CORP.**Notes to the Parent Company only Financial Statements**

(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, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	<u>\$ 5,295,101</u>	<u>5,923,202</u>

(i) Subsidiaries

Please refer to consolidated financial statement of 2020.

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 Qi Yu Construction Co., Ltd., by cash \$930,000 thousand. On August 8, 2019, the Company acquired direct control over Bo Yuan Construction Co., Ltd.

(ii) Guarantees

As of December 31, 2020, and 2019, the investments accounted for using equity method had been pledged as collateral for bank borrowings, please refer to note 8.

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

The Company acquired Run Long Construction Co., Ltd.'s shares with cash in 2020 and 2019.

The effects of the changes in shareholdings were as follows:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Carrying amount of non-controlling interest on acquisition	\$ 33,031	243,542
Consideration paid to non-controlling interests	<u>(112,828)</u>	<u>(750,765)</u>
Retained earnings	<u>\$ (79,797)</u>	<u>(507,223)</u>

(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Other equipment</u>	<u>Constructio n in progress</u>	<u>Total</u>
Cost or deemed cost:					
Balance on January 1, 2020	\$ 487,463	440,954	65,017	-	993,434
Additions	-	-	3,938	-	3,938
Disposals	-	-	(15,035)	-	(15,035)
Reclassification to properties held for sale	<u>(240,413)</u>	<u>(222,972)</u>	-	-	<u>(463,385)</u>
Balance on December 31, 2020	<u>\$ 247,050</u>	<u>217,982</u>	<u>53,920</u>	<u>-</u>	<u>518,952</u>

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	<u>Land</u>	<u>Buildings and construction</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1, 2019	\$ 476,705	414,423	42,079	-	933,207
Transfer from inventories	12,636	15,951	-	-	28,587
Additions	-	5,635	24,129	6,687	36,451
Disposals	-	-	(1,191)	-	(1,191)
Transfer in (out)	-	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>
Depreciation and impairments loss:					
Balance on January 1, 2020	\$ -	67,565	26,659	-	94,224
Depreciation	-	12,174	11,740	-	23,914
Reclassification to properties held for sale	-	(21,860)	-	-	(21,860)
Disposals	-	-	(14,902)	-	(14,902)
Balance on December 31, 2020	<u>\$ -</u>	<u>57,879</u>	<u>23,497</u>	<u>-</u>	<u>81,376</u>
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>
Carrying amounts:					
Balance on December 31, 2020	<u>\$ 247,050</u>	<u>160,103</u>	<u>30,423</u>	<u>-</u>	<u>437,576</u>
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 January 1, 2019	<u>\$ 476,705</u>	<u>356,821</u>	<u>26,190</u>	<u>-</u>	<u>859,716</u>

- (i) In order to manage activating strategies of assets and obtain the maximum effectiveness, the information of 2020 and 2019 for the reclassification of non-current assets held for sale and investment properties please refer to note 6 (f) and note 6 (k).
- (ii) As of December 31, 2020, and 2019, the property, plant and equipment of the Company had been pledged as collateral for bank borrowings, please refer to note 8.
- (j) 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:

Cost:	<u>Land</u>	<u>Transportation equipment</u>	<u>Total</u>
Balance on January 1, 2020	\$ 21,135	1,886	23,021
Lease modification	2,988	-	2,988
Decrease	(19,270)	-	(19,270)
Balance on December 31, 2020	<u>\$ 4,853</u>	<u>1,886</u>	<u>6,739</u>

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Balance on January 1, 2019	\$	-	-	-
Effects of retrospective application		9,167	1,886	11,053
Balance on January 1, 2019 after adjustments		9,167	1,886	11,053
Additions		11,968	-	11,968
Balance on December 31, 2019	\$	21,135	1,886	23,021
Depreciation and impairment losses:				
Balance on January 1, 2020	\$	11,409	1,519	12,928
Depreciation for the year		11,287	367	11,654
Decrease		(19,270)	-	(19,270)
Balance on December 31, 2020	\$	3,426	1,886	5,312
Balance on January 1, 2019	\$	-	-	-
Effects of retrospective application		2,674	891	3,565
Balance on January 1, 2019 after adjustments		2,674	891	3,565
Depreciation for the year		8,735	628	9,363
Balance on December 31, 2019	\$	11,409	1,519	12,928
Carrying amounts:				
Balance on December 31, 2020	\$	1,427	-	1,427
Balance on December 31, 2019	\$	9,726	367	10,093

(k) Investment Property

	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Total</u>
Cost or deemed cost:			
Balance on January 1, 2020	\$ 2,178,471	2,074,199	4,252,670
Reclassification from inventories	120,736	112,339	233,075
Disposals	(22,087)	(20,485)	(42,572)
Reclassification to properties held for sale	(155,284)	(144,019)	(299,303)
Balance on December 31, 2020	\$ 2,121,836	2,022,034	4,143,870
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	\$ 2,178,471	2,074,199	4,252,670
Depreciation and impairments loss:			
Balance on January 1, 2020	\$ 40,818	193,874	234,692
Depreciation	-	40,625	40,625
Disposals	-	(536)	(536)
Reclassification properties held for sale	-	(7,722)	(7,722)
Balance on December 31, 2020	\$ 40,818	226,241	267,059

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	<u>Land and improvement</u>	<u>Buildings and construction</u>	<u>Total</u>
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>234,692</u>
Carrying amounts:			
Balance on December 31, 2020	<u>\$ 2,081,018</u>	<u>1,795,793</u>	<u>3,876,811</u>
Balance on December 31, 2019	<u>\$ 2,137,653</u>	<u>1,880,325</u>	<u>4,017,978</u>
Balance on January 1, 2019	<u>\$ 2,030,148</u>	<u>1,768,544</u>	<u>3,798,692</u>
Fair value:			
Balance on December 31, 2020			<u>\$ 6,048,670</u>
Balance on December 31, 2019			<u>\$ 6,717,162</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, 2020 and 2019, the Company' s investment property had been pledged as collateral for bank borrowings, please refer to note 8.

(l) Other financial assets and current incremental costs of obtaining a contract

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other current financial assets	\$ 9,186,064	4,177,236
Current incremental costs of obtaining a contract-current	1,954,525	1,307,988
Other non-current financial assets	8,214,252	7,858,341
	<u>\$ 19,354,841</u>	<u>13,343,565</u>

(i) Other financial asset

Other financial assets include Trust account for presale of properties, reserve account for borrowing, performance guarantee, reserve account for corporation bonds and construction deposit.

(ii) Incremental costs of obtaining a contract-current

The Company expects that incremental commission fees paid to intermediaries, and the bonus for the internal sales department are recoverable. The Company has therefore capitalized them as contract costs. Capitalized commission fees are amortized when the related revenues are recognized. For the years ended December 31, 2020 and 2019, the Company recognized \$317,850 thousand and \$483,395 thousand of selling expenses, respectively.

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(iii) As of December 31, 2020, and 2019, the other financial assets of the Company had pledged as collateral for long-term borrowings, please refer to note 8.

(m) Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured bank loans	\$ 4,633,333	7,933,333
Secured bank loans	53,558,280	35,351,277
Less : Syndicated Loan Expense	(6,888)	(7,307)
Total	\$ 58,184,725	43,277,303
Range of interest rates	1.245%~2.00%	1.495%~2.30%

(i) The issue of bank loan and repayment

For the years ended December 31, 2020 and 2019, the incremental amounts are \$35,411,358 thousand and \$22,696,834 thousand, respectively; the repayment amounts are \$20,504,355 thousand and \$9,324,413 thousand, respectively. Please refer to note 6(y) for interest expense.

(ii) Collateral for Bank Loans

For the collateral for short-term borrowings, please refer to note 8.

(n) Short-term notes and bills payable

December 31, 2020			
	Guarantee or acceptance institute	Range of interest rate	Amount
Commercial paper payable	Financial institute	0.398%~1.738%	\$ 4,981,300
Less: Discount on short-term notes and bills payable			(4,580)
Total			\$ 4,976,720
December 31, 2019			
	Trust or acceptance institute	Range of interest rate	Amount
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

For the collateral for short-term notes and bills payable, please refer to note 8.

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(o) Long-term borrowings

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

December 31, 2020				
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	1.47%~1.94%	2021~2038	\$ 3,990,600
Less: current portion				(941,422)
Total				<u>\$ 3,049,178</u>

December 31, 2019				
	Currency	Range of interest rate	Maturity	Amount
Secured bank loans	TWD	1.69%~2.25%	2021~2038	\$ 3,585,438
Less: current portion				(107,373)
Total				<u>\$ 3,478,065</u>

(i) The issue of bank loan and repayment

The amount issued for the years ended December 31, 2020 and 2019 are \$550,000 thousand and \$316,400 thousand, respectively; the repayment amounts are \$144,838 thousand and \$95,472 thousand, respectively, please refer to note 6(y) for interest expense.

(ii) Collateral for Bank Loans

For the collateral for long-term borrowings, please refer to note 8.

(p) Bonds payable/ current portion of bonds payable

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

	December 31, 2020	December 31, 2019
Secured ordinary corporate bonds - current	\$ 6,981,477	-
Secured convertible bond - non-current	10,114,500	10,270,574
Secured ordinary corporate bonds- non-current	7,433,506	9,468,125
Total	<u>\$ 24,529,483</u>	<u>19,738,699</u>

(i) The Company issued the secured ordinary corporate bonds amounting to \$5,000,000 thousand \$2,500,000 thousand, \$5,000,000 thousand, and \$2,000,000 thousand with an interest rate of 0.53%, 0.90%, 1.15% and 1.00% in December 2020, May 2018, April 2016, and November 2016. The secured ordinary corporate bonds were issued for 5 years, interest paid annually, repayment of principal and interest at maturity.

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

	December 31, 2020	December 31, 2019
Secured convertible bonds	\$ 10,577,820	10,577,820
Discount on bonds payable-unamortized amount	(185,335)	(307,140)
Accumulated convertible amount	(277,985)	(106)
Ending balance: bonds payable	\$ 10,114,500	10,270,574
Embedded derivatives- put option and call option (FVPL)	\$ 6,816	-

In June 2017, the Company issued a secured 5-year convertible bond with zero interest for \$10,577,820 thousand 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 30% 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(y) for the interest expense for the years ended December 31, 2020 and 2019. For the details of collateral of secured convertible bonds and bonds payable, please refer to note 8.

(q) Lease liabilities

The carrying amount of lease liabilities were as follows :

	December 31, 2020	December 31, 2019
Current	\$ 1,442	10,200

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

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The amounts recognized in profit or loss were as follows :

	For the years ended December 31	
	2020	2019
Interest on lease liabilities	\$ 113	181
Expenses relating to short-term and low-value leases	\$ 101,400	117,516

The amounts recognized in the statement of cash flows for the Company was as follows :

	For the years ended December 31	
	2020	2019
Total cash outflow for leases	\$ 113,259	127,214

(i) Real estate leases

As of December 31, 2020, 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.

(r) Operating lease

(i) 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(k) for investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2020	December 31, 2019
Less than one year	\$ 72,808	64,132
One to two years	50,306	50,788
Two to three years	39,455	42,062
Three to four years	37,247	33,610
Four to five years	20,319	13,388
Total undiscounted lease payments	\$ 220,135	203,980

For the years ended December 31, 2020 and 2019, rental income from investment properties were \$73,891 thousand and \$61,450 thousand, respectively.

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(s) Employee benefits

(i) Defined benefit plans

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

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
The present value of defined benefit plans	\$ 65,223	61,735
Fair value of plan asset	(29,347)	(27,607)
Net defined benefit liability	<u>\$ 35,876</u>	<u>34,128</u>

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.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$29,347 thousand as of December 31, 2020. 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:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Defined benefit obligations at January 1	\$ 61,735	59,792
Current service cost and interest	1,193	1,243
Remeasurement of net define benefit liabilities (assets)		
— Return on plan assets excluding interest income	2,295	700
Defined benefit obligations at December 31	<u>\$ 65,223</u>	<u>61,735</u>

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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, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Fair value of plan asset January 1	\$ 27,607	25,799
Remeasurement of net defined benefit liabilities (assets)		
— Return on plan assets (excluding interest income)	826	867
Amount that has been allocated to the plan	635	647
Expected return on plan asset	279	294
Fair value of plan assets, December 31	\$ 29,347	27,607

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	
	2020	2019
Current service cost	\$ 576	570
Net interest of net liabilities for defined benefit obligations	338	379
	\$ 914	949
Administration expense	\$ 914	949

5) Actuarial valuations

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

	2020.12.31	2019.12.31
Discount rate	0.625%	1.000%
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 \$628 thousand.

The weighted average lifetime of the defined benefit plans is 11.10 years.

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6) 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	
	Increase 0.25%	Decrease 0.25%
December 31, 2020		
Discount rate (0.25% difference)	\$ (1,575)	1,624
Future salary increase rate (0.25% difference)	1,564	(1,525)
December 31, 2019		
Discount rate (0.25% difference)	(1,621)	1,675
Future salary increase rate (0.25% difference)	1,622	(1,579)

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 2020 and 2019.

(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, 2020 and 2019 amounted to \$9,871 thousand and \$9,224 thousand, respectively.

(t) Income tax

(i) Income tax expenses

The components of income tax expenses for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Current tax expense		
Current period	\$ 188,576	-
Land value increment tax	176,514	198,057
Additional surtax on unappropriated earnings	-	62,775
Adjustment for prior periods	(18,124)	30,266
Tax expense	\$ 346,966	291,098

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The reconciliation of tax expense and income before tax for the years ended December 31, 2020 and 2019 are as follows:

	For the years ended December 31	
	2020	2019
Income before tax	\$ 2,992,767	3,320,887
Income tax expense at domestic statutory tax rate	598,553	664,177
Land tax exempt income	(515,938)	(757,497)
Book –tax difference between recognition time	53,602	111,057
Book –tax difference of capitalization	(56,853)	(57,390)
Profit or loss from investment accounted for using equity method	95,518	(44,999)
Book –tax difference between deferred sales commission	71,567	57,688
Land value increment tax	176,514	198,057
Financial assets measured at fair value through profit and loss	(8,830)	(4,712)
Unrealized profit or loss from associated company	(247)	37
Additional surtax on unappropriated earnings	-	62,775
Adjustment for prior periods	(18,124)	30,266
Others	(48,796)	31,639
Total	\$ 346,966	291,098

(ii) Deferred tax asset and liability recognized

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

Deferred tax assets:

	Investment property impairment	Others	Total
Balance on January 1, 2020	\$ 11,242	3,302	14,544
Balance on December 31, 2020	\$ 11,242	3,302	14,544
Balance on January 1, 2019	\$ 11,242	3,302	14,544
Balance on December 31, 2019	\$ 11,242	3,302	14,544

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Deferred tax liabilities:

	Others
Balance on January 1, 2020	\$ 340
Balance on December 31, 2020	\$ 340
Balance on January 1, 2019	\$ 340
Balance on December 31, 2019	\$ 340

(iii) The Company's income tax had been examined by the tax authorities till 2018 except for 2017.

(u) Capital and other equity

As of December 31, 2020, and 2019, the total value of authorized ordinary shares were \$20,000,000 thousand, with par value of \$10 per share. The paid-in capital were \$12,902,969 thousand and \$11,666,288 thousand, respectively.

(i) Ordinary shares

The reconciliation of outstanding shares for the years ended December 31, 2020 and 2019 are as follows:

	Ordinary Shares	
	2020	2019
Balance on January 1	1,166,629	1,166,627
Capital increase by retained earning	116,663	-
Convertible bonds transfer	7,005	2
Balance on December 31	1,290,297	1,166,629

A resolution was passed during the general meeting of shareholders held on June 10, 2020, for the issuance of 100 new shares per thousand shares by retained earnings and capital surplus, amounting to \$1,166,628 thousand. The Company had received approval from the Financial Supervisory Commission for this capital increase on August 3, 2020. And a resolution was passed during the board meeting, to set October 1, 2020 as the date of capital increase, and had finished registration on October 16, 2020.

For the year ended December 31, 2020 and 2019, due to the convertible bonds' holder exercised the convert option, the Company issuance of 7,005 per thousand new shares and 2 per thousand new shares, respectively, amounting to \$70,053 thousand and \$22 thousand, respectively. Among the 7,005 thousand shares had not performed the registration.

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(ii) Capital surplus

The balance of capital surplus as of December 31, 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Treasury share transactions	\$ 432,357	379,053
Difference arising from subsidiary' s equity	33,530	33,525
Conversion premium of convertible bonds	203,231	81
Capital surplus-premium from merger	62	62
Donation from shareholders	3,284	3,396
Other	8,357	8,357
	<u>\$ 680,821</u>	<u>424,474</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

In accordance with the Company' s articles of incorporation, which were approved during the general meeting of shareholders held on June 10, 2020, after paying the income taxes, the Company' s net earnings should first be used to offset the prior years' deficits. Of the remaining balance, 10% is to be appropriated as legal reserve, which in accordance with the regulations of the competent authority or reversal appropriated retained earnings. And then any remaining profit, together with any undistributed retained earnings, shall not be distributed less than 20% as shareholders' dividends proposed by the Board of Directors to be submitted to the stockholders' meeting for approval. The cash dividends should not be less than 10% of the total dividends.

As the Company distributes dividends or legal reserves and part or all paid-in capital in cash, the Company should hold a Board meeting to pass the resolution by more than half of the directors present at Board meeting, which requires a quorum of two-third of all the directors. The resolution should be submitted to the shareholder' s meeting.

In addition, the articles of incorporation for the Company were amended before the general meeting of shareholders on June 10, 2020, the Company distributes the surplus earning and offset losses after the end of each quarter. If there are earnings during the quarter, the Company shall distribute the earnings in accordance with the above-mentioned 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 Rule No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of unappropriated earnings prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for the years ended December 31, 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on June 10, 2020 and 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31			
	2019		2018	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:				
Cash dividends	\$ 3.0	3,499,886	3.5	4,083,194
Stock dividends	1.0	<u>1,166,628</u>	-	-
Total		<u>\$ 4,666,514</u>		<u>4,083,194</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, the amount of dividend distributions was 1,166,628 thousand and 1,166,629 thousand, respectively.

The Company cash dividends of earning distribution plan was approved during the general meetings of the shareholders held on March 19, 2021 as follows:

	Total amount
Dividends distributed to ordinary shareholders:	
Cash dividends	<u>2,581,927</u>

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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, 2020, the Company had not repurchased any share.
- 2) Prior to Company ACT amendment in 2001, Subsidiaries of the Company, Ju Feng Hotel Management Consultant., Co., Ltd., 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 thousand of the Company's shares for investment purpose in the public market in 2015 and received stock dividend from retained earnings of 1,195 thousand shares on 2020. As of December 31, 2020, and 2019, the market price per share were \$45.85 and \$46.3, respectively.

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

<u>Subsidiary</u>	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Shares (thousand)</u>	<u>Book value</u>	<u>Shares (thousand)</u>	<u>Book value</u>
Ju Feng Hotel Management Consultant., Co., Ltd.	4,578	\$ 1,733	4,162	1,733
Highwealth Real Estate Co., Ltd.	8,849	10,850	8,045	10,850
Qi Yu Construction Co., Ltd.	2,745	-	2,495	-
Run Long Construction Co., Ltd.	13,145	73,985	11,950	71,227
	29,317	\$ 86,568	26,652	83,810

(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>Total</u>
Balance on January 1, 2020	\$ 195	532,432	532,627
Exchange differences on foreign operations	51	-	51
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	2,775	2,775
Balance on December 31, 2020	\$ 246	535,207	535,453

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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	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>532,627</u>

(v) 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 2020 and 2019 were \$2,645,801 thousand and \$3,029,789 thousand, respectively, and both the weighted average number of ordinary shares outstanding for 2020 and 2019 were 1,254,564 thousand and 1,253,975 thousand shares, respectively, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	For the years ended December 31	
	2020	2019
Profit attributable to ordinary shareholders of the Company	<u>\$ 2,645,801</u>	<u>3,029,789</u>

2) Weighted-average number of ordinary shares

	For the years ended December 31	
	2020	2019
Ordinary shares outstanding on January 1	1,166,629	1,166,627
Effect of treasury stock	(29,317)	(29,317)
Effect of conversion of convertible bonds	588	1
Effect of stock dividends	\$ 116,663	116,663
Weighted-average number of ordinary shares on December 31	<u>1,254,563</u>	<u>1,253,974</u>

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(ii) Diluted earnings per share

The Company's diluted earnings per share is calculated by profit attributable to ordinary shareholders of the Company for 2020 and 2019 were \$2,739,518 thousand and \$3,122,453 thousand respectively. After adjusting the effect of dilution of ordinary share, the weighted average number of ordinary shares for 2020 and 2019 were 1,521,648 thousand and 1,486,977 thousand shares, respectively. The related calculations are as follows:

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

	For the years ended December 31	
	2020	2019
Profit attributable to ordinary shareholders of the Company (diluted)	\$ 2,739,518	3,122,453

2) Weighted-average number of ordinary shares (diluted)

	For the years ended December 31	
	2020	2019
Weighted-average number of ordinary shares (basic)	1,254,563	1,253,974
Effect of conversion of convertible bonds	266,076	232,016
Effect of employee share bonus	1,018	986
Weighted-average number of ordinary shares (diluted) on December 31	1,521,657	1,486,976

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31	
	2020	2019
Primary geographical markets:		
Taiwan	\$ 18,157,516	20,373,762
Major products/services lines:		
Sales of real estate	\$ 18,074,191	20,299,461
Other revenue	83,325	74,301
	\$ 18,157,516	20,373,762
Timing of revenue recognition:		
Revenue transferred at a point in time	\$ 83,325	74,301
Products and services transferred over time	18,074,191	20,299,461
	\$ 18,157,516	20,373,762

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(ii) Contract balances

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>January 1, 2019</u>
Contract liabilities-sales of real estate	\$ 7,944,933	4,415,748	2,891,226
Contract liabilities-advance receipt	4,044	8,308	8,353
Total	<u>\$ 7,948,977</u>	<u>4,424,056</u>	<u>2,899,579</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the years ended December 31, 2020 and 2019, that was included in the contract liability balance at the beginning of the period were \$596,524 thousand and \$1,762,512 thousand, respectively.

The major change in the balance of contract assets and liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2020 and 2019.

(x) 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, 2020 and 2019, the Company estimated its employee remuneration amounting to \$36,000 thousand, and directors' and supervisors' remuneration amounting to \$7,500 thousand and \$8,400 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. 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 2020 and 2019.

(y) Non-operating income and expense

(i) Interest income

The details of interest income were as follows:

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(ii) Other income

The details of other income were as follows:

	For the years ended December 31	
	2020	2019
Contract termination income	\$ 10,237	14,377
Dividend income	15,166	4,778
Others	24,982	102,706
	\$ 50,385	121,861

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2020	2019
Foreign exchange losses	\$ -	(5)
Losses on disposal of property, plant and equipment	(133)	-
Gains on disposal of investment properties	112,057	-
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	44,151	23,559
Other expenses	(19,887)	(9,355)
	\$ 136,188	14,199

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2020	2019
Interest expense		
Bank loans and collateral	\$ 1,294,091	1,076,833
Amortization on discounted corporate bond	109,298	117,730
Interest on corporate bond	100,183	99,962
Other finance costs	14,468	181
Less: capitalized interest	(804,689)	(611,908)
	\$ 713,351	682,798

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(z) 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.

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 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, 2020(as opening balance)	<u><u>\$ 8,235</u></u>
Balance on December 31, 2019(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, 2020				
Non derivative financial liabilities:				
Secured loans	\$ 59,030,247	4,576,634	39,463,881	14,989,732
Unsecured loans	4,707,850	4,190,738	517,112	-
Short-term investment payables	4,981,300	4,981,300	-	-
Other financial liabilities-current	176,268	-	176,268	-
Convertible bond	10,362,835	-	10,362,835	-
Ordinary corporate bonds (current)	14,720,874	7,083,280	7,637,594	-
Notes payable, accounts payable and other payables	3,428,778	3,389,643	39,107	28
Lease liability	1,450	1,450	-	-
	<u><u>\$ 97,409,602</u></u>	<u><u>24,223,045</u></u>	<u><u>58,196,797</u></u>	<u><u>14,989,760</u></u>

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	<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	\$ 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 investment payables	2,974,200	2,974,200	-	-
Other financial liabilities-current	231,712	-	231,712	-
Convertible bond	10,640,714	-	10,640,714	-
Ordinary corporate bond	9,688,502	100,000	9,588,502	-
Notes payable, accounts payable and other payables	4,800,573	4,742,009	57,694	870
Lease liability	10,308	10,308	-	-
	<u>\$ 78,056,224</u>	<u>20,565,255</u>	<u>54,619,363</u>	<u>2,871,606</u>

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

(iii) Market risk

- 1) 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 \$335,760 thousand and \$249,133 thousand for the years ended December 31, 2020 and 2019, with another variable factors remaining constant. Considering that capitalized interest of profit may decrease or increase by \$157,779 thousand and \$131,387 thousand. This is mainly due to the Company's borrowing at variable rates.

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3) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	For the years ended December 31			
	2020		2019	
	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%	\$ 55,314	26,355	55,036	28,773
Decrease 10%	\$ (55,314)	(26,355)	(55,036)	(28,773)

(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, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 6,816	-	6,816	-	6,816
Derivative financial assets mandatorily measured at fair value through profit or loss	263,550	263,550	-	-	263,550
Subtotal	\$ 270,366	263,550	6,816	-	270,366
Financial assets at fair value through other comprehensive income					
Stocks in unlisted company	\$ 553,139	-	553,139	-	553,139
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 6,543,049	-	-	-	-
Notes and accounts receivable	1,397,316	-	-	-	-
Other financial assets - current	9,186,064	-	-	-	-
Other financial assets - non-current	8,214,252	-	-	-	-
Subtotal	\$ 25,340,681	-	-	-	-

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		December 31, 2020				
		Book Value	Fair Value			Total
			Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost						
Short-term loans	\$	58,184,725	-	-	-	-
Short-term investment payables		4,976,720	-	-	-	-
Notes payable, accounts payable and other payables		3,428,778	-	-	-	-
Lease liabilities		1,442	-	-	-	-
Other financial liabilities- current		176,268	-	-	-	-
Corporate bonds payable (Current portions)		24,529,483	-	-	-	-
Long-term loans (Current portions)		3,990,600	-	-	-	-
Subtotal	\$	95,288,016	-	-	-	-
		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 investment payables		2,963,851	-	-	-	-
Notes payable, accounts payable and other payables		4,800,573	-	-	-	-
Lease liabilities		10,200	-	-	-	-
Other financial liabilities- current		231,712	-	-	-	-
Corporate bonds payable		19,738,699	-	-	-	-
Long-term loans (Current portions)		3,585,438	-	-	-	-
Subtotal	\$	74,607,776	-	-	-	-

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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.

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 2020 and 2019. There is no transfer between first and second level measured at fair value in 2020 and 2019.

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(aa) 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.

(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) Account receivable 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.

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3) Guarantees

The Company's policy is to provide financial guarantees to subsidiaries that directly or indirectly hold more than 50% of voting shares and companies with business relations. At December 31, 2020 and 2019, the situation about the Company provided guarantees to wholly owned subsidiaries, please refer to note 7(b).

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(ab) 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 2020, the Company's capital management strategy is consistent with the prior year as of 2019. The gearing ratio is maintained so as to ensure 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, 2020, were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 104,054,550	79,178,582
Less: cash and cash equivalents	<u>(6,543,049)</u>	<u>(7,581,341)</u>
Net debt	97,511,501	71,597,241
Total Equity	<u>32,121,924</u>	<u>30,396,294</u>
Total adjusted capital	<u>\$ 129,633,425</u>	<u>101,993,535</u>
Debt-to-equity ratio	<u>75.22%</u>	<u>70.20%</u>

HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

(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>
Qi Yu Construction Co., Ltd.	Subsidiary company
Ju Feng Hotel Management Co., Ltd.	Subsidiary company
Highwealth Property Management 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
Yuan Sheng 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
Yi Chi Enterprise Co., Ltd.	Subsidiary company
Bi Chiang Enterprise Co., Ltd.	Subsidiary company
Highwealth Construction Corp.	Subsidiary company
Taichung Highwealth Culture and Art Foundation	Same president with the Company
Tsai ○○	Key management personnel of the subsidiary
Fan ○○	Director of the Company
Chen ○○	Key management personnel of the Company
Lin ○○	Key management personnel of the subsidiary
Huang ○○	Family of the key management personnel of the Company

HIGHWEALTH CONSTRUCTION CORP.**Notes to the Parent Company only Financial Statements**

(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		Advanced payment	
	For the years ended December 31		December 31,	December 31,
	2020	2019	2020	2019
Chen ○○	\$ -	-	514	-
Fan ○○	-	-	952	-
Lin ○○	-	-	143	-
	\$ -	-	1,609	-

(ii) Purchase

Significant purchasing amount to related parties and the remaining balance were as follows:

	Purchasing		Accumulated amount	
	For the years ended December 31			
	2020	2019	2020	2019
Subsidiary:				
Qi Yu Construction Co., Ltd	\$ 7,266,482	3,741,838	11,390,298	6,615,464
Jin Jyun construction Co., Ltd	2,055,676	2,280,250	5,468,496	3,412,821
Other subsidiaries	58,884	810	58,884	810
	\$ 9,381,042	6,022,898	16,917,678	10,029,095

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:

Accounted items	Categories	December 31,	December 31,
		2020	2019
Accounts receivable	Subsidiaries	\$ 2,637	1,185
Other receivables (other financial assets-current)	Subsidiaries	408	1,273
		\$ 3,045	2,458

HIGHWEALTH CONSTRUCTION CORP.
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(iv) Payables to related parties

The payables to related parties were as follows:

<u>Accounted items</u>	<u>Categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable	Subsidiaries:		
	Qi Yu Construction Co., Ltd	\$ 1,055,035	888,851
	Jin Jyun Construction Co., Ltd	199,391	409,573
	" Subsidiaries	59,305	5,412
Other payables	Subsidiaries	73,283	8,924
		<u>\$ 1,387,014</u>	<u>1,312,760</u>

(v) Contract liabilities

The details of contract liabilities from related parties were as follows:

<u>Categories</u>	<u>Note</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	Unearn rents and administration fees	<u>\$ 1,683</u>	<u>1,706</u>

(vi) Guarantees

The Company provided guarantees to subsidiary company. As of December 31, 2020 and 2019, the guarantee ceiling was \$8,711,917 thousand and \$9,740,442 thousand, respectively, and the amount of \$4,678,917 thousand and \$4,507,442 thousand has been used, respectively.

Subsidiaries provided land for guarantees to the Company. As of December 31, 2020, and 2019, the guarantee ceiling was \$1,907,700 thousand, and the amount of \$1,907,700 thousand has been used.

(vii) Others

1) The Details of the Company renting offices from related parties is as follows:

	<u>Guarantee deposit paid</u>		<u>Rental expense</u>	
	<u>For the years ended December 31</u>			
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>2020</u>	<u>2020</u>
Subsidiaries	<u>\$ 1,614</u>	<u>1,614</u>	<u>15,817</u>	<u>9,238</u>

2) Recognizing rental revenue due to renting offices to related parties:

	<u>Guarantee deposit received</u>		<u>Rental Revenue</u>	
	<u>For the years ended December 31</u>			
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>2020</u>	<u>2020</u>
Subsidiaries	<u>\$ 956</u>	<u>776</u>	<u>9,303</u>	<u>9,221</u>

HIGHWEALTH CONSTRUCTION CORP.

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- 3) Recognizing other income due to signing entrusted administration contract with related parties:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ 3,356</u>	<u>9,513</u>

- 4) Paying consulting and service fee to related parties for selling real estate on consignment:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiary company – Ju Feng Hotel Management Co., Ltd.	\$ 84,428	80,795
Subsidiaries	-	1,122
	<u>\$ 84,428</u>	<u>81,917</u>

- 5) Paying administration expense to related parties for administrating constructing site:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ -</u>	<u>6,175</u>

- 6) The related expense about selling activities with related parties as follows:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ 66,564</u>	<u>2,467</u>

- 7) As of December 31, 2020, and 2019, cooperation cases with related parties were as follows:

<u>Case Name</u> <u>December 31, 2020</u>	<u>Categories</u>	<u>Type</u>	<u>Security</u>
Buo Shao Section	Landowner-subsiadiary company-Yeh Kee Enterprise Co., Ltd.	Cooperation cases	Refundable deposit \$240,000
Buo Shao Section	Landowner-subsiadiary company-Bijiang Enterprise Co., Ltd	Cooperation cases	Refundable deposit 127,500
Guo Mao Section	Builder-subsiadiary company-Run Long Construction Co., Ltd.	Cooperation cases	Guarantee deposit 50,000
Hui An Fourth	Builder-subsiadiary company-Run Long Construction Co., Ltd.	Cooperation cases	Guarantee deposit 100,000
//	//	//	Guarantee deposit 200,000

HIGHWEALTH CONSTRUCTION CORP.**Notes to the Parent Company only Financial Statements**

<u>Case Name</u>	<u>Categories</u>	<u>Type</u>	<u>Security</u>
December 31, 2019			
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

The project of Guo Mao case had been completed and exchanged land for building with the subsidiary during 2020. As of December 31, 2020, the procedure is processed in accordance with the joint construction.

- 8) Performance bond received from related parties for contract work:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	<u>\$ 79,259</u>	<u>114,199</u>

- 9) 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 indefinitely. As of December 31, 2020, and 2019, other payables are both 5 million dollars.
- 10) The Company sold its premises to other related parties at the amount of \$19,667 thousand in 2019.
- 11) The Company acquired 73,700 thousand shares of common stocks of Bo Yuan Construction Co., Ltd. from its subsidiary, Qi Yu Construction Co., Ltd., for \$930,000 thousand. As of December 31, 2020, transactions were entirely completed.
- 12) In 2020 and 2019, the Company bought gift certificates from Bo Yuan Construction Co., Ltd., for \$4,344 thousand and \$3,345 thousand respectively.
- 13) In 2019, the Company donated \$5,000 thousand to Taichung Highwealth Culture and Art Foundation for its promotion and development.

- (c) Key management personnel transactions

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	<u>\$ 59,726</u>	<u>67,660</u>

HIGHWEALTH CONSTRUCTION CORP.
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(8) Pledged assets:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets at FVTPL	Mortgage	\$ 180,000	171,900
Inventories (construction)	Mortgage, issuing commercial paper and bonds payable	75,293,967	57,501,802
Other financial assets- current and non-current	Mortgage, issuing commercial paper, performance bond, real estate trust account, and bonds payable	16,645,841	11,348,263
Investment accounted for using equity method	Mortgage	1,006,139	1,298,617
Property, plant and equipment	Mortgage and bonds payable	378,931	832,318
Investment property at net value	Mortgage, issuing commercial paper, and bonds payable	3,830,506	3,974,571
		<u>722,922</u>	<u>-</u>
		<u>\$ 98,058,306</u>	<u>75,127,471</u>

As of December 31, 2020, and 2019, the book value of pledged assets providing undrawn guaranteed loan are \$3,394,004 thousand and \$6,417,486 thousand, respectively.

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Amount of signed contracts	<u>\$ 74,518,819</u>	<u>49,108,132</u>
Received amount from contracts	<u>\$ 7,944,933</u>	<u>4,415,748</u>
Outstanding checks received from presale cases	<u>\$ 3,929,998</u>	<u>2,551,904</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Acquisition of inventory (construction)	<u>\$ -</u>	<u>4,543,329</u>

(iii) As of December 31, 2020, the Company had not recognized the transaction of sale-and-leaseback, and the total amount expects to pay in the future is \$163,512 thousand, and the expected rent term is January 1, 2021 to July 2026.

HIGHWEALTH CONSTRUCTION CORP.
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(b) Others

As of December 31, 2020, and 2019 the refundable deposit paid for cooperation cases are \$454,149 thousand and \$424,642 thousand, respectively.

(10) Losses Due to Major Disasters: None**(11) Subsequent Events:**

On March 19, 2021, the board of directors approved the donation of 712,500 thousand shares, and amounting \$548,139 thousand of Lee Shuo Investment Co., Ltd. held by the company to other related parties – Taichung Highwealth and Art Foundation.

(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					
		2020			2019		
		Operating cost	Operating Expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary	\$ -	327,880	327,880	-	330,028	330,028	
Labor and health insurance	-	21,846	21,846	-	21,994	21,994	
Pension	-	10,785	10,785	-	10,173	10,173	
Remuneration of directors	-	16,513	16,513	-	16,783	16,783	
Others	-	-	-	-	-	-	
Depreciation	40,625	35,568	76,193	38,234	31,418	69,652	
Depletion	-	-	-	-	-	-	
Amortization	-	4,859	4,859	-	3,929	3,929	

For the years ended December 31, 2020 and 2019, the information on the number of employees and employee benefit expense of the Company is as follows :

	2020	2019
Number of employees	<u>313</u>	<u>322</u>
Number of directors who were not employees	<u>4</u>	<u>4</u>
The average employee benefit	<u>\$ 1,167</u>	<u>1,139</u>
The average salaries and wages	<u>\$ 1,061</u>	<u>1,038</u>
Percentage of average employee salary expense	<u>2.22%</u>	
Remuneration to supervisors	<u>\$ -</u>	<u>-</u>

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The items of the Company's salary and remuneration of directors, independent director, managers, and employees are as follows:

- (a) Independent directors
 - (i) Regardless of the Company's profit or loss, independent directors' salary and remuneration need to be paid on monthly basis (or quarterly, half yearly) and be adjusted according to the value of his/her participation in the contribution to Company's operation.
 - (ii) The independent directors cannot participate in the distribution of director's compensation and other bonus distribution.
 - (iii) According to the needs of the actual execution of the business, the Company has to pay for the traffic allowance.
- (b) Other directors
 - (i) The Company pays other directors' remuneration, according to the value of his/her participation in the contribution to Company's operation and refer to peer remuneration levels.
 - (ii) Other directors' remuneration is allocated at a rate specified in the Company's articles of incorporation.
 - (iii) According to the needs of the actual execution of the business, the Company has to pay for the traffic allowance.
- (c) Managerial officer
 - (i) The monthly fixed salary is determined by salary level of each rank.
 - (ii) According to the result of the operation performance assessment, the Company distributes the performance bonus.
 - (iii) Year-end bonuses will be paid based on the results of employee performance appraisal.
 - (iv) Employees' remuneration is allocated at a rate specified in the Company's articles of incorporation.
 - (v) Traffic allowance and supervisor allowance are paid in accordance to duties and standards.
- (d) Other employees
 - (i) The salary of the Company's employees is handled in accordance with the regulations of the "post ranks table" and "post salary benchmark table". The employee salary is divided into recurring and non-recurring salaries.
 - (ii) Recurring salaries include basic salaries, duties allowance, construction site allowance, professional allowance, meal allowance and other allowances.
 - (iii) Non-recurring salaries include overtime pay, Dragon Boat Festival bonus, Mid-Autumn Festival bonus and year-end bonus.

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	Qi Yu Construction Co., Ltd	2	\$ 32,121,924	7,846,000	7,546,000	4,113,000	-	23.49%	64,243,848	Y	N	N
0	The company	Bo Yuan Construction Co., Ltd	2	32,121,924	1,086,788	965,917	465,917	-	3.01%	64,243,848	Y	N	N
0	The company	Yuan Sheng Intern. Co., Ltd	2	32,121,924	200,000	200,000	100,000	-	0.62%	64,243,848	Y	N	N
1	Yi Chi Enterprise Co., Ltd	The company	3	32,121,924	1,907,700	1,907,700	1,907,700	1,907,700	5.94%	64,243,848	N	Y	N
2	Run Long Construction Co., Ltd.	Jin Jyun Construction Co., Ltd.	2	1,014,187	200,000	-	-	-	- %	2,535,468	Y	N	N
3	Qi Yu Construction Co., Ltd	Goyu Building Materials Co.,Ltd	6	32,121,924	42,000	42,000	3,500	-	0.13%	64,243,848	N	N	N
3	Qi Yu Construction Co., Ltd	Yuan Sheng Intern. Co., Ltd	2	32,121,924	100,000	100,000	39,992	-	0.31%	64,243,848	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, Yi Chi Enterprise Co., Ltd. and Qi Yu Construction 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 guarantees and the limit for endorsement of a single enterprise;

1. The total amount of guarantee for external endorsement shall not exceed 50% of the net value of 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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(iii) Securities held as of December 31, 2020 (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-Li Shuo Investment Co., Ltd.	-	Total non-current financial assets at fair value through other comprehensive income	712,500	\$ 548,139	19.00%	548,139	
"	Stock-Shin Kong Real 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	8,785,010	263,550	2.31%	263,550	
Ju Feng Hotel Management Co., Ltd	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Total non-current financial assets at fair value through other comprehensive income	4,578,348	209,917	0.36%	209,917	
Highwealth Real Estate Co., Ltd.	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Total non-current financial assets at fair value through other comprehensive income	8,849,291	405,740	0.69%	405,740	
Qi Yu Construction Co., Ltd	Stock- Highwealth Construction Corp.	Ultimate Parent Company	Total non-current financial assets at fair value through other comprehensive income	2,744,601	125,840	0.21%	125,840	
"	Corporate bond- China Rebar Co., Ltd.	-	Financial assets at amortized cost-current	3	-	- %	-	Note
Run Long Construction Co., Ltd.	Stock-Highwealth Construction Corp.	Ultimate Parent Company	Financial assets at fair value through other comprehensive income-current	13,145,000	602,698	1.02%	602,698	

NRRecognized as impairment loss.
ote:

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (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 Guo Section	Febryart 26, 2020	8,375,890	8,375,890	Da ○ Co., Ltd.	not related parties	-	-	-	-	Open tender	Construction
"	Shizheng Huimin Second	March 3, 2020	4,356,155	4,356,155	Mr. Yang, other 7 people, and Jiu ○ Construction, Co., Ltd.	"	-	-	-	-	Appraisal	"
"	Hui Guo Section	August 5, 2020	3,220,262	3,220,262	Mr. Chang and other 2 people	"	-	-	-	-	"	"
"	Zhong road fifth	September 8, 2020	2,490,499	2,490,499	Mr. Huang, other 13 people and Kao ○ trading Co., Ltd.	"	-	-	-	-	"	"
Run Long Construction Co., Ltd.	Guang Wu Section, Hsinchu	March 3, 2020	1,981,707	65,000	Kao ○ trading Co., Ltd Mr. Chang, and other 3 people	"	-	-	-	-	"	"

Note: The transaction amount includes the right and interests of applying for a license.

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(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	January 10, 2020	July 19, 2016	3,412,167	5,235,116	5,235,116	About 1,790 million	Yea ○ Inten. Development Co., Ltd, New ○ Development Co., Ltd and Hi ○ Inter. Development Co., Ltd	Unrelated party	Business purpose	Appraisal	None
The Company	Investment properties, property, plant, and equipment	December 24, 2020	Not applicable	445,739	1,246,370	311,593	About 6335 million (Note 2)	Taiwan Life Insurance Co., Ltd.	"	Business purpose	Appraisal	Sold then lease back
Qi Yu Construction Co., Ltd	Property, plant and equipment	December 24, 2020	December 25, 2015	1,186,501	1,220,800	305,200	(164,144) (Note 3)	Taiwan Life Insurance Co., Ltd.	"	Earning profit	Appraisal	"
Run Long Construction Co., Ltd.	Buildings and Land held for sale	September 2, 2020	Not applicable	Due to sold of inventories, not applicable	736,380	736,380	Due to sold of inventories, not applicable	Trans Globe Life Insurance Co., Ltd.	"	"	"	None
Run Long Construction Co., Ltd.	Property, plant and equipment	December 24, 2020	December 25, 2015	1,187,386	1,221,710	305,428	(165,479) (Note 3)	Taiwan Life Insurance Co., Ltd.	"	"	"	Sold then lease back

Note 1: The necessary costs and expenses for disposal have been deducted.

Note 2: Include the unrealized gains or losses of \$16.36 million.

Note 3: In 2020, the losses have been recognized and accounted for other gains and losses.

(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	Qi Yu Construction Co., Ltd	Investee accounted for using equity method of the company	Contracting project	\$ 7,266,482	21.27%	Pay by contract terms	-	-	(1,055,035)	(61.64)%	Note 2
The Company	Jin Jyun Construction Co., Ltd	Investee accounted for using equity method of the company	Contracting project	2,055,676	6.02%	Pay by contract terms	-	-	(199,391)	(11.65)%	Note 2
Qi Yu Construction Co., Ltd	The Company	The ultimate parent of the company	Contracted project	(6,478,224)	(72.69)%	Receive by contract terms	-	-	1,055,035	75.50%	Note 1
Qi Yu Construction Co., Ltd	Run Long Construction Co., Ltd	Investee accounted for using equity method of the company	Contracted project	(2,373,024)	(26.63)%	Receive by contract terms	-	-	531,969	33.32%	Note 1
Run Long Construction Co., Ltd	Qi Yu Construction Co., Ltd	Investee accounted for using equity method of the company	Contracting project	2,619,754	30.60%	Pay by contract terms	-	-	(531,969)	(41.33)%	Note 2
Run Long Construction Co., Ltd	Jin Jyun Construction Co., Ltd	Investee accounted for using equity method of the company	Contracting project	1,117,126	13.05%	Pay by contract terms	-	-	(284,628)	(22.11)%	Note 2
Qi Yu Construction Co., Ltd	The Company	The ultimate parent of the company	Contracted project	(2,173,880)	(42.18)%	Receive by contract terms	-	-	199,391	14.27%	Note 1
Jin Jyun Construction Co., Ltd	Run Long Construction Co., Ltd	Investee accounted for using equity method of the company	Contracted project	(1,442,394)	(27.99)%	Receive by contract terms	-	-	284,628	50.84%	Note 1

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Yuan Sheng International Co., Ltd.	The Company	The ultimate parent of the company	Contracted project	(159,656)	(72.02)%	Receive by contract terms	-	-	74,566	57.90%	Note 1
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Not The contracted company recognizes its construction revenue through percentage of completion method, and the amount of sales e 1: included.

Not The contracting company records its import price through estimates of amount of purchase through number of trials. e 2:

(viii) Receivables from related parties with amounts exceeding the lower of NTS\$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		
Qi Yu Construction Co., Ltd	The company	The ultimate parent of the company	1,055,035	6.67	-	-	1,054,975	-
"	Run Long Construction Co., Ltd	Investee accounted for using equity method of the company	531,969	5.39	-	-	326,732	-
Jin Jyun Construction Co., Ltd	The company	The ultimate parent of the company	199,391	7.14	-	-	183,014	-
"	Run Long Construction Co., Ltd	Investee accounted for using equity method of the company	284,628	6.83	-	-	284,628	-

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Ju Feng Hotel Management Co., Ltd	Taiwan	Residential and building development, rental and sales	12,000	12,000	1,200,000	100.00%	29,449	4,690	(3,634)	
"	Highwealth Property Management Co., Ltd.	Taiwan	Real estate brokerage, real estate trading	25,000	25,000	2,500,000	100.00%	53,318	15,479	378	
"	Qi Yu Construction Co., Ltd	Taiwan	Construction, housing and building development rental services etc.	1,530,041	1,530,041	205,000,000	100.00%	1,553,351	8,147	5,004	
"	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	861,910	779,424	21,153,600	5.72%	(588,202)	117,248	(12,296)	
"	Yi Chi Enterprise Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	2,423,152	2,423,152	2,200,000	100.00%	2,436,161	(1,131)	(1,131)	
"	Bi Chiang Enterprise Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	1,302,900	1,302,900	7,200	100.00%	1,264,737	(33,880)	(33,880)	
"	Highwealth Construction Corp.	Taiwan	Residential and building development, rental services, etc.	5,000	5,000	500,000	100.00%	1,302	(1,720)	(1,720)	
"	Bo Yuan Construction Co., Ltd	Taiwan	Residential and building development, rental services, etc.	930,000	930,000	73,700,000	100.00%	541,710	(429,713)	(429,713)	
Qi Yu Construction Co., Ltd.	Guang Yang Investment Co., Ltd.	Taiwan	Investment	284,050	284,050	29,900,000	100.00%	327,698	6,630	Exempt from disclosure	
"	Yuan Sheng International Co., Ltd.	Taiwan	Wholesale of Building Materials	78,484	78,484	8,100,000	100.00%	140,110	8,425	"	
"	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	803,226	803,226	18,572,400	5.02%	253,598	117,248	"	
Qi Yu Construction Co., Ltd.	Goyu Building Material Co., Ltd	Taiwan	Wholesale of Building Materials	140,000	98,000	14,000,000	35.00%	128,595	(13,585)	"	
Guang Yang Investment Co., Ltd.	Run Long Construction Co., Ltd.	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	428,405	398,063	20,792,415	5.62%	327,634	117,248	"	
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%	619,822	143,791	"	



HIGHWEALTH CONSTRUCTION CORP.
Notes to the Parent Company only Financial Statements

(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, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	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	(443)	100.00%	(443)	1,704	-
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	(155)	100.00%	(155)	1,571	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
53,659 (USD1,800,000)	53,659 (USD1,800,000)	19,273,154 (Note)

Not Three types of investment method are as follows:

- e 1:
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

Not Profit and loss recognized from investment for the current period:

- e 2:
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

(d) Major shareholders:

Shareholder' s Name	Shareholding	Shares	Percentage
Xing Ri-Sheng Investment Co., Ltd		98,837,849	7.76%
Ear Winner Investment Co., Ltd		78,938,890	6.11%

(14) Segment information:

Please refer to the consolidated financial statements.

VI. If the Company or its Affiliates have Experienced Financial Difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, and the impact to the Companys Financial Si tuation: None

Seven. Review and Analysis of Financial Status and Business Results and Risk Issue

I. 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	2019	2020	Diff.	
			Amount	%
Current assets	128,675,512	162,562,921	33,887,409	26.34
Property, plant and equipment	3,039,648	1,164,500	(1,875,148)	(61.69)
Intangible assets	24,718	25,692	974	3.94
Other assets	16,083,667	17,054,245	970,578	6.03
Total assets	147,823,545	180,807,358	32,983,813	22.31
Current liabilities	77,558,356	115,378,276	37,819,920	48.76
Non-current liabilities	35,822,007	29,628,564	(6,193,443)	(17.29)
Total liabilities	113,380,363	145,006,840	31,626,477	27.89
Capital	11,666,288	12,902,969	1,236,681	10.60
Capital surplus	424,474	680,821	256,347	60.39
Retained earnings	17,856,715	18,089,249	232,534	1.30
Other interests (including treasury stock)	448,817	448,885	68	0.02
Non controlling interests	4,046,888	3,678,594	(368,294)	(9.10)
Total equity	34,443,182	35,800,518	1,357,336	3.94

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. Current Assets: mainly due to the increase of inventories of the current period and cause the increase in current assets.
2. Property, plant and equipment: decreased in property, plant and equipment is due to the property, plant and equipment expecting to sale is transferred as the non-current assets held for sale.
3. Liquid liabilities: Liquid liabilities increase mainly due to an increase in short-term loan in current period.
4. Capital Surplus: increase in capital surplus is due to the conversion premium of the convertible bond.

II. 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:

(I) Comparative analysis table of financial performance

Unit: NT\$ thousand

Item	YEAR		Changes of increase or decrease	
	2019	2020	Amount	Rate of change %
Operating revenue	23,798,201	24,463,018	664,817	3
Decrease: sales returns and allowances	-	-	-	-
Net operating income	23,798,201	24,463,018	664,817	3
Operating costs	17,148,864	17,611,739	462,875	3
Gross profit from operations	6,649,337	6,851,279	201,942	3
Operating expenses	3,143,345	2,714,922	(428,423)	(14)
Operating profit	3,505,992	4,136,357	630,365	18
Non-operating income and expenses	445,780	(820,200)	(1,265,980)	(284)
Profit from continuing operations before tax	3,951,772	3,316,157	(635,615)	(16)
Total income tax expense	462,755	492,903	30,148	7
Net profit after tax	3,489,017	2,823,254	(665,763)	(19)
Cumulative effect of changes in accounting principle	-	-	-	-
Profit (loss)	3,489,017	2,823,254	(665,763)	(19)

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 income and expense: mainly due to the assets held for sale incomplete with registration of transfer in ownership and recognized as gain on disposal.

(II) 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 from operations	201,942	-	-	-	-

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 increase of net sales in 2020, which resulted in an increase of NT\$201,942 thousand in gross operating profit.

(III) 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.

III. Cash flow

(I) Latest cash flow analysis

Item	YEAR		
	2019	2020	% of change
Cash flow ratio	(13.23)	(19.95)	(51)%
Cash flow adequacy ratio	9.05	(34.31)	(479)%
Cash reinvestment ratio	(31.61)	(51.83)	(64)%

Reasons for increase/decrease proportion analysis:

1. Cash flow ratio: mainly due to a increase in net cash flow from operating activities in 2020 and result in decrease in cash flow ratio.
2. Cash flow adequacy ratio: mainly due to an decrease in cash flow from operating activities in current period therefore, the cash flow adequacy ratio decreased.
3. Cash reinvestment ratio decrease: mainly due to an increase in net cash flow from operating activities in current period.

(II) Remedy for a lack of liquidity: timely apply for financing activities or bank loans.

(III) 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	
				Investment plan	Financing plan
(A)	(B)	(C)	(A)+(B)-(C)		
9,509,032	19,279,071	(9,753,636)	38,541,739	—	—

Analysis:

1. Operating activities: the forecasted net cash inflow from operating activities due to payment of land purchase and construction fee in the next year.
2. Investing activities: cash outflow from investing activities mainly due to the purchase of odd office equipment.
3. Funding activities: cash outflow from the funding activities mainly due to the completion of construction and repay the cash loan.

IV. Impact of Major Capital Expenditure in the Past Year on the Financial Status: Nil.

V. 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., Chiyuh Construction Co., Ltd., Highwealth Construction Corporation, I Chi Co., Ltd., Pi Chiang Enterprise Co., Ltd., Highwealth Real Estate, 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, Chiyuh 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	2020		Improvement plans
		Net income	Investment profit(loss)	
The Company	Chu Feng Hotel	4,690	(3,634)	The Company will actively develop sales business and improving profitability.-
	Highwealth Real Estate	15,479	378	-
	Chiyuh Construction	8,147	5,004	-
	Run Long Construction	117,248	(12,296)	The Company will actively develop sales business and improving profitability.-
	I Chi	(1,131)	(1,131)	The Company will actively develop sales business and improving profitability.-
	Pi Chiang Enterprise	(33,880)	(33,880)	The Company will actively develop sales business and improving profitability.-
	Highwealth Construction	(1,720)	(1,720)	The Company will actively develop sales business and improving profitability.-
	Boyuan Construction	(429,713)	(429,713)	The Company will actively develop sales business and improving profitability.-
Chiyuh Construction	Kuang Yang Investment	6,630	Permit records confidential	Not applicable.
	Well Rich International	8,425	"	Not applicable.
	Run Long Construction	117,248	"	Not applicable.
	Kuo Yu Construction	(13,585)	"	Not applicable.
Kuang Yang Investment	Run Long Construction	117,248	"	Not applicable.
Run Long Construction	Chin Chun Construction	143,791	"	Not applicable.

VI. Analysis and Assessment of Risk Issues in the Past Year and as of the Date of Publication of the Annual Report

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

1. The impact of interest rate changes on the Company's profit and loss

Unit: NT\$ thousand

Item		2019	2020
Interest income		33,660	22,762
Interest expense		902,991	887,416
Operating revenue		23,798,201	24,463,018
Net operating income		3,505,992	4,136,357
Profit (loss)		3,489,017	2,823,254
To operating revenue ratio	Interest income from bank deposits/operating revenue	0.14%	0.09%
	Interest expenses/operating Revenue	3.79%	3.63%
To operating net profit ratio	Interest income from bank deposits/operating net profit	0.96%	0.55%
	Interest expenses/operating net profit	25.76%	21.45%
To net income ratio	Interest income from bank deposits/net income	0.96%	0.81%
	Interest expenses/net income	25.88%	31.43%

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.

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:

(1) 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.

- (2) Adjust the price of products: Properly rising price with accounts' agreement, due to the increasing cost.
- (3) 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.

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

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
	Name of the Company	Relation			
2018	Chiyuh Construction	Subsidiary	34,180,147	8,158,000	7,626,000
	Boyuan Construction	Sub-subsidiary	34,180,147	2,734,890	1,695,390
	Well Rich International	Sub-subsidiary	34,180,147	180,000	180,000
2019	Chiyuh Construction	Subsidiary	30,396,294	8,846,000	8,846,000
	Boyuan Construction	Subsidiary	30,396,294	2,827,490	714,442
	Well Rich International	Sub-subsidiary	30,396,294	180,000	180,000
2020	Chiyuh Construction	Subsidiary	32,121,924	7,846,000	7,546,000
	Boyuan Construction	Subsidiary	32,121,924	1,086,788	965,917
	Well Rich International	Sub-subsidiary	32,121,924	200,000	200,000

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.

(III) 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.

(IV) 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 business 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 interest ratio, and stability of house price.

The ministry of finance announce in advanced that the amendment to the “House Tax Act” in February 20, 2021. Under current article, value of housing real estate under NT\$100 thousand is tax-free, no matter for individual use or for the corporate use, and without limitation to the amount of households. For the measures of anti-tax avoidance by division of housing, the amendment to the “House Tax Act” excluding the subject of corporate, for natural person restrain to three households and registered by the national ID number and intended to be effective on July 1, 2021 and starting from the tax claims on May 2022.

The credit control policy issued by the central bank in December 2020, short-term popularity in real estate transaction is impacted by the atmosphere, but the policy is not targeting the owner-occupied property and benefiting the healthy development in the market transaction. The Commercial real estate performance still steady as expected under the factors of economic performance is recovery, low interest rate and the funding coming back to Taiwan; major construction promoting by the government; urban renewal and dangerous housing, the real estate products still a good target for funding to maintain its value. We expecting the performance of the commercial real estate in 2021 will be steady as we expected.

(V) 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.

(VI) 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.

(VII) Expected benefits and possible risks of M&A and countermeasures

The Company and its subsidiaries hadn't had plant expansion as of the date of publication of the annual report.

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

The Company and its subsidiaries hadn't had plant expansion as of the date of publication of the annual report.

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

1. 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.
2. 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.

(X) 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.

(XI) 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.

(XII)Lawsuit and Non-contentious cases

1. 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. 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. 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.

(XIII)Other important risks and countermeasures:

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

The company's information system is under construction, in hardware we set up server with high stability and in software we regularly back-up our information systems, software and system default parameter and the back-up mechanism of full information to ensure the service downtime is shortened.

With uninterrupted information service and information safety, the information department regularly sent back-up information for storage in other place and drill on the recovery measures regularly. To prevent interruption of information service and

shortened the recovery time from natural disasters or human accident.

In order to get back on track and reduce our loss when the damage occurs, except the regular drill of recovering measure is needed, the company shall plan, design and upgrade the hardware and software within time and build up higher protection mechanisms to reduce the risk to the system.

The analysis of recent information safety threats were mainly from external hackers and second were from the lack of awareness and the neglect of the employees. The event of information safety were due to the execution of unknown malwares. The information safety required the consensus of entire company and the participation of all. Only building up from the working habit and the corporate culture, establishing awareness of risk and protection of information safety to our staff may truly strengthen the information safety ability.

The information department of the company as the information safety project unit, disseminating to our entire staff regularly, taking sampling inspection, assisting in checking the risk exposure of information safety and establish of related standard operation procedures. As of the date of publication of the annual report in 2020, the company didn't discovered any major internet attacks and event, harmful or may be harm to the company's business and operation, and not involve in any law case or monitoring investigation.

2. Effect of damage to the climate change upon the company's business affairs and the response measures being or to be taken:

To adopt the issues of global warming and climate change, which is getting serious over days and the government actively promoting energy saving and carbon reduction measures and use of green energy sources to reduce emission of carbon dioxide. For the comfort and health of our citizens, reducing the impact to the environment in manufacturing building materials and promoting upgrade of the traditional construction material industry. The company shall actively taking measures to the issue of climate change and put in effort for developing green building technics to improve the level of green building. In hope to build up energy saving and carbon emission reduction housing environment. Planning the construction cases with energy saving and carbon emission reduction products, such as building material , energy saving machinery, housing facilities and new energy systems that applied in the green building. To practice the policy of the government, spend our effort in environment protection and to practice our corporate social responsibility.

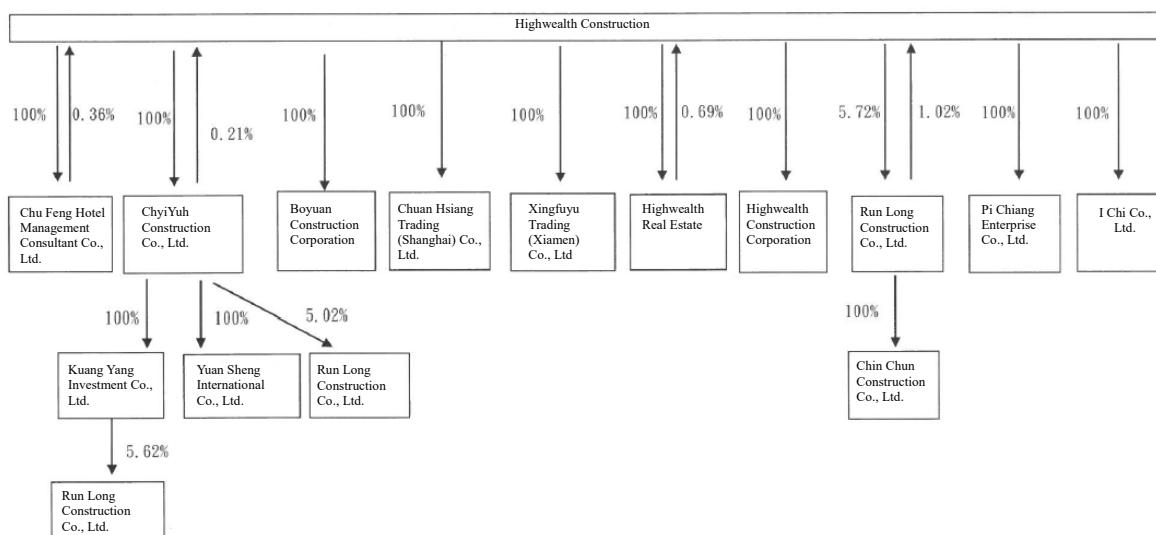
VII.Other important matters: Nil

Eight. Special Notes

I. Information about the Company's Affiliates

(I) Consolidated business reports of affiliated enterprises

1. Organization chart



Note: Consolidated companies have purchased or dispose the equity of Run Long Construction, so it had shareholding ratio changes.

2. Basic data of affiliates

Unit: NT\$ thousand

Affiliate	Date of establishment	Address	Paid-in capital	Major business
<u>Controlling company</u> Highwealth Construction	January 23, 1980	10F., No. 267, Lequn 2nd Rd, Taipei City	12,902,969	Contracted to construction to build commercial building and public housing for lease and sale
<u>Affiliates</u>				
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
Xingfuyu 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-6, No. 267, Lequn 2nd Rd, Zhongshan District, 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	8F., No. 267, Lequn 2nd Rd, Zhongshan District, Taipei City	3,699,966	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.
4. All affiliated companies' operating business cover industries such as:
 - (1) Construction, investment, general merchandise and etc.
 - (2) The building engineering works of Highwealth Construction and Run Long Construction are contracted to ChyiYuh Construction Co., Ltd. and ChinChun Construction Co., Ltd.

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

Affiliate	Job Title	Name or representative	Shareholding	
			Shares	Shareholding ratio
Controlling company Highwealth Construction	Chairman	Run Ying Investment Co., Ltd. Representative: Cheng Chihlung	28,174,291	2.18%
	Director	Zheng Qintian	29,275,725	2.27%
	Director	Zheng Xiuhui	8,966,663	0.69%
	Director	Run Ying Investment Co., Ltd. Representative: Fan Huajun	28,174,291	2.18%
	Independent director	Hong Xiyao	0	0.00%
	Independent director	Li Wencheng	0	0.00%
	Independent director	Chen Tachun	22,000	0.00%
Affiliates 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: Cheng Chihlung	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: Hsiung Mengchi	205,000,000	100%
	Director	Highwealth Construction Representative: Fan Huajun	205,000,000	100%
I Chi Co., Ltd.	Chairman	Highwealth Construction Representative: Cheng Chihlung	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	Job Title	Name or representative	Shareholding	
			Shares	Shareholding ratio
Pi Chiang Enterprise Co., Ltd.	Chairman	Highwealth Construction Representative: Cheng Chihlung	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%
Xingfuyu 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: Cheng Chihlung	500,000	100%
	Director	Highwealth Construction Representative: Hung Mingyao	500,000	100%
	Supervisor	Highwealth Construction Representative: Hsiung Mengchi	500,000	100%
Boyuan Construction Corporation	Chairman	Highwealth Construction Representative: Cao Yuanbo	73,700,000	100%
	Director	Highwealth Construction Representative: Hung Mingyao	73,700,000	100%
	Director	Highwealth Construction Representative: Fan Huajun	73,700,000	100%
Kuang Yang Investment Co., Ltd.	Chairman	ChyiYuh Construction Co., Ltd. Representative: Cheng Chihlung	29,900,000	100%
Yuan Sheng International Co., Ltd.	Chairman	ChyiYuh Construction Co., Ltd. Representative: Cheng Chihlung	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	Da-Li Investment Co., Ltd Representative: Tsai Tsungpin	14,485,821	3.92%
	Director	Kuang Yang Investment Co., Ltd. Representative: Chiu Pingtse	20,792,415	5.62%
	Director	Kuang Yang Investment Co., Ltd. Representative: Chen Kuoyen	20,792,415	5.62%
	Director	Kuang Yang Investment Co., Ltd. Representative: Hung Mingyao	20,792,415	5.62%
	Independent director	Yan Yunqi	0	0%
Independent director	Li Wencheng	0	0%	

Affiliate	Job Title	Name or representative	Shareholding	
			Shares	Shareholding ratio
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 Chihlung	50,000,000	100%
	Director	Run Long Construction Co., Ltd. Representative: Lu Xiren	50,000,000	100%
	Supervisor	Run Long Construction Co., Ltd. Representative: Hung Mingyao	50,000,000	100%

Highwealth Construction

6. Overview of the operations of the affiliates

Unit: NT\$ thousand

Affiliate	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Net operating income (loss)	Net income (after tax)	Earnings per share (After tax/Dollars)
Controlling company								
Highwealth Construction	12,902,969	136,176,474	104,054,550	32,121,924	18,157,516	3,988,711	2,645,801	2.11
Affiliates								
Chu Feng Hotel Management Consultant Co., Ltd.	12,000	251,781	12,578	239,203	124,602	(5,300)	4,690	3.91
Highwealth Real Estate ChyiYuh Construction Co., Ltd.	25,000	459,264	260	459,004	16,090	15,432	15,479	6.19
I Chi Co., Ltd.	2,050,000	13,463,666	10,291,932	3,171,734	8,912,340	157,100	8,147	0.04
Pi Chiang Enterprise Co., Ltd.	22,000	357,922	240,089	117,833	571	(3,053)	(1,131)	(0.51)
Chuan Hsiang Trading (Shanghai) Co., Ltd.	7,200	198,768	233,408	(34,640)	0	(33,919)	(33,880)	(4,705.55)
Xingfuyu Trading (Xiamen) Co., Ltd	26,555	1,823	119	1,704	0	(443)	(443)	(0.17)
Highwealth Construction Corporation	27,104	1,579	8	1,571	0	(155)	(155)	(0.06)
Boyuan Construction Corporation	5,000	1,446	144	1,302	0	(1,721)	(1,720)	(3.44)
Kuang Yang Investment Co., Ltd.	737,000	1,909,817	1,368,107	541,710	806,244	(151,448)	(429,713)	(5.83)
Yuan Sheng International Co., Ltd.	299,000	469,074	130	468,944	6,729	6,539	6,630	0.22
Run Long Construction Co., Ltd.	81,000	412,701	264,544	148,157	221,695	9,811	8,425	1.04
Chin Chun Construction Co., Ltd.	3,699,966	35,760,762	30,689,826	5,070,936	3,944,597	308,835	117,248	0.32
	500,000	2,076,461	1,374,514	701,947	5,154,033	166,024	143,791	2.88

(II) Consolidated financial statements with the affiliates: (Refer to details at P.90-P.159 of the annual report)

Statement

I hereby declare that the entities required to be included in the consolidated financial statements of the Company as of December 31, 2020 and for the year 2020 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. 10, which standards certified by the Financial Supervisory Commission. In addition, the information required to be disclosed in the consolidated 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,

Name of company Highwealth Construction Corporation

Person in Charge By Zheng Zhilong



March 19, 2021

II. Private Securities in the Past Year and as of the Date of Publication of the Annual Report: Nil.

III. 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 12, 2021 Unit:NT\$ Thousand ; Shares

Subsidiary	Paid-in capital	Capital resources	The Company shareholding ratio	Date of acquisition or disposal	Acquired shareholding and value	disposal of shareholding and value	Investment profit(loss)	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 2020 to December 2020	416,213 shares (note 1)	0	0	4,578,348 shares NT\$209,917 thousand	None	0	0
				January, 2020 till the date of publication of the annual report	0	0	0	4,578,348 shares NT\$199,158 thousand	None	0	0
Highwealth Real Estate	25,000	Own funds	100%	January 2020 to December 2020	804,481 shares (note 1)	0	0	8,849,291 shares NT\$405,740 thousand	None	0	0
				January, 2020 till the date of publication of the annual report	0	0	0	8,849,291 shares NT\$384,944 thousand	None	0	0
ChyiYuh Construction Co., Ltd.	2,050,000	Own funds	100%	January 2020 to December 2020	249,509 shares (note 1)	0	0	2,744,601 shares NT\$125,840 thousand	None	7,546,000 thousand (Note 3)	0
				January, 2020 till the date of publication of the annual report	0	0	0	2,744,601 shares NT\$119,390 thousand	None	7,846,000 thousand (Note 3)	0
Run Long Construction Co., Ltd.	3,699,966	Own funds	5.72%	January 2020 to December 2020	1,429,000 shares (Note4) NT\$10,523 thousand	234,000 shares NT\$10,814 thousand	0	13,145,000 shares NT\$602,698 thousand	13,145,000 shares	0	0
				January, 2020 till the date of publication of the annual report	0	0	0	13,145,000 shares NT\$571,808 thousand	13,145,000 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\$4,113,000 thousand actually drawn. Endorsement/guarantee amount with secured property is NT\$0 thousand.

Note 4:Capitalization of the year retained earnings for stock dividends is 1,195,000 shares.

IV. Other Necessary Supplementary Notes: Nil.

V. 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.