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# **BES ENGINEERING CORPORATION**

ANNUAL REPORT 2021

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## **One. Letter to Shareholders**

Dear Shareholders,

The global economy was in 2021 significantly affected by the U.S.-China trade war and the pandemic. However, the impact on the real estate market in Taiwan was relatively muted. The COVID-19 impact on the housing market was short-lived after the gradual easing of the pandemic. This demonstrates the resilience of real estate, the practical value for home owners, and return on investments. With the efforts from all of our colleagues, BES Engineering Inc. pursued growth against all odds by winning the contracts currently on hand. The Company reported a consolidated revenue of NT\$17.197 billion and a net income of NT\$2.662 billion for 2021.

The construction contracts awarded in 2021 are Wen Zai Zhen Urban Land Consolidation Project Phase 2 between Xinzhuang and Thaishan in New Taipei City; turn-key project A2 for land expropriation of Taoyuan Aerotropolis; pipeline rerouting (including pipeline burying) of Provincial Highway 15 and Provincial Highway 4 for expansion of Taoyuan International Airport; and new construction of Health Building (Project 1 for installation of water, electricity and air-conditioning facilities). The total amount undertaken for the year was NT\$15.67 billion.

With regard to civil engineering and construction of government projects, we continue to endeavor for major government projects in 2022. Track construction: such as Circular Line South and North Section and land development of surrounding areas; and Wanda-Zhonghe Line of Taipei Metro; and Kaohsiung Metropolitan Line (Yellow Line). Water environment construction: such as Daan/Dajja River Interconnecting Pipeline Project and Baihe Reservoir Improvement Project. Urban-rural development projects: enhancement of road quality (for highways, etc.)

As far as urban regeneration projects are concerned, BES Yuncui (Phase II of Minsheng Community regeneration) commenced construction in the third quarter of 2017 and the marketing for this off-plan project started in the fourth quarter. The building use permit was obtained on March 19, 2021 and the delivery of housing units was completed in the fourth quarter. BES Biyenge (Phase III of Minsheng Community regeneration) finished the regeneration review in the fourth quarter of 2018 and obtained the formal approval for the project. The construction license was obtained in the second quarter of 2019. Relocation was completed in the first quarter and demolition was finished in the third quarter of 2020. As of the end of 2021, the underground structure work was still ongoing. Yanshou Zone Project (Phase IV of Minsheng Community regeneration) submitted the rights change plan in the fourth quarter of 2018 for review. The rights change was approved in the second quarter of 2020. The application for demolition on behalf was canceled after the agreement with

residents at the end of 2021.

The regeneration project for residential properties on Chongyang Road in Nangang is also going through consolidation and into the project review stage. The business plan was submitted for review in December 2015. In the fourth quarter of 2018, the business plan meeting was convened. In the fourth quarter of 2019, the review of the business plan was passed. The business plan was approved in the fourth quarter of 2020. The rights change plan is scheduled for submission in the second quarter of 2021 and the review of this plan is expected to continue through the end of the year. Cloud & Metaverse Industrial Park, an urban regeneration and development project on BES's own land in Tucheng Industrial Park submitted the business plan for review in the fourth quarter of 2016 and to the project meeting in the third quarter of 2018. The urban regeneration review procedure was completed in the fourth quarter of year 2019. The construction license was obtained in February 2020 and the construction commenced in the fourth quarter. The changed design was submitted for review in the first quarter of 2021. The second review meeting was convened before the end of 2021.

The focus of the industrial zone development business is on Changhua Coastal Industrial Park for Lunwei West District 1 (recruiting occupants for phase 3 and phase 4), Lunwei West District 1 (phase 2) and Lunwei metal surface treatment zone (phase 1 roads and infrastructure), in order to resolve the problem of long cycles of working capital by accelerating the recovery of land and development costs and to boost sales and profits.

Overseas Business Department continues to work on existing leads and adjusts strategies. In-depth negotiations are conducted with landowners for the projects with the most comprehensive legal documents. Legal personnel joined the online conferences for negotiations and acquisitions of the following projects:

- (1) The BES sub-subsidiary in Vietnam increased capital by US\$25 million in 2021 for the acquisition of Phú Yên Real Estate in Vietnam in December 2021. This is for the development of luxury apartments as a landmark project in the Vietnamese market. The scope of business for BES sub-subsidiary in Vietnam will also increase from construction to project development and sale, in order to purchase more pipelines. This transaction is currently being processed by the Department of Planning & Investment of Ho Chi Minh City.
- (2) We continue to maintain close communication with Danang Hi-tech Park and Industrial Zone Authority, in preparation for the bidding in the tender "Danang Hoa Cam Industrial Park Phase 2". We continue to visit government officials in order to establish a good relation and prepare for the bidding in the third quarter of 2023.

Analysis on financial structure: Liabilities to assets ratio was at 52.31%,

and long-term capital to property, plant and equipment at 953.75%. Analysis on solvency: current ratio stood at 221.80%, quick ratio at 124.83%, and interest protection multiple at 14.91x. Analysis on profitability: net margin was at 15.48% and return on assets at 6.16%. Based on the above financial ratio information, the financial structure and repayment capability are stable.

As far as equity investments are concerned, we downsize non-core businesses so as to recover capital. We also expand overseas footprint, develop business leads and stay on top of the government's New Southbound policy, in order to expand overseas operations for higher growth and profitability.

The pandemic has seriously affected the human resource arrangements for many industries, including our company. We collaborate with the government in anti-COVID measures and was among the first in the industry to purchase insurances related to COVID-19 and vaccinations. We have also authorized department managers to designate home working in order to address the specific needs of our colleagues who need to look after family members. During this turbulent year, the Company enhanced the use of communication technology by organizing meetings and training sessions online and hybrid. This avoids social gatherings and accelerates growth and learning, in preparation for the competition post COVID-19.

Short-term one-year plan: establishment of the Hanoi Office. Strive for land development rights of large projects as the project leader, as this only requires planning costs at the beginning. Relocation and demolition can be done in phases, and BES Engineering Inc.'s experience serves to control costs and reduces capital outlays. The company uses the experience of the group, development of AI industrial park, development experience in 37 industrial parks, and cost control ability for infrastructure to attract the collaboration with local governments and large construction companies and acquires the right to large land development project with brand differentiation and ability of being used.

In terms of long-term operation, we continue to develop pipelines in domestic public infrastructure by offering the most favorable bids and undertake projects in green energy and for the Forward-looking Infrastructure Development Program. We will also step up land development business, establish the brand "Amazing Home" in the residential market, conduct R&D for intellectual property in architecture and expand the overseas market. We seek to repeat the success of Cloud & Metaverse Industrial Park development, leverage the extensive experience in construction management in Taiwan and enhance the presence in real estate and industrial zone development in Vietnam and Myanmar by vertical integration within the group and cooperation with local partners and engineering teams for deep local connections. With the robust operation, the Company enhances the holistic competitiveness via diversified ways, to make all possible efforts to fulfill the commitment to the shareholders



and the corporate social responsibility.

Sincerely yours,

To you and your family's health and prosperity!

Chairperson Chu Hui-lan



## **Two. Company profile**

**I. The date of establishment: September 1, 1950**

**II. Capital: The total amount of capital is NT\$ 30 billion, and the total paid-up capital is NT\$ 15,308,998,220.**

### **III. History of the company**

● In 1950:

The company's original English name was "Heavy Equipment Division" and the company consisted of four units including the Heavy Machinery Factory, the Kaohsiung Office, the Vehicle Service Office and the Nanxin Repair Factory owned by the former Materials Supply Bureau; and its main business included mechanical repairs and vehicle transportation.

● In 1951:

It was reorganized as the "Mechanical Engineering Division of the Resources Committee," the company is the first for the construction of civil engineering and construction projects with heavy machinery and it continued to be supplemented with the heavy machinery repair and vehicle transportation business.

● In 1952:

It was renamed as the "Mechanical Engineering Division of the Ministry of Economic Affairs" under the Ministry of Economic Affairs. The English name was changed to "Bureau of Engineering Services" or BES in short.

● In 1959:

It was re-organized as "China Mechanical Engineering Co., Ltd.", is still under the Ministry of Economics for the development of foreign business; as the BES abbreviation has been recognized abroad, hence the English name is changed to "BES Engineering Corporation" and its abbreviation BES is still in use up to now.

● In 1965:

It was renamed to "BES Engineering Corporation"

● In 1966:

It was renamed "BES Engineering Corporation" to avoid confusion with the name of the Taiwan Machinery Company.

● In 1993:

The company was listed and the Ministry of Economic Affairs released 8.51% of its shares.

● In 1994:

On June 22, it was privatized and became a good example for the transfer of state-owned enterprises to private enterprises. The board of directors was re-organized.

● In 1995:

Conducted cash incensement of 1.5 billion dollars, and the paid-up capital was increased to 4.8 billion dollars.

- In 1996:  
Conducted the transfer of surplus and capital reserve to increase capital by 1.68 billion dollars, and the paid-up capital was increased to 6.48 billion dollars.
- In 1997:  
Conducted the transfer of surplus and capital reserve to 1.296 billion dollars, and the cash was increase by 1.6 billion dollars. The paid-up capital was increased to 9.376 billion dollars.
- In 1998:  
“BES Engineering Corporation” was officially announced with the new CIS of the CORE PACIFIC GROUP.
- In 1998:  
Conducted the transfer of surplus and capital reserve to increase capital by 1.8752 billion and the paid-up capital was increased to 11.2512 billion.
- In 1999:  
Conducted the transfer of surplus and capital reserve to increase capital by 675.72 million NTD in thousands, and the paid-up capital was increased to 19.26272 billion NTD in thousands.
- In 2000:  
Conducted the transfer of earnings and capital reserves to the total amount of 834,839,000 NTD in thousands, and the paid-in capital was increased to 12,761,111,000 NTD in thousands.
- In 2001:  
Conducted the transfer of total capital reserve to increase the capital by 893,277,780 NTD, and the paid-in capital was increased to 13,654,388,820 NTD.
- In 2002:  
Conducted the transfer of surplus to increase capital by a total of 563,423,210 dollars, and the paid-up capital was increased to 14,217,812,030 dollars.
- In 2004  
Conducted the transfer of surplus to increase capital by a total of 284,356,240 dollars, and the paid-in capital was increased to 14,502,168,270 dollars.
- In 2007  
Conducted the transfer of surplus to increase capital by a total of 748,006,580 dollars, and the paid-in capital was increased to 15,250,174,850 dollars.
- In 2010  
The approved share capital was increased from \$18 billion to \$30 billion, and the total paid-up capital was \$15,250,174,850.
- In 2013  
The company issued its first domestic guarantee and the second unsecured conversion of corporate bonds of NT\$800 million and it was approved and

released by the Financial Supervisory Commission on October 16, 2013.

● In 2014

1. The Japanese company issued its first domestic guaranteed conversion of corporate bonds of NT\$300 million on February 19, 2014 and it was approved by the Taipei Exchange of the Republic of China to start trading at the counter of the securities firm on February 24, 2014.
2. The Japanese company issued its second unsecured conversion of corporate bonds of NT\$500 million on February 21, 2014, and it was approved by the Taipei Exchange of the Republic of China to start trading at the counter of the securities firm on February 25, 2014.

● In 2015

The Company issued its second domestic unsecured conversion of corporate bonds with a total of 5,882,337 shares converted into ordinary shares in the current year, and the amount of paid-in capital was increased to 15,308,998,220 dollars.

**IV. The company's acquisition, re-investment in joint venture and restructuring in the most recent year and up to the published date of this annual report: None.**

**V. The directors, supervisors or major shareholders who hold more than 10% of the shares transferred or changed large amount of company shares in the most recent year and up to the published date of this annual report: None.**

**VI. The changes in management right, major changes in business operation or contents, and other important matters that will affect shareholders' interests and impact the company in the most recent year and up to the published date of this annual report: None.**

**VII. The information from previous years that has a significant impact on the company's development: None.**

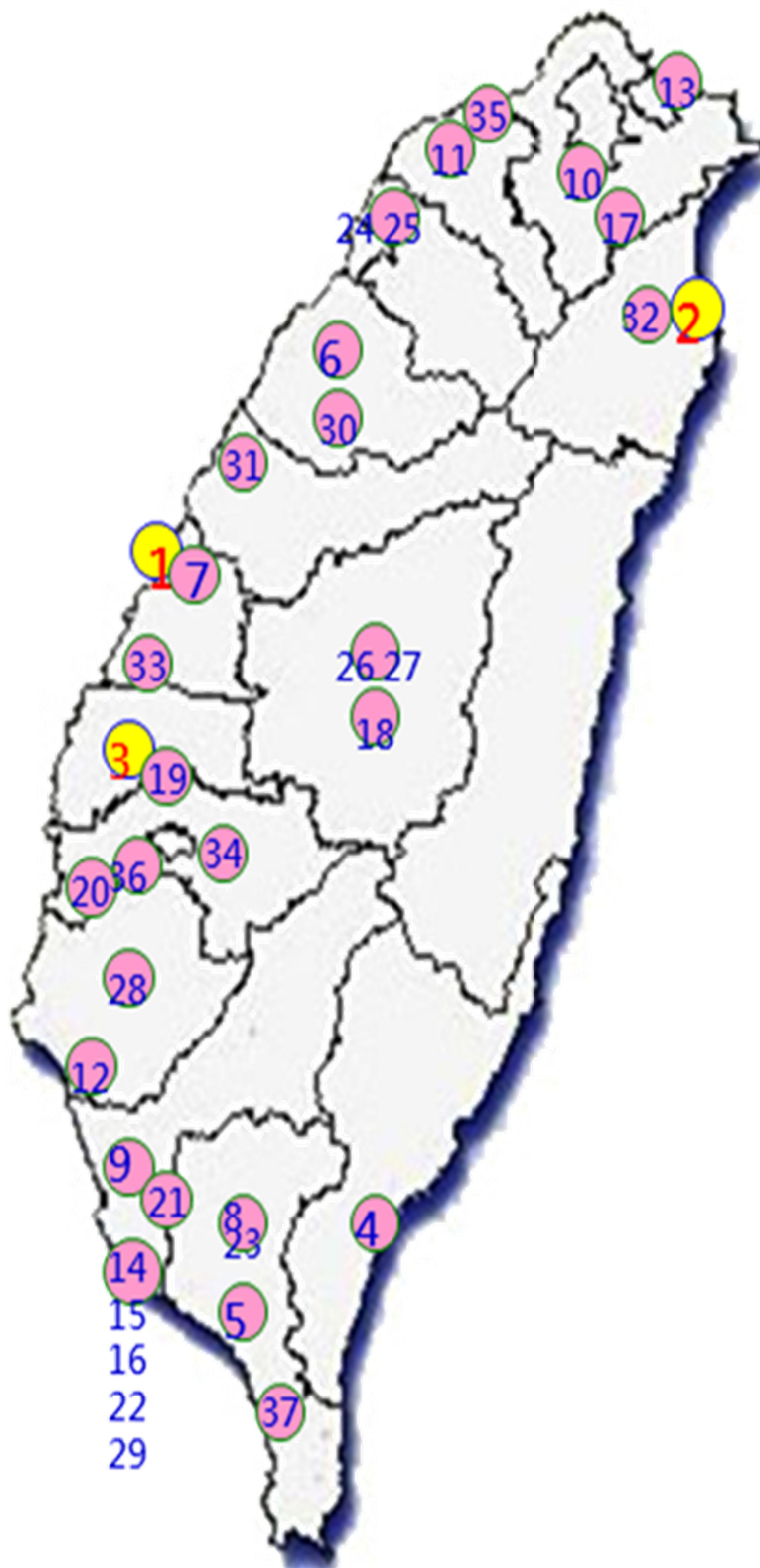
**VIII. Major projects in progress in year 2021:**

- (I) Taoyuan Airport MRT A14 station (terminal 3) and extension section to Zhongli Railway Station's E&M system project (tender ME06A) (108)
- (II) Tseng Wen Nan Hua Leveling Pipe Turnkey Project A1
- (III) Turnkey project for renovation of the First Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market
- (IV) CR580C Eastward Section Project of Xinyi Section in the Taipei MRT System
- (V) The construction of parking apron, taxiway and apron facilities in terminal III of Taiwan Taoyuan International Airport

- (VI) Niaozueitan Artificial Lake Project, Wu River- Construction of Lake Area
- (VII) The earthwork and infrastructure in terminal III of Taiwan Taoyuan International Airport
- (VIII) Shimen Reservoir dredging tunnel project (phase 1)-Aamping dredging tunnel project
- (IX) Dormitory Reconstruction Turnkey Project in Fuxing Camp Area
- (X) The basic design, detail design, procurement and construction engineering for the China Petrochemical Development Corporation's liquid ammonia and phenol storage and transportation project in the intercontinental phase II wharf of Kaohsiung Harbor
- (XI) The comprehensive facility reinforcement project in Taoyuan International Airport
- (XII) The new construction project of the Health Building in National Taiwan University Hospital
- (XIII) GM01 electromechanical system turnkey engineering project of the MRT Green Line GM01
- (XIV) Hua-Nan Information Technology Building and new construction in Hua-Nan DingPo Science and Technology Building
- (XV) The public housing turnkey project on the Hebing High School Base in Neihu District of Taipei City
- (XVI) Main Structure of New Construction Project in Yulong Town Commercial District (Phase 1)
- (XVII) The new construction project of the pumping machine room #7, 8 and 9 and water inlet/outlet underdrain in Taitan Power Plant
- (XVIII) GC02 civil engineering and construction turnkey project of the underground section between the daylighting section to G07 Station (exclusive) of the Taoyuan MRT Green Line
- (XIX) Hsing Tai Wen Zai Jun Zone 2 land replotting project in New Taipei City:
- (XX) Taoyuan Aerotropolis Zone expropriation project - A2 section turnkey project
- (XXI) Tai No.15 and Tai No. 4 pipeline rerouting project (including pipeline burial) in cooperation with the expansion of Taiwan Taoyuan International Airport

- (XXII) The new construction project of the Health Building in National Taiwan University Hospital (the first bid for electrical, plumbing, and air conditioning engineering)
- (XXIII) Public facilities and plant maintenance project in Changhua Coastal Industrial Park (Xianxi and Lunwei District)
- (XXIV) Taipower's Changgong Power Plant (including offshore wind power substation) road and pipeline engineering project
- (XXV) Seawall and parapet heighten and water control road project in Changhua Coastal Industrial Park - Lunwei District (phase 1)
- (XXVI) Changhua Coastal Industrial Park development engineering project - Connection road No.2 improvement project
- (XXVII) Road and public pipeline project in Changhua Coastal Industrial Park - Lunwei West District 1 (phase 2)
- (XXVIII) Road and Public Pipeline Project in the metal surface treatment zone, Changhua Coastal Industrial Park - Lunwei West District (phase 1)
- (XXIX) Yunlin Science and Technology Industrial Park (Dabeixi Area) public facilities and plant maintenance project
- (XXX) Agora Garden carbon-absorbing and energy-saving vertical residential building
- (XXXI) Yanshou Zone K (BES Yuncui)
- (XXXII) Yanshou Zone I (BES Biyenge)
- (XXXIII) Yanshou Zone J
- (XXXIV) Chongyang Road, Nangang
- (XXXV) BES Cloud Universe Industrial Park
- (XXXVI) Public office building urban renewal project in Shulin
- (XXXVII) The 0.3-hectare grass field development project in Quận 2, Ho Chi Minh City

## IX. The development in the industrial park over the years



### ■ 1980~2022 The Industrial Zone in developing

1. 2455 hectares in Changhua Coastal Industrial Park
2. 330 hectares in Lize Industrial Park
3. 243 hectares in Yunlin Science and Technology Industrial Park

### ■ 1980~1990 Development of Industrial Park

4. 18 hectares in Fengle Industrial Park
5. 99 hectares in Neipu Industrial Park
6. 78 hectares of Zhunan Industrial Park
7. 248 hectares in Quanxing Industrial Park
8. 100 hectares in Pingtung Automobile Professional Industrial Park

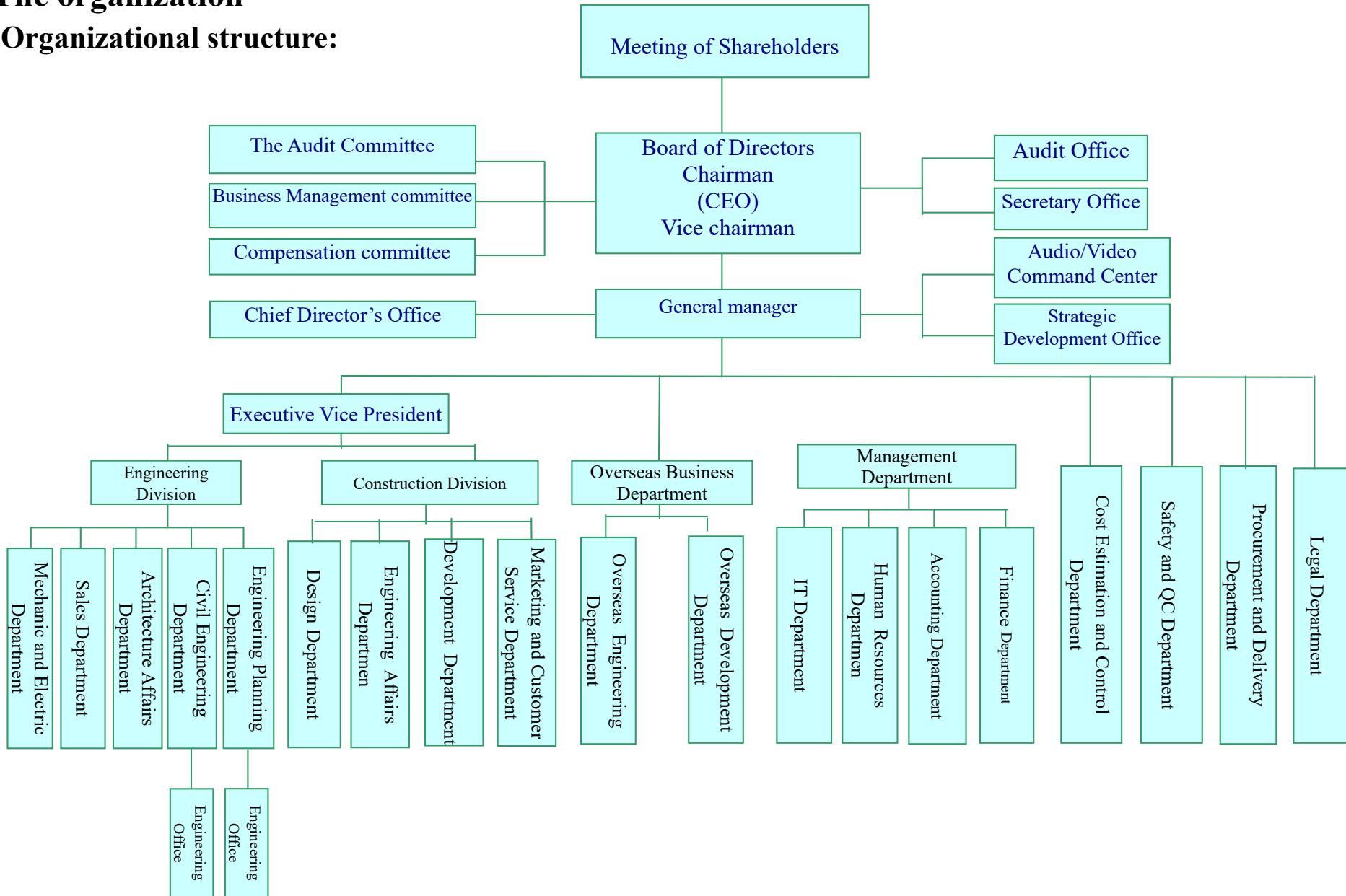
### ■ 1970~1980 Development of Industrial Park

9. 21 hectares in Renwu Industrial Park
10. 22 hectares in the Xilin industrial area
11. 65 hectares in Taoyuan Youshi Industrial Park
12. 198 hectares in Anping Industrial Park
13. 30 hectares in Dawulun Industrial Park
14. 1177 hectares in Kaohsiung Linhai Industrial Park
15. 19 hectares in Kaohsiung Linhai Small and Medium Enterprise Park
16. 15 hectares in Kaohsiung Linhai Industrial Plaza
17. 107 hectares Tucheng Industrial Park
18. 23 hectares in Zhushan Industrial Park
19. 16 hectares in Yuanhe Industrial Park
20. 16 hectares in Yizhu Industrial Park
21. 11 hectares in Fengshan Industrial Park
22. 388 hectares in of Linyuan Industrial Park
23. 156 hectares in Pingtung Industrial Park
- 24/25. 532 hectares in Hsinchu (expansion) industrial Park
- 26/27. 411 hectares in Nangang (expansion) industrial Park
28. 227 hectares in Guantian Industrial Park
29. 391 hectares in Dafa Industrial Area
30. 50 hectares in Tonglu Industrial Park
31. 218 hectares in the Youshi industrial area
32. 236 hectares in Longde Industrial Park
33. 160 hectares in Fangyuan Industrial Park
34. 244 hectares in Minxiong Industrial Park
35. 55 hectares in industrial park in Gongkou
36. 21 hectares in Puzi Industrial Park
37. 276 hectares in Pingnan Industrial Park

### Three. Corporate governance report

#### I. The organization

##### (I) Organizational structure:





(II) Business operations of main departments:

1. The **Engineering Division** is responsible for:

- (1) Overall contracting and construction of the company's construction projects.
- (2) Personnel planning, adjustment and management.
- (3) Handling of dispute event.
- (4) Construction, implementation and management of the ERP system.
- (5) Research, audit and conducting the performance reward for construction projects.
- (6) Stipulation and implementation of annual operation and budget plan of the business division.

● **Mechanic and Electric Department** is responsible for:

- (1) Collecting the information of engineering contracts.
- (2) Estimation work of the Mechanic and Electric Department: quantity calculation, inquiry, unit price analysis, and construction site inspection.
- (3) Cost budget and target control of annual revenue and earnings, analysis and tracking the conditions of engineering abnormality.
- (4) Supervise Engineering Office to conduct the project's pricing, project collection and reminder of design change.
- (5) The calculation, supervision and control of the construction quantity.
- (6) Matters with regard to supervision and control of construction drawing, network drawing, construction plan and technical documents.
- (7) Review and verify the vendor's estimated pricing and the control of the usage of bulk materials.
- (8) Overall management of engineering contracts, procurement, quality, progress, costs and construction.
- (9) Supervise Engineering Office to conduct the proposal and tracking of project disputes, case study, retention of evidence and information collection.
- (10) Assist in the performance evaluation of third-party vendors.
- (11) Matters with regard to the technical research of electromechanical engineering, as well as the collection and documentation of practical information.
- (12) Supervising the settlement of mechanical and electrical engineering projects and case closing if necessary.
- (13) Quarterly report of project progress and self-assessment of internal control.
- (14) Other assignments.

● **The Sales department** is responsible for:

- (1) Collection and tracking of tender information.
- (2) Application of public notary, certification and bidding of tender

documents.

- (3) Application of public notary, certification and bidding of tender documents.
  - (4) Collecting and preparing bidding documents, delivery and participating in bidding
  - (5) Database construction and management for customer visits, business contacts and business information.
  - (6) Assist matters in estimation, site survey and contract signing.
  - (7) Undertake the analysis and documentation of product marketing and strategy.
  - (8) The cross-industry alliance proposals for outsourced engineering consultants and architects.
  - (9) Business documents (confidential agreement, cooperation letter of intent, agreement prior to the bid, contract of subcontract).
  - (10) Process control and follow-up of the bidding case.
  - (11) Clarify the documents of design drawings and other documents with customers during the preparation of the bidding period
  - (12) Other assignments.
- The Architecture Affairs Department and the Civil Engineering Department are responsible for:
- (1) Assist the estimation of construction projects
  - (2) Budget implementation and settlement of the work order.
  - (3) Cost budget and target control of annual revenue and earnings, analysis and tracking the conditions of engineering abnormality.
  - (4) Generation and control of cash flow for each work order.
  - (5) Conduct and control the application, extension and refund of security deposit, prepayment, reserved payment, and retention money.
  - (6) Implementation of occupational safety and health affairs.
  - (7) Supervise Engineering Office to conduct the project's pricing, project collection and reminder of design change.
  - (8) Review and verify the vendor's estimated pricing and the control of the usage of bulk materials.
  - (9) Overall management of engineering contracts, procurement, quality, progress, costs and construction.
  - (10) Review of alternatives for major engineering projects.
  - (11) Supervise Engineering Office to conduct proposal of construction dispute disposition and tracking matters.
  - (12) Quarterly report of project progress and self-assessment of internal control.
  - (13) Supervising the settlement of engineering projects and case closing if necessary.
  - (14) Review and documentation of project completion report.
  - (15) Other assignments.

- Engineering Planning Department is responsible for:
  - (1) Support the assessment operations for the construction projects of the company.
  - (2) Assist in construction projects related to engineering planning, models of construction information and construction drawings.
  - (3) Professional training and creation of talent pool including engineering planning, models of construction information and construction drawing professionals.
  - (4) Support the company's contracting operations, clarification of design drawings, risk clarification and evaluation for the construction projects of the company.
  - (5) Assist Engineering Office in regards to the design, construction drawing, interface integration, clarification and control for the construction projects in progress.
  - (6) Assist Engineering Office to review, integrate interfaces and control the drawings provided by the subcontractors.
  - (7) Review of materials and equipment used for the construction projects in progress; research, development and application of alternative construction materials and equipment.
  - (8) The collection, introduction, research and development and promotion of new materials, new work approaches and new techniques.
  - (9) Assist in the company's contracting operations, and construct the necessary construction information model, to assist in the presentation of visual results.
  - (10) Assist the Engineering Office in the construction model, construction drawing, integration and conflict verification for the construction projects in progress.
  - (11) Integration, verification and control of the construction information model and manufacturing drawings provided by the subcontractors.
  - (12) Using the technology of construction information model to assist in verifying, clarification and control of the design drawings.
  - (13) Assist Engineering Office with regard to the engineering completion models and the comparison, management and maintenance for the completion drawings.
  - (14) Matters with regard to the data collection, analysis, component database establishment and maintenance for the construction information model.
  - (15) The standardization establishment, implementation and maintenance for the construction information model and construction drawings.
  - (16) Public relations in regard to business requirements.
  - (17) Other assignments.

2. The Construction Division is responsible for:

- (1) Handling the project and overall planning of land development,

- construction design and building, and real estate marketing.
- (2) Personnel planning, adjustment and management.
- (3) Handling of dispute event.
- (4) Overall planning of system building, conception and demand of the Construction Division.
- (5) Stipulation and implementation of annual operation and budget plan of the business division.
- The Design Office is responsible for:
  - (1) Preliminary planning of land development.
  - (2) Laws and regulations review
  - (3) License application and process management
  - (4) Inquiry in the market
  - (5) Selection of designers and design process management
  - (6) Design content review and file management
  - (7) BIM integration and application in the design stage
  - (8) Building material sampling
  - (9) Construction quality inspection (including interface and beginning and closing of the construction)
  - (10) Coordination management of modification of design (including modification of design from customer)
  - (11) Project final acceptance
  - (12) Other assignments.
- The Engineering Affairs Department is responsible for:
  - (1) Study, on-site learning, introduction and educational training of new engineering technologies
  - (2) Construction method evaluation
  - (3) Value engineering evaluation
  - (4) Construction budget (construction costs) preparation
  - (5) Inquiry in the market
  - (6) Construction process supervision
  - (7) Construction quality inspection
  - (8) Engineering management of construction safety and health, environmental protection and image
  - (9) Review on project inspection, evaluation and invoicing.
  - (10) Project final acceptance and handover
  - (11) Post sale service
  - (12) Other assignments.
- Development Department is responsible for:
  - (1) All land development projects in any location in the country approved by the President Development project includes profitable land acquisition and sales, joint construction, urban renewal, unsafe and old buildings, superficies, bidding, auction, and joint development
  - (2) Development and connection of land sources and channels

- (3) Base inspection and property right investigation for land development
- (4) Investigation on market, laws and regulations, land administration, and base
- (5) Analysis on the costs and profits of the investment target, and preparation of cash flow statement
- (6) File creation and collection of land and introducer data
- (7) The annual plan budget and revenue compilation of the urban renewal projects, and evaluation and process control of the urban renewal projects.
- (8) Matters in regard to negotiation, discussion, communication, information exchange, summary of urban renewal projects, business plan, and rights change agreement for the residents of urban renewal projects.
- (9) Coordination with land owners, integration and signing contracts and payment for land acquisition and joint construction projects
- (10) Demolish buildings on lands, assistance in building demolition registration, and land handover
- (11) Preparation of operation plans for loans for lands and loan application
- (12) Application and custody of land documentation and identifications
- (13) Review, analysis and filing of investment result
- (14) Matters in regard to real estate inspection management and maintenance of the land development projects.
- (15) Training matters of developer personnel.
- (16) Public relations in regard to business needs.
- (17) Matters in regard to the preparation and verification of the annual business plan and budget for the industrial real estate investment development business.
- (18) Market research, feasibility assessment, product marketing, marketing management, and project implementation and control for industrial real estate investment development.
- (19) Bidding, undertaking and consulting services in regard to the industrial real estate development business.
- (20) Related matters in the rental management, self-operated rental and agency services of industrial real estate.
- (21) Related matters in the business promotion of investment, business operations and maintenance management of industrial real estate.
- (22) Related matters in budget preparation, construction, pricing, acceptance and handover for industrial real estate development projects.
- (23) Related matters in pricing, notification and collection of industrial real estate rental price.
- (24) Related matters in customers' complaints, disputes and litigation of

industrial real estate rental.

- (25) Education and training matters for industrial area personnel.
- (26) Related matters of Public relations with regards to the industrial real estate investment and development.

● Marketing and Customer Service Department is responsible for:

- (1) Planning of house sales strategy and policy
- (2) Planning and escalation for approval of house selling price and payment method
- (3) Planning and escalation for approval of building material and house and land acquisition and selling contract
- (4) Entrusting escrow officer to calculate the number of pings and review and modification
- (5) Selecting and signing contract with sales agent company and supervising the sales
- (6) Sales process and the planning and escalation for approval of advertising budget
- (7) Sales preparation and execution
- (8) Market investigation execution and assisting product positioning
- (9) Procurement, contracting and acceptance of all sales tools
- (10) Payment collection for subscription, signing contract and checks, and signing acquisition and selling contract
- (11) Customer payment notice, overdue tax payment collection
- (12) Entrust escrow officer and management of property transfer registration pledge creation
- (13) Reply and disposition of customer inquiry
- (14) Contacting customer engineering modification and material selection, payment collection and refund generated from the modification of design from customer
- (15) Customer data recording, collection and file creation
- (16) Related matters of house handover
- (17) Review and custody of customer property application data
- (18) Loan application contact
- (19) Collection, payment, and management of agency fee and final payment
- (20) Drafting Code of Conducts for inhabitants and community management guidelines
- (21) Budget planning of community management fees
- (22) Printing house handover brochure and disposition of customer feedback questionnaire
- (23) Assist in establishment of community management committee
- (24) Allocation, application and transfer of community public management funds
- (25) Rotation for customer service CRM system and answering service
- (26) Customer repair request's contacting and reporting, tracking,

questionnaire, and providing annual data for review

### 3. Overseas Business Department: Handling overseas engineering and development business

#### ● Overseas Engineering Department is responsible for:

- (1) Collection and establishment of laws and regulations related to overseas building projects and designs.
- (2) Preliminary planning of land development.
- (3) Laws and regulations review.
- (4) License application and process management.
- (5) Inquiry in the market.
- (6) Assisting in BIM integration and application in the design stage.
- (7) Coordination management of modification of design (including modification of design from customer).
- (8) Household type stipulation suggestion.
- (9) Material suggestion.
- (10) Drawing management supervision.
- (11) Selection and management on design units.
- (12) Review on design content.
- (13) Assisting in the clarification on concerns related to drawing.
- (14) Engineering management on PCM, self-construction projects and industrial zone construction of overseas projects.
- (15) Supervision on the process of overseas projects.
- (16) Supervision on the overseas engineering acceptance and related laws and regulations.
- (17) Study, on-site learning, introduction and educational training of new engineering technologies.
- (18) Construction method evaluation.
- (19) Value engineering evaluation.
- (20) Construction process supervision.
- (21) Review on project inspection, evaluation and invoicing.
- (22) Rotation on the overseas on-site management.
- (23) Construction quality inspection (including interface and beginning and closing of the construction).
- (24) Other assignments.

#### ● Overseas Development Department is responsible for:

- (1) Contacting for general business and development business in the industrial zone.
- (2) Review on the collaboration with the projects of other companies.
- (3) Review on merger (acquisition) of companies owning lands.
- (4) Assisting in investigation on property, base, laws and regulations, and market of the development project, as well as the land research.
- (5) Assisting in the product positioning planning for overseas subsidiaries.
- (6) Management and supervision on land and middle man data.

- (7) Review on land sources and purchase matters.
- (8) Assisting in development value analysis.
- (9) Assisting in detailed work of land purchase.
- (10) Assisting in development of other development projects in the industrial zone.
- (11) Engineering management on supervising self construction project and constructions in the industrial zone.
- (12) Supervision on the process of projects.
- (13) Construction method evaluation and suggestion.
- (14) Construction budget (construction costs) preparation and review.
- (15) Evaluation on inquiry in the market.
- (16) Construction process supervision.
- (17) Supervising on the review on project inspection, evaluation and invoicing.
- (18) Project final acceptance and handover strategy supervision.
- (19) Market investigation.
- (20) Assisting in the preparation of house sales.
- (21) Management and review on project budget.
- (22) Assisting in merchant luring for the projects (industrial zone, and shops).
- (23) Signing contact with landlords or for house sale, supervision on collecting payments.
- (24) Supervising on house handover planning and final acceptance.
- (25) Assisting in house handover planning.
- (26) Supervising on house handover.
- (27) Supervising on the warranty service.
- (28) Establishing and supervising the property management in the industrial zone.
- (29) Other assignments.

4. The **Management Department** is responsible for:

- (1) Manage the company's operational analysis report, financial and capital decisions and supervise the "assets and liabilities" management of the company.
  - (2) Overall operation of the company's accounting management, human resources, legal affairs, IT management and integration of enterprise resources.
  - (3) Conduct public relations affairs and the appointment of the company's spokesperson
- The IT Department is responsible for:
    - (1) Matters with regard to plan and evaluate information application software and hardware, as well as the information network architecture.
    - (2) IT business-related procurement planning and budget preparation and implementation control.



- (3) Matters with regard to the planning, construction and safety management of the company's network integration.
  - (4) Manage the planning, design, maintenance and use of the IT application system.
  - (5) Procurement, adjustment and maintenance management of IT related software and hardware equipment.
  - (6) IT software and hardware equipment, backup operations of the database and security management.
  - (7) The planning and design, information update and system maintenance of the company website.
  - (8) Provide related IT services to support the operations of all units and the investment business.
  - (9) Other IT related matters.
- The HR General Affairs Department is responsible for:
    - (1) Matters with regard to planning, recruitment, utilization, reservation, training, evaluation, attendance and management of human resources.
    - (2) Matters with regard to personnel training, salary, benefits, bonuses, and reward and punishment system.
    - (3) Matters with regard to the division of organizational duties and responsibilities, as well as the establishment of a hierarchical responsibility system.
    - (4) Labor relations and conduct of labor dispute cases.
    - (5) The establishment and cancellation of the company's domestic and foreign organizations.
    - (6) The establishment and cancellation of Engineering Office and Development Office.
    - (7) Matters with regard to contract and contract termination of the consultants.
    - (8) Matters with regard to the application, introduction and related business of foreign workers.
    - (9) Matters with regard to labor retirement reserves.
    - (10) Matters with regard to labor insurance, health insurance, labor retirement, life insurance, accident insurance, credit guarantee insurance and mutual insurance. License management.
    - (11) The safekeeping, usage and update matters for the company's business operation licenses and the membership of association.
    - (12) Management of fixed assets (real estate and miscellaneous assets). Form generation for property rights maintenance, insurance, cleaning and repair, rental and sales and inventory.
    - (13) The PR connection and promotion. In contact with associations and sponsored, and conduct head office activities, media contacts, etc.
    - (14) Documentation management. Sort and organize official documents, letters, received documents, document delivery, process control,

document issuing, filing and mailing, etc.

- (15) Safekeeping of seals and stamps. Production, storage, use and control of stamps. Application, storage and use of the electronic signature.
- (16) General affairs of the head office. Management of petty cash, small procurements, etiquette matters, cleaning, maintenance, safety management of the office, vehicles, management of parking space, telephone management, etc.

● The accounting department is responsible for:

- (1) The compilation of the accounting system.
- (2) Compilation of the monthly accounting report, as well as the compilation and announcement of the quarterly report, semi-annual report and annual financial report.
- (3) Compilation and review of accounting certificates and accounts.
- (4) Organize and keep accounting books and subpoenas.
- (5) Annual income tax return and various tax declarations for the company, and conduct the appeals of exceptional cases and tax accounting.
- (6) Preparation and control of operation budget and financial forecasts.
- (7) Clearance and reminder of the suspended accounts.
- (8) Compilation of report for industrial accounting.
- (9) Conduct cases of project settlement.
- (10) Conduct accounting of the subsidiaries and statement review, and preparation of consolidated statements.
- (11) Accountant training matters.
- (12) The PR in regard to business needs.
- (13) Monthly review the operation results and budget implementation performance reports of each operating units.
- (14) Provide and analyze the accounting management information for the management decisions.

● The Finance Department is responsible for:

- (1) Matters in regard to financing of the company's long-term capital, cash increment, corporate bonds and other securities issuance and planning.
- (2) Recreational industry, distribution industry and industrial real estate development projects, and BOT and BOO projects.
- (3) Assist in the planning, financing, adjustment, repayment and other related matters of the reinvested business.
- (4) Planning of medium and long-term budget and financial funds for land and real estate development in overseas countries and mainland China.
- (5) Financial matters with regards to contacting, coordination, support, fund raising, adjustment and repayment of land and investment development projects in overseas countries and mainland China.

- (6) Financial matters in regard to auditing of financial planning and budget for land development and construction projects in overseas countries and mainland China.
  - (7) Propose a financial plan.
  - (8) Deposits and safekeeping matters with regard to cash, notes, and securities.
  - (9) Collection matters with regard project guarantee cancellation and accounts receivable payment.
  - (10) Matters with regard to derivative financial products and control matters.
  - (11) Matters with regard to the relationship management of financial institution, loan quotas and repayments.
  - (12) Matters with regard to evaluation and review of domestic and overseas investments.
  - (13) Investment development and project evaluation
    - A. Dominant investment (accounting for more than 50% of equity)
    - B. Participatory investment (coordinative investment)
    - C. Financial investment (stock and operations of exchange rate)
  - (14) Management of investments
    - A. Business strategy for reinvestments
    - B. Financial analysis of the reinvested business
    - C. Control, management and raising of shares in the reinvested business.
  - (15) Planning and promotion of project investments
5. Cost Estimation and Control Department is responsible for:
- (1) Establish and update the analysis of bid valuation and information file of the basic unit prices.
  - (2) Budget of engineering projects.
  - (3) Training and creation of talent pool for the estimation professionals.
  - (4) Assist in the non-engineering budget cases.
  - (5) Statistical analysis of the loss rate for the construction materials.
  - (6) Review of vendor's settlement documents.
  - (7) Construction project's statistical analysis of profit and loss, analysis of differences in reconstructions and statistical analysis of the personnel output.
  - (8) The pricing of vendors for the construction project and periodically check the access and control of bulk materials.
  - (9) Construction project's settlement review.
  - (10) Construction project's review of seasonal cost control table.
  - (11) Construction project's review of bulk materials summary table.
  - (12) Compilation of the related business education and training programs.
  - (13) Public relations in regards to the needs of business.
  - (14) Other assignments.
6. Safety and QC Department is responsible for:

- (1) Promoting and updating of the occupational safety, health and environmental protection regulations.
  - (2) Matters with regard to plan and assist in employee safety, health and environmental protection, and quality management and implementation of on-duty or professional education training programs.
  - (3) Supervising and coordinating the implementation of general safety and health affairs at all construction sites and training of disaster prevention.
  - (4) Supervising and auditing the implement of safety, health and environmental protection on site, automatic inspection of safety protection, matters of environmental measurement and operations of quality management.
  - (5) Conducting research and analysis of major accidents and disasters, as well as their preventive measures.
  - (6) Conducting the semi-annual ISO external audit and adopt appropriate corrective and preventive measures based on the audit results.
  - (7) The maintenance, consulting and counseling operations of ISO-9001 quality management system.
  - (8) The quality management handbook, and stipulation and revision of the Engineering Office Operating Procedures.
  - (9) Auditing the implementation of labor physical examination and employee health examination for all projects.
  - (10) Supervising and assisting in the assessment and declaration review of dangerous workplaces for all projects.
  - (11) Matters with regard to counsel and assist the quality inspection and construction audit for all projects.
  - (12) Matters with regard to counsel and assist in the nomination and participation in the Public Engineering Gold Awards for all projects.
  - (13) Convening the Occupational Safety and Health Committee and Quality Management Committee.
  - (14) Filing and management of the punishment records of work safety and environmental protection issues from the competent authorities.
  - (15) Counseling and assisting various project projects to promote the nomination and election of the Good Public Works (Jian Award) for Occupational Safety and Health.
7. Procurement and Delivery Department is responsible for:
- (1) Conducting the pre-bidding purchase agreement operations.
  - (2) Matters with regard to the procurement, adjustment, management and maintenance of construction equipment and various assets.
  - (3) Reviewing of procurements required for business at all levels.
  - (4) Matters with regard to the handling and signing of bidding, selection, price comparison (negotiation), bid closing for the procurement cases.
  - (5) Conducting the vendor's registration, visit and evaluation.
  - (6) Assisting in budgeting the projects and non-engineering budget cases.

- (7) Engineering procurement professional training and creation of talent pool.
  - (8) Public relations in regard to business requirements.
  - (9) Other assignments.
8. The Legal Department is responsible for:
- (1) Matters with regard to stipulation, amendment or abolishment of the company's regulations.
  - (2) Matters with regard to integration of various regulations.
  - (3) Matters with regard to review, negotiation and discussion prior to the contracts and investment contracts for various projects.
  - (4) Matters of risk control with regard to disputes in contracts, accidents and applicable laws and regulations.
  - (5) Conduct promotion and planning of legal education.
  - (6) Conduct mediation procedures of the disputed cases for project owners, so that the disputes can be quickly resolved to avoid litigation.
  - (7) Matters with regard to the decision-making and assistance in litigation cases including civil, criminal, enforcement, reconciliation, mediation and administrative arbitration cases.
  - (8) Collection, analysis and research matters with regard to the legal system, contracts, environmental protection and the requirements of all units.
  - (9) The court enforcement order of vendors.
  - (10) The derived suggestions of improvement measures from conducting legal cases.
  - (11) Extension of employment on legal consultants and lawyers for the projects.
  - (12) Assist in legal cases for the reinvested business.
  - (13) Assist in the consultation and review matters in regard to the law cases of the construction and development business.
  - (14) The self-evaluation of internal control <Statistics and analysis of legal cases>.
  - (15) Training of legal personnel.
9. Chief Director's Office is responsible for: Conducting specific project matters under the command of the Chairman, Vice Chairman, CEO and President.
10. Audio/Video Command Center: It is under the supervision of the President, and it's responsible for:
- (1) Planning and improving the audio/video command management mechanism in accordance with company policy.
  - (2) Assigning department to conduct company policy development guidelines, high-risk engineering items, defect improvement items, self-inspection and audit project matters and reviewing operation records.
  - (3) Tracking and managing confirmed defects or critical matters.

- (4) The overall planning, establishment, maintenance and improvement of audio/video command equipment.
- (5) Preparation of weekly report and meeting minutes of the command center.

11.Strategic Development Office: It is under the supervision of the President, and it's responsible for:

- (1) Matters with regard to stipulate and develop the company's business strategy plan. Propose a business plan and an annual business operation plan.
- (2) Matters with regard to assist the Chairman (CEO) in strategic planning and evaluation and implementation of assignments, media relations, corporate sponsorships, visual propagation, investors relations and corporate public affairs.
- (3) Matters with regard to analyze the business environment and market condition, provide reliable research and analysis reports for domestic and foreign markets and evaluation and consultation of the requirement for business development of all departments.
- (4) Evaluating the business performance for all business units.

12.The Business Management Committee is responsible for: With the CEO being the convener, the committee is responsible for stipulating the company's overall business strategy, supervising the progress of business operations, and coordinating the projects and plans implemented by various departments.

13.The Audit Office is responsible for:

- (1) Stipulation, implementation and report of the annual audit plan.
- (2) Matters in regard to the review and suggestions for the integrity, effectiveness and appropriateness of the internal audit system.
- (3) Matters with regard to the review and suggestions for activity effectiveness and efficiency of all units.
- (4) Matters with regard to the review and suggestions for the company's rules and regulations and operating procedures of all units.
- (5) Verification on the self-check work operation of internal control.
- (6) Declaration matters of relevant audit operations.
- (7) Project auditing of abnormality.
- (8) Stipulating an educational training program.
- (9) Other assignments.

14.The Secretary Office is responsible for:

- (1) Revision of the relevant regulations and methods with regard to the board of directors and shareholders' meeting, and preparation and control of budget.
- (2) Matters with regard to the meeting of board of directors.
- (3) Matters with regard to the meeting of shareholders.
- (4) Service duties of directors and supervisors.

- (5) The relevant business contact and coordination of the meeting of board of directors and the shareholders' meeting.

## II. Information for directors, supervisors, general manager, deputy general managers, associate managers and supervisors of all departments and branch organization.

### (I) Profile of Directors and Supervisors:

April 2, 2022

Title (Note 1)	Nationality and place of registration	Name	Gender/ Age (Note 2)	Elected Date	Term	Date of first elected (Note 3)	Shares held when elected		Shares currently holding		Shares held by spouse and minors		Shares held in the name of others		Experience (Education) (Note 4)	Current Positions held in the Company and other companies	Executives, directors, or supervisors who are spouses or relatives within the 2 <sup>nd</sup> degree of kinship			Note (Note 5)
							Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %			Title	Name	Relationship	
Chairman	Republic of China	Yang Jen Industrial Co., Ltd Representative: CHU, HUI-LAN	Female / 51~60	June 23,2020	3 years	June 23,2020	466,000	0.0304%	466,000	0.0304%	None	None	None	None	Vice Chairman of the Company · Councilor, Taichung City; Director, Economic Development Department, Taichung City Government; Director-General, Economic Development Bureau, Taichung City Government; Advisor, Taichung City Government	Also served concurrently in the company as: Chairperson , Agent General Manager and CEO	None	None	None	(Note 5)
Director	Republic of China	Formostar Factory Co., Ltd. Representative: TSAI, CHAO-LUN	Male / 71~80	June 23,2020	3 years	June. 18,2002	327,991	0.0241%	227,991	0.0149%	None	None	None	None	Chairman of Formostar Garment Co. Ltd	Also serves concurrently as: None · chairman of Formostar Garment Co. Ltd	None	None	None	
Director	Republic of China	Changli Co., Ltd. Representative: LIOU, LIANG-HAI	Male / 51~60	June 23,2020	3 years	June. 02,2011	1,500,000	0.0980%	1,500,000	0.0980%	None	None	None	None	Board Chairperson of Enterprise Bank of Hualien Chairperson	Also serves concurrently as: none. Chairperson of Chao Feng Financial Advisory Services Co. Ltd.	None	None	None	



Title (Note 1)	Nationality and place of registration	Name	Gender/ Age (Note 2)	Elected Date	Term	Date of first elected (Note 3)	Shares held when elected		Shares currently holding		Shares held by spouse and minors		Shares held in the name of others		Experience (Education) (Note 4)	Current Positions held in the Company and other companies	Executives, directors, or supervisors who are spouses or relatives within the 2 <sup>nd</sup> degree of kinship			Note (Note 5)
							Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %			Title	Name	Relationship	
Director	Republic of China	China Petrochemical Development Corporation Representative: CHEN RUI-LONG	Male / 71~80	June 23,2020	3 years	June. 18,2002	164,348,449	10.7354%	164,348,449	10.7354%	None	None	None	None	Department of Economics, Chung Hsing University Minister of Economy	Also serves concurrently as: none. Chairperson of China Petrochemical Development Corporation (CPDC)	None	None	None	
Director	Republic of China	Tianjing Investment Co., Ltd. Representative: CHEN, WEN-KE	Male / 71~80	June 23,2020	3 years	June. 02,2011	12,179,632	0.7956%	12,179,632	0.7956%	None	None	None	None	Engineering and Development Manager, Taiwan Land Development Corporation Senior Specialist Taiwan Land Development Corporation, concurring Director of Information Chief Architect, Wang, Jia-Yu Architect's Firm Chief Architect, Chen, Wen-ke Architect's Firm	Also serves concurrently as: none. Architect of Tian-He Construction Co., Ltd..	None	None	None	
Director	Republic of China	Tianjing Investment Co., Ltd. Representative: BAI JUN-NAN	Male / 71~80	July. 30,2020	3 years	June .02,2011	12,179,632	0.7956%	12,179,632	0.7956%	None	None	None	None	BES Engineering Corporation Vice Chairperson	Also served concurrently in the company as: Chairperson of China Petrochemical Development Corporation	None	None	None	
Independent director	Republic of China	LU, HE-YI	Male / 81~90	June 23,2020	3 years	June. 17,2014	30,000	0.0020%	30,000	0.0020%	0	0	0	0	General Manager of Taiwan Business Bank Managing Director Land Bank of Taiwan	Also serves concurrently as: member of the Remuneration Committee Member of the Audit Committee	None	None	None	

Title (Note 1)	Nationality and place of registration	Name	Gender/ Age (Note 2)	Elected Date	Term	Date of first elected (Note 3)	Shares held when elected		Shares currently holding		Shares held by spouse and minors		Shares held in the name of others		Experience (Education) (Note 4)	Current Positions held in the Company and other companies	Executives, directors, or supervisors who are spouses or relatives within the 2 <sup>nd</sup> degree of kinship			Note (Note 5)
							Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %			Title	Name	Relationship	
Independent director	Republic of China	KO, SHU-JEN	Male / 61~70	June 23,2020	3 years	June. 17,2014	0	0	0	0	0	0	0	0	Independent Director of Taiwan Cogeneration Corporation Director of Taiwan Land Development Corporation Assistant Professor of Shih Hsin University	Also serves concurrently as: member of the Remuneration Committee Member of the Audit Committee	None	None	None	
Independent director	Republic of China	CHANG, FAN	Male / 61~70	June 23,2020	3 years	June.21,2017	0	0	0	0	0	0	0	0	Deputy Director-General, National Property Bureau, MOF; Urban-Rural Development Bureau, New Taipei City Government; Deputy Minister, MOF	Also serves concurrently as: member of the Audit Committee Curriculum Professor, Department of Public Finance and Taxation and Real Estate Investment and Management Diplomat; Vice Chairman of Eastern Broadcasting Co., Ltd.	None	None	None	

Note 1: Juridical Person Shareholders shall list the name of the institute and that of its representatives (for representatives of a Juridical Person Shareholders, shall indicate the name of the Juridical Person Shareholder) and fill in the form below.

Note 2: Please list the actual age, and can use the interval expression, such as 41~50 years old or 51~60 years old.

Note 3: Any disruption of duty as a director or supervisor, after the date the individual is elected, shall be specified in a separate note.

Note 4: Work experiences of an individual stated in the above table that is related to the current position held, such as previous employment at CPA firms or in an affiliated company, shall be revealed with job title and responsibilities.

Note 5: Should the chairperson and the general manager of the Company, or the equivalent (the highest manager) be the same person, spouses, or first-degree of kinship, the information regarding reasons and the reasonableness, necessity and responding measures (e.g., increase of independent directors and more than half of the directors shall not be an employee or the manager of the Company) shall be specified: Since we are still looking for a general manager who meets the qualifications required by the company, based on the efficiency of decision-making, we temporarily adopt the method of chairman and general manager, and actively seek for talents who meet the qualifications of the company's general manager; if it is not possible to find the general manager by then, the deadline will be stipulated by law. Previously, an independent director was added.

## Form I: Major shareholders of a juridical person shareholder

April 2, 2022

Juridical Person Shareholder (Note 1)	Major shareholders of the Juridical person shareholders (Note 2)
Yang Jen Industrial Co., Ltd.	Yu Jian-Song 40.00%; Zheng Li-Fen 20.00%; Luo Jun-fu 20.00%; Fan Fang-Ming 20.00%
Formostar Garment Co. Ltd	Tsai Chao Lun 28.31%, Tsai Mei-Tzu 13.07%, Tsai Tsung-Heng 12.05%, Tung Ko-Shen 12.03%, Tsai Chao-Heng 7.38%, Frieman (Cayman)Co., Ltd, British West Indies 6.23%, Tsai Tsung-I 6.17%, Tsai Yuan -Yi 5.58%, Tsai Hui-Wen 3.33%, Tsai Hsin-Tien 1.86%
Chang-Li Co. Ltd	Liu Yun-Chih 35.00%, Liu Yao-Chung 35.00%, Wu Tsung-Hsun 30.00%
China Petrochemical Development Corporation	BES Engineering Corp. 4.84%; Hong Chao-Shun 1.95%; Core Pacific Development and Investment Co. 1.43%; JP Morgan Chase Bank N. A. Taipei Branch in Custody for Vanguard Emerging Market Stock Index Fund, a Series of Vanguard Equity Index Funds 1.30%; JP Morgan Chase Bank N. A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds 1.24%; King's Construction Co. 1.22%; HSBC in Custody of Core Pacific-Yamaichi (HK) Securities Ltd 0.84%; Core Pacific World Co., Ltd. 0.81%; Lin Ming-Da 0.79%; Polunin Developing Countries Fund, LLC 0.73%
Tian-Jing Investment Corporation	Hung Yi Construction Co., Ltd 21.42%, Kuo Ching Investment Co., Ltd 20.74%, Core Pacific Development and Investment Co. 18.88%, Chang Bo Enterprise Co., Ltd. 10.89%, Ching Ding Technology Co., Ltd. 10.53%, Core Pacific Investment Co. 5.96%, Yao Zhe-Sheng 5.56%, Taiwan Tony Enterprise Corp. 2.91%, Wu Wang Xiu-Qing 2.79%, Wu Chun-Feng 0.16%

Note 1: Directors, supervisors who are representative of a juridical person shareholder, shall indicate the name of the juridical person shareholder.

Note 2: Specify the name of major shareholders (with the proportion of shares held rank among top 10) of that juridical person shareholder and the % of his or her shareholding. If the major shareholder is a juridical person, shall specify the name of the institute in form II below.

Note 3: The legal person shareholder is not a company organizer, the names of shareholders and shareholding ratios that should be disclosed by Qiankai are the names of the funders or donors and their contribution or contribution ratio. That is, the name of the funder or donor (refer to the announcement of the Judicial Yuan for inquiries) and its contribution or contribution ratio. If the donor has passed away, add "Deceased".

Form II: Form I indicates the major shareholders of a juridical person shareholder that is a major shareholder of the Company

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Name of Juridical Person Shareholder (Note 1)	Major shareholder of a Juridical Shareholder (Note 2)
Frieman (Cayman)Co., Ltd, British West Indies Company	Stuart Wang 100%
BES Engineering Corporation	China Petrochemical Development Corporation (CPDC) 10.735%; Core Pacific Co., Ltd 2.237%; Lin, Wen-Yang 1.721%; JP Morgan Securities PLC 1.431%; Tong Development Industrial Co., Ltd. 1.391%; Kuo Ching Investment Co., Ltd. 1.369%; JP Morgan Chase Bank N. A. Taipei Branch in Custody for Vanguard Emerging Market Stock Index Fund, a Series of Vanguard Equity Index Funds 1.265%; Chase Custody Advanced Starlight Advanced Aggregate International Stock Index 1.180%; Standard Chartered in Custody of Emerging Market ETF Fund 0.972; Sheen Chuen-Chi Culture & Educational Foundation 0.835%
Core Pacific Co., Ltd	Tien Jing Investment Co., Ltd. 16.23%; Golden Wheel Co. 11.16%; Cheng Chih Enterprise Co. Ltd 9.29%; Core Pacific Investment Corp 9.11%; Tang Lin-Mei 9.11%; Jinghua Supermarket Co., Ltd. 8.49%; Ching Ding Technology Co., Ltd. 7.74%; Tong Development Industrial Co., Ltd. 6.82%; Hong Yi Construction Co., Ltd. 6.67%; Chang Tung-An 5.56%; Tao Zhu Building Corporation 4.00%
King's Construction Co.	Ching Ding Technology Co., Ltd. 43.33%; Jinghua Rental Inc. 17.00%; Jinghua Supermarket Co., Ltd. 8.13%; Kuo Ching Investment Co., Ltd. 6.67%; Cheng Chih Enterprise Co. Ltd 6.67%; Tang Lin-Mei 5.00%; Wu Ding 3.33%; Zhang Dong-An 3.33; Core Pacific Co., Ltd 3.00%; Cheng Yao Co. 2.00%
Core Pacific World Co., Ltd.	BES Engineering Corporation 99.95%
Hung Yi Construction Co., Ltd	King's Construction Co. 24.17%; Tien Jing Investment Co., Ltd. 17.42%; Ching Ding Technology Co., Ltd. 15.15%; Cheng Chih Enterprise Co. Ltd 15.15%; Yao Zhe-Sheng 6.06%; Jinghua Department Store Co., Ltd 5.05%; Core Pacific Co., Ltd 4.29%; Jen Hwei Enterprise Co. 2.53%; Jinghua Rental Inc. 2.53%; Core Pacific Investment Corp 2.53%
Kuo Ching Investment Co., Ltd.	Golden Wheel Co. 27.17%; Jinghua Rental Inc. 15.58%; King's Construction Co. 14.44%; Chang Po Enterprise Co. 10.68%; Ching Ding Technology Co., Ltd. 10.03%; Hung Yi Construction Co., Ltd 7.78%; Cheng Chih Enterprise Co. Ltd 3.76%; Cai Pei-xi 3.08%; Tien Jing Investment Co., Ltd. 3.01%; Core Pacific Co., Ltd 2.01%
Chang Bo Enterprise Co., Ltd.	Fan Yang Industrial Co., Ltd. 29.59%; Jinghua Rental Inc. 17.52%; Zhao Chao-Wen 9.73%; Hong Yi Construction Co., Ltd. 9%; Wu Chun-Feng 7.95%; Tien Jing Investment Co., Ltd. 7.95%; Wu Jin-Rong 7.95%; Tang Lin-Mei 5.16%; Zhang Zhi-Cheng 5.15%

Ching Ding Technology Co., Ltd.	Tong Development Industrial Co., Ltd. 18.08%; Chen Chi Enterprise Co., Ltd. 14.67%; King's Construction Co. 14.40%; Ching Chen Industrial Co., Ltd. 9.76%; Hong Yi Construction Co., Ltd. 9.07%; Chang Po Enterprise Co., Ltd. 8.95%; Chao-Jing Technology Industrial Co., Ltd. 8.14%; Fu Hsing Management Consultation Co., Ltd. 8.13%; Fan Zhen-Qun 3.21%; Core Pacific Investment Corp. 1.57%
Core Pacific Investment Corp.	Ching Ding Technology Co., Ltd. 24.00%; Kuo Ching Investment Co., Ltd. 19.00%; Tao Zhu Building Corporation 19.00%; Tien Jing Investment Co., Ltd. 16.75%; Chen Chi Enterprise Co., Ltd. 11.25%; King's Construction Co. 9.94%; Wu Chun-Feng 0.06%
Chen Chi Enterprise Co., Ltd.	Jingguo Housing Agency Co., Ltd. 33.60%; Wu Chun-Feng 30.84%; Ching Ding Technology Co., Ltd. 15.00%; Fan Yang Industrial Co., Ltd. 15.00%; Jen Huei Enterprise Co. 5.56%

Note 1: as stated in the preceded form 1, if a major shareholder is a juridical person shareholder, the name of the institute shall be specified.

Note 2: filled in the names of major shareholder (with shareholding ranks among top 10) of the juridical person shareholder and percentage of its shareholding.

Note 3: The legal person shareholder is not a company organizer, the names of shareholders and shareholding ratios that should be disclosed by Qiankai are the names of the funders or donors and their contribution or contribution ratio. That is, the name of the funder or donor (refer to the announcement of the Judicial Yuan for inquiries) and its contribution or contribution ratio. If the donor has passed away, add "Deceased".

## Information of Directors and Supervisors (2)

April 2, 2022

### (1) Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors :

Qualifications Name	Professional qualifications and experience	Independence Criteria (Note)	Number of other companies served concurrently as an independent director
Yang Jen Industrial Co., Ltd. Chu Hui-Lan	Chairman Chu Hui-Lan has served as Taichung City Councilor, Director of Taichung City Government Economic Development Office, Director of Taichung City Government Economic Development Bureau, and Taichung City Government Consultant. Lead the company to continue to grow and create good benefits, and does not have the provisions of Article 30 of the Company Law.	Chairman Chu Hui-Lan did not have any of the situations specified in Article 3, Paragraph 1, Subparagraphs 1 and 6 of the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed".	0
China Petrochemical Development Corporation (CPDC) Chen Rui-Long	Director Chen Rui-Long has served as the chairman of the Information Industry Policy Promotion Association of the Consortium, the Chairman of the Business Development Research Institute of the Consortium, the Minister of the Ministry of Economic Affairs, the Deputy Minister of State Affairs of the Ministry of Economic Affairs, the Executive Deputy Minister of the Ministry of Economic Affairs, and the Director of the International Trade Bureau of the Ministry of Economic Affairs. The expertise and experience required for company development. And does not have the provisions of Article 30 of the Company Law.	Director Chen Rui-Long did not have any of the situations specified in Article 3, Item 1, Subparagraphs 1 and 6 of the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed".	0
Tian-Jing Investment Corporation Bai Jun-Nan	Director Bai Jun-Nan has served as the general manager of China Engineering Co., Ltd., the chairman of Jinghua Securities Investment Trust Co., Ltd., the deputy general manager of Bank of Communications, a special member of the Economic Construction Committee of the Executive Yuan, and the vice chairman of China Engineering Co., Ltd. Develop the required expertise and experience. And does not have the provisions of Article 30 of the Company Law.	Director Bai Jun-Nan did not have any of the situations specified in Article 3, Item 1, Subparagraphs 1 and 6 of the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed".	0

Tian-Jing Investment Corporation Chen Wen-Ke	Director Chen Wen-Ke is currently the chief architect of Chen Wenke Architects. He used to be the manager of the engineering development department of Taiwan Land Development Corporation, a special member and information director of Taiwan Land Development Corporation, and the chief architect of Wang Jiayu Architects. Develop the required expertise and experience. And does not have the provisions of Article 30 of the Company Law.	Director Chen Wen-Ke did not have any of the situations specified in Article 3, Item 1, Subparagraphs 1 and 6 of the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed".	0
Formostar Garment Co. Ltd Tsai Chao-Lun	Director Tsai Chao-Lun is currently the chairman of Fuxing Garment Factory Co., Ltd. He has the expertise and experience required for business management and the development of the company. And does not have the provisions of Article 30 of the Company Law.	Director Tsai Chao-Lun did not have any of the situations specified in Article 3, Item 1, Subparagraphs 1 and 6 of the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed".	0
Chang-Li Co., Ltd. Liou Liang-Hai	Director Liou Liang-Hai has served as the chairman of Mega International Financial Consulting Co., Ltd. and the chairman of Hualien SME Bank. He has professional knowledge and background in finance, accounting and corporate governance. And does not have the provisions of Article 30 of the Company Law.	Director Liou Liang-Hai did not have any of the situations specified in Article 3, Item 1, Subparagraphs 1 and 6 of the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed".	0
Lu, He-Yi	Independent Director Lu, He-Yi has served as former executive director of Taiwan Land Bank, general manager of Taiwan Small and Medium Enterprise Bank, with professional knowledge and background in finance, accounting and corporate governance. And does not have the provisions of Article 30 of the Company Law.	Independent Director Lu, He-Yi did not have any of the situations specified in Article 3, Item 1, Subparagraphs 1 and 6 of the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed".	0
Ko, Shu-Jen	Independent Director Ko, Shu-Jen has served as chairman of Mama Bear E-commerce Company, adjunct professor of private Shih Hsin University, director of land development in Taiwan, has the expertise and experience required for business management and the development of the company. And does not have the provisions of Article 30 of the Company Law.	Independent Director Ko, Shu-Jen did not have any of the situations specified in Article 3, Item 1, Subparagraphs 1 and 6 of the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed"., and that he, his spouse, and relatives within the second degree do not serve as directors of the company or its affiliated companies and hold the number and proportion of the company's shares (and do not hold them in the name of others).	1

Chang Fan	Independent Director Chang Fan has served as Vice Chairman of Dongsen TV Co., Ltd., Professor of Private Deming University of Finance and Economics, Deputy Minister of Finance of the Executive Yuan, Director of the Urban and Rural Development Bureau of the New Taipei City Government, has the expertise and experience required for business management and the development of the company. And does not have the provisions of Article 30 of the Company Law.	Independent Director Chang Fan did not have any of the situations specified in Article 3, Item 1, Subparagraphs 1 and 6 of the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed"., and that he, his spouse, and relatives within the second degree do not serve as directors of the company or its affiliated companies and hold the number and proportion of the company's shares (and do not hold them in the name of others).	0
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## (2) The Diversity and Independence of Board of Directors :

### (I) Diversity of the board of directors:

In order to enable the board of directors to achieve the aforementioned goals and enhance its effectiveness, the company has formulated a policy on diversity of board members. According to Article 20, paragraph 3, of the "Code of Practice on Corporate Governance", the composition of the board of directors should consider diversity, except for directors who are also managers of the company. It should not exceed one-third of the number of directors, and formulate an appropriate diversification policy based on its own operation, operation type and development needs. It should include but not limited to the following two standards:

1. Basic conditions and values: gender, age, nationality and culture, etc.
2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

The company currently has 9 members of the board of directors, including 3 independent directors, whose professional fields cover financial accounting, law, engineering and construction and industrial knowledge, etc. There is one female director on the board of directors. The company has always paid attention to gender equality among board members. At this stage, the target ratio of female directors is more than 10%. At present, there is 1 female director among the 9 directors, and the ratio is 10%. When the company elects directors (including independent directors), not only the professional background of the directors (including independent directors) themselves, but also diversity is an important factor.

In addition, members of the board of directors shall generally possess the knowledge, skills and qualities necessary to perform their duties. In order to achieve the ideal goals of corporate governance, the board of directors as a whole should have the following capabilities:

1. Operational judgment ability
2. Accounting and financial analysis skills
3. Management ability
4. Crisis handling capacity
5. Industry knowledge
6. International Market View
7. Leadership
8. Decision-making skills



The company's implementation is as follows:

多元化核心 項目  董事姓名	基本組成								產業經驗					專業能力						
	性別	兼任 本公司 員工	年齡				獨立 董事 年資			銀行	公 務 部 門	傳 播 媒 體	傳 統 產 業	科 技 業	經 營 管 理	領 導 決 策	產 業 知 識	財 務 會 計	法 律	工 程 建 築
			51 至 60	61 至 70	71 至 80	81 至 90	3 年 以 下	3 至 9 年	9 年 以 上											
朱蕙蘭	女	▲								▲				▲	▲	▲	▲			
白俊男	男			▲					▲	▲				▲	▲	▲	▲	▲		
陳瑞隆	男			▲						▲			▲	▲	▲	▲	▲			
蔡昭倫	男			▲								▲		▲	▲	▲	▲			
劉量海	男	▲							▲					▲	▲	▲	▲			
陳文可	男			▲								▲		▲		▲			▲	
呂和義	男				▲			▲	▲					▲	▲	▲	▲			
葛樹人	男		▲					▲			▲			▲	▲	▲				
張 璠	男		▲					▲		▲				▲	▲	▲	▲			

(I) independence of the board of directors:

There are 9 directors in the company, including 3 independent directors. The consecutive terms of independent directors are not more than three consecutive terms, so as to avoid reducing their independence due to long tenure, they can exercise their powers objectively. The matters specified in Items 3 and 4 shall be prescribed.

There are three independent directors according to law, accounting for 34% of all directors, in order to improve the company's business development and corporate governance practices.

Note : None of the Independent Directors of the Company are directors, Supervisors or employees of companies with specific relationships with the company and have not received compensation for providing business, legal, financial or accounting services to the company or its affiliates in the last two years.

(II) Information for general manager, deputy general manager, associate managers and supervisors of all departments and branch organization.

April 2, 2022

Position title (Note 1)	Nationality	Name	Gender	Appointed (on board) date	Holding shares		Shares holding by spouse and minor children		Shares holding in the name of others		Main experience and education background (Note 2)	Concurrently served as the position of other companies	Manager who has a relationship with a related party of spouse or level two relationship			Note (Note 3)
					Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio			Position title	Name	Relationship	
Chairman and Agent General Manager)	Republic of China	CHU, HUI-LAN	Female	2020.06.23	-	-	-	-	-	-	Vice Chairman of the Company、Councilor, Taichung City; Director, Economic Development Department, Taichung City Government; Director-General, Economic Development Bureau, Taichung City Government; Advisor, Taichung City Government	Director of China Petrochemical Development Corporation Director of Zhongqin Human Resource Management Consulting Co., Ltd. Director of CKS Guard Director of China Town Co., Ltd. Director of Xiaman Woxian Logistics Management Co., Ltd. Director of BES Construction Corporation (U.S.A.) Director of Global BES Engineering (Myanmar) Co., Ltd. Director of BES Engineering Vietnam Co., Ltd.	No	No	No	The general manager will be hired separately
Deputy general manager	Republic of China	YANG, MEI-YUAN	Female	2014.07.31	28	-	-	-	-	-	Deputy General Manager and Associate Manager of the Company Master of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	Director of Taiwan Mechanical and Electrical Engineering Service Association Director of Zhongqin Human Resource Management Consulting Co., Ltd.	No	No	No	-
Associate Manager	Republic of China	LIAO, SHU-LIANG	Male	2015.03.30	7,916	-	-	-	-	-	Associate manager of the company Department of Civil Engineering, National Taiwan University	None	No	No	No	-
Associate Manager	Republic of China	CHENG, AN-TZU	Female	2016.01.11	-	-	-	-	-	-	Associate manager of the company Taiwan Wenhua Oriental Apartment Building Maintenance Management Co., Ltd. Director of Wenhuyuan Master of Advertising Department, National	None	No	No	No	-

Position title (Note 1)	Nationality	Name	Gender	Appointed (on board) date	Holding shares		Shares holding by spouse and minor children		Shares holding in the name of others		Main experience and education background (Note 2)	Concurrently served as the position of other companies	Manager who has a relationship with a related party of spouse or level two relationship			Note (Note 3)
					Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio			Position title	Name	Relationship	
											Chengchi University					
Deputy general manager	Republic of China	WANG, TING-TSE	Male	2021.01.01	-	-	-	-	-	-	Associate manager, Deputy director and manager of the company Master of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	Supervisor of Zhongqin Human Resource Management Consulting Co., Ltd.	No	No	No	-
Associate Manager	Republic of China	SU, HUI-CHIU	Female	2020.02.01	-	-	-	-	-	-	Special Assistant and Associate Manager of the Company Master of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University Master, The Graduate Institute of Industrial Management, National Central University	None	No	No	No	-
Manager	Republic of China	CHIU, YUNG-TSAI	Male	2018.01.01	20,000	-	-	-	-	-	Manager of the company Department of Civil Engineering, Tamkang University	None	No	No	No	-
Manager	Republic of China	LI, CHEN-MING	Male	2017.06.22	422	-	-	-	-	-	Manager of the company Master of Economics, Chinese Culture University	None	No	No	No	-
Manager	Republic of China	CHEN, KUO-HSIEN	Male	2011.12.26	-	-	-	-	-	-	Manager of the company Master of International Finance, Taipei University	Director of CKS Guard Director of BES Investment Co., Ltd. Supervisor of Cinemark Core Pacific Limited Supervisor of Cinema 7 Ltd.	No	No	No	-
Manager	Republic of China	SU, YU-MIN	Male	2011.09.01	-	-	-	-	-	-	Manager of the company Accounting and Statistics Division, Tamsui Institute of Business Administration	None	No	No	No	-

Position title (Note 1)	Nationality	Name	Gender	Appointed (on board) date	Holding shares		Shares holding by spouse and minor children		Shares holding in the name of others		Main experience and education background (Note 2)	Concurrently served as the position of other companies	Manager who has a relationship with a related party of spouse or level two relationship			Note (Note 3)
					Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio			Position title	Name	Relationship	
Manager	Republic of China	KUO, HUNG-CHENG	Male	2019.01.14	-	-	-	-	-	-	Manager of the company Assistant Manager, Information Technology Department of Flnet Co., Ltd. under the Hon Hai Technology Group EMBA, Department of Information Technology Management, National Taiwan University of Science and Technology	Director of CKS Guard Director of Xiaman Wonxian Logistics Management Co., Ltd.	No	No	No	-
Manager	Republic of China	YU, CHEN-ERH	Male	2016.06.01	-	-	-	-	-	-	Manager of the company Architect of YH City Regeneration Co., Ltd. Master of Architecture, Chung Yuan Christian University	None	No	No	No	-
Manager (Note4)	Republic of China	TU, CHIN-TE	Male	2018.01.01	-	-	-	-	-	-	Manager of the company Master of Engineering Technology Research, National Taiwan University of Science and Technology	None	No	No	No	-
Manager (Note4)	Republic of China	CHUNG, YUN-KUANG	Male	2019.03.01	-	-	-	-	-	-	Manager and Deputy Director of the Company Mechanical Engineering Certified by the Ministry of Education	None	No	No	No	-
Manager	Republic of China	WANG, GUO-XI	Male	2020.01.01	9,014	-	-	-	-	-	Manager of the company, senior director Department of Civil Engineering, China Institute of Technology	None	No	No	No	-
Manager (Note4)	Republic of China	HSU, HSUEH-PING	Male	2020.07.01	-	-	-	-	-	-	Manager of the company, senior director Civil Engineering Department, Taipei Institute of Technology	None	No	No	No	-
Manager	Republic of China	CHANG, TA-CHUN	Male	2019.01.01	1,166	-	-	-	-	-	Manager and director of the company Department of Electrical Engineering, Chung Yuan Christian University	None	No	No	No	-

Position title (Note 1)	Nationality	Name	Gender	Appointed (on board) date	Holding shares		Shares holding by spouse and minor children		Shares holding in the name of others		Main experience and education background (Note 2)	Concurrently served as the position of other companies	Manager who has a relationship with a related party of spouse or level two relationship			Note (Note 3)
					Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio			Position title	Name	Relationship	
Senior Chief Engineer (Note5)	Republic of China	CHEN, KUAN-YEN	Male	2018.10.08	-	-	-	-	-	-	Manager of the company Master of Civil Engineering, National Taiwan University	None	No	No	No	-
Manager (Note4)	Republic of China	LIU, PEI-YU	Female	2020.10.28	-	-	-	-	-	-	Manager of the company Deputy Director of Hanns Touch HR Assistant Manager of Liteon Master, Institute of Human Resource Management, National Sun Yat-sen University	None	No	No	No	-
Manager (Note4)	Republic of China	HUANG, NAN-YING	Male	2020.03.01	-	-	-	-	-	-	Deputy Director and Deputy Manger of the Company Department of Civil Engineering, National Kaohsiung University of Applied Sciences	None	No	No	No	-
Associate Manager (Note4)	Republic of China	MA, CHEN-CHOU	Male	2020.12.01	-	-	-	-	-	-	Associate manager of the company Vice President of G.T.Land Hong Kong Master, Department of Communications Management, Shih Hsin University	None	No	No	No	-
Deirector	Republic of China	LIN, HSU-CHUAN	Male	2021.05.12							Director of the Company Chief Information Officer (CIO), GEOSAT Aerospace & Technology Inc. President of the Taiwan Software Team, on the side of CIO, Koi Tak Software Technology Group Company Limited -isBIM EMBA, Graduate Institute of Management, National Taiwan University of Science and Technology	None	No	No	No	-

Position title (Note 1)	Nationality	Name	Gender	Appointed (on board) date	Holding shares		Shares holding by spouse and minor children		Shares holding in the name of others		Main experience and education background (Note 2)	Concurrently served as the position of other companies	Manager who has a relationship with a related party of spouse or level two relationship			Note (Note 3)
					Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio			Position title	Name	Relationship	
Associate Manager	Republic of China	HUANG, TING-CHIEN	Male	2021.07.15	-	-	-	-	-	-	Associate manager of the company Director of Honghui Engineering Center Manager of the Drawing and Management Department, Jaysanlyn Construction Co., Ltd. Construction Engineering and Management, Department of Civil Engineering, National Taiwan University Master	None	No	No	No	-
Manager	Republic of China	CHI, YUN-CHONG	Male	2021.07.15	-	-	-	-	-	-	Manager, Project Manager, Director of the Company Master of Environmental Science and Engineering, National Pingtung University of Science and Technology	None	No	No	No	-
Manager (Note4)	Republic of China	HUANG, CHING-KUO	Male	2021.07.19	-	-	-	-	-	-	Manager of the Company Industry and Business Management Analyst, International CSRC Investment Holdings Co., Ltd. Business Administration, National Central University	None	No	No	No	-
Manager	Republic of China	YEN, HSIN-YIN	Female	2021.08.11	-	-	-	-	-	-	Manager of the Company Attorney, Lin and Shih Judicial Group, College of Law, NTU	None	No	No	No	-
Special Assistant	Republic of China	YANG, CHIA-CHUN	Male	2021.11.12	-	-	-	-	-	-	Special Assistant of the Company Counselor, Ministry of the Interior Director-General and Deputy Director-General, National Immigration Agency, Ministry of the Interior Head of Planning, Mainland Affairs Council and Deputy Secretary-General, Straits Exchange Foundation Master of College of Law, University of Iowa	None	No	No	No	-

Position title (Note 1)	Nationality	Name	Gender	Appointed (on board) date	Holding shares		Shares holding by spouse and minor children		Shares holding in the name of others		Main experience and education background (Note 2)	Concurrently served as the position of other companies	Manager who has a relationship with a related party of spouse or level two relationship			Note (Note 3)
					Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio			Position title	Name	Relationship	
Manager	Republic of China	YANG, CHIH-WEI	Male	2022.01.21	-	-	-	-	-	-	Associate manager of the company Manager, Far EastOne Telecommunications Co., Ltd. MBA, University College London	None	No	No	No	-
Associate Manager	Republic of China	SU, BAI-CHENG	Male	2021.11.01	-	-	-	-	-	-	Associate manager of the company Manager, Far EastOne Telecommunications Co., Ltd. MBA, University College London	None	No	No	No	-
Project manager	Republic of China	HUANG, XIAN-QIN,	Male	2021.11.01	-	-	-	-	-	-	Project manager of the Company ( Acting department manager ) Assistant Manager, Operation Department of Rixiang Leasing Industrial Co., Ltd. under the Radium Life Tech Co., Ltd Department of Civil Engineering, Central University	None	No	No	No	-
Assistant manager	Republic of China	SU, ZHI-XUN	Male	2021.10.22	-	-	-	-	-	-	Assistant manager of the company ( Acting department manager ) Department of Civil Engineering, Chung Yuan University	None	No	No	No	-
Manager	Republic of China	LIN, ZI-JING	Female	2022.02.16	-	-	-	-	-	-	Manager of the Company General Audit of Pelican under TECO Group. Audit Manager of Fountain Biopharma Inc under Oneness Biotech Group. Master of Accounting Institute, Chinese Culture University	None	No	No	No	-
Manager	Republic of China	LI, WEI-TENG,	Male	2022.03.07	-	-	-	-	-	-	Manager and Project manager of the Company Assistant Manager of Jaysanlyn Real Estate & Advertising Co. Saddleback College Architecture	None	No	No	No	-

Position title (Note 1)	Nationality	Name	Gender	Appointed (on board) date	Holding shares		Shares holding by spouse and minor children		Shares holding in the name of others		Main experience and education background (Note 2)	Concurrently served as the position of other companies	Manager who has a relationship with a related party of spouse or level two relationship			Note (Note 3)
					Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio			Position title	Name	Relationship	
Manager	Republic of China	SU, LI-MEI-	Female	2022.03.15	-	-	-	-	-	-	Manager and Project manager of the Company Civil Engineering Department of Taipei Technical College	None	None	None	None	-

Note 1: It should include information on the general manager, deputy general manager, associate managers and supervisors of all departments and branch organization, as well as the position is equivalent to the general manager, deputy general manager, associate managers. The information should be disclosed, regardless of the job title.

Note 2: Experience that is related to the current position; if served at a certified public accountant agency or related company during the above mentioned period, then the position title and responsible duties shall be described.

Note 3: Should the general manager of the Company or the equivalent (the highest manager) be the same person, spouse or first-degree of kinship, the information regarding reasons and the reasonableness, necessity and corresponding measures (*e.g.*, increase of independent directors, and more than half of the directors shall not be the employee or manager of the Company) shall be disclosed.

Note 4: Tu, Chin-Te resigned on 2021.03.19; Huang, Nan-Ying retired on 2021.05.20; Tseng, Chiu-Chin resigned on 2021.06.30; Hsu, Hsueh-Ping retired on 2021.06.30; Huang, Ching-Kuo resigned on 2021.07.28; Chung, Yun-Kuang retired on 2021.10.21; Liu, Pei-Yu resigned on 2021.10.31; Ma, Chen-Chou resigned on 2022. 01.14.

Note 5: Chen, Kuan-Yen was transferred to a non-managerial position at a department on 2021.08.10.



### III. Remuneration of directors, supervisors, general manager and deputy general managers in the latest year

#### (I) Remuneration of directors (including independent directors) (summary of remuneration levels with name disclosure)

Unit: NTD in thousands

Position title	Name	Director's remuneration								The total amount of item A, B, C and D that accounts for the percentage of net profit after tax (Note 10)		Remuneration of part-time employees						The total amount of item A, B, C, D, E, F and G that accounts for the percentage of net profit after tax (Note 10)		Receive remuneration from the reinvested business other than the subsidiaries or from the parent company (Note 11)		
		Remuneration (A) (Note 2)		Retirement pension (B)		Director's remuneration (C) (Note 3)		Business implementation cost (D) (Note 4)				Salary, bonus and special expenses (E) (Note 5)		Retirement pension (F)		Employee compensation (G) (Note 6)						
		The company	All companies included in the financial report (Note 7)	The company	All companies included in the financial report (Note 7)	The company	All companies included in the financial report (Note 7)	The company	All companies included in the financial report (Note 7)	The company	All companies included in the financial report (Note 7)	The company	All companies included in the financial report (Note 7)	The company	All companies included in the financial report (Note 7)	Amount of cash bonus	Amount of stock dividend	Amount of cash bonus	Amount of stock dividend		The company	All companies included in the financial report (Note 7)
Chairman	Yang Jen Industrial Co., Ltd. CHU, HUI-LAN	8,148	8,218	0	0	8,601	8,601	100	181	16,849 0.63%	17,000 0.64%	0	0	0	0	0	0	0	0	16,849 0.63%	17,000 0.64%	0
Director	China Petrochemical Development Corporation CHEN RUI-LONG	0	0	0	0	8,601	8,601	70	70	8,671 0.32%	8,671 0.32%	0	0	0	0	0	0	0	0	8,671 0.32%	8,671 0.32%	0
Director	Tianjing Investment Co., Ltd. BAI JUN-NAN	3,483	3,483	0	0	8,601	8,601	80	90	12,164 0.45%	12,154 0.45%	0	0	0	0	0	0	0	0	12,164 0.45%	12,154 0.45%	0
Director	Formostar Factory Co., Ltd. TSAI, CHAO-LUN	0	0	0	0	8,601	8,601	340	340	8,941 0.33%	8,941 0.33%	0	0	0	0	0	0	0	0	8,941 0.33%	8,941 0.33%	0
Director	Changli Co., Ltd. LIOU, LIANG-HAI	0	0	0	0	8,601	8,601	330	330	8,931 0.33%	8,931 0.33%	0	0	0	0	0	0	0	0	8,931 0.33%	8,931 0.33%	0
Director	Tianjing Investment Co., Ltd. CHEN, WEN-KE	0	0	0	0	8,601	8,601	340	340	8,941 0.33%	8,941 0.33%	0	0	0	0	0	0	0	0	8,941 0.33%	8,941 0.33%	0
Independent director	LU, HAN-YI	1,440	1,440	0	0	0	0	160	160	1,600 0.06%	1,600 0.06%	0	0	0	0	0	0	0	0	1,600 0.06%	1,600 0.06%	0

Position title	Name	Director's remuneration								The total amount of item A, B, C and D that accounts for the percentage of net profit after tax (Note 10)		Remuneration of part-time employees								The total amount of item A, B, C, D, E, F and G that accounts for the percentage of net profit after tax (Note 10)		Receive remuneration from the reinvested business other than the subsidiaries or from the parent company (Note 11)
		Remuneration (A) (Note 2)		Retirement pension (B)		Director's remuneration (C) (Note 3)		Business implementation cost (D) (Note 4)				Salary, bonus and special expenses (E) (Note 5)		Retirement pension (F)		Employee compensation (G) (Note 6)						
		The company	All companies included in the financial report (Note 7)	The company	All companies included in the financial report (Note 7)	The company	All companies included in the financial report (Note 7)	The company	All companies included in the financial report (Note 7)	The company	All companies included in the financial report (Note 7)	The company	All companies included in the financial report (Note 7)	The company	All companies included in the financial report (Note 7)	The company		in the financial report all companies (Note 7)		The company	All companies included in the financial report (Note 7)	
Independent director	KO, SHU-JEN	1,440	1,440	0	0	0	0	160	160	1,600 0.06%	1,600 0.06%	0	0	0	0	0	0	0	0	1,600 0.06%	1,600 0.06%	0
Independent director	CHANG, FAN	1,200	1,200	0	0	0	0	125	125	1,325 0.05%	1,325 0.05%	0	0	0	0	0	0	0	0	1,325 0.05%	1,325 0.05%	0

1: Please specify the policy, system, criteria and structure of remuneration to independent directors, and specify the relationship between remuneration amount and responsibilities, risks, and input time: (1) The Salary and Compensation Committee regularly reviews the performance evaluation of directors and managers and the policies, systems, standards and structures of salary and compensation according to the organization charter of the Salary and Compensation Committee. Submit the recommendations to the board of directors for discussion. (2) According to the company's "Board Performance Evaluation Method", the annual performance of individual directors (the degree of participation and contribution to the company's operations) is determined whether to continue nomination, and it is also used as a reference for determining their remuneration.

2: Except for the disclosed information in the above table, all remuneration received from all companies included in the financial report during the current year (such as the non-employee consultants): None

Note 1: Expenses for directors and supervisors including cash, stocks, houses and other exclusive expenses are not provided.

Note 1: The directors' names shall be listed separately (the legal person shareholders shall include the names of the legal person shareholders and the representative persons separately), while the directors and independent directors shall be listed separately, and the summary of payment amount shall be disclosed. For directors who also serve as the general manager or deputy general manager, this form and the following table (3-1) or (3-2-1) and (3-2-2) should be filled out.

Note 2: It refers to the remuneration of directors in the most recent year (including directors' salary, position bonus, severance pay, various bonuses, rewards, etc.).

Note 3: It refers to the amount of the directors' remuneration approved by the board of directors in the most recent year.

Note 4: It refers to the directors' related business implementation expenses (including transportation fees, special expenses, various allowances, housing and car expenses, etc.) in the most recent year. If the expenses of housing, vehicles and other transportation are provided, the nature and cost of the provided assets, as well as the actual or fair market price for the rental, oil and other payments should be disclosed. If there is a driver for the vehicles, please note the company's payment for the driver is not included in the remuneration.

Note 5: It refers to the remuneration received by directors who are also employees (including general manager, deputy general manager, managers and employees), including salary, job bonus, severance payment, various bonuses, incentives, transportation fees, special expenses, various allowances, dormitory and car expenses. If the expenses of housing, vehicles and other transportation are provided, the nature and cost of the provided assets, as well as the actual or fair market price for the rental, oil and other payments should be disclosed. If there is a driver for the vehicles, please note the company's payment for the driver is not included in the remuneration. In addition, the salary expenses recognized according to the IFRS 2 "share based payment," it shall also be included in the remuneration, including acquiring the employee stock option certificates, restricting employee rights of new shares and participating in cash increment for shares subscription.

Note 6: It refers to the employee compensation (including stocks and cash) received by directors who are also employees (including general manager, deputy general manager, managers and employees), the amount of compensation approved by the board of directors in the most recent year should be disclosed. If the amount cannot be estimated, then it will be calculated based on the proportion of the actual distribution amount from the previous year and the Appendix table 1-3 is required to be filled.

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

Note 8: The company's total remuneration paid to each of the directors and their names with the remuneration level shall be disclosed.

Note 9: All companies' (in the consolidated statement, including the Company) total remuneration paid to each of the directors and their names with the remuneration level shall be disclosed.

Note 10: The net income after tax refers to the net income after tax of the individual annual financial statement of the latest year.

Note 11: a. This column should clearly state the amount of remuneration paid to the company directors from the reinvested business other than the subsidiaries or the parent company (please indicate "None" if no such remuneration).

b. If the director of the company receives remuneration from the reinvested business other than the subsidiaries or the parent company, the remuneration received by the company director from the re-invested business other than the subsidiaries or the parent company shall be included in the remuneration level column I and the name of the column shall be changed to "the parent company and all of the reinvested business."

c. The remuneration refers to the director's remuneration including the remuneration, compensation (including the compensation of employees, directors and supervisors) and business implementation expenses serving as directors, supervisors or managers of the reinvested business other than the subsidiaries or the parent company.

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

(II) Supervisor's remuneration (summary of remuneration levels with name disclosure) : Not applicable °

(II) The general manager and deputy general manager's remuneration  
(Individual disclosure of names and remuneration methods)

Unit: NT / NTD in thousands

Position title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonus and Special expense, etc. (C) (Note 3)		Employee compensation (D) (Note 4)				The total amount of item A, B, C and D that accounts for the percentage of net profit after tax(%) (Note 8)		Received remuneration from the reinvested business other than the subsidiaries or from the parent company (Note 9)		
		The company	All companies included in the financial report (Note 5)	The company	All companies included in the financial report (Note 5)	The company	All companies included in the financial report (Note 5)	The company		All companies included in the financial report (Note 5)		The company	All companies included in the financial report			
								Cash Amount	Stock Amount	Cash Amount	Stock Amount					
General manager	CHU, HUI- LAN	0	0	0	0	0	0	0	0	0	0	0	0%	0%	0	
Deputy general manager	YANG, MEI- YUAN	2,304	2,304	0	0	908	908	645	0	645	0	3,857	3,857	0.14%	0.14%	0
Deputy general manager	WANG, TING- TSE	2,144	2,144	0	0	687	687	645	0	645	0	3,476	3,476	0.13%	0.13%	0

\* If the position is equivalent to general manager, deputy general manager, associate managers (such as the president, CEO, Chief director...etc.), the information should be disclosed, regardless of the job title.

### Table of remuneration level

The pay to each of the company's general manager and deputy general managers remuneration level	Name of the General Manager and Deputy General Manager	
	The company (Note 6)	All companies included in the financial report (Note 7) E
Less than 1,000,000 dollars	CHU, HUI-LAN	CHU, HUI-LAN
1,000,000 dollars (included) ~ 2,000,000 dollars (not included)		
2,000,000 dollars (included) ~ 3,500,000 dollars (not included)	WANG, TING-TSE	WANG, TING-TSE
3,500,000 dollars (included) ~ 5,000,000 dollars (not included)	YANG, MEI-YUAN	YANG, MEI-YUAN
5,000,000 dollars (included) ~ 10,000,000 dollars (not included)		
10,000,000 dollars (included) ~ 15,000,000 dollars (not included)		
15,000,000 dollars (included) ~ 30,000,000 dollars (not included)		
30,000,000 dollars (included) ~ 50,000,000 dollars (excluding)		
50,000,000 dollars (included) ~ 100,000,000 dollars (not included)		
More than 100,000,000 dollars		
<b>Total</b>	<b>3</b>	<b>3</b>

Note 1: The general manager and the deputy general manager's names shall be listed separately, and the summary of payment amount shall be disclosed. For directors who also serve as the general manager or deputy general manager, this form and the above table (1-1) or (1-2) should be filled out.

Note 2: It refers to the remuneration of the general manager and deputy general managers in the most recent year (including supervisors' salary, position bonus, severance pay, various bonuses, rewards, etc.).

Note 3: It refers to the remuneration received by the general manager and deputy general managers in the most recent year, including salary, job bonus, severance payment, various bonuses, incentives, transportation fees, special expenses, various allowances, dormitory and car expenses. If the expenses of housing, vehicles and other transportation are provided, the nature and cost of the provided assets, as well as the actual or fair market price for the rental, oil and other payments should be disclosed. If there is a driver for the vehicles, please note the company's payment for the driver is not included in the remuneration. In addition, the salary expenses recognized according to the IFRS 2 "share based payment," it shall also be included in the remuneration, including acquiring the employee stock option certificates, restricting employee rights of new shares and participating in cash increment for shares subscription.

Note 4: It refers to the employee compensation (including stocks and cash) received by the general manager and deputy general managers, approved by the board of directors in the most recent year. If the amount cannot be estimated, then it will be calculated based on the proportion of the actual distribution amount from the previous year, and the Appendix table 1-3 is required to be filled. The net profit after tax refers to the net profit after tax in the most recent year; for those using the international financial report standards, the net profit after tax refers to the net profit after tax of individuals or individual financial reports in the most recent year.

Note 5: The total amount of remuneration paid by all companies in the consolidated statement (including the Company) to the general manager and deputy general managers of the Company shall be disclosed.

Note 6: The company's total remuneration paid to each of the general manager and deputy general managers, and their names with the remuneration level shall be disclosed.

Note 7: All companies' (in the consolidated statement, including the Company) total remuneration paid to each of the general manager and the deputy general managers, and their names with the remuneration level shall be disclosed.

Note 8: The net income after tax refers to the net income after tax of the individual annual financial statement of the latest year.

Note 9: a. This column should clearly state the amount of remuneration paid to the company's general manager and deputy general managers from the reinvested business other than the subsidiaries or the parent company (please indicate "None" if no such remuneration).

b. If the general manager or deputy general manager of the company receives remuneration from the reinvested business other than the subsidiaries or the parent company, the remuneration received by the company's general manager or deputy general manager from the reinvested business other than the subsidiaries or the parent company shall be included in the remuneration level column E and the name of the column shall be changed to "the parent company and all of the reinvested business."

c. The remuneration refers to the general manager or deputy general manager's remuneration including the remuneration, compensation (including the compensation of employees, directors and supervisors) and business implementation expenses serving as directors, supervisors or managers of the reinvested business other than the subsidiaries or the parent company.

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

**The Top Five Remuneration Of The Executives Of The Company**  
( Individual disclosure of names and remuneration methods ) ( Note 1 )

Position title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonus and Special expense, etc. (C) (Note 3)		Employee compensation (D) (Note 4)				The total amount of item A, B, C and D that accounts for the percentage of net profit after tax(%) (Note 6)		Received remuneration from the reinvested business other than the subsidiaries or from the parent company (Note 7)
		The company	All companies included in the financial report (Note 5)	The company	All companies included in the financial report (Note 5)	The company	All companies included in the financial report (Note 5)	The company		All companies included in the financial report (Note 5)		The company	All companies included in the financial report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Deputy general manager	YANG, MEI- YUAN	2,304	2,304	0	0	908	908	645	0	645	0	3,857 0.14%	3,857 0.14%	0
Deputy general manager	WANG, TING- TSE	2,144	2,144	0	0	687	687	645	0	645	0	3,476 0.13%	3,476 0.13%	0
Associate Manager	LIAO, SHU- LIANG	2,140	2,140	0	0	661	816	322	0	322	0	3,123 0.12%	3,278 0.12%	0
Associate Manager	SU, HUI- CHIU	1,564	1,564	0	0	570	570	860	0	860	0	2,994 0.11%	2,994 0.11%	0
Associate Manager	CHENG, AN- TZU	1,855	1,855	0	0	682	682	161	0	161	0	2,698 0.10%	2,698 0.10%	0

Note 1: The "top five top executives with remuneration" mentioned above refer to the managers of the company. The criteria for the identification of managers shall be handled in accordance with the scope of application of "managers" stipulated by the former Securities and Futures Commission of the Ministry of Finance dated March 27, 1992, Tai Cai Zheng San Zi No. 0920001301. The calculation and determination principle of "Top 5 highest remuneration" is based on the total amount of employee remuneration (A+B+ C+D total amount), and the top five with the highest remuneration after sorting will be identified.

Note 2: It refers to the remuneration of top five top executives in remuneration in the most recent year (including directors' salary, position bonus, severance pay, various bonuses, rewards, etc.).

Note 3: It refers to the top five top executives in remuneration' related business implementation expenses (including transportation fees, special expenses, various allowances, housing and car expenses, etc.) in the most recent year. If the expenses of housing, vehicles and other transportation are provided, the nature and cost of the provided assets, as well as the actual or fair market price for the rental, oil and other payments should be disclosed. If there is a driver for the vehicles, please note the company's payment for the driver is not included in the remuneration.

Note 4: It refers to the employee compensation (including stocks and cash) received by top five top executives in remuneration who are also employees (including general manager, deputy general manager, managers and employees), the amount of compensation approved by the board of directors in the most recent year should be disclosed. If the amount cannot be estimated, then it will be calculated based on the proportion of the actual distribution amount from the previous year and the Appendix table 1-3 is required to be filled.

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

Note 6: The net income after tax refers to the net income after tax of the individual annual financial statement of the latest year.

Note 7: a. This column should clearly state the amount of remuneration paid to the company top five top executives in remuneration from the reinvested business other than the subsidiaries or the parent company (please indicate “None” if no such remuneration).

b. The remuneration refers to the top five top executives in remuneration’s remuneration including the remuneration, compensation (including the compensation of employees, directors and supervisors) and business implementation expenses serving as directors, supervisors or managers of the reinvested business other than the subsidiaries or the parent company.

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

### Name of managers who distribute employee compensation and the distribution status

April 2, 2022

Unit: NT / NTD in thousands

	Title (Note 1)	Name (Note 1)	Stock option	Cash amount	Total	The total amount that accounts for the percentage of net profit after tax(%)
Managerial officer	Chairman and General Manager	CHU, HUI-LAN	0	15,481	15,481	0.578%
	Deputy general manager	YANG, MEI-YUAN				
	Deputy general manager	WANG, TING-TSE				
	Associate manager	SU, HUI-CHIU				
	Associate manager	LIAO, SHU-LIANG				
	Associate manager	CHENG, AN-TZU				
	Manager	WANG, GUO-XI				
	Manager	CHIU, YUNG-TSAI				
	Manager	LI, CHEN-MING				
	Manager	KUO, HUNG-CHENG				
	Manager	CHEN, KUO-HSIEN				
	Manager	SU, YU-MIN				
	Manager	YU, CHEN-ERH				
Manager	CHANG, TA-CHUN					

Note 1: The individual names and titles should be disclosed, and the profit distribution can be disclosed in a form of summary report.

Note 2: It refers to the employee compensation (including stocks and cash) received by the managers, approved by the board of directors in the most recent year. If the amount cannot be estimated, then it will be calculated based on the proportion of the actual distribution amount from the previous year. The net profit after tax refers to the net profit after tax in the most recent year; for those using the international financial report standards, the net profit after tax refers to the net profit after tax of individuals or individual financial reports in the most recent year.

Note 3: The application scope of the managers is defined as following, which is based on the command document No. 0920001301 of Taiwanese financial document announced on March 27, 2003:

- (1) General manager and equivalent position
- (2) Deputy General Manager and equivalent position
- (3) Associate manager and equivalent position
- (4) Chief of Finance Department
- (5) Chief of Accounting Department
- (6) Others who have the right to manage the affairs of the company and sign for the company

Note 4: For the directors, general manager and deputy general managers who have received employee compensation (including stocks and cash), they should be filled out the appendix table 1(2) and this form.

(IV) Compare and analyze the analysis of the total remuneration accounts for the percentage of the net profit after tax for the directors, Independent director, general managers and deputy general managers of all companies (including the Company) in the consolidated statement of the recent two years; and describe the relationship of the remuneration policy, standards and combinations and the procedures of remuneration judgment, with the operating performance and future risks.

Description:

1. The ratio of the total remuneration accounts for the percentage of the net profit after tax for the directors, Independent director, general managers and deputy general managers of the Company in the recent two years:

Year 2020: 6.09% (37,505 NTD in thousands /618,959 NTD in thousands)

Year 2021: 2.85% (76,355 NTD in thousands /2,676,758 NTD in thousands)

2. The ratio of the total remuneration accounts for the percentage of the net profit after tax for the directors, Independent director, general managers and deputy general managers of all companies in the consolidated statement of the recent two years:

Year 2020: 6.17% (38,164 NTD in thousands /618,959 NTD in thousands)

Year 2021: 2.85% (76,515 NTD in thousands /2,676,758 NTD in thousands)

3. The following is clearly defined in the “Articles of Incorporation”: The relationship of the remuneration policy of the directors and Independent director, standards and combinations and the procedures of remuneration judgment, with the operating performance and future risks.

Article 21-1 The directors of the company can be compensated with salary or transportation expenses, and the amount will be based on the reference of similar companies by the board of directors.

Article 28 If the company generates profit before the tax in the current year, no less than 2% of the profit will be the employee’s remuneration and no more than 2% of the profit will be director’s remuneration. In the event of any accumulative loss incurred by the Company, it shall reserve for offsetting the accumulative loss. The preceding prepaid ratio, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders, and it shall be reported in the shareholders’ meeting. The preceding employee compensation can be paid in stock or in cash.

4. It is clearly defined in the “Articles of Incorporation” and “Table of Directors and Managers’ Rights and Duties in the Company” about the appointment, dismissal, salary and bonus of the general manager and deputy general manager of the Company:

(1) “Articles of Incorporation:”

Article 26

The company includes a CEO who follows the guidelines set by the board of directors and the chairman for strategic planning and implementation, a general manager who is in charge of the company’s overall business operations, several deputy general managers and associate managers; the deputy general managers and associate managers are appointed by the board of directors.

(2) “Table of Directors and Managers’ Rights and Duties in the Company:”

II. Personnel affairs

(I) The CEO, general manager, deputy general managers, associate managers and branch office supervisors’ salary, appointment, retirement, rewards and punishments and pensions shall be approved by the board of directors.



## IV. Corporate governance

### (I) Information Regarding the Operation of the Board of Directors and Assessment of the Board of Directors

#### 1. Information on the operation of the board of directors:

The 26th Board of Directors has held 10 meetings in 2021 (A),

The attendance of Directors is as follows:

Title	Name (Note 1)	Frequency of actual attendance (B)	Frequency of proxy attendance	Rate of actual attendance (B/A) (Note 2)	Note
Chairperson	Yang Jen Industrial Co., Ltd. Representative: Chu, Hui-Lan	10	0	100%	Inaugurated on June 23, 2020.
Director	China Petrochemical Development Corporation Representative: Chen Rui-Long	7	3	70%	Inaugurated on June 23, 2020.
Director	Tian-Jing Investment Corporation Representative: Bai, Jun-Nan	8	2	80%	Inaugurated on July 30, 2020.
Director	Formostar Garment Co. Ltd Representative: Tsai, Chao-Lun	10	0	100%	Inaugurated on June 23, 2020.
Director	Tian-Jing Investment Corporation Representative: Chen, Wen-Ke	10	0	100%	Inaugurated on June 23, 2020.
Director	Chang-Li Co. Ltd Representative: Liou, Liang-Hai	9	1	90%	Inaugurated on June 23, 2020.
Independent director	LU, Han-Yi	10	0	100%	Inaugurated on June 23, 2020.
Independent director	Ko, Shu-Jen	10	0	100%	Inaugurated on June 23, 2020.
Independent director	Chang, Fan	10	0	100%	Inaugurated on June 23, 2020.

Others:

I. When the operations of the Board of Directors comply with the following circumstances, the report shall specify the date, term, agenda of the Board meeting, and opinions of each independent director and the company's handling of such opinions.

(I) Matters defined by provisions of Article 14-3 of the "Securities and Exchange Act."

1. Date of Board meeting: Date of 6<sup>th</sup> meeting of 26<sup>th</sup> Board: March 17, 2021  
 Proposal Content: Proposal for continuing to retain the Deloitte Taiwan to audit the 2021 Finance Report and perform tax compliance audit, as the original letter of appointment has expired on December 31, 2020, a new appointment letter for the year 2021 will be drafted.  
 Resolution by the Board of Directors: Approved by all attending directors.
2. Date of Board meeting: Date of 6<sup>th</sup> meeting of 26<sup>th</sup> Board: March 17, 2021  
 Proposal Content: Proposal to issue the 2020 Statement on Internal Control System.  
 Resolution by the Board of Directors: Approved by all attending directors.
3. Date of Board meeting: Date of 6<sup>th</sup> meeting of 26<sup>th</sup> Board: March 17, 2021  
 Proposal Content: The Proposal for Distribution of 2020 Employees' and Directors' Remuneration.  
 Resolution by the Board of Directors: Approved by all attending directors and would be reported in the 2021 annual general meeting.
4. Date of Board meeting: Date of 6<sup>th</sup> meeting of 26<sup>th</sup> Board: March 17, 2021  
 Proposal Content: Proposal for 2020 earnings distribution (January 1 to December 31, 2020).  
 Resolution by the Board of Directors: Approved by all attending directors. The 2020 earnings distribution: NT\$61,491,934 to the legal reserve; NT\$356,699,659 to dividends to shareholders (about NT\$0.233 per share), which will be ratified in the 2021 annual general meeting.
5. Date of Board meeting: Date of 6<sup>th</sup> meeting of 26<sup>th</sup> Board: March 17, 2021  
 Proposal Content: Report on the 2020 Business Report and the 2020 Consolidated Financial Report.

- Resolution by the Board of Directors: Approved by all attending directors.
6. Date of Board meeting: Date of 6<sup>th</sup> meeting of 26<sup>th</sup> Board: March 17, 2021  
 Proposal Content: The Company continued the operation of 2 land self-development methods such as "Tucheng Peipi Section Lot No. 106 and 106-2" for future reference.
- Resolution by the Board of Directors: Approved by all attending directors.
7. Date of Board meeting: Date of 8<sup>th</sup> meeting of 26<sup>th</sup> Board: June 10, 2021  
 Proposal Content: The company intends to loan funds to BES Engineering Vietnam Co., Ltd. with a quota of USD 1.05 million.
- Resolution by the Board of Directors: Approved by all attending directors.
8. Date of Board meeting: Date of 8<sup>th</sup> meeting of 26<sup>th</sup> Board: June 10, 2021  
 Proposal Content: The company plans to increase the capital of Hong Kong BES Investment Company Ltd. by US\$27 million, and then transfer the capital to the Vietnamese subsidiary by US\$25 million, and the remaining US\$2 million will be used for the daily operation and future business development of the Hong Kong company.
- Resolution by the Board of Directors: Approved by all attending directors.
9. Date of Board meeting: Date of 9<sup>th</sup> meeting of 26<sup>th</sup> Board: July 15, 2021  
 Proposal Content: The 2021 annual general meeting was postponed as per the requirements in the Financial Supervisory Commission's Letter Jin-Guan-Zheng-Jiao No. 11003621372 dated May 20, 2021, and the date, time, and place of the 2021 general meeting were determined again.
- Resolution by the Board of Directors: Approved by all attending directors.
10. Date of Board meeting: Date of 10<sup>th</sup> meeting of 26<sup>th</sup> Board: August 11, 2021  
 Proposal Content: Proposal for the Company's ex-dividend base date and 2021 cash dividends payout date.
- Resolution by the Board of Directors: Approved by all attending directors.
11. Date of Board meeting: Date of 11<sup>th</sup> meeting of 26<sup>th</sup> Board: November 12, 2021  
 Proposal Content: The Company's Colleagues Recreation Center Construction Project Related Party Transaction Evaluation Procedure.
- Resolution by the Board of Directors: Approved by all attending directors.
12. Date of Board meeting: Date of 11<sup>th</sup> meeting of 26<sup>th</sup> Board: November 12, 2021  
 Proposal Content: Distribution of 2020 remuneration to directors.
- Resolution by the Board of Directors: Approved by all attending directors.
13. Date of Board meeting: Date of 11<sup>th</sup> meeting of 26<sup>th</sup> Board: November 12, 2021  
 Proposal Content: Dismissal of the post-identification case of Zhong Yunguang's manager internal audit supervisor.
- Resolution by the Board of Directors: Approved by all attending directors.
14. Date of Board meeting: Date of 14<sup>th</sup> meeting of 26<sup>th</sup> Board: December 29, 2021  
 Proposal Content: Proposal for 2021 assessment of the independence of the hired CPA.
- Resolution by the Board of Directors: Approved by all attending directors.
15. Date of Board meeting: Date of 14<sup>th</sup> meeting of 26<sup>th</sup> Board: December 29, 2021  
 Proposal Content: Description of the Business Plan and Operating Budgets for 2022.
- Resolution by the Board of Directors: Approved by all attending directors.
16. Date of Board meeting: Date of 14<sup>th</sup> meeting of 26<sup>th</sup> Board: December 29, 2021  
 Proposal Content: Proposal to set March 25, 2022 as the record date for the short-form merger of the Company's subsidiary, BES Machinery Co., Ltd.
- Resolution by the Board of Directors: Approved by all attending directors.
17. Date of Board meeting: Date of 14<sup>th</sup> meeting of 26<sup>th</sup> Board: December 29, 2021  
 Proposal Content: Formulation of the 2022 Annual Audit Plan.
- Resolution by the Board of Directors: Approved by all attending directors.
- (II) Besides the aforementioned matters, there are other Board of Directors' resolution items that have been opposed by other independent directors or who have expressed reservations: None of such situation.
- II. Proposals with a director's recusal due to conflict of interests, shall clearly state the director's name, proposal content, reasons for recusal, and the situation of the entitlement to vote:
1. Date of 5<sup>th</sup> meeting of 26<sup>th</sup> Board: January 22, 2021  
 Proposal Content: Review of the Company's management performance bonus for the Chairperson, Senior Consultant, and Appointed Managers for the year of 2020.
- Resolution by the Board of Directors: This proposal involved personal interests. Chairperson Chu,

	Hui-Lan recused herself from the resolution and designated Director Bai, Jun-Nan as the chair of the meeting; the other appointed managers who were present also recused themselves from the discussion, and the remaining attending directors agreed to pass this proposal as proposed.
2. Date of 6 <sup>th</sup> meeting of 26 <sup>th</sup> Board:	March 17, 2021
Proposal Content:	Proposal for the donation expense of NT\$4 million to Sheen Chuen-Chi Cultural & Educational Foundation to promote cultural and educational events.
Resolution by the Board of Directors:	This proposal involved personal interests. Chairperson Chu, Hui-Lan and Director Bai, Jun-Nan recused themselves from the resolution as they were related parties. The remaining attending directors agreed to pass this proposal as proposed.
3. Date of 11 <sup>th</sup> meeting of 26 <sup>th</sup> Board:	November 12, 2021
Proposal Content:	Report on 2020 remuneration to employees distributed by the appointed manager in accordance with the Guidelines Governing Remuneration to Employees.
Resolution by the Board of Directors:	This proposal involved personal interests. Chairperson Chu, Hui-Lan recused herself from the resolution as she concurrently served as the President and designated Director Tsai, Chao-Lun as the chair of the meeting; the other appointed managers who were present also recused themselves from the discussion, and the remaining attending directors agreed to pass this proposal as proposed.
4. Date of 12 <sup>th</sup> meeting of 26 <sup>th</sup> Board:	December 13, 2021
Proposal Content:	Acquisition of the equity of Fu An Real Estate Co., Ltd. by the Vietnamese subsidiary, BES Engineering Vietnam Company.
Resolution by the Board of Directors:	This proposal involved personal interests. Chairperson Chu, Hui-Lan recused herself from the resolution as she was a related party and designated Director Chen, Jui-Lung as the chair of the meeting; the remaining attending directors agreed to pass this proposal as proposed.
5. Date of 12 <sup>th</sup> meeting of 26 <sup>th</sup> Board:	December 13, 2021
Proposal Content:	Chairperson Chu, Hui-Lan was hired as the CEO concurrently as per the Company's Articles of Incorporation and Organizational Charter.
Resolution by the Board of Directors:	This proposal involved personal interests. Chairperson Chu, Hui-Lan recused herself from the resolution as she was a related party and designated Director Chen, Jui-Lung as the chair of the meeting; the remaining attending directors agreed to pass this proposal as proposed.
6. Date of 13 <sup>th</sup> meeting of 26 <sup>th</sup> Board:	December 17, 2021
Proposal Content:	Proposal to participate in the 2021 cash capital increase conducted by China Petrochemical Development Corporation with an amount of not more than NT\$1.6 billion in alignment with the group's strategic development.
Resolution by the Board of Directors:	This proposal involved personal interests. Chairperson Chu, Hui-Lan and Director Bai, Jun-Nan recused themselves from the resolution as they were related parties and designated Director Liou, Liang Hai as the chair of the meeting; the remaining attending directors agreed to pass this proposal as proposed.
7. Date of 14 <sup>th</sup> meeting of 26 <sup>th</sup> Board:	December 29, 2021
Proposal Content:	Proposal to donate NT\$20 million to Sheen Chuen-Chi Cultural & Educational Foundation. to promote cultural and educational events.
Resolution by the Board of Directors:	Chairperson Chu, Hui-Lan and Director Bai, Jun-Nan recused themselves from the resolution as they were related parties. The remaining attending directors agreed to pass this proposal as proposed.
III.	Publicly listed companies shall disclose information on the Board of Directors' self- (or peers) evaluation, including the evaluation cycle and period, evaluation scope, method, and content: Table 2 has been filled out. Implementation of the Board of Directors' evaluation: The Company has completed the 2021 evaluation of the Board of Directors' performance on December 13, 2021, submitted the results to the 15 <sup>th</sup> meeting of the 26 <sup>th</sup> Board of Directors on January 21, 2022, and disclosed them on the Market Observation Post System (MOPS) and the Company's official website: <a href="https://www.bes.com.tw/ir-governance.php">https://www.bes.com.tw/ir-governance.php</a> .
IV.	The goal for the current year and recent year is to strengthen the function of the board of directors (for example, establish audit committee, increase information transparency, and so on) and execute situational

assessment: The board meeting for the current year and recent year until now, important resolutions have been released and announced on the Market Observation Post System (MOPS) website of the Taiwan Stock Exchange, in accordance with the regulations requirements.

- Note 1: Directors, Supervisors who are juristic person, shall disclose the name of the shareholder juristic person and the name of his/her representative.
- Note 2: (1) Before the end of the fiscal year, if a supervisor resigns, the date of resignation, actual attendance rate based on his/her total attendance over the total number of meetings held during his/her incumbency as a board of supervisor, shall be clearly stated in the remark section.  
(2) Before the end of the fiscal year, if a supervisor is re-elected, all new and ex-members shall be listed, with remarks to identify each member as ex-, new, or re-elected member. The re-election date shall also be stated. The actual attendance rate (%) is based on the total number of meetings attended over the total number of meetings held during incumbency.

## 2. Status of Evaluation for the Board of Directors:

Evaluation Cycle (Note 1)	Evaluation Period (Note 2)	Evaluation Scope (Note 3)	Evaluation Method (Note 4)	Evaluation Content (Note 5)
Annual implementation	December 1, 2020 to November 30, 2021	Performance evaluation of board of directors, individual directors, and functional committees (the Remuneration Committee and the Audit Committee)	Internal self-evaluation of board of directors, self- evaluation of directors, peer evaluation, or delegated external professional institution, experts, or via other proper means for performance evaluation	Please refer to the official website for the performance evaluation of Board of Directors, individual Directors and functional committees.

Note 1: Fill in the evaluation cycle of board of directors, such as annual

Note 2: Fill in the period covering the evaluation of board directors, such as the performance evaluation of board of directors from December 1, 2020 to November 30, 2021

Note 3: The evaluation scope consists of the performance evaluation of board of directors, individual directors, and functional committees.

Note 4: The evaluation methods include the internal self- evaluation of board of directors, self-evaluation of directors, peer evaluation, or delegated external professional institution, experts or via other proper means for performance evaluation

Note 5: Pursuant to the evaluation scope, the following shall be at least included:

(1)Performance evaluation of board of directors: at least the participation to the Company's operation, the quality of the decision-making of the board, the component and structure of the board, the selection and continuous education of the directors, internal controls and etc.

(2)Performance evaluation of individual directors: at least the understanding of the goals and missions of the Company, understanding of responsibilities of directors, participation to the Company's operation, the quality of the decision-making of the board, the component and structure of the board, the selection and continuous education of the directors, internal controls, etc.

(3)Performance evaluation of functional committees: participation to the Company's operation, the quality of the decision-making of the committees, the component and the committees and selection of members, internal controls and etc.

## (II) Status of the audit committee and supervisors' participation in the board of directors:

### 1. Status of the audit committee information:

The audit committee in 2021 conducted 9 meetings (A), attendance by independent directors are as follow:

Title	Name (Note 1)	Actual attendance Number of times B	Proxy attendance Number of times	Rate of actual attendance (B/A) (Note 2)	Note
Independent director	Lu, Han-Yi	9	0	100%	
Independent director	Ko, Shu-Jen	9	0	100%	
Independent director	Chang, Pan	9	0	100%	

Others:

I. If there are one of the situations as mentioned below for the audit committee operations, shall clearly state the date, period, proposal content, audit committee resolution outcome and the Company's handling of the audit committee's opinions.

(I) Article 14-5 of the Securities and Exchange (S&E) Act

1. According to the provision of Article 14-1 of the S&E Act to establish or amend internal control system:

(1) Date of audit committee: March 16, 2021 Term: 5th Meeting of the 2nd Term  
Proposal Content: In order to comply with the regulations of the Taiwan Stock Exchange Co., Ltd., the "BES Engineering Co., Ltd. Intellectual Property Management Measures and Smart Management Plan" have been formulated for all units to follow and submit for approval.  
Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.  
The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

(2) Date of audit committee: August 10, 2021 Term: 9th Meeting of the 2nd Term

Proposal Content: Check the revision of the "Real Estate Development Operation Specification" of the Land Development Unit of the Development Division of the Construction Division, and submit it for approval.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

2. Evaluation of the Effectiveness of the Internal Control System:

(1) Date of audit committee: March 16, 2021 Term: 5th Meeting of the 2nd Term

Proposal Content: Propose the Company's 2020 statement of internal control system.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

(2) Date of audit committee: December 28, 2021 Term: 13rd Meeting of the 2nd Term

Proposal Content: Propose the Company's 2022 audit plan.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

3. According to Article 36-1 of the S&E Act to establish or amend the procedures for major finance business behavior regarding acquisition or disposal of assets, engagement in derivatives transactions, capital loans, making guarantee or endorsement for others: None of such situations.

4. Matters involving board directors' self-interests: None of such situations.

5. Major capital or derivatives transactions:

(1) Date of audit committee: March 16, 2021 Term: 5th Meeting of the 2nd Term

Proposal Content: Regarding the Company's 2 parcels of land, "Tucheng Peipi Section Lot Nos. 106 and 106-2", it is planned to continue the operation in the form of self-development (on-site earth retaining hypothetical works are jointly filed for ratification) and other matters, please refer to the matter for future reference.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

(2) Date of audit committee: December 16, 2021 Term: 12nd Meeting of the 2nd Term

Proposal Content: In response to the strategic development of the Group, it is proposed to participate in the 110-year cash capital increase of China Petrochemical Development Corporation. at a price not exceeding NT\$1.6 billion, and it is submitted for approval.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

6. Major capital or derivatives transactions:

Date of audit committee: June 10, 2021 Term: 8th Meeting of the 2nd Term

Proposal Content: For the business execution needs of BES Engineering Vietnam Co., Ltd., the company proposes a capital loan to BES Engineering Vietnam Co., Ltd. with a quota of USD 1.05 million and a period of one year, which is submitted for approval.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

7. Offering, issuance or private placement of any equity-type securities: None of such situations.

8. Appointment, discharge or remuneration of independent auditor:

Date of audit committee: March 16, 2021 Term: 5th Meeting of the 2nd Term

Proposal Content: Proposal for continuing to retain the Deloitte Taiwan to review the 2021 Finance Report and perform tax compliance audit, as the original letter of appointment has expired on December 31, 2020, the appointment for the year 2021 will be arranged.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

9. Appointment or discharge of CFO, Controller, or Chief Audit Executive:

Date of audit committee: November 10, 2021 Term: 10th Meeting of the 2nd Term

Proposal Content: It is planned that from October 22, 2011, Zhong Yunguang's managerial internal audit supervisor

status will be removed. During the vacancy period, the new audit supervisor will be temporarily represented by deputy manager Su Zhixun, the position agent, and will be submitted for approval.  
Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

10. Annual and semi-annual financial statements:

(1) Date of audit committee: March 16, 2021 Term: 5th Meeting of the 2nd Term  
Proposal Content: Proposal to review the Company's 2020 Parent Company Only Business Report and 2020 Consolidated Financial Report.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

(2) Date of audit committee: March 16, 2021 Term: 5th Meeting of the 2nd Term  
Proposal Content: Propose to review the Company's 2020 Appropriation of Earnings.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

(3) Date of audit committee: May 11, 2021 Term: 7th Meeting of the 2nd Term  
Proposal Content: Propose to review the Company's 2021 Quarter 1 Consolidated Financial Report.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

(4) Date of audit committee: August 10, 2021 Term: 9th Meeting of the 2nd Term  
Proposal Content: Propose to review the Company's 2021 Quarter 2 Consolidated Financial Report.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

(5) Date of audit committee: November 10, 2021 Term: 10th Meeting of the 2nd Term  
Proposal Content: Propose to review the Company's 2021 Quarter 3 Consolidated Financial Report.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

11. Major matters regulated by other companies or competent authorities:

(1) Date of audit committee: June 10, 2021 Term: 8th Meeting of the 2nd Term

Proposal Content: In response to the bidding and investment projects of the Vietnamese subsidiary this year and to enrich the working capital of the Hong Kong company, the company plans to increase the capital of Hong Kong BES Investment Company Ltd. by US\$27 million, and then transfer the capital to the Vietnamese subsidiary by US\$25 million, and the remaining US\$2 million will be used. It is used for the daily operation and future business development of the Hong Kong company, and it is submitted for approval.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

(2) Date of audit committee: August 10, 2021 Term: 9th Meeting of the 2nd Term

Proposal Content: Complement the transaction evaluation procedures of the relevant parties in the construction project of the company's colleagues recreation center, and submit it for approval.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

(3) Date of audit committee: December 9, 2021 Term: 11st Meeting of the 2nd Term

Proposal Content: The case concerning the acquisition of the company equity of "Phu An Real Estate Co., Ltd." by the Vietnam Sun Company "BES Engineering Vietnam Co., Ltd." is submitted for approval.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

- (4) Date of audit committee: December 28, 2021 Term: 13rd Meeting of the 2nd Term  
Proposal Content: Review of the Company's "2022 Business Plan and Operations Budget Explanation."  
Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

- (5) Date of audit committee: December 28, 2021 Term: 13rd Meeting of the 2nd Term  
Proposal Content: The Company's assessment of the independence of the appointed independent auditor for the year of 2021.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

- (6) Date of audit committee: December 28, 2021 Term: 13rd Meeting of the 2nd Term  
Proposal Content: The construction budget adjustment proposal for the new construction of Agora Garden is submitted for approval.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

- (7) Date of audit committee: December 28, 2021 Term: 13rd Meeting of the 2nd Term  
Proposal Content: It is proposed that March 25, 2011, the Republic of China, be the base date for the merger of the company's simplified merger subsidiary, BES Machinery Co., Ltd., and submit it for approval.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

- (8) Date of audit committee: December 28, 2021 Term: 13rd Meeting of the 2nd Term  
Proposal Content: The merger is generally accepted for the change of branch company name of Minxiong Branch of BES Machinery Co., Ltd., and the proposal is submitted for approval.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

- (9) Date of audit committee: December 28, 2021 Term: 13rd Meeting of the 2nd Term  
Proposal Content: In order to fulfill its corporate social responsibility and promote public welfare, the company plans to donate NT\$20 million to the Shen Chunchi Cultural and Educational Foundation, a consortium legal person, to promote cultural and educational activities.

Audit Committee Resolution Outcome: The proposal is passed and approved as it is, by the committee members in attendance as a whole after the Chairperson consulted with everyone in attendance.

The Company's handling of the audit committee's opinions: Report the board of directors' resolution for the current fiscal year.

(II) Besides the above-mentioned matters, other resolution matter that has not been passed by the audit committee, but has been adopted with the approval of two-thirds or more of all the board directors: None of such situations.

II. Proposals with independent director's recusal due to conflict of interests, the independent director's name, proposal content, reasons for recusal, and the situation of the entitlement to vote shall be clearly stated: None of such situations.

III. Situation of the communications between the independent directors, Chief Audit Executive, and the independent auditors (which should include the major happenings, method of communications, and results of the audits for corporate finance and/or operations, and so on):

(1) The Company sends the internal audit report and follow-up report to the entire independent directors for review in accordance with the regulations; Chief Audit Executive will attend the audit committee meeting, to provide related information to the independent directors. The communications status with the independent directors went well.

(2) The independent directors and the independent auditor regularly communicates on the financial situation via meeting method, the key points of communications between the Company's audit committee and the independent auditor for the 2021 fiscal year is as below:

(a) March 16, 2021, 2020 Financial Report audit explanation, 2020 results for key audit matters.

(b) May 11, 2021, Quarter 1 of 2021 Financial Statement review communications. Introduction to applicable laws.

(c) August 10, 2021, Quarter 2 of 2021 Financial Statement review communications. Introduction of applicable laws and regulations and the latest requirements of the competent authority.

(d) November 10, 2021, Quarter 3 of 2021 Financial Statement review communications, communications for the 2021 results for key audit matters.

Note1: Before the end of the fiscal year, if an independent director resigns, the date of resignation, actual attendance rate based on his/her total attendance over the total number of audit committee meetings held during his/her incumbency, shall be clearly stated in the remark section.



Note2: Before the end of the fiscal year, if an independent director is re-elected, all new and ex-members shall be listed, with remarks to identify each member as ex-, new, or re-elected member. The re-election date shall also be stated. The actual attendance rate (%) is based on the total number of meetings attended over the total number of meetings held during incumbency.

## 2. Operations situations of supervisors attending board meeting: None

(III) Discrepancies between actual implementation of corporate governance operations and the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons:

Discrepancies between actual implementation of corporate governance operations and the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons:

Items for Evaluation	Operation status (Note1)			Discrepancies and reasons
	Yes	No	Brief summary	
I. Does the Company establish and disclose the Company’s “Corporate Governance Best Practice Principles” in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?”		V	“Corporate Governance Best Practice Principles” of the company was stipulated pursuant to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” adopted by The Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEX) to establish sound corporate governance system, and these Principles were approved by the Board of Directors on November 11,2020.	None.
II. Shareholder structure and shareholders’ rights				
(I) Has the Company established internal operations procedures to handle shareholders’ suggestions, concerns, dispute, and litigation matters, and has implemented in accordance with the procedure?	V		(I) Besides appointing professional stock agency to handle the stock transactions, the Company has built a spokesperson system, established procedures for spokesperson and representative, and has designated personnel handling shareholders’ suggestions or concerns and so on matters.	None.
(II) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		(II) The Company keeps aware of the stock transactions at all times, and through the shareholders’ name list provided by the stock agency, the Company is able to know the major shareholders and the beneficial owners of these major shareholders.	None.
(III)Has the Company built and executed risk management and firewall mechanisms between the Company and its affiliated companies?	V		(III) The Company and its affiliates have built the appropriate risk control system and firewall, and the assets, financial management rights and responsibilities of each of these affiliates are separate and independent. The Company’s financial unit has designated personnel to take care of managing subsidiaries, and the audit unit will execute monitoring and control under subsidiaries audit management.	None.
(IV)Has the Company established internal rules to prohibit insider trading on undisclosed information?	V		(IV) The Company has established “Procedures for the handling of major information and management for insider trading prevention,” “Related parties trading management,” and “Handling of major information and management for insider trading prevention.”	None.
III. Composition and Responsibilities of the Board of Directors				
(I)Has the board developed and does it implement a diversity policy and specific management goals?	V		(I) The Company has formulated a diversity policy and disclosed it on the official website. There are 9 Directors in the Board, including 3 Independent Directors. The area of expertise covers accounting, legal, engineering construction, and	None.

Items for Evaluation	Operation status (Note 1)			Discrepancies and reasons									
	Yes	No	Brief summary										
(II) Besides setting up the Remuneration Committee and the Audit Committee, has the Company voluntarily set up Committees for other functions?	V		<p>industrial knowledge. There is 1 female Director in the Board. The company pays attention to the gender equality of the Board, and the target ratio of female Directors is 10% or above. Currently, there is 1 female Director out of 9 Directors, and the ratio is 10%. The nomination and selection of members of the Company's Board of Directors are in compliance with the Company's Articles of Incorporation, and we adopt a candidate nomination system. In addition to evaluating the education and experience and qualifications of each candidate, we refer to our stakeholders' opinions, while complying with the Rules of Election of Directors and Supervisors and the Corporate Governance Best Practice Principles to ensure the diversity and independence of our directors.</p> <p>(II) Besides setting up a remuneration committee and audit committee, the Company has also set-up a management committee. In future, will take actions to plan the establishment of committees for other functions in line with the regulations.</p>	None.									
	(III) Has the Company established the regulations and method to evaluate the performance of the board of directors, and conduct such evaluation regularly every year? Have the results of the performance evaluations been submitted to the board, while applied as the reference for the remunerations and re-election of each director?	V		<p>(III) The Company has formulated the Regulations Governing the Board of Directors Performance Evaluation of BES Engineering Inc. and disclosed these Regulations on the official website and MOPS. Article 3 of the Regulations provides the scope of the performance evaluation, which includes the Board of Directors as a whole, individual Board members, each functional committee (including the Remuneration Committee and Audit Committee), and the evaluation of the current year shall be report to the Board of Directors prior to Q1 of the next year, so that the operation of the Board of Directors and functional committees may be complementary to each other. The directors and functional committees performance evaluations were completed on December 13, 2021 and reported to the 15th meeting of the 26th Board of Directors on January 21, 2022. The evaluation results are as follows:</p> <p>1. The Board of Directors' score in each aspect is shown in the table below. The average score is 93 points (out of 100), and the evaluation results are great. It shows that the Board has fulfilled its responsibility for guiding and supervising the Company's strategy, major business activities, and risk management. The overall operations are excellent, in alignment with the corporate governance requirements of the competent authorities and relevant laws and regulations.</p> <table border="1"> <thead> <tr> <th>Five aspects of self-evaluation</th> <th>Number of questions</th> <th>Average score</th> </tr> </thead> <tbody> <tr> <td>A. Involvement in the company's operations</td> <td>12</td> <td>93.1</td> </tr> <tr> <td>B. Improvement to the board's</td> <td>12</td> <td>92.2</td> </tr> </tbody> </table>	Five aspects of self-evaluation	Number of questions	Average score	A. Involvement in the company's operations	12	93.1	B. Improvement to the board's	12	92.2
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Items for Evaluation	Operation status (Note1)			Discrepancies and reasons																																																					
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Items for Evaluation	Operation status (Note1)				Discrepancies and reasons			
	Yes	No	Brief summary					
			in the company's operations					
			B. Awareness of functional committees' responsibilities	5	92.0	5	94.7	
			B. Improvement to the functional committees' decision-making quality	7	95.2	7	95.2	
			D. Composition of functional committees and appointment of members	3	100	3	100	
			E. Internal control	3	91.1	1	93.3	
			Total/Average score	22	95.3	20	96.6	
	(IV) Has the Company evaluate the independence of the independent auditor on a regular basis?	V		(IV) The Company conducts an evaluation of the independence, competency, and professionalism of each certified public accountant (CPA) on a regular basis each year. Besides requesting for "statement of independence" from the independent auditor each quarter, the Company will evaluate and confirm that there are no other financial interests and business relationships between the accountant and the Company, besides the fees for the independent audit and tax related cases; After confirming that the family members of the accountant are in no violation of the requirements of the independence, the Company reports to the Board of Directors. (The assessment of CPAs' independence was approved by the 14th meeting of the 26th Board of Directors). The Company will also provide the following to the Board of Directors for discussion about the independence of the				None.

Items for Evaluation	Operation status (Note 1)			Discrepancies and reasons
	Yes	No	Brief summary	
(V) Does the company disclose the connection between directors' and managers' performance evaluation results and their remuneration?	V		<p>accountants during internal rotation: CVs and “statement of independence” by each accountant. Please refer to Note 2 for the evaluation table.</p> <p>(V) The relevant descriptions are as follows:</p> <ol style="list-style-type: none"> <li>1. Pursuant to Article 28 of the Company’s Articles of Incorporation, should there be profit before tax, no less than 2% shall be contributed as the employee’s remuneration and less than 2% shall be contributed as the directors’ remuneration. In the event of any accumulative loss incurred by the Company, it shall reserve for offsetting the accumulative loss. The preceding pre-paid ratio, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders, and it shall be reported in the shareholders' meeting.</li> <li>2. Pursuant to the Company's Regulations Governing the Board of Directors Performance Evaluation of BES Engineering Inc., we decide whether to nominate the same directors as per individual directors’ annual performance in the six aspects: understanding of the company’s goals and tasks, awareness of directors' responsibilities, involvement in the company’s operations, internal relations management and communication, directors' professional training and continuing education, and internal control. Such annual performance also serves as a reference for determining their remuneration.</li> <li>3. The Remuneration Committee regularly reviews directors’ and managers’ performance evaluation and salary and remuneration policy, system, standard, and structure and evaluates and determines their salary and remuneration as per the Remuneration Committee Charter, and then submit its suggestions to the Board for discussion.</li> <li>4. In addition, other special contributions or material negative events are also adopted as a reference for their performance evaluation and remuneration.</li> </ol>	None.
IV. Has the listed company assigned the properly competent and amount of corporate governance unit or personnel to be responsible for related matters to corporate governance (including but not limited to providing directors, and 62 supervisors the data required to execute the work, assisting directors and supervisors to comply with laws and regulations, and organize Board of Directors and Shareholders meetings related matters, produced meeting minutes for Board of Directors and Shareholders meetings)?	V		<p>(I) The Company’s Board of Directors Secretary and General Manager Office, Finance Section are responsible, and their key responsibilities are as follow:</p> <ol style="list-style-type: none"> <li>1. Study and plan the appropriate company system and organization structure, to enhance the independence of the Board of Directors, and to realize company transparency, compliance to the law, and internal control.</li> <li>2. The Board of Director will consult with various directors for their opinions to plan and formulate the agenda, will provide sufficient meeting materials and inform to attend at least 7 days prior to the meeting, to allow time for the directors to understand the meeting contents beforehand; If there are situations where related party has conflict of interests that requires the person to accuse oneself, shall remind the person to do so.</li> <li>3. Provide the directors with the required materials for execution of their work, and</li> </ol>	None.

Items for Evaluation	Operation status (Note 1)		Discrepancies and reasons						
	Yes	No		Brief summary					
			<p>new legal developments related to company management, to support the directors to act in compliance with the laws organizing the board of directors' and shareholders' meetings, and to support the Company to comply with the related laws for these meetings, prepare meeting minutes for the board of directors' meetings and related matters to the investors.</p> <p>4. Register the shareholders' meeting date each year according to the law, release meeting notices prior to the deadline, prepares meeting handbook and minutes, and amend Articles of Incorporation or change the registration after board directors' re-election.</p> <p>5. According to the Financial Supervisory Commission's regulations, organizes the Corporate Governance evaluation work. The Company's various units will conduct self-inspection as required by the work procedures of the internal control system each year, and the audit personnel will conduct audits, meeting the regulation requirements without any defects.</p> <p>(II) On March 27, 2019, the Board of Directors approved the proposal that the company should have a Corporate Governance Officer, and this position is concurrently served by the Chief of the Finance Department.</p> <p>(III) Key implementations of corporate governance related matters are as follows:</p> <ol style="list-style-type: none"> <li>1. Ten Board meetings and nine Audit Committee meetings were convened in 2021.</li> <li>2. An annual general meeting was convened in 2021.</li> <li>3. All directors completed at least 6 credits of educational trainings.</li> <li>4. The company insured Directors and important staff with liability insurance and reported to the Board of Directors after the policies are renewed.</li> <li>5. Conducted the performance evaluations of the Board of Directors and functional committees, and reported the results to the Board before the first quarter of the following year.</li> <li>6. Corporate Governance Officer acquired 15 hours of educational training in 2021, and it was declared on the Market Operation Post System</li> <li>7. Conducted 2021 corporate governance evaluation and reporting.</li> </ol> <p>(IV)The educational training for the Corporate Governance Officer in 2021 is as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Transaction</th> <th>Training Course</th> <th>Credit</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Oct. 6</td> <td>On the Directors' and Supervisors' Responsibility from Illegal Cases in the Securities Market</td> <td style="text-align: center;">3</td> </tr> </tbody> </table>	Transaction	Training Course	Credit	Oct. 6	On the Directors' and Supervisors' Responsibility from Illegal Cases in the Securities Market	3
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Items for Evaluation	Operation status (Note 1)			Discrepancies and reasons												
	Yes	No	Brief summary													
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V. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, and so on) and created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		<p>(I) We have set up a section dedicated to stakeholders and disclosed a contact point on our official website.</p> <p>(II) There are designated departments responsible for the communications and co-ordination between the Company and banks, construction companies, supporting suppliers, government authorities, and the Company's staffs, through internal emails, and responses to meeting communications on a non-regular basis.</p> <p>(III) The Company has already identified its stakeholders and major issues in the Sustainability Report. We have identified a total of eight groups of stakeholders: employees, business owners, shareholders, suppliers, government agencies, communities, non-profit organizations, and the media and responded to their material issues of concern, such as corporate governance, ethical management, business performance, safe and healthy work environment, talents recruitment and retention, employee benefits and salary, supplier sustainability management, labor rights and human rights, information security, and energy management and energy efficiency.</p>	None.												
VI. Has the Company appointed a professional registrar for its Shareholders' meetings?	V		The Company has appointed a professional registrar to handle Shareholders' meetings and related matters.	None.												
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding its finance, business and corporate	V		(I) The company has set up an external network with website address: www.bes.com.tw; www.besland.com.tw discloses the Company's finance, businesses and corporate governance situations in full.	None.												



Items for Evaluation	Operation status (Note 1)			Discrepancies and reasons
	Yes	No	Brief summary	
<p>governance?</p> <p>(II) Does the Company use other information disclosure channels (such as, create an English-language website, designate staff responsible for the handling of information collection and disclosure, establish spokesperson system, webcasting investors conference and so on)?</p> <p>(III) Does the Company announce and register the annual financial reports within two month upon the end of a financial year, and announce and register the first, second and third quarter financial reports and the monthly operations before the required due date?</p>	V	V	<p>(II) The company’s website also contains English version of material financial and corporate governance information, and designated personnel is in charge of the collection and disclosure of company information. Meanwhile, the company also establishes spokesperson system, publishes Rules Governing Information Reporting, release material information and latest announcements. The website also contains the link to the Market Operation Post System. In addition, the Institutional Investor Conference of the company is disclosed on a regular basis.</p> <p>(III) Pursuant to Paragraph 1, Article 36, the Securities and Exchange Act, within three months after the close of each fiscal year, the Company publicly announces and registers financial reports duly audited and attested by a certified public accountant, approved by the board of directors, and recognized by the supervisors, as well as within 45 days after the end of the first, second, and third quarters of each fiscal year publicly announces and registers with the Competent Authority financial reports duly reviewed by a certified public accountant and reported to the board of directors, pursuant to Paragraph 2, and Paragraph 3, within the first ten days of each calendar month publicly announces and registers the operating status for the preceding month.</p>	<p>None.</p> <p>The Company conducts such pursuant to the Securities and Exchange Act.</p>
<p>VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?</p>	V		<p>(I) The Company places importance on the employees’ rights, care and human rights, thus, establishes the following system measures: “Employee Bonus Distribution and Release,” “Labor Retirement Preparation Funds Monitoring Committee Organizational Regulations,” “Employee Retirement, Pension and Disbursement Measures,” “Employee Welfare Committee Scholarship Awards Scheme,” “Employee Welfare Committee Enhancing Work, Educational, and Recreational Activities Promotion,” “Industry Trade Union Members Welfare Fund Interim Measures,” “Industry Trade Union Members Descendants Educational Scholarships Application Regulation,” and “Sexual Harassment Prevention Regulation,” and so on.</p> <p>(II) The Company has built a spokesperson system, investment and stakeholders’ area to allow direct contacts between the investors and the spokesperson at any time and to answer related questions and to provide information on corporate governance situations.</p> <p>(III) Directors’ and independent directors’ continuing education: The directors: Chu, Huei-Lan, Chen, Jui-Lung, Bai, Jun-Nan, Tsai, Chao-Lun, Liou, Liang-Hai, and Chen, Wen-Ke, as well as independent directors: Ko, Shu-Jen, Lu, He-Y, and Chang, Fang all met the requirements that newly elected directors are advised to take at least 12 hours of training in the year they take office and at least six hours each year from the next year onwards under the second paragraph of the third point of the Directions for the Implementation of Continuing Education for</p>	<p>None.</p>

Items for Evaluation	Operation status (Note 1)		Discrepancies and reasons
	Yes	No	
			<p>Directors and Supervisors of TWSE Listed and TPEX Listed Companies. Please refer to Note 3 for details of the courses.</p> <p>(IV) The situation of insurance purchase for the directors by the Company: The Company has established the rule of insurance purchase for directors and supervisors in the Articles of Incorporation. Insured by Fubon Insurance Co., Ltd. from January 2, 2021 to January 2, 2022 and reported to the Board of Directors.</p>
IX. The succession planning and operation of the Directors of the Board and important managements.	V		<p>I. The succession planning and operation of the Directors of the Board</p> <p>(1) Pursuant to the Articles of Incorporation of the company, the election of Directors has adopted candidate nomination system since 2017. There should be 7-9 directors, who are elected from the list of candidates announced by the company. The nomination of directors and independent directors and related regulations are conducted pursuant to the Company Act and Securities and Exchange Act.</p> <p>(2) In accordance with Paragraph 3, Article 20 of the “Corporate Governance Best Practice Principles” of the company, the composition of the Board of Directors shall be diversified. The Board currently has 9 directors, including 3 independent directors, and the expertise covers accounting, legal, engineering construction, and industry knowledge. The target ratio of female Directors is 10% or above. Currently, there is 1 female Director out of 9 Directors, and the ratio is 10%. In the future, the composition and expertise of the Board of Directors will follow the current pattern. In the succession plan for directors of the Board, the successor must possess professional knowledge, skill set and competency for performing the duties, and their value and characteristics must meet the operational ideology of the company. As for the independent directors, it is required by law that they must have experiences in business, legal, financial, accounting or other fields related to the company business, and there are plenty of elites in this category. As such, the successors for the independent directors is planned to elect talents from the academy and industry, so that the composition of the Board of Directors complies with the diversity policy of the company.</p> <p>(3) The Company has formulated the Regulations Governing the Board of Directors Performance Evaluation of BES Engineering Inc. Through the evaluation items of the understanding of the company goal and mission, responsibility recognition, participation in the operations, internal relations management and communication, professional ability and training, internal control, and the expression of specific opinions, the Company may confirm the Board of Directors is operating effectively, and the directors’ performance evaluation results also serve as the reference for director election and nomination in the future.</p>

Items for Evaluation	Operation status (Note1)			Discrepancies and reasons
	Yes	No	Brief summary	
			<p>II. The succession plan and operation for important managements.</p> <p>(1) The HR General Affairs Department of the company is responsible for establishing talent development mechanism and define key positions. There will be 2-3 successor for each key position, and the succession schedule is also specified. The succession timeframe can be divided into short-term (1 year), mid-term (3-5 years), and long-term (5 years and above). Based on the advantages and potentials of successors, the company concentrates the training resources for training and development, which includes professional ability cultivation, rotation, and AI management enhancement and has promoted Individual Development Plan (IDP) for successors since 2019. We have linked the IDP with our performance evaluation system and review the talent training results every year.</p> <p>(2) The consensus camp has been hold on an yearly basis. The discussion focuses on annual goals and plans. The company also plans theme courses and discussion sessions regarding future strategy to enhance the strategic thinking and skill of the management. Furthermore, for young successors with great potential for development, we invite them to participate in the group’s summits. Through the top-level managers’ sharing and group discussions, they can expand their horizons and view the industry from a macro perspective.</p> <p>(3) The company holds two echelons of management training for high-ranking, middle level and basic managements. Through the external industry knowledge, new technology knowledge and sharing by the benchmark enterprises, the management can receive the most updated management thinking and trend. On the other hand, the sharing of rich leadership experiences by the internal high-ranking management allows the management to learn the organizational culture and practice of operational management.</p>	
X. Whether the company establishes information security risk management framework and stipulates information security policy and solid management plan.	V		<p>I. Information security management framework The information security management policy of the company uses ISO 27001 as the reference, which perfects the requirement of all control fields based on international standards, for the basic control measure of daily operation for protecting company data. The company also further ensures the completeness of the information security management framework to meet the requirements of customers, clients and related laws and regulations as well as the latest development of the information business.</p> <p>II. Information security management policy 1. Personnel management 2. Information security monitoring</p>	None.

Items for Evaluation	Operation status (Note 1)			Discrepancies and reasons
	Yes	No	Brief summary	
			<p>3. Process management  4. Internal control management  5. External Audit  6. Regular reports  The personnel reports the implementation of information security management project to the Board of Directors and conducts reviews on a regular basis.</p> <p>III. Risk management measures.  Apart from the regular information security measure, different risk management measures are applied based on different risk levels to ensure the information security of the company.</p> <ul style="list-style-type: none"> <li>•Firmly implement the data backup plan</li> <li>•Update the continuous operation plan on a regular basis</li> <li>•Perform disaster response drill on a regular basis</li> </ul> Please visit the official website: <a href="https://www.bes.com.tw/ir-security.php">https://www.bes.com.tw/ir-security.php</a>	
XI. Whether the company stipulates intellectual property management plan connected to the operation goals?	V		<p>Intellectual property management plan</p> <p>I. Protection measure</p> <p>1. Patent management  Innovation and research has been the force of the continuous growth of the company. As a benchmark enterprise of the domestic construction industry, the company upholds the core faith of innovative management and digitalized transformation, establishes Audio/Video Command Center, and strives for the establishment and promotion of intelligent construction site management. Therefore, to encourage our employees to possess the ability of innovation and research, the company stipulates “Rules for Rewarding Innovation proposal” and “Guidelines for Innovation Proposal.” These methods aim at diversified innovation and benefit creation on quality, process, management, organization, marketing or services, and thus increase the overall benefits of the company and enhance the advantage of global competitiveness. To control the development trend and risk of intelligent construction site patents, the company plans to draw up patent development policy and plan and to increase the pace of the establishment of intelligent construction site with short, mid and long term goals. The patent layout will provide legal protection on the fruit of innovation management and create business value.</p> <p>2. Trademark management  The company will conduct reviews and evaluations on internal trademarks on a regular basis and adjust the trademark application and management strategy of the company in compliance with the domestic trademark regulations and operation direction. Meanwhile, the company will also examine the frequency of use and situation of the existing trademarks and adjust the maintenance strategy</p>	None.

Items for Evaluation	Operation status (Note 1)		Discrepancies and reasons
	Yes	No	
			<p>to effectively control the trademark management and maintenance costs.</p> <p>3. Trade secret The internal rules and regulations of the company require all personnel of the company should oblige to the confidentiality obligation on information directly or indirectly learned from performing duties. The competent unit will ensure personnel understands the importance of confidentiality obligation through regular educational trainings.</p> <p>II. Implementation: 1. The summary of the major implementations of intellectual property management of the company is as follows:  <ul style="list-style-type: none"> <li>• Gradually conducts trademark application and maintenance for words and graphics.</li> <li>• Stipulates and promulgates “Rules for Rewarding Innovation proposal” and “Guidelines for Innovation Proposal” to encourage employees’ innovation and research motivation.</li> <li>• Plans to establish a cross-department intellectual property management team to systematically manage the intellectual property rights of the company.</li> <li>• Plans to draft patent development policy and plan to effectively control the development trend and risk of intelligent construction site patents.</li> </ul> <p>2. List of intellectual properties  <ul style="list-style-type: none"> <li>• Trademarks: The company has acquired 8 effective trademarks related to the construction projects.</li> </ul> <p>3. Regular reports  <ul style="list-style-type: none"> <li>• The company reports the implementation to the Board of Directors on a yearly basis.</li> </ul> <p>III. Risk response measures. The company has preliminarily considered the potential intellectual property risks and plans to establish the following response measures, aiming to reduce the losses caused by the intellectual property risk:  <ul style="list-style-type: none"> <li>• Enhance basic acknowledgement and knowledge management</li> <li>• Enhance patent layout</li> <li>• Trademarks monitoring</li> <li>• Firmly implement the intellectual property management system</li> </ul> <p>Please visit the official website: <a href="https://www.bes.com.tw/ir-property.php">https://www.bes.com.tw/ir-property.php</a></p> </p></p></p></p>
<p>XII. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange. The company's seventh (2020) corporate governance evaluation ranking range is 21% to 35%. The Company continues to strengthen the implementation of various measures of corporate governance, review related issues such as the score of corporate governance assessment, and promote corporate governance-related affairs.</p>			

Note1: When selecting “Yes” or “No” for the operations, a description must be provided in the field of “Remarks.”

Note 2: 2021 CPA independence assessment

Item	Evaluation item	Evaluation result	Whether the CPAs are independent
1	Whether the CPAs have direct or material indirect financial interest with the company?	No	Yes
2	Whether the CPAs engage in financing or guarantee activities with the company or with Directors of the company?	No	Yes
3	Whether the CPAs have close business relation or have potential employment relation with the company?	No	Yes
4	Whether the CPAs and their audit team members ever serve as directors, managers, or positions that have significant influence on the audit now or in the past 2 years	No	Yes
5	Whether CPAs are the relatives of the directors, managers or personnel with significant influence on the audit?	No	Yes
6	Whether the CPAs of the company have been certifying the company for more than 7 years?	No	Yes

Note 3: 2021 directors' continuing education

Title	Name	Organizer	Course title	Number of hours	Total hours
Chairperson	Chu, Hwei-Lan	Securities and Futures Institute	13 <sup>th</sup> Taipei Corporate Governance Forum - Morning Session	3	9
		Taiwan Corporate Governance Association	On Ethical Management, Corporate Governance, and Corporate Social Responsibility & Practical Cases and Insider Trading Prevention	3	
		Deloitte Taiwan	Build Enterprises' Sustainable Competitiveness in Response to Climate Change	3	
Director	Chen, Jui-Lung	Taiwan Corporate Governance Association	Status of Information Security and Future Challenges in the Technology Industry	1.5	6
		Taiwan Corporate Governance Association	The General ESG Trend and Corporate Governance 3.0	1.5	
		Taiwan Corporate Governance Association	Global Minimum Tax System	1.5	
		Taiwan Corporate Governance Association	New Thinking on Intellectual Property Management	1.5	
Director	PAI, CHUN-NAN	Taiwan Institute of Directors	Anti-money Laundering and Combating Financing of Terrorism Risk Management and the Principle of Fair Treatment of Consumers	3	9
		Taiwan Institute of Directors	Implementing Sustainable Finance and Moving Toward Green Finance 2.0	3	
		Taiwan Corporate Governance Association	On Ethical Management, Corporate Governance, and Corporate Social Responsibility & Practical Cases and Insider Trading Prevention	3	
Director	CHEN, WEN-KE	Taiwan Corporate Governance Association	On Ethical Management, Corporate Governance, and Corporate Social Responsibility & Practical Cases and Insider Trading Prevention	3	6
		Deloitte Taiwan	Build Enterprises' Sustainable Competitiveness in Response to Climate Change	3	
Director	TSAI, CHAO-LUN	Securities and Futures Institute	13 <sup>th</sup> Taipei Corporate Governance Forum - All Day	6	9
		Taiwan Corporate Governance Association	On Ethical Management, Corporate Governance, and Corporate Social Responsibility & Practical Cases and Insider Trading Prevention	3	

Director	LIU, -HAI	Taiwan Corporate Governance Association	On Ethical Management, Corporate Governance, and Corporate Social Responsibility & Practical Cases and Insider Trading Prevention	3	6
		Deloitte Taiwan	Build Enterprises' Sustainable Competitiveness in Response to Climate Change	3	
Independent director	LU, HAN-YI	Taiwan Corporate Governance Association	On Ethical Management, Corporate Governance, and Corporate Social Responsibility & Practical Cases and Insider Trading Prevention	3	6
		Deloitte Taiwan	Build Enterprises' Sustainable Competitiveness in Response to Climate Change	3	
Independent director	KO, SHU-JEN	Taiwan Corporate Governance Association	On Ethical Management, Corporate Governance, and Corporate Social Responsibility & Practical Cases and Insider Trading Prevention	3	6
		Deloitte Taiwan	Build Enterprises' Sustainable Competitiveness in Response to Climate Change	3	
Independent director	CHANG, FAN	Taiwan Independent Director Association	How Directors Review ESG Sustainability Reports	3	12
		Securities and Futures Institute	13 <sup>th</sup> Taipei Corporate Governance Forum - Afternoon Session	3	
		Taiwan Corporate Governance Association	On Ethical Management, Corporate Governance, and Corporate Social Responsibility & Practical Cases and Insider Trading Prevention	3	
		Deloitte Taiwan	Build Enterprises' Sustainable Competitiveness in Response to Climate Change	3	

(IV) If the Company has set up a Remuneration Committee, shall disclose its composition, responsibilities and operation situations:

1. Member information of the Remunerations Committee

Identity (Note 1)	Qualifications Name	Professional qualifications and experience (Note 2)	Independence (Note 3)	Number of other public offering companies where the member services as a part-time remuneration committee member
Independent director (The convener)	LU, HAN-YI	Please refer to Table 1 on page 33 for information on directors and supervisors (2).	As per the requirements of the listing rules, the Company has obtained a written statement from each independent director, confirming that they and their immediate family members have no direct or indirect personal interests involved in terms of their independence from the Company.	0
Independent director	KO, SHU-JEN	Please refer to Table 1 on page 33 for information on directors and supervisors (2).	As per the requirements of the listing rules, the Company has obtained a written statement from each independent director, confirming that they and their immediate family members have no direct or indirect personal interests involved in terms of their independence from the Company.	0
Others	HUANG, CHAO- SUNG	Once served as the Chairman of the Central News Agency and possessed work experience in business, legal, finance, accounting or corporate business. Currently serving as a visiting professor at the Department of Journalism, Shih Hsin University.	As per the requirements of the listing rules, the Company has obtained a written statement from each committee member, confirming that they and their immediate family members have no direct or indirect personal interests involved in terms of their independence from the Company.	0

Note 1: Please specify in the table the relevant years of service, professional qualifications, experience, and independence of the members of the Remuneration Committee.

Note 2: Professional qualifications and experience: Specify the professional qualifications and experience of individual Remuneration Committee members.

Note 3: Independence: Specify the independence of individual Remuneration Committee members, including but not limited to whether they, their spouses, or relatives within the second degree of kinship serve as directors, supervisors, or employees of the



Company or its affiliates; the number and percentage of the Company's shares held by them, their spouses, or relatives within the second degree of kinship (or by nominee arrangement); whether they serve as directors, supervisors, or employees at a company with a specific relation with the Company (refer to Article 6, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange; the amount of remuneration received by them for providing business, legal, financial, accounting, or other services to the Company or its affiliates in the last two years.

## 2. Information on the Operations Situation of the Remuneration Committee

(1) Members of the Remuneration Committee, a total of 3 persons.

(2) The 4th term of the Committee: From August 12, 2020, to June 22, 2023; the Remuneration Committee has held 7 meetings (A) on 2021; the committee members' titles and attendance are as below:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance (%) (B/A) (Note)	Note
Convener	LU, HAN-YI	7	0	100%	
Committee member	KO, SHU-JEN	7	0	100%	
Committee member	HUANG, CHAO-SUNG	7	0	100%	

Others:

- I. If the Board of Directors declines to adopt or modify recommendation(s) of the Remuneration Committee, the date, period, content of the motion and the results of the resolution of the Board meeting shall be clearly stated; as well as the action(s) taken by the company in response to the recommendation(s) of the Remuneration Committee. (If the remuneration passed by the Board exceeds what the Remuneration Committee has recommended, the circumstances and causes for such difference shall be clearly stated.)
- II. Regarding matters related to the resolution of the Remuneration Committee, if member(s) has opposing or retaining opinion that has been recorded or written statement issued, the date, period, content of the proposal, and all opinions of the members and corresponding actions to these opinions of the Remuneration Committee meeting shall be clearly stated.
- III. The meeting date, term, proposal content, resolution of the Remuneration Committee of the past year, and the company's disposition on the opinions proposed by the Remuneration Committee are as follows:

Remuneration Committee	Proposal content and follow-up disposition	Resolution	The company's disposition on the opinions proposed by the Remuneration Committee
4 <sup>th</sup> term 4 <sup>th</sup> meeting 2021.01.20	Proposal I. Proposed the remuneration for the appointed manager Ma, Chen-Chou at the Strategic Development Office of the Company II. Proposed the remuneration for the appointed managers of CHENG, AN-TZU and other 5 managers of the company III. Proposed the remuneration for the appointed manager WANG, TING-TSE, the deputy manager of the company IV. Reviewed the Company's management performance bonuses for the Chairperson, Chairperson Office Supervisor, Senior Consultant, and Appointed Managers for the year of 2020.	Approved by all of the committee members	Approved by all attending directors.
4 <sup>th</sup> term 5 <sup>th</sup> meeting 2021.03.16	Proposal I. Discussed the Proposal for Distribution of 2020 Employees' and Directors' Remuneration II. Proposed the amendments to the Rules Governing	Approved by all of the committee members	Approved by all attending directors.

	the Appointment and Resignation of the Appointed Managers of the company		
4 <sup>th</sup> term 6 <sup>th</sup> meeting 2021.05.11	Proposal I. Discussed the amendments to the Key Points of Management of Remuneration to Employees II. Proposed the amendment to the Company's management performance bonus payment regulations	Approved by all of the committee members	Approved by all attending directors.
4 <sup>th</sup> term 7 <sup>th</sup> meeting 2021.07.14	Proposal I. Proposed the remuneration for the appointed manager Lin, Hsu-Chuan at the Strategic Development Office of the Company	Approved by all of the committee members	Approved by all attending directors.
4 <sup>th</sup> term 8 <sup>th</sup> meeting 2021.08.10	Proposal I. Proposed the remuneration for the appointed manager Chi, Yun-Chung at the Safety and QC Department the Company II. Proposed the remuneration for the appointed manager Huang, Ting-Chien at the Engineering Department of the Company III. Proposed the remuneration for the appointed manager Wang, Kuo-Hsi at the Procurement and Delivery Department of the Company	Approved by all of the committee members	Approved by all attending directors.
4 <sup>th</sup> term 9 <sup>th</sup> meeting 2021.11.10	Proposal I. Proposed the distribution of directors' remuneration for 2020 II. Proposed the 2020 employees' remuneration to the appointed managers in accordance with the Guidelines Governing Remuneration to Employees. III. Proposed the remuneration for the appointed manager Yen, Hsin-Yin at the Legal Affairs Department of the Company	Approved by all of the committee members	Approved by all attending directors.
4 <sup>th</sup> term 10 <sup>th</sup> meeting 2021.12.28	Proposal I. Proposed the remuneration for the appointed manager Yang, Chia-Chun at the Strategic Development Office of the Company	Approved by all of the committee members	Approved by all attending directors.
4 <sup>th</sup> term 11 <sup>th</sup> meeting 2022.01.20	Proposal I. Reviewed the Company's annual performance bonuses for the Chairperson who serves as the President concurrently, Chairperson Office Supervisor, Senior Consultant, and Appointed Managers for the year of 2021.	Approved by all of the committee members	Approved by all attending directors.
4 <sup>th</sup> term 12 <sup>th</sup> meeting 2022.03.11	Proposal I. Discussed the Proposal for Distribution of 2021 Employees' and Directors' Remuneration II. Adjusted the principles and methods of payment of remuneration for the Company's directors, independent directors, and functional committee members III. Proposed the remuneration for the appointed manager Yang, Chih-Wei at the HR General Affairs Department of the Company IV. Proposed the remuneration for the appointed manager Chang, Ta-Chuan at the Mechanic & Electric Department of the Company V. Proposed the remuneration for the appointed manager Yang, Mei-Yuan at the Engineering Division of the Company VI. Proposed the remuneration for the appointed manager Su, Hui-Chiu at the Oversees Operation Division of the Company		

Note:

- (1) Before the end of the fiscal year, if a member of the Remuneration Committee resigns, the date of resignation, actual attendance rate based on his/her total attendance over the total number of meetings held during his/her incumbency on the Remuneration Committee, shall be clearly stated in the remarks section.
  - (2) Before the end of the fiscal year, if the Remuneration Committee is re-elected, all new and ex-members shall be listed, with remarks to identify each member as ex-, new, or re-elected member. The re-election date shall also be stated. Actual attendance rate (%) is based on the total number of meetings attended over the total number of meetings held during incumbency.
3. Responsibility: all members of the committee shall exercise the due care of a prudent manager, honestly fulfill the duties listed below, and be responsible to the Board of Directors, and submit their recommendations to the Board of Directors for discussion:
- (1) Establish and periodically review the policy, system, standard, and structure for the performance evaluation and remuneration of directors and managers.
  - (2) Periodically review and establish remuneration to directors and managers.

(V) Discrepancy between the implementation of sustainable development and the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor :

Items for evaluation	Operations Situation (note 1):			Discrepancy between the Code of Practice for Corporate Social Responsibility of Listed Company and actual implementation, and the reasons.
	Yes	No	Brief summary	
I. Has the company established a sustainable development governance structure and exclusively (or concurrently) dedicated units to implement sustainable development, and has the board of directors authorized the senior management to handle it, and the board supervised the process?	V		The Company's Chief Director's Office is concurrently responsible for the preparation and compilation of sustainability reports.	None
II. Does the company conduct the risk evaluation of the environmental, social and governance issues pertinent to the Company's operation based on the principle of materiality, and establishes the related risk management policies or strategies? (Note 2)	V		(I) The Company's risk management policy and procedure have been approved by the Board of directors of the 26th term in the 4th meeting. Risks are defined in accordance with our overall operational principles, and the policy and procedure establishes a risk management mechanism that can have the feature of early risk identification, precise risk evaluation, effective monitoring, and strict control. The Company prevents any possible losses within the affordable risk scope, continues to adjust and improve the best practice of risk management in response to the domestic and overseas changes, protects the interests of employees, directors, customers, and stakeholders, increases the value of the Company, and achieve the principle of optimized resource allocation. Please	None

Items for evaluation	Operations Situation (note 1):			Discrepancy between the Code of Practice for Corporate Social Responsibility of Listed Company and actual implementation, and the reasons.
	Yes	No	Brief summary	
			<p>visit the official website: <a href="https://www.bes.com.tw/ir-governance.php">https://www.bes.com.tw/ir-governance.php</a> for our risk management policy and procedure.</p> <p>(II) The Company has conducted risk assessment of the environmental, social, and corporate governance issues that are related to our operations based on the principle of materiality. Please visit the official website: <a href="https://www.bes.com.tw/ir-governance.php">https://www.bes.com.tw/ir-governance.php</a> for the operations of our risk management team).</p>	
<p>III. Environmental Issues</p> <p>(I) Does the Company establish a suitable environmental management system based on the characteristics of the industry where it is?</p>	V		<ol style="list-style-type: none"> <li>1. The Company belongs to the construction industry and has established the safety, health, and environment policies including: “caring lives, ensuring safety, constructing environmentally, and protecting environment;” as well as the objectives of safety, health, and environment: “Zero occupation incidents and zero environmental pollution.” These are signed by the Chairman to implement the establishment of policy objectives and the guidelines of management of materials.</li> <li>2. For each construction contracted to the Company, the environmental protection plan is established by the construction environment and characteristics at the beginning of the construction, as the basis of implementation for environmental protection, environmental monitoring and energy-saving and carbon reducing.</li> <li>3. The Company has established the Office of Safety and Health Quality</li> </ol>	None

Items for evaluation	Operations Situation (note 1):			Discrepancy between the Code of Practice for Corporate Social Responsibility of Listed Company and actual implementation, and the reasons.
	Yes	No	Brief summary	
			<p>Management Department in the headquarter, to coordinate the promotion of each environmental protection measures. At each site, the dedicated personnel for safety, health, and environment are also established to promote and implement related affairs of the environmental protection plan. In addition, the company also stipulates “ Regulations Governing the Promotion on 6S Safety, Health and Environment Cleaning and Rectification” to promote the environmental cleaning project: “Safe, Clean, Rectified, Sweeping, Clearing, and Habit.” We raise employees’ awareness of the importance of construction safety and regularly record the inspection results. Please refer to the official website:  <a href="https://www.bes.com.tw/ir-csr.php">https://www.bes.com.tw/ir-csr.php</a></p> <p>4. We also converted OHSAS18001 to ISO45001 and CNS45001 in accordance with relevant regulations in 2019 and passed the certification and obtained a certificate in May 2021, making our engineering safety, health, and environmental management more organized, systematic, and institutionalized. We make good use of the plan-do-check-act (PDCA) management model step to include safety, health, and environmental protection management as a part of construction management, thereby continuously improving safety and health in the workplace and reducing environmental pollution.</p>	
(II) Does the company strive to enhance the resource utilization	V		To enhance the resource utilization efficiency, we have formulated the “Guidelines for Management of Domestic Materials” and the “Operating	None

Items for evaluation	Operations Situation (note 1):			Discrepancy between the Code of Practice for Corporate Social Responsibility of Listed Company and actual implementation, and the reasons.						
	Yes	No	Brief summary							
efficiency and use the recycled materials with low environmental impact?			Manual for Material Management in Engineering Office,” as the basis of procurement, allotment, and treatment of idle and waste of materials. Not only the effective management and utilization of each material, the offcuts, such as waste steel are recycled regularly. The proceedings from recycling, based on the previous mentioned guidelines, are contributed partly as the welfare of employees, for the purpose of enhancing the resource utilization efficiency and rewarding employees’ environmental protection efforts.							
(III) Has the Company evaluated the current and potential risks and opportunities in the future of the climate changes, and take responding measures to the issues of climate change?	V		<table border="1"> <thead> <tr> <th>Risk (potential financial impact)</th> <th>Opportunity (potential financial impact)</th> <th>Countermeasures</th> </tr> </thead> <tbody> <tr> <td>Rising temperatures (increase in electricity consumption, costs, and carbon emissions).</td> <td>Promote energy conservation and carbon reduction and reduce costs.</td> <td>The headquarters and the construction sites carry out energy conservation and carbon reduction measures. Please visit the official website <a href="https://www.bes.com.tw/ir-csr.php">https://www.bes.com.tw/ir-csr.php</a> for BES 2020 Sustainability Report and our energy management efforts.</td> </tr> </tbody> </table>	Risk (potential financial impact)	Opportunity (potential financial impact)	Countermeasures	Rising temperatures (increase in electricity consumption, costs, and carbon emissions).	Promote energy conservation and carbon reduction and reduce costs.	The headquarters and the construction sites carry out energy conservation and carbon reduction measures. Please visit the official website <a href="https://www.bes.com.tw/ir-csr.php">https://www.bes.com.tw/ir-csr.php</a> for BES 2020 Sustainability Report and our energy management efforts.	None
			Risk (potential financial impact)	Opportunity (potential financial impact)	Countermeasures					
Rising temperatures (increase in electricity consumption, costs, and carbon emissions).	Promote energy conservation and carbon reduction and reduce costs.	The headquarters and the construction sites carry out energy conservation and carbon reduction measures. Please visit the official website <a href="https://www.bes.com.tw/ir-csr.php">https://www.bes.com.tw/ir-csr.php</a> for BES 2020 Sustainability Report and our energy management efforts.								

Items for evaluation	Operations Situation (note 1):			Discrepancy between the Code of Practice for Corporate Social Responsibility of Listed Company and actual implementation, and the reasons.
	Yes	No	Brief summary	
			<p>The impact of the Company's image.</p> <p>Improve investors' long-term investment willingness, take green buildings as the goal, and strive for green building labels in the future.</p> <p>We adopt the silver level or above of green building labels for our various urban renewal projects as our design and construction goals, such as</p> <ol style="list-style-type: none"> <li>1. The Asia-Pacific joint construction project Agora Garden has been awarded the Green Building Candidate Certificate - Gold by the Ministry of the Interior.</li> <li>2. The Chang Cui and the Yun Cui projects were awarded the Green Building Candidate Certificate - Silver by the Ministry of the Interior.</li> <li>3. The Shulin Arts Center has been awarded the Green Building Label - Silver by the Ministry of the Interior.</li> <li>4. In addition, the civil engineering project in progress (Tatan Power Plant) was also awarded the 2019 Green and Eco-Friendly Construction Site by the business owner.</li> </ol>	
(IV) Does the Company have the statistics regarding the greenhouse gas emission, water usage, and the total weight of the waste for the	V		The Company has also established the "How a Site may Lower costs from Energy Saving and Carbon Reducing and Concrete Conducts by the Engineering Offices" such as reducing the volume of wastes, reducing carbon from the power consumed by construction, reducing carbon from	None



Items for evaluation	Operations Situation (note 1):			Discrepancy between the Code of Practice for Corporate Social Responsibility of Listed Company and actual implementation, and the reasons.
	Yes	No	Brief summary	
past two years and established the management policies for energy-saving, greenhouse gas reduction, water and other waste reduction?			the water consumed by construction and preventing pollutions, preventing of air pollutions and preventing of noise pollutions. We are committed to encouraging various engineering offices to work together to reduce water, electricity, and oil consumption, thereby jointly contributing to the slowdown of global warming, energy conservation, and carbon reduction. Please refer to Note 4 for the amounts of three-year carbon emissions and water and power emissions. Please also visit the official website <a href="https://www.bes.com.tw/ir-csr.php">https://www.bes.com.tw/ir-csr.php</a> for our energy management efforts.	
<p>IV. Social Issues</p> <p>(I) Has the Company complied with relevant laws and regulations, and the International Bill of Human Rights, to establish the related management policies and procedures?</p>	V		<p>(I) The Company is a publicly listed Company and the management systems all comply with the Labor Standard Acts and related laws and regulations. Be they domestic or foreign workers are managed according to the management systems.</p> <ol style="list-style-type: none"> <li>1. We abide by local labor laws and regulations and strive to improve working environment continuously to promote the physical and mental health and safety of employees.</li> <li>2. We follow the principles of human rights standards adopted internationally to protect the human rights of our employees.</li> <li>3. We establish a diversified and inclusive working environment, and no discrimination is allowed due to gender, sexual orientation, marriage status, race, nationality, religion, political party, social and economic status, age, family status, appearance, or disability.</li> </ol>	None

Items for evaluation	Operations Situation (note 1):			Discrepancy between the Code of Practice for Corporate Social Responsibility of Listed Company and actual implementation, and the reasons.
	Yes	No	Brief summary	
			<p>4. We respect the human rights of foreign workers, provide a working environment that is inclusive to different religions and customs, and hire human resources agencies that treat foreign workers fairly.</p> <p>In addition, the Chairperson of the Company has signed the human rights policy and published it on the official website:  <a href="https://www.bes.com.tw/ir-governance.php">https://www.bes.com.tw/ir-governance.php</a> (BES Human Rights Policy).</p>	
(II) Has the Company established a grievance mechanism and channels and dealt with the grievance properly?	V		(II) The principle of overall remuneration of employees is to balance internal fairness and external competitiveness, including fixed and floating remuneration, and bonuses from operation performance are distributed timely to employees to attract, encourage and keep the talents. In accordance with the Articles of Incorporation, no lower than 2% of the current profit before tax before deducting the employees' compensation and remuneration of directors and supervisors should be distributed to the total amount of employee remuneration. Personal remuneration of employees is distributed based on their duties and professionalism, and the bonus and employee remuneration are rewarded based on the comprehensive work performance and contribution.	None

Items for evaluation	Operations Situation (note 1):			Discrepancy between the Code of Practice for Corporate Social Responsibility of Listed Company and actual implementation, and the reasons.
	Yes	No	Brief summary	
(III)Has the Company provided a safe and healthful work environments for their employees, and organize training on safety and health for their employees on a regular basis?	V		(III) The Chairman and all managers have accommodated the competent authorities to swear in the National Safety and Health Week, to care about the mental and physical health of the employees. All engineering offices conduct six-hour health and safety training to new employees to enhance their awareness of hazards. In addition, to participate in the national occupational safety week event, the company drafts the promotion project, implements disaster prevention promotion, consultation, and educational training, and expands the scope in order to improve the knowledge and skills of occupational disaster prevention for workers and students. Employees are the intangible assets of the company, and only a healthy mentality and body can drive them forward. As such, the company holds employee health examination on a yearly basis. Through the regular employee health examination, health management, continuing to improve and create a healthy working environment, the company manages and promote the mental and physical health of employees while preventing them from occupational injuries. (The company has acquired ISO9001, 14001, 45001, and CNS45001, TOSHMS certification)	None
(IV)Has the Company created an environment conducive to the development of their employees' careers and establish effective training	V		(IV) Each year the Company establishes the educational training program, and cultivate employees based on the strategic development of the Company. For the result of educational training, please visit the official website: <a href="https://www.bes.com.tw/ir-csr.php">https://www.bes.com.tw/ir-csr.php</a>	None

Items for evaluation	Operations Situation (note 1):			Discrepancy between the Code of Practice for Corporate Social Responsibility of Listed Company and actual implementation, and the reasons.
	Yes	No	Brief summary	
programs to foster career skills?			(Sustainability Reports)	
(V) For the customer health and safety, clients' privacy, marketing and labeling of the products and services, has the company complied with the related laws and regulations and the international standards, and established the policies and complaint procedures to protect consumers' or customers' interests?	V		(V) The Company operates in the construction industry, and all the contracted works are implemented pursuant to the clients' working specifications and national standards. In recent years, to build quality and safe residencies, the self-construction projects of the Company have been implemented in a rigorous and transparent manner, while actively providing the quality certificates of the construction materials to meet the requirements of tenants regarding the working quality. Apart from signing contracts with customers for warranty services to protect customer interests, the procurement contract also specifies that suppliers and their sub-contractors will not be liable for punishment if they voluntarily report and appeal the situation of being coerced, solicited for bribes, intimidated, harmed or facing other abnormal circumstances; The Audit Office of the company is the window for receiving reports and appeals. The email address is: report@bes.com.tw; Phone: (02)8787-7735、(02)8787-6522; Fax number: (02) 8787-6250	None
(V) Has the company disclosed its established supplier management	V		As per the Company's vendors safety, health, and environmental protection management guidelines,	None

Items for evaluation	Operations Situation (note 1):			Discrepancy between the Code of Practice for Corporate Social Responsibility of Listed Company and actual implementation, and the reasons.
	Yes	No	Brief summary	
<p>policies, to require suppliers to comply with the related regulations in the regards of environment, occupational safety and health, and human rights of labors, and specified the implementation?</p>			<ol style="list-style-type: none"> <li>1. The Company’s onsite manager invites all representatives of the vendors and their supervisors onsite to visit the site, and inform them regarding their contracted works and scopes, features of the working environment, potential hazardous factors to health, safety, and environmental pollution, the measures required to prevent occupational disasters, public nuisances and pollution, pursuant to the health, safety, and environmental protection-related laws and regulations. Vendors are required to sign the “Promissory Note for the Requirements of Health, Safety, and Environmental Protection by Vendors of BES Engineering Corporation” to manage our vendors.</li> <li>2. Our vendors shall formulate appropriate code of practice for labor safety and health according to the nature of work and the environment and shall comply with the regulations.</li> </ol>	
<p>V. Does the company prepare the non-financial information reports such as the Sustainability Report, by referring the international recognized standards or guidelines of report preparation? Has the above-mentioned reports received any assurance from a third party certifying institution?</p>		V	<p>The Company’s 2020 sustainability report is prepared with reference to the GRI standards, but without assurance from a third party certifying institution.</p>	<p>We will engage a third party to provide assurance in 2022.</p>
<p>VI. If the company has its own Sustainable Development Best Practice Principles in place in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please specify the difference between its operations and these principles: The Company proceeds as per the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p>				

Items for evaluation	Operations Situation (note 1):			Discrepancy between the Code of Practice for Corporate Social Responsibility of Listed Company and actual implementation, and the reasons.
	Yes	No	Brief summary	
VII. Other important information to facilitate better understanding of the Company's promotion of sustainable development: The Company gives back to the neighborhood and society and continues to maintain good relationship with the neighborhood, such as sponsoring the neighborhood events in three major holidays and the engineering offices sponsoring the scholarship of junior high schools and elementary schools around the construction areas. Please visit the official website: <a href="https://www.bes.com.tw/ir-governance.php">https://www.bes.com.tw/ir-governance.php</a> for the Company's specific actions for charity.				

Note 1: If you checked "Yes" for the implementation status, please specify your important policies, strategies, measures, and implementation situation; if you checked "No" in the implementation status, please specify the discrepancies and reasons in the column of "Discrepancy between the implementation of sustainable development and the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor", and describe relevant policies, strategies, and measures you will adopt in the future.

Note 2: The principle of materiality refers to the ESG issues that significantly affects the investors and other stakeholders of the company.

Note 3: Please refer to the Best Practice Principles on the website of the Corporate Governance Center of the Taiwan Stock Exchange for the disclosure methods.

Note 4: Carbon emissions and water and power emissions over the past three years

	Total carbon emissions per unit project cost (ton-CO2e/million NTD)	Water (kgCO2e)	Power (kgCO2e)
Year 2020	0.2248	214715.9	2281697.428
Year 2019	0.1926	17269.02	1833748.46
Year 2018	0.2115	2497.13	1711768.7

(VI) Fulfillment of Ethical Corporate Management and Measures Taken

Deviation between the implementation ethical management and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons

Assessed Items	Operations Situation (note 1):			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary	
I. Establishment of the Ethical Corporate Management Policy and Program				
(I) Has the Company established the policies and measures of the ethical corporate management in the charter or external documents, and the commitment of the Board of Directors and management to actively implement such policies?	V		(I) The Company has formulated the Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct to specify the matters to be noted for directors, managers, and all employees when performing their duties. They shall actively implement and follow the ethical management policy.	None
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establishes prevention programs accordingly, at least include preventive measures against the behaviors specified in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?”	V		(II) The company has established risk evaluation mechanism for unethical conducts to analyze and evaluate operating activities with higher unethical conducts risks within the business scope on a regular basis, and thus stipulate prevention plans and regularly review the appropriateness and effectiveness of the prevention plans. The prevention measures against the following conducts are included in the prevention plan: I. Bribery II. Providing illegal political donations. III. Improper charity donation expense or	None

Assessed Items	Operations Situation (note 1):			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary	
(III)Has the Company established the programs to forestall unethical conduct, including operational procedures, guidelines, penalties and complain filing in the program, and implemented the program, and review and amend the mentioned programs regularly?	V		<p>sponsors</p> <p>IV. Providing or accepting inappropriate gifts, hospitalities, or other tangible or intangible improper interests.</p> <p>V. Substantial controller infringes trade secret, trademark, patent, copyright, and other intellectual property rights.</p> <p>VI. Engaging in unfair competition activities. Other than the “Conduct Code for All Employees of BES”, and the “Guidelines for Rewards and Penalties for Employees” to avoid unethical behavior of the employees, in the “Guidelines of Whistle-blowing of BES Engineering Corporation”, the penalties for unlawful benefits obtained though unethical behavior and the channels for whistle-blowing are listed.</p> <p>(III) The company has stipulated operation procedures, guidelines, disciplines for violations, and appeal system for the prevention of unethical conducts and instructed all responsible units to firmly implement the measures. The implementation and improvement plans are reviewed annually.</p>	None
II. Implementation of Ethical Corporate Management				



Assessed Items	Operations Situation (note 1):			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary	
(I) Has the Company assessed the ethical conducts records of the business partners, and specified the ethical conduct clauses in the contracts entered with the counterparties?	V		(I) When outsourcing the procurement, the Company checks the records of all bidders for debarment. The bidders are also required the certificate of tax payment. And onsite inspections are conducted from time to time. The “Key Points of Appraisal, Penalties and Rewards of Vendors” are in place; the criteria of appraisal covers progress, management, finance, management, occupational safety, and reputation and ethics, for appraising vendors regularly. The purpose is to prevent the transaction with vendors who have unethical records. In the procurement tender document and contract, the following clauses are specified: the vendors are prohibited to give the Company’s personnel any improper interest such as contracts, bribes, commissions, or rebates. Shall there be any violation, in addition to the legal liability, the Company may terminate or cancel the contract, or deduct the premium and interest from the price. In case of being coerced, demanded for bribes, intimidation, and etc., a proactively report or appeal to the company will save the whistle blower from penalties... the complaint channels (phone, fax and e-mailbox of the Audit Office) are provided.	None

Assessed Items	Operations Situation (note 1):			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary	
(II) Has the Company established a dedicated unit of ethical management that is under the board of directors and report to the board of directors on a regular basis (at least once a year) of the ethical management policies, prevention measures against unethical behaviors and the status of oversight and implementation?	V		(II) The company has established an Ethical Corporate Management Team, who reports the implementation to the Board of Directors on a regular basis.	None
(III) Has the Company established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(III) The Company’s official website, procurement tender documents, and contract terms have all specified the complaint channels (phone, fax and e-mailbox of the Audit Office). Posters for the complaints channel are also posted at the all Engineering Offices. The company also stipulated “Guidelines of Whistle-blowing of BES Engineering Corporation,” “Ethical Corporate Management Best Practice Principles,” and “BES Procedures for Ethical Management and Guidelines for Conduct” to implement the ethical operation policy and prevent fraud actions.	None
(IV) To implement the ethical management, has the Company established effective accounting and internal control system, and prepare the related audit program by the internal audit unit based on the evaluation results of the unethical risk, as the basis to audit the compliance of the	V		(IV) The Company has the “Management Guidelines for Self-Assessment of Internal Control System,” and the IFRSs have been introduced to officially enforced. The related accounting operations are based on various accounting standards of the Company as well as the certification of CPA’s	None

Assessed Items	Operations Situation (note 1):			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary	
<p>prevention measures against unethical behaviors, or delegate accountants to audit?</p> <p>(V) Has the Company provided internal and external ethical conduct training programs on a regular basis?</p>	V		<p>audits to the financial statements. The Audit Office presents the annual audit plan every year in accordance with relevant laws and regulations, and carry out the audits to various business activities based on the plan. In addition, it will also conduct project audits for each engineering office, special management matters, or complaint cases from time to time. The audit results and recommendations are made as the audit reports for management's reference.</p> <p>(V) The Company holds education and training on a regular basis to raise employees' awareness of the principles of ethical corporate management. Please visit the official website <a href="https://www.bes.com.tw/ir-governance.php">https://www.bes.com.tw/ir-governance.php</a> for the implementation of ethical corporate management.</p>	None
<p>III. Operations of the Whistle-Blowing System</p> <p>(I) Has the Company established any concrete whistle-blowing and incentive system, with a convenient whistle-blowing channel and assigned proper dedicated persons to the whistle blown objects?</p>	V		<p>(I) The Company has the "Regulations of Whistleblowing of BES Engineering Corporation," in the procurement tender documents and contract terms have all specified the penalties of unethical conducts, as well as the complaint channels (phone, fax and e-mailbox of the Audit Office). When the Audit Office receives complaints or appeals,</p>	None

Assessed Items	Operations Situation (note 1):			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary	
(II) Has the Company established the investigation standards, the follow-up measure to be taken after the investigation, and confidentiality mechanism for the whistle-blowing cases?	V		the investigation will be carried out as a project. Should the complaint found to be true, the disciplinary action will be taken based on the “Guidelines for Rewards and Penalties for Employees.” The outcome will be announced to all the employees as an alert. (II) The Company has the SOPs for the investigation of complaints and related confidentiality mechanism in place. All the whistle blowers are protected.	None
(III) Has the Company taken measures to prevent the whistle-blower from ill treatment due to the whistle-blowing?	V		(III) The Company always treats the information of whistle-blowers as confidential.	None
IV. Enhancing Disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and MOPS?	V		We have passed the Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct and formed an ethical corporate management team to report on the implementation of ethical corporate management and disclose relevant results on the Company's website. Please visit: <a href="https://www.bes.com.tw/ir-governance.php">https://www.bes.com.tw/ir-governance.php</a> for the implementation of ethical corporate management.	None
V. If the company has established its ethical management codes of practice according to “Ethical Corporate Management Best Practice				

Assessed Items	Operations Situation (note 1):		Summary	Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No		
Principles for TWSE/GTSM Listed Companies,” please describe the operating status and differences: no material difference: The company stipulated the “Ethical Corporate Management Best Practice Principles” and “BES Procedures for Ethical Management and Guidelines for Conduct” in 2020, and the management follows these regulations.				
VI. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices: None				

Note 1: Regardless of whether the operation status is checked "Yes" or "No", it should be stated in the summary description column.

- (VII) Should there be any principle of corporate governance and related regulations established by the Company, the inquiry means shall be disclosed. Please visit the official website: (<https://www.bes.com.tw/ir-governance.php>)
- (VIII) Other information to further the understanding of the corporate governance may be disclosed altogether: The Company's Tucheng AI Park and 5G smart audio-visual real-time decision-making management system won the (9th) 2022 Smart City Innovative Applications Awards in the category of enterprises and institutions.
- (IX) Execution of Internal Control System
1. Statement of the Internal Control System

## **BES ENGINEERING CORPORATION**

### Statement of the Internal Control System

Date: March 15, 2022

For the Internal Control System of 2021, the Company states the following, on the basis of self-inspection:

- I. The Company clearly acknowledges that establishing, implementing, and maintaining the internal control system, are the responsibilities of the Board and managers. The Company has already established the system. The objectives are to reasonably assure the effects and efficiency of operations (including the profits, performance, and protection to the asset securities); the reliability, timeliness, and transparency of the reports; and the achievement of the compliance with the related laws and regulations.
- II. The internal control system has its own inherent limitations. No matter how perfect it is designed, the effective internal control system may only reasonably assure the achievements of the three abovementioned objectives; also, the effectiveness of the internal control system is subjected to the changes of environments and circumstances. However, the internal control system has set up a self-monitoring mechanism. Once a defect is identified, the correction will be taken immediately.
- III. The Company applies the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as the “Regulations”) to determine the effectiveness of the design and executions of the internal control system. The Regulations divide the internal control system based on the process of the managerial control as five constituent elements: 1. Control environment; 2. Risk assessment; 3. Control activities; 4. Information and communications; and 5. Monitoring activities. Each constituent element has several items. For the further descriptions please refer to the “Regulations.” For the abovementioned items, please refer to the “Regulations.”
- IV. The Company has applied the five constituent elements to assess the effectiveness of the design and executions of the internal control system
- V. Based on the outcomes of the abovementioned assessment, it is believed that up to December 31, 2021, in the regard of the internal control system (including the supervision and management to the subsidiaries), including the understanding of the effects and efficiency of operations; the reliability, timeliness, and transparency of the reports; and the achievement of the compliance with the related laws and regulations, the design and executions are effective, and able to reasonably assure the achievement of the said objectives.
- VI. The Statement is an integral part of the Annual Report and the Public Statement, and is disclosed to the public. Shall there be any false or concealing, the Company will be held legally responsible according to Article 20, 32, 171, and 174 of the Securities Exchange Act.
- VII. This statement was approved by the board of directors of the Company on March 15, 2022. Among the 9 directors, no one disagreed. The rest agreed with the contents of this statement and made a statement. The Statement has been passed by the Board’s meeting on March 15, 2022. All the nine attending directors unanimously gave their consents to the Statement without dissent, and declared the same.

BES ENGINEERING CORPORATION

Chairman: Chu Hui-Lan  
General Manger: Chu Hui-Lan



2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: none

(X) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: none

(XI) Key resolutions of the Board of Directors and Shareholders Meeting during the most recent fiscal year up to the date of publication of the annual report

Key resolutions of the Board of Directors and Shareholders Meeting for 2021

Date	Type of Meeting	Key Resolutions
2021.01.22	26-5 Board of Directors	1. Approved the Company's management performance bonus for the Chairperson, Chairperson Office Supervisor, Senior Consultant, and Appointed Managers for the year of 2020.
2021.03.17	26-6 Board of Directors	1. Passed the Proposal for Distribution of 2020 Employees' and Directors' Remuneration 2. Passed the 2020 Parent Company Only Financial Report. 3. Passed the Proposal for 2020 Earnings Distribution. 4. Passed the 2020 Business Report and the Consolidated Financial Report. 5. Passed to present the 2020 Statement of Internal Control System. 6. Passed to draft the date, time, venue, agenda, and major proposal for the 2021 AGM. 7. Passed the donation of NT\$4 million to Sheen Chuen-Chi Cultural & Educational Foundation. 8. Through the company's reference to the company's "Tucheng Peipi Section Lot No. 106 and 106-2" and other 2 land parcels in the form of self-development continued operation cases.
2021.05.12	26-7 Board of Directors	Passed the 2021 Q1 Consolidated Financial Report.
2021.06.10	26-8 Board of Directors	1. The amount of USD 1.05 million with BES Engineering Vietnam Co., Ltd. through the company's capital loan. 2. Through the company's capital increase of US\$27 million in

Date	Type of Meeting	Key Resolutions
		<p>Hong Kong BES Investment Company Ltd., the capital of the Vietnamese subsidiary will be increased by US\$25 million, and the remaining US\$2 million will be used for the daily operation and future business development of the Hong Kong company.</p> <p>3. Through our company, we donated NT\$5 million to Taipei City Government and NT\$5 million to New Taipei City Government due to the severe COVID-19 epidemic in Taipei City and New Taipei City.</p>
2021.07.15	26-9 Board of Directors	Approved the postponement of the 2021 annual general meeting and the decision on the new date, time, and place of the 2021 general meeting.
2021.08.04	Shareholders' Meeting	Ratified the 2020 Business Report, the Consolidated Financial Report, and the Proposal of Earnings Distribution.
2021.08.11	26-10 Board of Directors	<ol style="list-style-type: none"> <li>1. Passed the proposal for the Company's ex-dividend base date and 2021 cash dividends payout date.</li> <li>2. Passed the 2021 Q1 and Q2 Consolidated Financial Reports.</li> </ol>
2021.11.12	26-11 Board of Directors	<ol style="list-style-type: none"> <li>1. Passed the 2021 Q1-Q3 Consolidated Financial Reports.</li> <li>2. Passed the Directors' remuneration.</li> <li>3. Passed the proposal for retirement of the Company's internal chief auditor to be ratified.</li> </ol>
2021.12.13	26-12 Board of Directors	<ol style="list-style-type: none"> <li>1. Passed the acquisition of the equity of Fu An Real Estate Co., Ltd. by the Vietnamese subsidiary, BES Engineering Vietnam Company.</li> <li>2. Passed the proposal for Chairperson Chu, Hui-Lan to be hired as the CEO concurrently.</li> </ol>
2021.12.17	26-13 Board of Directors	Passed the proposal to participate in the 2021 cash capital increase conducted by China Petrochemical Development Corporation with an amount of not more than NT\$1.6 billion.
2021.12.29	26-14 Board of Directors	<ol style="list-style-type: none"> <li>1. Passed the Description of the Business Plan and Operating Budgets for 2022.</li> <li>2. Passed the proposal for 2021 assessment of the independence of the hired CPA.</li> <li>3. Passed the 2022 Annual Audit Plan.</li> <li>4. Passed the proposal to donate NT\$20 million to Sheen Chuen-Chi Cultural &amp; Educational Foundation.</li> <li>5. Passed the record date for the short-form merger of the Company's subsidiary, BES Machinery Co., Ltd.</li> <li>6. General acceptance of the branch company name change case of Minxiong Branch of BES Machinery Co., Ltd. through merger.</li> <li>7. Approved the construction budget adjustment for the new construction of Agora Garden.</li> </ol>
2022.1.21	26-15 Board of	Approved the Company's management performance bonus for the Chairperson, Senior Consultant, and Appointed Managers for



Date	Type of Meeting	Key Resolutions
	Directors	the year of 2021.
2022. 3.15	26-16 Board of Directors	<ol style="list-style-type: none"> <li>1. Passed the Proposal for Distribution of 2021 Employees' and Directors' Remuneration.</li> <li>2. Passed the 2021 Parent Company Only Financial Report.</li> <li>3. Passed the Proposal for 2021 Earnings Distribution.</li> <li>4. Passed the 2021 Business Report and the 2021 Consolidated Financial Report.</li> <li>5. Passed to present the 2022 Statement on Internal Control System.</li> <li>6. Passed to draft the date, time, venue, agenda, and major proposal for the 2022 annual general meeting.</li> <li>7. Amend the provisions of the section "Processing Procedures for Acquiring or Disposing of Assets".</li> </ol>

(XII) Where, during the most recent fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration: None

The directors, independent directors, or supervisors has no dissenting or reserved opinions toward the passage of the key resolutions.

(XIII) During the most recent fiscal year up to the date of publication of the annual report, a summary of resignations and dismissals of the company's chairman, general manager, principal accounting officer, principal financial officer, internal chief auditor, and principal research and development officer:

Title	Name	Date of Assuming of Duties	Date of Discharge	Reason of Resignation or Discharge
Internal Chief Auditor	CHUNG, YUN-KUANG	2018.8.9	2021.10.22	Retired

(XIV) Review of the Implementation of the resolutions by the 2021 annual general meeting:

1. Ratified the 2020 business report and the financial statements

Status of Implementation: resolved to pass

2. Ratified the Proposal for 2020 Earnings Distribution.

Status of Implementation: resolved to pass

The record date of distribution was set on September 28, 2021; the payout date on October 22, 2021 (cash dividends NT\$0.233 per share).

## V. Information of CPA's Service Fee

### Information of CPA's Service Fee

Table I

Unit: Thousand NT\$

Name of the Accounting Firm	Name of CPAs	Period of Audit	Service Fee of Audit	Non-Audit Service Fee	Total	Remarks
Deloitte Taiwan	Tung-Feng Lee	Full Year of 2021	7,650	1,900	9,550	Annual report review fee of NT\$200,000, professional advisory services of NT\$600,000, tax audit of NT\$1,070,000, and financial statements for bidding of NT\$30,000.
	Yao-Lin Huang					

Please specify the non-audit services (such as tax audit, assurance, or other financial advisory services):

Note: If the Company changed the CPAs or the accounting firms during the year, the audit period shall be separately listed and describe the reasons of change in the remarks. The paid service fees for audit and non-audit items shall be disclosed in order. Non-audit fees and the content thereof shall be specified.

- (I) When the securities firm changes its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount of the audit fees before and after the change and the reason shall be disclosed:  
N/A
- (II) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10 percent or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: N/A

## VI. Information about Changing CPA

### Information about Changing CPA

(I) 2020: Due to the rotation of the CPAs, Yang, Ching-Cheng was replaced by Mr. Huang, Yao-Lin

#### 1. Regarding the Previous CPA

Date of Replacement	March, 2020		
Reason of Change and description	Due to the allocations and arrangement of internal works in Deloitte Taiwan, the previous CPA, Mr. Ching-Cheng Yang was replaced by Mr. Yao-Lin Huang..		
Describe whether the Principal terminates the delegation, or the CPA rejects the delegation.	Involved Parties	CPA	Principal
	Circumstances		
	Terminate the delegation	N/A	N/A
	Reject the further delegation	N/A	N/A
Any audit report other than unqualified opinions in the recent two years and the reasons	None		
Any opinion other than the issuer's	Yes		Disclosure of the accounting principles or practical financial reports
			Scope of audit or steps
			Others
	None	<input checked="" type="checkbox"/>	
		Description	
Other Disclosure (The matters to be disclosed specified from Subparagraph 1-4 to 1-7, Paragraph 6 of Article 10.	None		

#### 2. Regarding successor CPA

Name of the Firm	Deloitte Taiwan
Name of CPA	Huang, Yao-Lin
Date of Delegation	March, 2020
Prior to the formal engagement, the consultations and the consultation results regarding the accounting treatment or application of accounting principles to a specific transaction, or the type of audit opinion that might be rendered on the financial report	N/A
The written comments disagreeing with the previous CPAs by the successor CPA	N/A

3. The reply from the previous CPAs in Sub-paragraph 1, and Sub-paragraph 2-3, Paragraph 6 of Article 10.

The replacement of the Company's CPA is due to the internal rotation and arrangement of Deloitte Taiwan, hence not applicable.

(II) 2021: N/A.

**VII. Where the company's chairman, general manager or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None**

**VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.**

Changes of Equity Interests of Directors, Supervisors, Managerial Officers,  
and Major Shareholders

Title (Note 1)	Name	Year 2021		The year up to April 2	
		Increased (decreased ) shares held	Increased (decreased ) shares pledged	Increased (decreased ) shares held	Increased (decreased ) shares pledged
Chairman	Yang Jen Industrial Co., Ltd	0	0	0	0
	Representative: CHU, HUI-LAN	0	0	0	0
Director	China Petrochemical Development Corporation	0	0	0	0
	Representative: CHEN RUI-LONG	0	0	0	0
Director	Formostar Factory Co., Ltd.	0	0	-36,000	0
	Representative: TSAI, CHAO-LUN	0	0	0	0
Director	Tianjing Investment Co., Ltd.	0	0	0	0
	Representative: CHEN, WEN-KE	0	0	0	0
Director	Tianjing Investment Co., Ltd.	0	0	0	0
	Representative: BAI JUN-NAN	0	0	0	0
Director	Changli Co., Ltd.	0	0	0	0
	Representative: LIOU, LIANG -HAI	0	0	0	0
Independent director	LU, HAN-YI	0	0	0	0
Independent director	KO, SHU-JEN	0	0	0	0
Independent director	CHANG, FAN	0	0	0	0
(Agent)General manager	CHU, HUI-LAN	0	0	0	0
Deputy General Manager	YANG, MEI-YUAN	0	0	0	0
Deputy General Manager	WANG, TING-TSE	0	0	0	0
Associate manager	LIAO, SHU-LIANG	0	0	0	0

Title (Note 1)	Name	Year 2021		The year up to April 2	
		Increased (decreased ) shares held	Increased (decreased ) shares pledged	Increased (decreased ) shares held	Increased (decreased ) shares pledged
Associate manager	CHENG, AN-TZU	0	0	0	0
Associate manager	SU, HUI-CHIU	0	0	0	0
Associate manager (Note4)	MA, CHEN-CHOU	0	0	0	0
Associate manager (Note3)	LIN, HSU-CHUAN	0	0	0	0
Associate manager (Note3)	HUANG, TING-CHIEN	0	0	0	0
Manager	CHIU, YUNG-TSAI	0	0	0	0
Manager	LI, CHEN-MING	0	0	0	0
Manager	KUO, HUNG-CHENG	0	0	0	0
Manager	YU, CHEN-ERH	0	0	0	0
Manager (Note4)	TU, CHIN-TE	0	0	0	0
Manager	WANG, GUO-XI	0	0	0	0
Manager (Note4)	HSU, HSUEH-PING	0	0	0	0
Manager	CHANG, TA-CHUN	0	0	0	0
Manager (Note5)	CHEN, KUAN-YEN	0	0	0	0
Manager (Note4)	LIU, PEI-YU	0	0	0	0
Manager (Note4)	HUANG, NAN-YING	0	0	0	0
Manager (Note4)	TSENG, CHIU-CHIN	0	0	0	0
Manager (Note3)	CHI, YUN-CHONG	0	0	0	0
Manager (Note4)	HUANG, CHING-KUO	0	0	0	0
Manager (Note3)	YEN, HSIN-YIN	0	0	0	0
Manager (Note3)	YANG, CHIH-WEI	0	0	0	0
Manager (Note3)	SU, LI-MEI	0	0	0	0
Special Assistant (Note3)	YANG, CHIA-CHUN	0	0	0	0
Assistant manager of the company (Acting department manager ) (Note3)	SU, ZHI-XUN	0	0	0	0
Manager (Audit Supervisor) (Note4)	CHUNG, YUN-KUANG	0	0	0	0
Manager (Financial Supervisor)	CHEN, KUO-HSIEN	0	0	0	0
Manager (Accounting Supervisor)	SU, YU-MIN	0	0	0	0
Major shareholder	CHINA PETROCHEMICAL DEVELOPMENT CORPORATION	0	0	0	0

Note 1: Shareholders holding 10% or more of the total shares of the Company shall be indicated as major holders and listed separately.

Note 2: Should the counterparties of the share transfer or pledge be related parties, the following form shall be completed.

Note 3: Wang, Ting-Tse resigned on 2021.01.01; Lin, Hsu-Chuan took office on 2021.05.12; Chi, Yun-Chong took office on 2021.07.15; Huang, Ting-Chien took office on 2021.07.15; Yen, Hsin-Yin took office on 2021.08.11; Su, Zhi-Xun took office on 2021.10.22; Yang, Chia-Chun took office on 2021.11.12; Yang, Chih-Wei took

office on 2022. 01.21; Su, Li- Mei took office on 2022. 03.15.

Note 4: Tu, Chin-Te resigned on 2021.03.19; Huang, Nan-Ying retired on 2021.05.20; Tseng, Chiu-Chin resigned on 2021.06.30; Hsu, Hsueh-Ping retired on 2021.06.30; Huang, Ching-Kuo resigned on 2021.07.28; Chung, Yun-Kuang retired on 2021.10.21; Liu, Pei-Yu resigned on 2021.10.31; Ma, Chen-Chou resigned on 2022. 01.14.

Note 5: Chen, Kuan-Yen was transferred to a non-managerial position at a department on 2021.08.10.

### Information of Share Transferred

Name (Note 1)	Reason of Transfer (Note 2)	Date of Transaction	Date of Counterparty	Relationship of counterparty with the Company, directors, supervisors, and major shareholders holding 10% or more of the total shares	Shares	Date of Price:
None						

Note 1: List the name of the directors, supervisors, and major shareholders holding 10% or more of the total shares

Note 2: List acquisition or disposal

### Information of Share Pledged

Name (Note 1)	Reason of Pledge Changes (Note 2)	Changes Transaction	Date of Counterparty	Relationship of counterparty with the Company, directors, supervisors, and major shareholders holding 10% or more of the total shares	Shares	Shareholding %	Pledge %	Collateral (Redemption) Amount
None								

Note 1: List the name of the directors, supervisors, and major shareholders holding 10% or more of the total shares

Note 2: List pledge or redemption

## IX. The relationship between top ten shareholders and their relationship with each other, spouse or second-degree relative

April 2, 2022

Name (Note 1)	Shares held by shareholders		Shares held by spouse or minor children		Shares held under other's Name		Among top ten shareholders, the shareholders who are spouses or 2nd degree kinship (Note 3)		Note
	Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %	Name	Relationship	
China Petrochemical Development Corporation Representative: CHEN RUI LONG	164,348,449	10.735%	-	-	-	-	Core Pacific Co., Ltd	Actual Related Party	
Core Pacific Co., Ltd. Representative: JIANG HONG JIAO	34,260,839	2.237%	-	-	-	-	China Petrochemical Development Corporation	Actual Related Party	
LIN, WEN-YANG	26,353,000	1.721%	-	-	-	-	None	None	
JP Morgan Securities PLC Representative: Not applicable to fund accounts	21,912,135	1.431%	-	-	-	-	None	None	
Tony Development Industrials Co., Ltd Representative: YANG JING JUAN	21,300,917	1.391%	-	-	-	-	None	None	
Kuo-Ching Investment Co., Ltd. Representative: RUAN, HENG-YUANG	20,961,521	1.369%	-	-	-	-	None	None	
JP Morgan Chase Bank N. A. Taipei Branch in Custody for Vanguard Emerging Market Stock Index Fund, a Series of Vanguard Equity Index Funds Representative: Not applicable to fund accounts	19,381,000	1.265%	-	-	-	-	None	None	
Chase Custody Advanced Starlight Advanced Aggregate International Stock Index Representative: Not applicable to fund accounts	18,071,754	1.180%	-	-	-	-	None	None	
iShares Core MSCI Emerging Markets ETF Representative: Not applicable to fund accounts	14,881,000	0.972%	-	-	-	-	None	None	
Sheen Chuen-Chi Culture & Educational Foundation Representative: LIN KE-MING	12,793,179	0.835%	-	-	-	-	None	None	

Note 1: The top ten shareholders shall be all listed; the institutional shareholders shall list all their institutional shareholders and representatives separately



Note 2: the calculation of shareholder percentage refers to the shareholding percentage of the shares held by shareholders, their spouses, minor children, and under others' names.

Note 3: the shareholders referred in the preceding paragraph shall disclose their relationship.

**X. The total number of shares and consolidate shareholding percentage held in any single enterprise by the Company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the Company**

Consolidate shareholding percentage

Unit: share

Re-invested Business	Invested by the Company		Invested by the directors and supervisors, managers, and any companies controlled either directly or indirectly by the Company		Consolidated Investment	
	Shares	Percentage of Holding	Shares	Percentage of Holding	Shares	Percentage of Holding
Chung Kung Safeguarding & Security Corporation	3,880,000	64.67%	1,440,000	24%	5,320,000	88.67%

## Four. Status of Fundraising

### I. Capital and Share

#### (I) Source of share capital:

##### (1) Source of equity over the years

Note: thousand (shares) NT\$

Year/Month	Issuance Price:	Approved share capital		Paid-up capital		Note		
		Shares	Amount	Shares	Amount	Source of share capital	Shareholder paid shares with property other than cash	Others
1994	10	330,000	3,300,000	330,000	3,300,000	-	-	
1995	10	500,000	5,000,000	480,000	4,800,000	Capital increased by cash	-	
1996	10	800,000	8,000,000	648,000	6,480,000	Capital increased by profit and capital reserve	-	
1997	10	1,200,000	12,000,000	937,600	9,376,000	Capital increased by cash, profit and capital reserve	-	
1998	10	1,200,000	12,000,000	1,125,120	11,251,200	Capital increased by profit and capital reserve	-	
1999	10	1,200,000	12,000,000	1,192,627	11,926,272	Capital increased capital reserve	-	
2000	10	1,800,000	18,000,000	1,276,111	12,761,111	Capital increased by profit	-	
2002/September	10	1,800,000	18,000,000	1,365,439	13,654,389	Capital increased by capital reserve (approved by Securities Supervisory Commission' letter on 2002.8.12 Taitaichengyi Zhi No. 0910144405)	-	
2003/September	10	1,800,000	18,000,000	1,421,781	14,217,812	Capital increased by profit (approved by Securities Supervisory Commission' letter on 2003.8.7 Taitaichengyi Zhi No. 0920135497)	-	
2004/September	10	1,800,000	18,000,000	1,450,217	14,502,168	Capital increased by profit (approved by Financial Supervisory Commission' letter on 2004.8.9 Jinguanchengyi Zhi No. 0930134620)	-	
2007/September	10	1,800,000	18,000,000	1,525,017	15,250,175	Capital increased by profit (approved by Financial Supervisory Commission' letter on 2007.8.6 Jinguanchengyi Zhi No. 0960041422)	-	
2010/September	10	3,000,000	30,000,000	1,525,017	15,250,175	Conversion of convertible corporate bonds	-	
2015/December	10	3,000,000	30,000,000	1,530,899	15,308,998	(Jinshou Shang Zhi No. 10401258070)	-	

Note: Due to the flood resulted by Typhoon Nally on September 17, 2001, the Company is unable to provided supporting documents, and only the approval dates and letter numbers are provided.

(2) Type of shares

Unite: Thousand shares

Type of Shares	Approved Shared Capital			Note
	Outstanding shares (listed)	Unissued shares	Total	
Common shares	1,530,899	1,469,101	3,000,000	

(3) Information about shelf registration: None.

## (II) Structure of Shareholders

April 2, 2022

Structure of Shareholders Quantity	Governmental Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Foreigners	Total
Number	0	0	217	124,694	188	123,860
Shares held	0	0	294,462,729	1,004,257,162	232,179,931	1,530,899,822
Percentage of Holding	0	0	19.23	65.60	15.17	100

## (III) Distribution of Equity Interests

(Face value NT\$10 per share)

April 2, 2022

Grading of Shareholding	Number of Shareholders	Shares Held	Percentage of Shareholding
1 to 999	50,336	7,773,630	0.508
1,000 to 5,000	47,309	111,627,786	7.292
5,001 to 10,000	12,580	102,555,017	6.699
10,001 to 15,000	4,275	53,339,325	3.484
15,001 to 20,000	3,310	61,991,094	4.049
20,001 to 30,000	2,552	65,706,188	4.292
30,001 to 40,000	1,257	45,110,744	2.947
40,001 to 50,000	843	39,986,386	2.612
50,001 to 100,000	1,450	106,977,455	6.988
100,001 to 200,000	611	86,847,405	5.673
200,001 to 400,000	293	84,014,703	5.488
400,001 to 600,000	96	48,108,306	3.142
600,001 to 800,000	47	32,692,598	2.136
800,001 至 1,000,000	31	28,492,021	1.861
1,000,001 and above	109	655,677,164	42.830
Total	125,099	1,530,899,822	100.00

Note: Preferred shares: N/A

## (IV) List of Major Shareholders:

April 2, 2022

Name of Major Shareholders	Shares	Shares held	Percentage of Holding
China Petrochemical Development Corporation		164,348,449	10.735%
Core Pacific Co., Ltd		34,260,839	2.237%
LIN, WEN-YANG		26,353,000	1.721%
JP Morgan Securities PLC		21,912,135	1.431%
Tony Development Industrials Co., Ltd		21,300,917	1.391%
Kuo Ching Investment Co., Ltd.		20,961,521	1.369%
Vanguard Emerging Market Stock Index Fund Dedicated Account, managed by Vanguard Group, under custody of JP Morgan, Taipei Branch.		19,381,000	1.265%
Chase Custody Advanced Starlight Advanced Aggregate International Stock Index		18,071,754	1.180%
iShares Core MSCI Emerging Markets ETF		14,881,000	0.972%
Sheen Chuen-Chi Culture & Educational Foundation		12,793,179	0.835%

(V) Information of market value, net value, earnings and dividends per share in the recent two years

Unite: NT\$

Item		Year	Year 2020	Year 2021	The current year up to March 31, 2022 (Note 8)
Market Value Per Share (Note 1)	Highest		10.50	11.80	10.25
	Lowest		5.00	8.03	8.60
	Average		7.47	9.01	9.39
Net Value Per Share (Note 2)	Before Distribution		13.27	14.92	-
	After Distribution		13.03	14.38	-
EPS	Weighted Average Shares		1,530,899 Shares	1,530,899 Shares	-
	EPS (Note 3)		0.40	1.75	-
Market Value Dividend	Cash Dividend		0.233	0.534	-
	Share grants	-	-	-	-
		-	-	-	-
	Accumulated unpaid dividends (Note 4)		-	-	-
Analysis of return on investment	Price to Earnings Ratio (Note 5)		18.68	5.14	-
	Price to Dividends Ratio (Note 6)		32.06	16.87	-
	Yield of Cash Dividends (Note 7)		0.03	0.05	-

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

Note 1: Setting forth the highest and lowest market price per share of common stock for each fiscal year. And calculating each fiscal year's average market price based upon each fiscal year's actual transaction prices and volume.

Note 2: Please fill in the information based on the number of issued shares at the end of the year and the distribution according to the resolution of the board of directors or the shareholders' meeting of the following year.

Note 3: Shall there be any retrospective adjustment due to share grants, the EPS before and after such adjustment shall be listed. Shall there be any retrospective adjustment due to share grants, the EPS before and after such adjustment shall be listed.

Note 4: Shall the issuance condition of equity securities required the unpaid dividend of the year may be accumulated to be paid in the year with earning, the accumulated unpaid dividend up to the year shall be disclosed, respectively.

Note 5: Price to Earnings Ratio = average closing price per share of the year/ earning per share

Note 6: Price to Dividend Ratio = average closing price per share of the year/ cash dividends per share

Note 7: Yield of Cash Dividend = cash dividends per share/ average closing price per share of the year

Note 8: Net value and earning per share shall be filled in the audited information by CPAs of the latest quarter up to the publication date of the annual report; other columns shall be filled in the information of the current year up to the publication date of the annual report.

(VI) Dividend Policy and Execution:

1. Dividend Policy

By considering the future business, fund demands, and long-term financial plan, the dividend policy takes both cash and share dividends; shall there be any earning after the annual settlement, the earnings may be distributed by the following order:

- (1) Paying the income tax of profit-seeking enterprises
- (2) Covering the losses of the past years
- (3) Setting aside ten percent of such profits as a legal reserve.
- (4) Providing or reversing the special reserves by the laws or operation demands

The balance after deducting the abovementioned items, plus the accumulated undistributed earnings of the previous year, shall there be any profit, at least 20%

shall be provided as the bonus to the shareholders. Provided, such the percentage of profit distribution, and the percentage of cash distribution may be proposed by the Board of Directors based on the actual earning and funds, to be resolved by the AGM for implementation. However, the abovementioned distribution of bonus to the shareholders, may be made in cash or share dividends. The cash dividends shall not be less than 10% of the total dividends. But if the cash dividend is lower than NT\$ 0.1, the dividends will be paid in shares.

2. Execution:

- (1) The 2021 dividend distribution proposal was approved by the 16th meeting of the 26th Board of Directors on March 15, 2022, as shown in the table below :

Unite: NT\$

Item	Amount	
	Subtotal	Total
<b>Undistributed balance at the beginning of the term</b>		<b>1,421,424,411</b>
Current profit after tax	2,676,757,054	
Reversed the special reserve plus applied with IFRS for the first time (Note 1)	312,612,111	
Remeasurement of the defined benefit plan accounted for under retained earnings	(231,568)	
The retained earnings are adjusted by applying investments using the Equity Method	(31,293,334)	
<b>The current net income after tax, plus the items other than the current net income that are included in the undistributed earnings for the current year</b>		<b>2,957,844,263</b>
Set aside 10% legal reserve provision		(295,784,426)
<b>Current Distributable Profits</b>		<b>4,083,484,248</b>
Dividends to shareholders.	(817,500,505)	
<b>Undistributed profit at the end of period</b>		<b>3,265,983,743</b>
Note1 : This is the undistributed earnings reversed as the reason for special reserves diminished.		
Note2 : If in the future, the changes of laws and regulations or of the approval from the competent authorities, or the changes of common shares affects the outstanding shares, and thus the dividend yield changes accordingly, it is intended to have the Shareholders' Meeting to authorize the Chairman for adjustment.		
Note3 : Once the Shareholders' Meeting resolve to pass the proposal of cash dividends, it is intended to authorize the BOD to determine the base date of ex-dividend.		
Note4 : The cash dividends are calculated proportionally rounding to NT\$; the sum of these cash dividends under NT\$ will be included in the Employee Benefit Committee.		

- (2) All the dividends are intended to be paid in cash only, for NT\$ 0.534 per share.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution: This shareholders' meeting did not propose a free allotment of shares, so it is not applicable.

(VIII) Compensation to Employees, Directors and Supervisors:

1. The percentages or ranges with respect to employees' and directors' remunerations, as set forth in the company's articles of incorporation:

If the company generates profits before the tax in the current year, no less than 2% of the profit will be the employees' remuneration and no more than 2% of the profit will

be the directors' remuneration. In the event of any accumulative loss incurred by the Company, it shall reserve for offsetting the accumulative loss. The preceding pre-paid ratio, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders, and it shall be reported in the shareholders' meeting. The preceding employee compensation can be paid in stock or in cash.

2. The basis for estimating the amount of employee, director, for calculating the number of shares to be distributed as employee compensation and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

On March 15, 2022, the Board of Directors resolved the compensations to employees and directors, based on the profit of the year and their contributions. The compensations to employees and directors were estimated for NT\$51,604,954 and NT\$51,604,953, respectively. Shall the estimated amounts are different from the actual amount paid, such deviance will be treated as accounting changes, and the adjustment is accounted for at the year of payment.

3. Information on any approval by the board of directors of distribution of compensation:

- (1) 2021 Employee and Director Compensation

Item	Resolution of the Board of Directors (March 15 2022)
	Amount (NT\$)
Compensations to directors (cash)	51,604,953
Compensations to employees (cash)	51,604,954
Total	103,209,907

- (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: N/A

4. The actual distribution of compensations to employees and directors in the previous year:

	Resolution of the Board of Directors March 17, 2021 Amount (NT\$)	Actual paid amount (NT\$)
Compensations to directors (cash)	16,301,755	16,301,755
Compensations to employees (cash)	16,301,756	16,301,756
Total	32,603,511	32,603,511

(IX) Share re-purchase: N/A

**II. Corporate bonds status: N/A**

**III. Preferred shares: N/A**

**IV. Global depository receipt: N/A**

**V. Employee stock option certificates: N/A**

**VI. The issuance of new shares for the acquired or transferred company: N/A**

**VII. Implementation status of fund application plan: N/A**

## Five. Operation overview

### I. Business contents

#### (I) Business Scope

1. Main contents of the business operations
  - (1) Quarrying industry
  - (2) Other petroleum and manufacturing industry of coal products [premixed asphalt concrete]
  - (3) Premixed concrete manufacturing industry
  - (4) Cement and concrete products manufacturing industry
  - (5) Metal structure and construction component manufacturing industry
  - (6) Integrated construction industry
  - (7) Channel dredging industry
  - (8) Sandstone silting ocean dumping industry
  - (9) Water pipe installation industry
  - (10) Fuel conduit installation industry
  - (11) Piping engineering industry
  - (12) Electrical equipment industry
  - (13) Cable installation industry
  - (14) Elevator installation industry
  - (15) Fire safety equipment industry
  - (16) Automatic control equipment industry
  - (17) Traffic sign engineering
  - (18) Lighting equipment industry
  - (19) Mechanical installation industry
  - (20) Construction materials wholesale industry
  - (21) Department store industry
  - (22) Supermarket industry
  - (23) Convenience store industry
  - (24) Warehousing industry
  - (25) Residential/building development and rental industry
  - (26) Industrial plant development and rental industry
  - (27) Development of a specific professional region
  - (28) Investment in the construction of the public construction industry
  - (29) New town and new community development industry
  - (30) Regional land collection and city land redistribution agency industry
  - (31) Urban renewal industry
  - (32) Construction management industry
  - (33) Real estate industry
  - (34) Real estate leasing industry
  - (35) Elderly housing industry
  - (36) State-owned non-public property management industry
  - (37) Management and consulting industry
  - (38) Landscape, interior design industry
  - (39) Waste removal industry
  - (40) Waste treatment industry
  - (41) Environmental testing services industry
  - (42) Waste [stain] water treatment industry
  - (43) Waste recycling industry
  - (44) Other environmental sanitation and pollution prevention services industry
  - (45) Auto repair industry
  - (46) Conference and exhibition industry
  - (47) Leasing industry
  - (48) Refrigeration and air conditioning industry



## 2. Business percentage

<u>Item</u>	<u>Percentage</u>
Civil engineering	52.76 %
Construction engineering	26.80 %
Mechanical and Electrical engineering	1.52 %
Development engineering project	3.71 %
Others	15.21 %

## 3. The company's current products (services) and new products in development

Public civil engineering projects, constructions, mechanical and electrical undertaking projects, civil construction projects, industrial land development and sales, urban renewal projects and MRT joint development. In the future, we plan to undertake for private joint civil construction and overseas construction projects. The ongoing BES projects as of now are listed below:

- (1) Taoyuan Airport MRT (A14 station) (terminal 3) and extension section to Zhongli Railway Station's E&M system project (tender ME06A) (108)
- (2) Tseng Wen Nan Hua Leveling Pipe Turnkey Project A1
- (3) Turnkey project for renovation of the First Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market
- (4) CR580C Eastward Section Project of Xinyi Section in the Taipei MRT System
- (5) The construction of parking apron, taxiway and apron facilities in terminal III of Taiwan Taoyuan International Airport
- (6) The earthwork and infrastructure in terminal III of Taiwan Taoyuan International Airport
- (7) Shimen Reservoir Anti-silt Tunnel Project (Phase 1) –Amuping Anti-silt Tunnel Project
- (8) Fuxing Military Base building renovation primary contract project
- (9) CDPC Kaohsiung Port Zhouji dock (phase 2) liquid ammonia and phenol storage and transportation basic design, detailed design, procurement and construction project
- (10) TTIA airside facility improvement works
- (11) Jiankang Building construction works
- (12) Taoyuan MRT Green Line's E&M system primary contract project (tender GM01)
- (13) Huanan Information Building and Huanan Dingpu Technology Building construction works
- (14) The public housing turnkey project on the Hebing High School Base in Neihu District of Taipei City
- (15) Main Structure of New Construction Project in Yulong Town Commercial District (Phase 1)
- (16) The new construction project of the pumping machine room #7, 8 and 9 and water inlet/outlet underdrain in Taitan Power Plant
- (17) Primary contract for civil engineering of the underground section from the GC02 tender's southern out-of-underground section up to the G07 station of the Taoyuan MRT Green Line
- (18) Wuxi Niaozuitan artificial lake project-lake district construction works
- (19) Hsing Tai Wen Zai Jun Zone 2 land replotting project in New Taipei City
- (20) Wuxi Bird's Mouth Lake Artificial Lake Project - Lake District Project
- (21) Taoyuan Aerotropolis Zone Expropriation Project A2 Section Turnkey Project

- (22) Tai No.15 and Tai No. 4 pipeline rerouting project (including pipeline burial) in cooperation with the expansion of Taiwan Taoyuan International Airport
- (23) The new construction project of the Health Building in National Taiwan University Hospital (the first bid for electrical, plumbing, and air conditioning engineering)
- (24) Public facilities and plant maintenance project in Changhua Coastal Industrial Park (Xianxi and Lunwei District)
- (25) Taipower's Changgong Power Plant (including offshore wind power substation) road and pipeline engineering project
- (26) Seawall and parapet heighten and water control road project in Changhua Coastal Industrial Park - Lunwei District (phase 1)
- (27) Changhua Coastal Industrial Park development engineering project - Connection road No.2 improvement project
- (28) Road and Public Pipeline Project in Changhua Coastal Industrial Park - Lunwei West District 1 (phase 2)
- (29) Road and Public Pipeline Project in Changhua Coastal Industrial Park - Lunwei West District 1 (phase 1)
- (30) Yunlin Science and Technology Industrial Park (Dabeixi Area) public facilities and plant maintenance project
- (31) Yanshou Zone K (BES Yuncui )
- (32) Yanshou Zone I (BES Biyenge )
- (33) Yanshou Zone J residential renewal project
- (34) Urban renewal project of Chongyang Road in Nangang
- (35) BES Cloud Universe Industrial Park
- (36) Public office building urban renewal project in Shulin
- (37) The 0.3-hectare grass field development project in Quan 2, Ho Chi Minh City

## (II) Industry overview

Engineering projects:

As for public construction contracting, the scale of the central government's public construction projects in 2022 is NT\$459.6 billion, of which NT\$146.6 billion is budgeted in the total budget, an increase of NT\$23 billion or 18.6% compared with 2021. The special budget for phase III of the Forward-looking Infrastructure Development Program is NT\$85.7 billion. Thus, the sum is NT\$232.3 billion. The overall scale of public construction is growing year by year.

By the department, the descriptions are as the following:

1. The track construction budget amounts to NT\$40.19796 billion, mainly to the "network formed by Taiwan High Speed Rail and Taiwan Railway", "Taiwan Railway upgrade and service improvement to the east line", and "three-dimensional railway and commute acceleration", including the underground railway construction in the Taoyuan metropolitan area. "Construction of MRT in urban areas" includes the Taoyuan Aerotropolis MRT system and land development project, the land development project around the Circular Line South and North Section and the Wanda-Zhonghe-Shulin Line of the Taipei MRT System, as well as the land development project around the Kaohsiung MRT yellow line. Our Central and Southern Sightseeing Railway project and the track planning include the planning of Tainan's advanced transportation system (blue, green, and red lines), the extension of

Taiwan High Speed Rail to Pingtung, and the Taipei-Yilan railway acceleration project (including alternative solution: extension of Taiwan High Speed Rail to Yilan), all of which are listed under the Ministry of Transportation and Communications.

2. The water environment construction budget amounts to NT\$52.3 billion, mainly to the water and development program of NT\$23.382 billion, including the Da-an River - Llyung Tmali pipeline connection project, the Baihe Reservoir renovation and improvement project, all of which are listed under the Ministry of Economic Affairs, the Council of Agriculture, and the environmental protection category. An amount of NT\$25 billion is budgeted for water and safety for the overall improvement to city and county rivers and regional drainage, including the integrated flood control project for river, drainage and coastal protection under the Ministry of Economic Affairs; a drainage project in response to landslides in regional upstream watersheds (NT\$2.6 billion); and a provincial highway bridge reconstruction project under the Ministry of Transportation and Communication. An amount of NT\$4 billion is budgeted for water and environment for a national water environment improvement project of NT\$3 billion and a project the establishment of an ocean recreation information security monitoring system of NT\$1 billion.
3. An amount of NT\$74.0948 billion is budgeted for urban and rural construction, mainly including NT\$9.639 billion for improving parking problems, NT\$13.5 billion for improving road quality (NT\$10 billion for the Ministry of the Interior's road quality improvement project and NT\$3.5 billion for the Ministry of Transportation and Communications's road quality improvement project (highway system)). An amount of NT\$2.006 billion is budgeted for the Town Center Project for the Ministry of the Interior's development of the ecological waterfront environment in second- and third-tier cities and improvement to landscapes at critical spots. An amount of NT\$5.1326 billion is budgeted for the development of local industrial parks for the Ministry of Economic Affairs to strengthen public facilities in local industrial parks, subsidize the establishment of affordable industrial parks, and promote development projects for urban and rural featured industrial parks.

Construction business:

1. Overview of the development trends in the real estate:

In 2021, the global economy was greatly impacted by the China-US trade war and the COVID-19 pandemic, but the impact on Taiwan's real estate market was limited. The pandemic only caused short-term impact on the housing market, indicating that real estate has the feature of high stress resistance and practical value of living with investment benefits.

After the slowdown of the pandemic, the real estate market will recover quickly with the strong global recovery and inflationary pressure. However, the changes in quantity caused by the pandemic and the government's suppression of speculation will lead to changes in quality in the mid- and long-term commercial

real estate investment market, which will affect real estate market trends. The most obvious trend is the rise of "renting rather than buying" or "renting first and then buying". The high tax rate of the house and land transactions income tax 2.0 has disrupted the pace of investment by buyers in the commercial real estate market. In the next two to three years, the supply and short-term investment will decline, which will suppress the transaction volume, but the demand side of the industry is booming, particularly in the manufacturing industry. Instead of "sale and lease back" in the past, businesses have turned to "renting rather than buying" or "renting first and then buying" as a new trend in the market because it can meet the urgent needs while allowing the construction company (property owner) to reduce tax payment and earn rental income.

Although the real estate market is influenced by the uncertainty of the pandemic in the short term and the net rental income may be revised, the mid- and long-term prices still show a slow-rising trend due to inflation, strong rebound in the post-pandemic era, new products in the market, new investment strategies, and rising construction costs. In response to the development trend of real estate market in the upcoming year, BSE will plan to expand the scope of our products and services in our development and operations policy. In addition to the development of the residential housing projects, we will actively participate in the bidding for the public urban renewal projects and the development of old factories around the BES Cloud Universe Industrial Park, to increase the Company's visibility and business opportunities.

## 2. Ongoing construction projects:

### (1) "Tao Zhu Yin Yuan:"

In the third quarter of year 2018, the usage license and the registration of property rights were acquired. The project includes 40 households with 210 parking spaces.

### (2) "BES Yuncui" construction project:

The construction started in the third quarter of 2017, and the pre-sale operation began in the fourth quarter. We have obtained the use permit on March 19, 2021 and completed the handover in the fourth quarter.

### (3) "BES Biyenge" residential renewal project:

It completed the review process in the fourth quarter of 2018, and the residential renewal project is officially approved. We have obtained the building permit in the second quarter of 2019, completed the relocation in the first quarter of 2020, and completed the demolition work in the third quarter. As of the end of 2021, the underground structure project was still in progress.

### (4) "Yanshou Zone J" residential renewal project:

It submitted a review of the rights change plan in the fourth quarter of 2018; Right transfer was approved in the second quarter of 2020. As of the end of 2021,

we have reached a consensus with the residents to cancel the application for demolition on their behalf.

(5)“Chongyang Road Project in Nangang” residential renewal project:

The business plan was submitted for review in December, 2015. In the fourth quarter of year 2018, the project team meeting of business plan was held. In the fourth quarter of 2019, the review of the business plan was passed. The business plan is expected to be approved and announced in the third quarter of year 2020. As of the end of 2021, the right transfer review is still in progress.

(6)Urban renewal project of the BES Cloud Universe Industrial Park:

In the fourth quarter of 2016, the business plan was submitted for review, and it was submitted to the business plan team meeting in the third quarter of year 2018; the urban renewal process completed the review process in the fourth quarter of year 2019. Expected to acquire construction license in February, 2020, initiate the demolish project in Q2 and construction project in Q4. We submitted the design change review in the first quarter of 2021, and as of the end of 2021, the second review meeting by the urban renewal group has been held.

Development of industrial zone:

1. Current industrial status and development of the industry

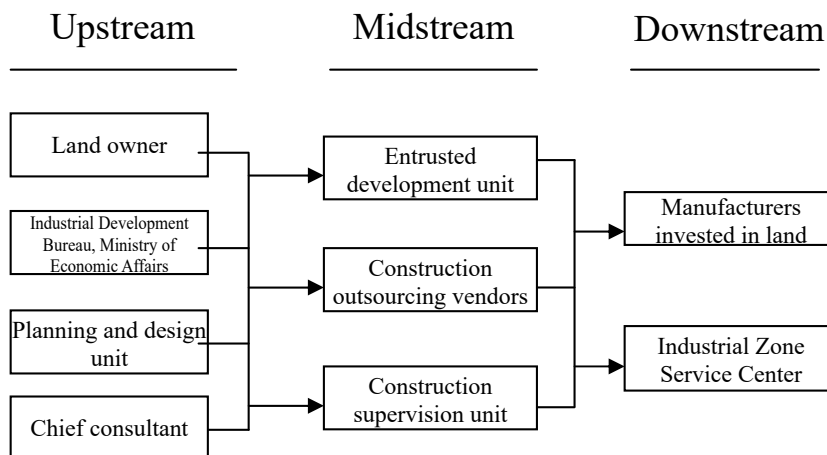
Since 2021, with the increase in the vaccination rates in major countries, people in most regions have gradually returned to their normal life and the global economy has recovered significantly. However, during the recovery process, the global economic growth rates differed due to the short supply of semiconductors, maritime shipping, and energy as well as the uneven distribution of vaccines. The industry is affected by geopolitics and global protectionism. Major countries will actively support their local supply chains. In particular, the two strategic industries of semiconductors and electric vehicles have attracted the most attention from the world. The U.S. China, Japan, and European governments have invested a large amount of subsidies to support critical technologies and supply chains and strengthen the independent production of chips. Global major technology and electronics manufacturers are also actively diversifying their suppliers and production sites, to create a resilient supply chain, thereby leading to the restructuring and relocation of the global semiconductor and electronics supply chains. For global consumer retailers, the new wave of the Omicron variant will deal a blow to the recovering market again. With that, the industry will face supply chain problems again, but the e-commerce market will also rise further unexpectedly. The shortage of global resources, containers, delivery vehicles, and manpower affects the pace of market recovery. Therefore, looking ahead to 2022, the restructuring of supply chains is still a major issue for retailers. Businesses should continue to strengthen their investments in the supply chains and build a

flexible and transparent supply chain system in case that the pandemic will escalate again.

In terms of the domestic situation, affected by the pandemic, Taiwan's economic performance was mixed in 2021. In terms of domestic demand, the escalation of the pandemic in Taiwan in late May caused the government to take strict anti-pandemic measures and aroused the public's concerns, which impacted the domestic demand for the service industry. However, in terms of foreign trade and exports, thanks to the restart of economic activities in major economies, the markets in the U.S., China, and European countries have recovered and even expanded, driving the demand for commodities and, thus, boosting Taiwan's export performance. In the aspect of investment, the investment by various companies is more active than in 2020, and the global quantitative easing policy has also driven the performance of the financial market. Therefore, the performance of both direct financial investment and real estate investment is excellent. In the service industry, the freight services and financial services have been less affected by the pandemic and their operational performance is still outstanding. These factors have enabled Taiwan's economy to expand steadily throughout the year.

In terms of industrial real estate and industrial zone development, the total amount of industrial real estate transactions in Taiwan in the second half of 2021 was nearly NT\$95 billion, hitting a record high, an increase of about 27% on a year-on-year basis. The industrial real estate transactions accounted for 39% of the total investment in Taiwan's large-land and commercial real estate markets in the second half of the year. It is clear that industrial real estate has become the main growth momentum in the overall real estate investment market. With the constant changes in the pandemic, the government's control measures on the real estate and residential property market have not affected enterprises' confidence in the purchase of industrial real estate. Among all types of industrial real estate, land transaction activities are particularly active, with a 70% increase in the transaction volume on a year-on-year basis. In the second half of the year, the total amount of industrial land transactions reached NT\$48.2 billion, nearly 70% of which were for self-use, indicating that enterprises still gave priority to purchasing land to build buildings in alignment with their own needs. We should take advantage of this boom to actively sell industrial land.

## 2. Industrial upstream, midstream and downstream relations



## 3. Trend of product development and competition situation

The three major plans for investment in Taiwan has been extended by three years to the end of 2024. With the continuous decentralization of supply chains, it is expected that overseas Taiwanese businesses will continue to return to invest in Taiwan. With the increase in the application of emerging technologies and the use of semiconductors in end products, the output of Taiwan's semiconductor industry will continue to rise. Driven by the substantial increase in capital expenditures by leading semiconductor manufacturers, the increase in production capacity of relevant upstream and downstream manufacturers will be considerable, which also drives the demand for factory expansion in relevant industries' supply chains and the boom in the industrial land market. Looking ahead to the future industrial real estate market, the formation of the southern semiconductor corridor is expected to motivate more companies in the supply chain to follow suit to form industrial clusters. It is expected that the trading momentum in central and southern Taiwan will continue to gather. We should tap into the source of clients based on the current land sales mechanism in the Changhua Coastal Industrial Park.

For overseas industries:

Take Vietnam and Myanmar as follows:

### 1. Vietnam

Vietnam is rich in natural resources (oil, natural gas, and coal). Its low labor costs, high degree of trade openness, and favorable geographical location, as well as political stability have attracted more foreign investment. Since the reform and opening up, Vietnam has been committed to developing and improving its market economy and infrastructure, and the economic structure has shifted to the service industry and industry. In 2021, the service industry, industry, and agriculture accounted for 41.40%, 34.10%, and 14.80% of GDP, respectively.

With low labor costs, it has actively promoted regional economic integration in recent years to attract foreign investment to facilitate industrial transformation. Its main export products have changed from textiles to high-priced electronic

products. In 2021, telephones and mobile phones have become the main export products.

In recent years, the main export products have been adjusted from textiles and shoes to electronic products, such as mobile phones and tablets. Also, benefited from the relocation of industries caused by the increase in production costs in mainland China and the tension in the US-China trade conflict, the effect of supply chain transfer has been witnessed. The impact of COVID-19 has interrupted the supply chains in mainland China, and investors have moved their overseas direct investment projects to Vietnam

Although Vietnam's economy is temporarily sluggish due to the impact of the pandemic, its participation in 15 trade agreements and the recovery of global external demand have contributed to strong growth in its exports. Its economy and industry are expected to benefit from the increasing shipment of electronic products, machinery, and footwear, supporting the rapid growth of exports.

As the China-US trade war drags on, the Vietnamese government has stepped up to sign a series of free trade agreements with other countries to attract more foreign investments to invest and set up factories in Vietnam. It also contributes to the industrial transformation in terms of Vietnam's overall economy. In terms of objective factors, Vietnam's industrial zones feature excellent investment values for foreign investors, such as the strategic location, sufficient labor force, and abundant resources.

Vietnam is one of the fastest growing countries in the world, and this has had a positive effect on the real estate market. According to the data provided by the World Bank, its economic growth peaked at 7.1% in 2018 and was about 7% in 2019 and 2020. Large cities and coastal cities, including Ho Chi Minh City, Da Nang, and Hanoi, have benefited the most from such changes and rapid development and will continue to benefit in the years to come.

In addition to the development of industrial zones, due to the sufficient labor force (demographic dividend) and the continuous influx of foreign investment in Vietnam, its real estate market is gradually rising and booming and is estimated to thrive for at least 10 years.

## 2. Myanmar

The service industry is the fastest growing and largest economic sector in Myanmar, accounting for nearly 40% of its GDP, with nearly 35% of the total employed population. With Myanmar's opening to the outside world, tourism has grown significantly in recent years and provided opportunities for relevant industries to grow.

Myanmar is still an agricultural country, abounding with in rice, beans, fruit and vegetables, sucrose, oil palm, rubber, cotton, fibrous materials, coffee, corn,



timber, and fish and shrimp in recent years. However, with the opening up of the economy and the influx of foreign capital, the contribution of agriculture to the GDP has gradually declined from nearly 40% in 2010-2011 to the current 24% but still about 45% of employment opportunities (nearly 70% in rural areas). However, Myanmar's economic dependence on agriculture will continue to decrease. With increased mechanization and foreign direct investment, more employment opportunities are expected to come from industry and services.

Myanmar's industry is dominated by oil, natural gas exploration, small machinery manufacturing, garments, wood processing, sugar refinery, basic food products, fishery product processing, and plastic products. The scale of the industry is still small. Due to the long-term border closure and the implementation of socialism, a large number of state-owned factories can no longer meet the modernization needs. However, with the increase of foreign direct investment, the importance of industry is increasing day by day, currently accounting for around 35% of its GDP and around 20% of employment. The industry is dominated by manufacturing. Due to the increase in food processing and garment exports, as well as the China-US trade war and the adjustment to the global supply chains, Myanmar's manufacturing industry continues to attract foreign investment, and the prospect of Myanmar's industry is promising.

Affected by the COVID-19 pandemic, Myanmar's economic growth rate in 2020 was reduced to 1.5%. Furthermore, a military coup occurred on February 1, 2021 and resulted in many conflicts and heavy casualties. Myanmar entered a state of emergency and returned to the rule of military government. After the coup, in addition to the severe impact of protests, strikes, military operations, disruption of public services, such as cash flow and logistics, on the economy, Myanmar's military government controlled the network and shut down the mobile network, resulting in sluggishness in e-commerce business. In such an unstable political situation, foreign investments in Myanmar have been withdrawn or on the sidelines, so major investments have come to a standstill or shrunk.

Myanmar's real estate market in recent years has been sluggish, and the development road of some construction projects has been very difficult. However, the number of such development projects in the entire industry has not decreased accordingly but has gradually increased. Large projects are launched constantly. The reason is that investors are optimistic about its future development potential.

The demand for infrastructure construction in Myanmar is tremendous and the potential of the real estate market is substantial. Although the overall environment is not good, if we can take advantage of this opportunity to collect quality and cheap land and wait for the right time to develop it, it will be a good opportunity with low investment cost and high profit.

### (III) Technology and R&D overview

Other than undertaking the public engineering projects, the company has been dedicated to the development of its own construction technology. The cost of construction can be effectively controlled and it actively integrates the existing technologies and resources to create higher value-added products with its innovation and R&D. Furthermore, the Company's R&D in the construction management of information technology system not only effectively improves the project timeline, cost, quantity control, it also simplifies the operation interface and related functions; it also expands the maintenance manpower, thus saving huge production costs; in addition, it has created the knowledge management and research system to retain the valuable experience and works for future learning.

The company is mainly dedicated to the construction business. The content of research and development is mainly to shorten the construction period, improve the construction method, reduce pollution and enhance efficiency. There is no patent right involved, and the improvement of production technology or the research and development department is founded by the Technology R&D Department to conduct research and the introduction of technology.

1. Research and development expenses for the most recent year, as of the printed out date of the annual report:

Unit: NT NTD in thousands

Year	Year 2022 As of 3.31	Year 2021	Year 2020	Year 2019
<b>Amount</b>	4,658	27,113	24,849	21,592

2. Research and development results in the recent three years:

Serial number	Research project	Research results
1	Optimize construction management system functions and processes	The functions and processes of the existing battalion management system are reviewed and planned, and a more comprehensive management and control mechanism is incorporated to produce useful information for management practices and provide reliable operational decision information for management reference.
2	Introduce the electronic signature system and enhance the effectiveness in the APP application of Google Enterprise Edition	Introduce the electronic process signature system, and complete the online electronic signing process of procurement requisition and payment request. Promote the simplification procedures of platform, to provide convenience to the employees of the company. Create education and training platforms for mutual communication, coordination and fast learning of new knowledge, to significantly save costs of the company.
3	Create a command system of audio and video	1. Establish an audio and video instant command center to instantly grasp the on-site operation of each site. 2. Create an instant command system of audio and video for interactive confirmation and information return. The system can be used to instantly video call to the supervisors of the company during the on-site operation via the system, to save traffic time and improve the work efficiency.
4	Establishment of a high-availability integrated private cloud architecture	1. Plan a multi-circuit core network framework to build a high-availability integrated network framework to enhance the performance of the Company's IT system network and ensure the continuity of the Company's network despite a dysfunctional single switch node.

Serial number	Research project	Research results
		2. Construct a high-availability private cloud architecture and establish a multi-host backup private cloud to improve the application of the Company's internal cloud services and provide system services that are not affected by anomaly in a single host with a high-availability system architecture.
5	Smart security detection application	<ol style="list-style-type: none"> <li>1. A human wearing-device identification system for construction sites is developed, through AI algorithm learning, workers without helmets, reflecting vests, or shirtless are determined automatically, and a messaging app will send alerts to colleagues in the site office to correct such behavior onsite.</li> <li>2. An access control system for construction sites is developed, to be built at the construction sites with limited scope and pre-defined gates. Though the face recognition system, the information of those who access the gates is automatically identified. In addition to the access of the construction sites being controlled, the information of access may be applied to count the working hours of workers, as the basis of payment to the sub-contractors.</li> <li>3. Develop a human body posture recognition system to continuously detect the postures formed by dangerous moves, judge the dangerous postures, and automatically send a notification through instant messaging software to remind personnel at the Engineering Offices to pay attention to any danger on site.</li> </ol>
6	Establishment of the smart site management mechanism	<ol style="list-style-type: none"> <li>1. For the purpose of accident prevention, the construction of electronic fences, guardrail detection, AR pre-service system, five AI identifications, etc., to help prevent on-site accidents.</li> <li>2. As for the quality of the project, portable photography equipment as well as fixed and movable cameras are introduced, to instantly communicate with the command center with the synchronous recording function, in order to instantly monitor the quality of construction.</li> </ol>
7	Establish Intelligence Decision Making Platform	<ol style="list-style-type: none"> <li>1. With a highly visualized graphic interface, the information including the annual total revenue target of the Company, revenue of each site, health and safety, completed works without billing, procurement schedule management, among other things, are presented. KPIs are defined for the system logic to determine and send alerts, so that the real-time information management is done in the regards of project management in sites and the Company's operation.</li> <li>2. With GPS and maps, the real-time weather information in each site is presented, including temperature, wind speed, heat hazard index, among other things, as the reference for working conditions.</li> </ol>

Serial number	Research project	Research results
8	Setup of electronic bulletin board at construction sites	<ol style="list-style-type: none"> <li>1. Obtain the real-time climate information, such as temperature, humidity, and wind speed detected by the weather stations near the construction sites through the global positioning system (GPS), calculate the Heat Hazard Index, and present it on the electronic bulletin board.</li> <li>2. Arrange short videos on safety and health and construction guidelines to be played during the rest session, to strengthen safety education at the construction sites.</li> <li>3. Display the construction tasks of the day for the crew and supervisors and provide construction suggestions reminders after the construction tasks are analyzed through keywords.</li> </ol>
9	Construction of overseas real estate information search system	<ol style="list-style-type: none"> <li>1. Use the web crawler program to collect information on overseas large land development projects and general construction projects to support the development of overseas land development business.</li> <li>2. Integrate Google Maps, Google Translate, and crawler programs and collect market information of real estates surrounding the key cities in the overseas developing countries for cost evaluation on land development.</li> </ol>

### 3. The goals of research development plans and research condition in year 2022:

Project items	Actual research condition
The function and process to optimize the construction management system	<ol style="list-style-type: none"> <li>1. Continuously optimize the functions and workflow of the existing management system to generate practical information and provide reliable information of business decision-making for the reference of management.</li> <li>2. Provide an integrated platform of engineering specifications and documents via the applications of information technology, so to ensure that construction version is instantly updated and notified.</li> </ol>
Expansion of the command center	<ol style="list-style-type: none"> <li>1. To ensure the continuation of site management and gradual expansion to participation by all workers, the command center is expanded. The size of the video/audio display is enlarged, the central-control seats are added, and a learning zone is set.</li> <li>2. By verifying multi sites through the large-sized display, with the dashboard data for cross-verification, the progress is ensured. The verification center may conduct real-time verifications with multiple sites, and present data on the dashboard, to audit the progress, health, safety, and receivable status.</li> </ol>
Optimize Intelligence Decision Making Platform	<ol style="list-style-type: none"> <li>1. On the basis of existing statistical analysis information of all departments on the intelligence decision making platform, the company continues to improve and integrate cross-department information, stipulate warning KPI, and presents abnormal information with different colors.</li> <li>2. Use the visualized presentation mode to present the SOP of departments and the comprehensive corresponding actions and pros and cons and make timely adjustment in accordance with the current situation for the judgment of providing decision making interconnection.</li> </ol>
Optimization of overseas real estate	<ol style="list-style-type: none"> <li>1. Optimize and improve the web crawler program to collect information on overseas large land development projects and general construction projects to support the development of overseas land development</li> </ol>

Project items	Actual research condition
information search system	business. 2. Establish an account and password mechanism and a back-end settings and permissions mechanism in response to the commercialization on the website to prepared for the development of relevant mechanisms with business models in the future.

Plan review:

Project items	The current progress of the unfinished plans, the estimated launch time, the major factors affecting the research and development, expenses that need to be invested in the research and development
Construction management system framework reform	<ol style="list-style-type: none"> <li>1. The user interface, system framework, and authorization management of the current construction management system are messy and old. The company plan to introduce a new open source system framework and reform the authorization management framework to improve the system operability.</li> <li>2. Through the opportunity of re-examination, the complete management system structure and process will be compiled to serve as the inheritance and training use of future departmental colleagues and enhance the functions of employees.</li> <li>3. It is estimated that one more manpower and a budget of NT\$2 million are required.</li> </ol>
Optimization of the smart site management mechanism	<ol style="list-style-type: none"> <li>1. Consider and research the new AI&amp;IoT construction monitoring mechanism in the aspects of eliminating industrial accidents, monitoring the construction quality and speed up the construction process.</li> <li>2. Provide the instant update and feedback to ensure that all conditions in progress can be immediately responded and controlled.</li> <li>3. To cope with the labor policy of the government, the company plans to introduce labor health management platform. Apart from the general sobriety test, the blood pressure testing for aloft work to ensure the proper safety and health of construction site.</li> <li>4. It is estimated that one more integrated manpower and a budget of NT\$7.5 million are required.</li> </ol>
Create an integrated monitoring platform for the command center.	<ol style="list-style-type: none"> <li>1. Automatically collect all monitoring information via the IoT to instantly identify problems and provide solutions.</li> <li>2. The collected information will be used for big data research, so to create predictive model to prevent problems from recurring.</li> <li>3. It is estimated that one more manpower and a budget of NT\$3 million are required.</li> </ol>
Create an integrated monitoring platform for the command center.	<ol style="list-style-type: none"> <li>1. Automatically collect all monitoring information via the IoT to instantly identify problems and provide solutions.</li> <li>2. The collected information will be used for big data research, so to create predictive model to prevent problems from recurring.</li> <li>3. Appoint an additional system development talent and budget an amount of NT\$2 million as required.</li> </ol>
Building of a construction equipment rental module	<ol style="list-style-type: none"> <li>1. Re-develop the equipment rental business in response to the external operational needs of the new construction equipment rental unit, conduct systematic analysis, and include the results in the construction management system to replace the old rental system.</li> <li>2. Adopt a new control mechanism to manage the newly developed equipment rental module, to control the entire process, from equipment</li> </ol>

	<p>rental orders, rented equipment return, pricing to accounting voucher transfer, thereby managing equipment, pricing, and sign-off throughout the process, to ensure accurate control over equipment rental revenue.</p> <p>3. Appoint an additional system development talent and budget an amount of NT\$1.5 million as required.</p>
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4. Future plan of research and development and the estimated investment in R&D:

- Construction management system framework reform
- Establishment of the smart site management mechanism.
- Create an integrated monitoring platform for the command center.
- Establish textualized stakes interconnection management system
- Building of a construction equipment rental module

The expected investment of R&D for the next year is NT\$16 million.

(IV) The long-term and short-term business development plan

1. The long-term business development plan

- (1) Continue to develop the large and medium scale engineering projects.
- (2) The Company plans to be continuously dedicated to our core business of construction business projects and external construction projects, and we are looking toward to be more professional and exquisite, with higher quality and innovation.
- (3) The ratio of public engineering projects will be gradually adjusted, and we will continue to put effect in the urban renewal, civil construction and land development projects, so to expand the company's business domain and increase profits.
- (4) As the government is actively promoting new energy policies and the legal deadline for including illegal factories under management is approaching, businesses are more active in seeking legal land to establish factories, driving the rigid demand for domestic industrial real estate. However, the pandemic situation is uncertain and affects the global supply chain. While the overall situation is not yet clear, the Company owns 344 hectares of semi-completed land in the Changhua Coastal Industrial Park. In the future, we will adopt a flexible development model for investment solicitation, development, and finance to shorten the rolling development cycle, reduce the risk of advances in the industrial park, and speed up the payment recovery.
- (5) We will adopt new intelligent technologies and new construction methods to create intelligent construction sites and take zero accident and zero defect as the ultimate construction quality requirement, to improve the construction image by strengthening our construction team.
- (6) We will establish a customer relationship management (CRM) system and adopt the customer-oriented service philosophy to reduce customer complaints and improve customers' satisfaction.
- (7) We will strive to achieve product differentiation with smart products (community platform systems, smart building, and facility management) and the unique of customization for each housing unit (interior design).
- (8) We will establish a new corporate brand image that features innovation (thoughtful product planning), professionalism (smart product design), quality (digitalization of construction quality data), and services (services provided on systems and platforms).
- (9) We will localize members of overseas subsidiaries to shorten the evaluation time for the feasibility of property development.

We will integrate into the overseas local society and promote the development of the region, while strengthening our team's capabilities, building a quality brand image,

- and enhancing the concept, practice, and scope of one-stop service from development, design, engineering to sales.
- (10) We will help our subsidiaries to be financially independent and implement projects in Myanmar and Vietnam with the local funds (and initial earnings).
  - (11) We aim to develop large industrial parks and plan to execute such projects in the course of 5 to 10 years.
    - a. Diversify the sources for obtaining lands or develop various “joint construction” and “joint venture” model to facilitate our development business.
    - b. Aim at medium- and large-sized land development projects.
    - c. Continue to invest in the purchase of high-quality land plots, joint private property construction, and land development to expand our business map and increase profits.

## 2. The short-term business development plan

- (1) The construction management effectiveness can be gradually discovered, and the practical management performance is recognized by business owners.
- (2) With the priority of safety and environmental protection, as well as the quality of the construction project, to obtain business owner’s recognition and increase the visibility of the BES brand by the comprehensive construction management methods.
- (3) Work with the architects and electromechanical manufacturers to integrate and expand the business in new plants of various industries.
- (4) As for the short-term plan, we will continue to accelerate the announcement of our leasing and sale operations in the new districts, including the third and fourth phases of Lunwei West District 1. We will formulate sales strategies as per the situation of each district and adjust them flexibly in alignment with businesses’ needs. We will adopt a tailor-made approach in line with the potential large land clients’ needs. As for small- and medium-sized enterprises, we will launch small areas for different businesses to set up factories flexibly, diversify their product lines, and attract them to purchase land and invest.
- (5) We will expand the scope of products to be developed. In addition to the development of the existing residential housing project, we will actively participate in the bidding for the public office renovation projects and the development of the old factories around the BES Cloud Universe Industrial Park, thereby increase our visibility and business opportunities.
- (6) We will establish an active land development organization to form ties with the government and landlords directly, thereby building a brand image.
 

Despite many internal and external difficulties in the short term, our Overseas Operation Division taps into the established sources and adjusts its strategy to negotiate with landlords in-depth for the cases for which we have the most complete legal documents, along with our online legal personnel to acquire the cases.
- (7) We will aim at small development or construction projects in the course of five years on an annual basis.

### A. Vietnam

- (a) In December 2021, we acquired the Fu An Real Estate Co., Ltd. in Vietnam for a pre-sale housing project. The site is located in Quận 2, Ho Chi Minh City, near a school, the Saigon River and the MRT M1 station, which is expected to be launched at the end of 2022. With a construction area of 3,000M<sup>2</sup>, we will build high-rise buildings with river views in the future. At present, this project has been sent to the Department of Planning and Investment (DPI) of Ho Chi

Minh City, and it is expected that the process will be completed in March 2022.

- (b) We will continue to keep in touch with the Da Nang Industrial Bureau of Vietnam to get prepared to participate in the bidding for the Hoa Cam Industrial Park-Phase II project. We will establish a good relationship with the government through continuous visits to facilitate the bidding process in the third quarter of 2022.
  - (c) The project of starlake 1.74ha in West Lake, Hanoi, Vietnam is under continuous negotiation, and we will develop the optimal development plan as per the overall progress and the business owner's progress.
- B. As for Myanmar, we will continue to monitor the development of the political situation and seek opportunities to buy cheap and well-located land as a stepping stone for subsequent development.

## II. The market and production and sales overview:

### (I) Market analysis:

#### 1. The sales area of the company's main products:

The company's main products are construction projects for public construction contract projects. In 2021, the private construction projects accounted for about 7.44% of the total contract amount of the Company. The area of project contracts is shown as follows:

Year	The construction area (%)			
	Northern	Central	Southern	Eastern
2021	86.52%	8.18%	5.3%	-
2020	84.17%	9.49%	6.34%	-
2019	78.15%	9.79%	12.06%	-
2018	90.25%	-	9.75%	-
2017	69.93%	3.26%	26.81%	-
2016	82.7%	10.7%	7.3%	-

#### 2. Current market share:

The company's current share of public construction projects (over 500 million) is as follows:

Year	Government project released (NTD in thousands)	The company's contracts (NTD in thousands)	Market share
2021	436,600,000	14,924,705	3.42%
2020	467,000,000	12,517,171	2.68%
2019	392,700,000	23,589,251	6.01%
2018	338,300,000	22,195,977	6.56%
2017	301,200,000	16,162,400	5.37%
2016	177,241,000	9,747,698	5.50%



3. The supply and demand conditions and growth of the market in the future:

The budget for public construction project in 2022 is NT\$ 146.6 billion, a increase of NT\$23 billion or around 18.6% compared to 2021. The special budget of NT\$85.7 billion for phase III of the Forward-looking Infrastructure Development Program. Thus, the sum is NT\$232.3 billion. In 2022, an amount of NT\$45.323 billion is budgeted for a railway construction project handled by the Ministry of Transportation and Communications, of which NT\$21.821 billion is for the official business and NT\$21.793 billion is for the special budget for the Forward-looking Infrastructure Development Program (Forward-looking Program). From 2018 to 2022, the special budget for public construction projects totaled NT\$473.8 billion (accounting for 22.12% of the overall public construction budget). As the Forward-looking Program mainly focuses on transportation construction and environmental construction, and the Comprehensive River Basin Management Program targets environmental resources. The percentages of the construction categories are 36.15% for transportation construction and 30.65% for environmental resources. In addition, an amount of NT\$1.709 billion is budgeted for the working capital of the Taiwan Railways Administration.

In nutshell, the outlook of the 2022 budgets for public construction is expected to be stable.

4. Advantages and disadvantages for the future development

Item	Favorable factor	Unfavorable factors
Politics	<ol style="list-style-type: none"> <li>1. The government expands its demand of domestic construction, hence more budget and funding for local projects are offered.</li> <li>2. The government actively promotes urban renewal policies, increases the building capacity awards, and loosens the restriction on the urban renewal projects.</li> </ol>	<ol style="list-style-type: none"> <li>1. The gap between our domestic economic level and that of labor-exporting countries has been narrowed, so migrant workers has become less willing to work in Taiwan.</li> <li>2. The Renewal of Urban planning are not comprehensive, and the policies of federal and local governments are different.</li> </ol>
Laws and regulations	<ol style="list-style-type: none"> <li>1. The reform of the Procurement Law for the Public Construction Projects encourages to use the most favorable bidding method to avoid vicious cycle of low-price competition.</li> <li>2. The “Renewal of Urban planning” rewards the building capacity and increases the investment profits of development.</li> </ol>	<ol style="list-style-type: none"> <li>1. Reduce the capital threshold of the construction industry, which results in impacting the existing market structure, and increase the competition in the construction industry.</li> <li>2. The conditions of importing foreign workers are very strict which results in the proportion of foreign workers is low; the manpower is still insufficient and construction efficiency cannot be enhanced.</li> <li>3. Lack of policy for the construction industry.</li> <li>4. The government’s new policy of labor holidays will impact the construction</li> </ol>

Item	Favorable factor	Unfavorable factors
		<p>industry and increase its costs and construction duration, and it is expected to reduce the profit margins.</p> <p>5. The education system and the low birth rates have resulted in a shortage of industrial talents.</p>
Economy	<p>1. The price of bulk raw materials has shown an upward tendency and the related material costs have been increased.</p> <p>2. The government promotes the 006688 preferential program of the industrial zone.</p> <p>3. Interest rates are decreasing year by year and it lower the burden of interest.</p>	<p>1. The financial system is still very conserved in its policy for the construction industry.</p> <p>2. Although the government has released a large number of construction projects, but the required production equipment is not sufficient.</p> <p>3. The high-tech businesses rush to build factories regardless of the cost. Only a few construction factories benefitted from it as other construction factories suffer from shortage of employees, suppliers' soaring prices, delays in construction progress, and declining profits.</p>
Technology	<p>1. The construction plants and companies will merge and found large-scale construction groups to enter the international engineering market in the future.</p> <p>2. By contracting with foreign companies, we will have the opportunity to learn the advanced foreign construction methods and techniques.</p>	<p>1. The new construction method has not been introduced and the technical level has not been enhanced.</p> <p>2. Most of the domestic construction companies do not have sufficient management capabilities.</p>

5. Analysis of the overall strengths and weaknesses of the company

Item	Advantage	Disadvantage
Manpower	<ol style="list-style-type: none"> <li>1. The support and integration of manpower in the group.</li> <li>2. Employee rotation system for cultivating comprehensive professional talents.</li> </ol>	<ol style="list-style-type: none"> <li>1. High employee turnover rates and increase the learning costs.</li> <li>2. The basic level professional manpower and basic level labors are insufficient.</li> </ol>
Financial ability	<ol style="list-style-type: none"> <li>1. The problem of advance payment of funds in the industrial zone has been valued by the government.</li> <li>2. The increase in rental income in the industrial zone will help in the fund recovery.</li> <li>3. Interest rates are decreasing year by year and it lower the burden of interest.</li> </ol>	<ol style="list-style-type: none"> <li>1. The banking industry is still very conserved in its policy for the construction industry.</li> <li>2. The issue of advance payment of funds in the industrial zone has not been resolved, which impacts the usage of funds.</li> </ol>
Operation management	<ol style="list-style-type: none"> <li>1. Implementation of management reforms to be in the construction industry.</li> <li>2. Introduction of information technology system to the company to improve the efficiency of business management.</li> </ol>	<ol style="list-style-type: none"> <li>1. The cost still cannot be significantly reduced and operating costs are still high.</li> <li>2. Cooperate with suppliers to share risks and reduce operating costs.</li> </ol>
Technology R & D	<ol style="list-style-type: none"> <li>1. Experience in large-scale engineering projects and special engineering methods.</li> <li>2. Experience in building large shopping malls and high-rise buildings.</li> </ol>	<ol style="list-style-type: none"> <li>1. Lack of patented construction technique.</li> <li>2. Lack of factory and high-rise hotel building experience.</li> </ol>
Competitiveness	<ol style="list-style-type: none"> <li>1. The extensive qualifications for undertaking the large public construction projects.</li> <li>2. Maintain quality construction and technique, and recognized by the proprietor.</li> <li>3. Good reputation in the industry that yields benefits to the business development for the public and private sectors.</li> <li>4. The company has a solid financial status.</li> </ol>	<ol style="list-style-type: none"> <li>1. The foreign companies are taking over the construction market with their advanced engineering methods.</li> <li>2. Some local construction vendors actively participate in large-scale public construction projects with their advantage of management costs.</li> <li>3. Winning less Golden Safety Awards and Golden Quality Awards is the disadvantage for tendering the projects adopting most advantageous tender.</li> </ol>

6. Analysis of peer companies:

the statistics table of construction manufacturers

Year	Class A	Class B	Class C	Total
2016	2,580	1,196	6,679	10,455
2017	2,670	1,227	6,873	10,770
2018	2,765	1,232	6,936	10,933
2019	2,845	1,243	7,057	11,145

2020	2,956	1,228	7,192	11,376
2021	3,051	1,228	7,303	11,582

Source: Construction Agency, Ministry of the Interior <http://www.cpami.gov.tw>

## 7. Future perspective

- (1) Be persistent in the industry, reinforce project management and increase construction competitiveness and operational performance.
- (2) Actively invest in projects such as urban renewal, industrial zone, real estate development, etc., to enhance the company's profit.
- (3) Integrate the reinvested business to enhance the efficiency of investment.
- (4) Actively expand the Southeast Asian market to be in line with the Group's comprehensive strategy.

## (II) Important usage of the main products and production process

### 1. Main products and usages

- (1) Civil engineering projects: all civil engineering projects include roads, bridges, tunnels, dams, airports, harbors, railway engineering, MRT engineering projects, environmental protection engineering projects, etc.
- (2) Construction projects: all construction projects include national residence construction, commercial buildings, technology factories, recreational and entertainment industry, hospitals, etc.
- (3) Electromechanical engineering: water supply, electrical appliances, lighting, air conditioning, electricity (support) ladders, fire safety equipment and other projects.
- (4) Development of industrial zone.
- (5) Urban renewal projects.
- (6) Joint development projects of the MRT station.

### 2. Process of product production:

- (1) Undertake engineering contracts:

Business Development → Valuation process → Bidding (price negotiation) → Budget of construction → Construction Plan → Manpower allocation, purchase of machine tools and materials (Implementation of budget) → Construction Management → Completion and settlement → Review upon completion.

- (2) Urban renewal projects:

The initiation and integration of business case → update of the unit → urban renewal summary → urban renewal → business plan → plan for change of rights in urban renewal → announcement and implementation of urban renewal → engineering construction → registration of property rights → house handover → update the renewal business plan upon the completion of the project.

### 3. Supply condition of the main raw materials:

Other than some of the requirements in the contracts, the company has cooperated with the long-term suppliers for the following: steel, concrete, structural steel, cement, sand, floor tiles, aluminum curtains, products of stainless steel, pre-set systems, cement products, plastic pipes, paints, cables and wires, etc., hence the cost of these material supply is relatively stable.

### 4. Industrial upstream, midstream and downstream relations

Construction enterprise is part of the Construction Industry. The main business sources are public engineering, civil construction investment companies, and construction projects from public and private sectors, so the downstream of this industry includes government, public and private sectors, and civil construction companies while the upstream includes iron and steel industry, cement industry, sand and gravel industry, electrical industry, and engineering design companies.

### 5. Development trend of the product of the industry

The government continues to promote significant public constructions. Since they require higher technology threshold and financial capacity, they have become the battlefield for large construction companies. The construction industry has entered the era of larger companies grow larger. The large construction companies bring the operation efficiency into play by strictly controlling costs during the construction process, enhancing construction site management, and developing new construction methods.

The important development trends for the construction industry in the future are as follows:

(1) Introduction of the turnkey model:

The traditional item-sub-contracting structure can no longer satisfy the needs of the clients. The comprehensive engineering service company's capabilities and characteristics can provide the comprehensive and holistic professional engineering services responding to market demands. With increasing disputes and time pressures of new construction projects, the engineering industry actively thinks about introducing the new "outsourcing strategy" to resolve these issues. Therefore, the "turn-key" model that has been adopted in foreign countries for many years is introduced to Taiwan, aiming to mitigate the impacts from the streamlining of governmental staff to the public construction projects, to proceed on time with quality.

(2) Contracted Constructions become internationalized and larger:

After Taiwan joined the World Trade Organization, the domestic market has been opened to the foreign construction companies to enter for fair competition. To respond to this trend, the domestic players will also strengthen the company by cooperating with foreign companies in Taiwan or exploring international markets and foreign local players in response to this trend. Competitiveness. In response to the increase in global demand, the supply volume needs to be relatively increased. In view of the economies of scale, various engineering companies are also vying to upgrade their technology for large-scale projects. In response to the increase in global demand, the supply volume needs to be relatively increased. In view of the economies of scale, various engineering companies are also vying to upgrade their technology for large-scale projects.

(3) Emphasis on research and development

As the construction industry develops toward to the large scale, under the fierce market competition, technology research and development work is bound to be gradually valued. The Company develops new work methods, new materials, and provide customers with multiple added value, while providing design ideas to reduce costs, in order to improve their competitiveness in the market, and establish the differentiated direction of efforts for each engineering company.

(4) Establish an exclusive construction brand

Establishing dialogues between people, art and the environment, as well as the brand value of the Company is not only the demands of purchasers for quality improvements regarding the living environment including the building design, internal layout, building materials, equipment and public facilities, but also the safety demands of consumers for their home. The Company stays true to the concept of human-oriented and the environmental, while upgrading the demands of consumers, for the product planning, the new products are launched according to "artistic," "innovative," "practical" and "humanity" to meet market demands; the after-sales service is also strengthened to establish the brand awareness in the minds of consumers.

(5) Global position for the international market

With the boundary-less internet, the international global village era comes; the planning and design of architectural product follow the trend of the world, and is no longer confined to specific regions. The cross-border real estate transactions have become more convenient, and the Taiwanese real estate market will also step forward to the international open market, and thus further promotes the formation of a common circulation platform for the real estate market in the Asia-Pacific region and four markets crossed the straight. Therefore, the company will be globally deployed to the international market and launch real estate products.

#### 6. Product competition

The main business of the company is contracting and building public constructions, and the company is taking the leading role in the domestic Contracting Construction industry. The corporate image and construction quality have been recognized by the industry and government, which makes the company competitive in the industry. The scale of public engineering expands, it is expected that the company's growth will continue to increase with a great momentum. Among the top 20 construction companies, our main competitors include the TWSE listed Continental Engineering, CTCI, DACIN Construction, KSECO, and Newasia Construction and TPEX listed Te Chang Construction.

(III) Availability of the main raw materials:

Unit: New Taiwan Dollar

Main ingredient	Year 2017			Year 2018			Year 2019			Year 2020			Year 2021			
	Total purchase amount	The average of unit price	Main supplier	Total purchase amount	The average of unit price	Main supplier	Total purchase amount	The average of unit price	Main supplier	Total purchase amount	The average of unit price	Main supplier	Total purchase amount	The average of unit price	Main supplier	
Reinforcing steel	High tension (420)	764,812,900	15,150 NTD/T	Donghe Fengxing Higuang Hantai Evergreen	1,860,828,800	18,505 NTD/T	Donghe Fengxing Higuang Luodong	643,730,600	16,925 NTD/T	Donghe Fengxing Higuang Luodong	873,258,750	15,431 NTD/T	Donghe Fengxing Higuang Luodong	764,812,900	20,852 NTD/T	Tung Ho Fengxing Higuang Luodong Shyeh Sheng Fuat
	Medium tension (280)	112,220,600	15,326 NTD/T		145,675,100	17,705 NTD/T		10,114,900	16,184 NTD/T		63,554,500	14,661 NTD/T		112,220,600	20,367 NTD/T	
	Others															
	Total	877,033,500			2,006,503,900			653,845,500			936,813,250			877,033,500		
Cement	Type I cement	338,022	171 NTD/Bag		1,355,990	152 NTD/Bag		1,043,716	157 NTD/Bag	Youni, Shunche ng	3,924,800	163 NTD/Bag		338,022	171 NTD/Bag	
	Type II cement				1,161,000	180 NTD/Bag		1,161,000	180 NTD/Bag	Songchi, Sengli						
	Others (high-early-strength concrete)	58,500	900 NTD/Bag	Youni Yiqing Taiwan PonJi	367,500	1,050 NTD/Bag	Youni Chengzho u			Songchi, Sengli Lianxin, Heshun Jueyao Jinyuanx in			Songchi, Shunchen g Jueyao	58,500		Songchi Jinyuanxi n Chengzho u
	Total	396,522			2,884,490			2,204,716			3,924,800			396,522		
Sandstone	Ingredients	113,400			252,150,475									113,400		
	rocks, pebbles	658,895					Yongzhen g							658,895		
	Fine aggregate			WenJou Yongzhen g			Chengzho u									Jinsa
	Thick aggregate				254,400											
	Construction sand				252,404,875		Jinsa							772,295	660 NTD/m <sup>3</sup>	
Total	772,295															
Concrete	Pre-mixed concrete	1,538,214,665		BES Machinery Shintadin GinCheng Lihong National and domestic Xinyi, YuNan	1,230,509,748		Shintadin WuXiong g, Gouchen Ronggon g, Dashen Xinyi, Guoshun Guopu, Hexing GinCheng	2,560,854,468	280 kgf/cm <sup>2</sup> Northern: 2,057 NTD/m <sup>3</sup> Central: 1,720 NTD/m <sup>3</sup>	WuXiong g, Gouchen Ronggon g, Dashen Xinyi, Guoshun Guopu, Hexing Yichang, GinChen g, Lihong, Yungche ng	2,233,230,720	280kgf/cm <sup>2</sup> (1) Northern: 2,129 NTD/m <sup>3</sup> (2) Southern: 2,100 NTD/m <sup>3</sup>	Changlu and Guopu Dashen, Gouchen GinChen g, Hexing Ronggon g, Guoshun YuNan, Xinyi Wushung Xinsanya	1,538,214,665	280kgf/cm <sup>2</sup> Northern 2,396 NTD/m <sup>3</sup>	Dashen, Yon Shai Yungchu, YuNan Mork, Jiangfeng Songda, Wushung Hsin I, Xutian Yichang, Gouchen Guopu, Guoshun Ronggong Qinghuan g, GinCheng Xinsanya
	Asphalt concrete	1,280,791,641		ChengHong, YongYong g, ZhongLu, CaiShi Guorui, KangHong g	90,716,566		ChengHong, YongYong g, Guowui, Liron Zhonglu	243,756,154		Yongzhen g Shengku ng Kanghun g	336,613,612	(1) Dense-graded asphalt concrete: 4,230 NTD/m <sup>3</sup> (2) Renewed asphalt concrete (Dense-graded asphalt concrete with 30% of renewable materials): 3,449 NTD/m <sup>3</sup>	Liron, Longshin Changyu, Sanhsia ShiXun, Jingfeng Shengku ng, Linruei Jiangfeng	1,280,791,641	Dense-graded asphalt concrete: 6,661 NTD/m <sup>3</sup>	Sanhsia, YongYong g, Jiangfeng, Jifeng Wanchen g, Linming Hsinyu, Xinshu Changeche ng, Weixin Goumei, Shengyan g, Luhe, Jingfeng Luhe, Liron

Description:1. The major procurement of the bulk materials of the Company includes RS and concrete. The regional and local vendors bid their quotes, and the HQ procures via tenders, to supply materials to the contractors.

2. The pre-mixed concrete has different compression strength; the 280kgf/cm<sup>2</sup> is taken as the benchmark for the unit price reference. For the asphalt concrete, the unit price is unable to be calculated as the conditions in each region and nature are different.

(IV) A list of any suppliers and clients accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

Information of the main suppliers in the recent two years

Unit: NT\$ thousands

Item	Year 2020				Year 2021				2022 up to March 31			
	Name	Amount	Percentage of the net amount for the full year procurement (%)	Relationship with the issuer	Name	Amount	Percentage of the net amount for the full year procurement (%)	Relationship with the issuer	Name	Amount	Percentage of the net amount for the full year procurement (%)	Relationship with the issuer
	Others	12,524,915	100		Others	16,856,799	100		Not applicable			
	Net amount of procurement	12,524,915	100		Net amount of procurement	16,856,799	100					

Note: More than 10% of the total purchases of individual suppliers.



Information of the main clients for sale in the recent two years

Unit: NT\$ thousands

Item	Year 2020				Year 2021				2022 up to March 31			
	Name	Amount	Percentage of the net amount for the full year sales (%)	Relationship with the issuer	Name	Amount	Percentage of the net amount for the full year sales (%)	Relationship with the issuer	Name	Amount	Percentage of the net amount for the full year sales (%)	Relationship with the issuer
1	Water Resources Agency, Ministry of Economic Affairs	2,563,881	19.03	None	Water Resources Agency, Ministry of Economic Affairs	4,106,857	23.88	None	Not applicable			
2	Taoyuan International Airport Corporation	1,825,097	13.55	None				None				
	Others	9,081,984	67.42		Others	13,089,828	76.12					
	Net Sales	13,470,962	100.00		Net Sales	17,196,685	100.00					

Reason of increase/decrease: the Company engages contracted construction, and the operating revenues are recognized with the completion proportion method for each project. As the invested cost and progress differs for each project in the year, the recognized operating revenues vary as well.

(V) Volume and value of production for the recent two years

Volume and value of production for the recent two years

Unit: NTD in thousands

Item	Year 2021		Year 2020	
	Amount	%	Amount	%
Civil engineering	9,304,433	55.20	7,183,973	57.36
Construction engineering	4,339,283	25.74	3,195,210	25.51
Electromechanical engineering	232,664	1.38	146,869	1.17
Development engineering project	594,706	3.53	577,591	4.61
Real estate sales	1,002,976	5.94	31,669	0.25
Other operating costs	1,382,737	8.21	1,389,603	11.10
Total	16,856,799	100.00	12,524,915	100.00

Note: The items and standards of each contracted project vary depending on the different requirements of the clients; therefore other than the production value, the capacity and volume are unable to be expressed.

(VI) Volume and value of sales for the recent two years

Volume and value of sales for the recent two years

Unit: NTD in thousands

Item	Year 2021		Year 2020	
	Amount	%	Amount	%
Civil engineering	9,073,093	52.76	7,795,388	57.87
Construction engineering	4,609,507	26.80	3,303,123	24.52
Electromechanical engineering	261,509	1.52	158,163	1.17
Development engineering project	615,940	3.59	603,384	4.48
Real estate sales	1,237,815	7.20	35,091	0.26
Other operating costs	1,398,821	8.13	1,575,813	11.70
Total	17,196,685	100.00	13,470,962	100.00

Note: The items and standards of each contracted project vary depending on the different requirements of the clients; therefore other than the production value, the capacity and volume are unable to be expressed.

**III. The number of employees, average of service years, average age and academic background of employees in the recent two years and as of the printed out date of the annual report.**

Year		Year 2020	Year 2021	As of the date March.31.2022 (Note)
The member of employees	General staff	217	206	214
	Technical staff	612	648	694
	Total	829	854	908
Average age		42.04	41.86	41.84
Average of service years		6.99	6.65	6.51
Ratio of academic background of	PHD.	0.48%	0.47%	0.33%
	Master	18.58%	17.33%	17.40%
	College	72.86%	74.82%	73.57%
	High school	6.76%	5.97%	7.05%

employees	Under high school	1.33%	1.41%	1.65%
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Note: The annual information shall be filled out, as of the printed out date of the annual report:

#### IV. The expenditure of environmental protection

(I) The total lost and disposal amount due to the environmental pollution in the most recent year:

Content \ Period	Year 2022 (as of the end of March)	Year 2021	Year 2020	Total
Pollution status - type - level	Violation of road cleanness, air, water and noise pollution Mild	Violation of road cleanness, air, water and noise pollution Mild	Violation of road cleanness, air, water and noise pollution Mild	-
Subject of compensation Or the disciplinary unit	Engineering Office Local environmental protection agency	Engineering Office Local environmental protection agency	Engineering Office Local environmental protection agency	-
Compensation amount or disposition status	total of 0 instances	total of 8 instances	total of 4 instances	12 instances
	Fine 0 dollars	Fine 826,000 dollars	Fine 9,000 dollars	835,000 dollars
Other losses	None	None	None	-

(II) The response measures and possible expenditures in the future:

1. It is expected to adopt the improvement measures

(1) Improvement plan

- A. Reinforce the promotion of environmental awareness and manage the contractors for the pollution prevention and control at various construction sites, as well as implementation of low-pollution methods and purchase low-pollution construction tools.
- B. Conduct regular and irregular site assessments of environmental protection and reward the site to improve the environmental protection.
- C. Before the work is operated, the risk assessment shall be conducted according to the requirements of the company's management system ISO14001, so that the various environmental protection regulations can be implemented to reduce the risk and impact on the environment.
- D. Use the low-pollution and low-noise construction facility and equipment.
- E. Found a special unit to supervise the results of implementation on each site.
- F. The head office conducts the 6S environment cleaning assessment of each Engineering construction office, so that the engineers will be aware of the environment, manage and maintain the environment at workplace. As the company is facing the challenges in the operating environment, it is expected that all employees to work hard to break through the bottlenecks, so to create a highly efficient working environment and enhance the competitiveness as well as the safety of personnel and work quality and efficiency.

(2) Estimated environmental capital expenditure for the next three years

Content \ Year	Year 2022	Year 2023	Year 2024
The proposed purchase of pollution prevention	A. Include a budget for safety, health and environmental maintenance for each project. B. It is mainly used for vehicle	Same as the left	Same as the left

equipment or expenditure	washes, water pools, rental sprinklers, purchasing car wash equipment, sewage treatment equipment, environmental measuring instruments and reducing noise, measures of sound insulation and ecological conservation monitoring, etc.		
Expected improvement	Reduce environmental pollution	Same as the left	Same as the left
Amount	10,000 NTD in thousands	10,000 NTD in thousands	10,000 NTD in thousands

(3) Impact after the improvement

Content \ Year	Year 2022	Year 2023	Year 2024
Impact on the net profit	Reduce the general public's complaints, fines, and increase the depreciation fee of equipment.	Same as the left	Same as the left
Expected improvement	Enhance the corporate image which is beneficial to the progress of the project.	Same as the left	Same as the left

(III) Maintenance measures of the work environment:

1. Comply with the relevant laws and regulations.
2. Each project shall be subject to stipulate applicable plan for the environmental maintenance, waste cleaning, and wastewater handing at the construction site.
3. Request the contractors to comply with relevant environmental regulations and pay attention to the cleanness of the construction environment.
4. In order to reduce air pollution at the construction site, the vendors are requested to install a filter or a smoke evacuator to reduce the generation of pollution sources and reduce the sound sources to create a good working environment.
5. To reduce the noise pollution from the construction machines, the vendors are required to apply the low-noise machine, or low-noise methods. Because the machines tend to create noise and vibrations, the buffers are added at the bases or change the working period, to reduce the generation of noise source and create a good operating environment.
6. Conduct environmental measurements and record the data.
7. The exhumed soils in the open air digging operation are covered by canvas or straws and the passage roads are sprinkled with water to avoid dusts from being blown in the air.
8. In the ecology protection zone, ecology monitoring is conducted pursuant to environmental protection project.
9. We stick with our environmental impact assessment commitments and pay attention to the breeding season of animals and plants, while setting up artificial nest boxes in the trees at the construction sites for birds to inhabit.
10. We set up monitoring devices for air pollution control facilities (PM2.5, PM10, and temperature and humidity meters).

**V. Labor relations:**

(I) The company's various employee welfare, advanced studies, training, retirement system and the implementation, and the agreement between labor and the company regarding to the employee rights are as follows:

1. We set up "Employee welfare committee BES foundation" along with "Employee welfare

committee BES foundation donation code", "Employee welfare committee BES foundation operation bylaws", "Employee welfare committee encouraging construction material scrap collection and sorting precautions", "Employee welfare committee BES foundation scholarship guidelines" and "Employee welfare committee BES foundation employee entertainment program promotion guidelines" according to the "Employee welfare guidelines" for the committee's conducting individual welfare and entertainment measures, such as the employee rewards of NT\$3,000 to NT\$10,000 on the Spring Festival and the Dragon Boat Festival each year. The Staff Welfare Committee awarded a total of scholarships NT\$775,000 in 2021. In addition, in order to take care of the employees' safety at the work site, the company has insured all employees with group insurance of life insurance for 2 million dollars per person and 2 million dollars of accident insurance.

2. The Company has stipulated the "Employee bonus and offers". The 2021 shareholders' meeting approved the amount of NT\$16,301,756 for employees' remuneration in the 2020 earnings distribution proposal. Based on the estimation as per employees' rankings and performance, the amount of 2020 employees' remuneration is between NT\$7,000 and NT\$860,000 per person. The top ten employees receiving the most employees' remuneration are Associate Manager Su, Hui-Chiu; Vice President Yang, Mei-Yuan; Vice President Wang, Ting-Tze; Manager Chiu, Yung-Tsai; Manager Kuo, Hung-Cheng; Chairperson-cum-President Chu, Huei-Lan; Associate Manager Liao, Shu-Liang; Associate Manager Cheng, An-Tzu; Director Tseng, Fan-Ming; Manager Wang, Guo-Xi, in the total amount of NT\$4,299,365.
3. The company has stipulated the "Employees Training Method" to conduct the training of employees. The main specifications are as follows:
  - (1) Training category
    - A. New employees training:

Introduce the company's history, organization, business operation philosophy, future development and the rights of employees, so that the new employees have basic knowledge of the company.
    - B. General training for the employees:

Provide general education courses for employees according to their duties, so that they can have knowledge and basic work ability, which is beneficial to their future career planning.
    - C. Professional training for the employees:

Provide a variety of courses in professional knowledge, technical or practical experience for employees to improve their professional competence and enhance their job performance.
    - D. Supervisor training:

Offer courses of leadership theory, management knowledge and company policies to supervisors of all levels or someone who has the potential, so to enhance their management capabilities and reserve excellent management talents for the company.

E. Internal lecturer training:

For outstanding employees who have practical experience and are willing to teach; provide related courses that are necessary for becoming lecturers to cultivate internal lecturers for passing on the professional skills and experience.

F. Foreign language training:

For those employees who are interested or have the business needs to study the language and provide them with the relevant language courses, so that they can improve their language ability for the company's business development.

(2) Training methods

It refers to the training course that considers the conditions of the subjects, number of people and the conduct methods. Its categories are as the following: ① Self-held: the internal organizers of the company will focus on the training of the related employees. ② Outsourced for training: for the courses that are more economical or more effective to use external training courses according to the goals of the company or the laws and regulations ③ Training assignment: Assign individuals from various units to participate in training provided by external professional institutions, schools or training units.

4. In 2021, the Company had 145 training sessions held by ourselves or third parties and 166 external training sessions, in the total amount of NT\$3,891,353.
5. The Company's main self-organized and outsourced general knowledge and professional training courses in 2020 are as follows:
  - (1) To improve the internal employees' knowledge of urban renewal, laws, and tax concepts, we offered a total of eight classes of Urban Renewal Tax from August to October 2021.
  - (2) In September 2021, we offered the multi-rotor drone operation training class in line with the goal of AI construction management.
  - (3) In December 2020, to improve the overall work atmosphere, we held a "Building a Gender Friendly Work Environment - for managers" and a "Building a Gender Friendly Work Environment - for employees".
  - (4) In March, November, and December of 2021, we offered the Occupational Safety Card class 13 times to increase employees' awareness of labor safety.
6. The main external professional training courses participated by the company's professionals in 2021 include the following:
  - (1) "220 hours training of site supervisor in the construction industry " for 18 training person counts, the professional training institutions include the following: the ROC National Construction Industry Site Association, Chung Yuan University, Taipei City Construction Industry Rights Promotion Foundation, Feng Chia University, ROC Productivity Center, etc.
  - (2) The "quality management personnel training for the public construction projects" for 29 training person counts, the training institutions include the following: National Central University, ROC Productivity Center, Taipei University of Science and Technology,

Promotion and Education Division of Chung Yuan Christian University, Adult Education Department of Tamkang University, Chung Hsing University, Kaohsiung Civil Engineers Association, etc.

- (3) The “labor safety and health management training courses” for 109 training person counts, the training institutions include the following: ROC National Occupational Safety and Health Association, ROC Labor Safety and Health Management Association, Taiwan Industry and Commerce Safety and Health Association, ROC Labor Association, the Republic of China Labor Education Association, ROC Productivity Center and Kaohsiung City Occupational Safety First Association, Chung Hua Safety Scientific Technologies Development Association, etc.
7. The company is a TWSE listed company. To enhance the professionalism of audit personnel, the company assigns personnel to participate in trainings held by related institutions. In 2021, the internal audit personnel assigned to the following professional trainings: Su, Chih-Hsun, Manager of Audit Office participated in the course “War and Protection of Invisible Assets - Trade Secrets and Professional Prohibition” and “Fraud risk audit service and management” held by the Institute of Internal Auditors-Chinese Taiwan; Hsieh, Ju-Ying, audit personnel participated in the course “Risk-Oriented Internal Auditing Methods and Practices” and “Provisions and Practical Analysis of Disposal Assets for Fund Loans, Endorsements and Guarantees and Withdrawals” held by the Institute of Internal Auditors-Chinese Taiwan; Chou, Yun, audit personnel participated in the course “Fraud risk audit service and management” and “Provisions and Practical Analysis of Disposal Assets for Fund Loans, Endorsements and Guarantees and Withdrawals” held by the Institute of Internal Auditors-Chinese Taiwan.
8. The training courses of corporate governance participated by the company's supervisors are as follows:
- From November 25th to November 26th in 2021, SU, YU-MIN, the manager of the accounting department, participated in the “Accounting Supervisor Training Course” arranged by the ROC Accounting Research and Development Foundation, with a total of 12 hours.
9. The Company has stipulated the “Organization Rules of the Labor Retirement Subsidy Supervision Committee” and “Employees Retirement and Remuneration and the Severance Measures” and create the “Labor Retirement Reserves Supervisory Committee,” in accordance with the “Labor Act” and the “Regulations for the Allocation and Management of the Workers’ Retirement Reserve Funds,” to supervise the provision and manage the retirement reserve of the employees. The company also conduct the retirement, severance pay and pension matters of the employees in accordance with the law. In 2021, there are 12 people retired and 9 people at the retirement age from the company.
10. According to the “Labor Union Act” and the “Implementation Rules of Labor Union Act,” the company’s employees stipulated the “Work Rules of the Employees’ Welfare

Committee of BES Engineering Corporation” and founded the Labor Union. The representative of Labor Union was selected according to the “Member Representative Organization Rules of the BES Engineering Corporation” and the attending representatives selected the directors, backup directors, supervisors and backup supervisors according to the “Labor Union Supervisor Election Method of BES Engineering Corporation” by the anonymous method. The Labor Union regularly hold board and members’ meetings. The company assigns relevant business executives to attend the meetings so that the labor and the company will have an open communication to maintain the employees’ rights and interests.

(II) The losses caused by the labor disputes in recent years and the corresponding measures that may be adopted due to the losses in labor disputes at present and in the future:

The company has not suffered losses due to the labor disputes in recent years. In order to establish a harmonious relationship between labor and the company, any company’s policies and regulations will be communicated with employees or labor union before announcement, so that the employees can closely work together with the company to create surpluses for the company.

(III) Employee Code of Conduct and Ethics

1. The company has stipulated the “Employee Code of Conduct” as the guidelines for the company’s directors, supervisors, managers and all employees to follow, and its main contents are as follows:
  - (1) All employees’ behaviors should be honest and ethical, especially when there is a conflict of interest with their duties.
  - (2) The company’s confidential business operations and information should be kept confidential.
  - (3) The periodic report should be disclosed and presented in a comprehensive, fair, proper, timely and easy-to-understand manner.
  - (4) Treat customers, suppliers and competitors in a fair manner.
  - (5) Protect the company’s assets for effective usage.
  - (6) Comply with the government’s laws and regulations, including laws and regulations related to insider trading.
  - (7) When there is a violation of this Code of Conduct or a doubt of violation, one should respond to the appropriate personnel listed in this Code of Conduct.
2. In order to specify the behavior and ethics for all employees, the company has stipulated the “Work Rules for Staffs of BES Engineering Corporation,” “employee’s reward and punishment method” and “the main points of damage compensation for employees,” “the “leaves and attendance management measures,” etc.; they are all announced on the company’s internal website for all employees to review and follow.
3. In order to protect all employees from occupational injuries or deaths, the company has stipulated the “Safety and Environmental Protection Policy,” “Safety and Health, Environmental Protection and Safety Protection Management Main Points,” “Industrial Safety and Health Education and Training Points,” “Precautions for natural disasters,” “Physical



Examination and Health Inspection Methods for employees” and “Administrative Measures for Safety Protection” are also announced in the company’s internal website under the company’s rules and regulations.

## **VI. Information security management**

- (I) Datacom safety risk management framework, datacom security policy, specific management plan and resources invested in datacom security management, etc.:
1. Information security management structure and policy: The company's information security management policy refers to the framework of ISO 27001, and plans to improve the requirements of various control areas of international standards, as the company's basic control measures for daily maintenance to protect company data, and to further ensure information The integrity of the security management framework to comply with customers, customers, relevant laws and regulations and the latest development of information business.
  2. Specific management plan:
    - (1) Personnel management: Through continuous training, the awareness of information security of colleagues is improved and internalized in various operations, so as to implement the core of the most people-oriented information security.
    - (2) Information security monitoring: Regularly update the firewall device firmware and blocking specification settings, and jointly monitor internal and external abnormal activities through the information security monitoring center to establish a strict information security barrier.
    - (3) Process management: The rights and responsibilities of software developers and program modification process, system document management, program and data access control are divided by the information system cycle to ensure data preservation and proper management of information security.
    - (4) Internal control management: The internal audit unit regularly conducts information circulation and information security audits every year to ensure the implementation of internal information security management measures to achieve continuous improvement of control measures.
- (II) List the losses, possible impacts and countermeasures of major information security incidents in the most recent year and up to the date of publication of the annual report. If it is impossible to estimate reasonably, the facts that cannot be reasonably estimated shall be stated.

The company has not suffered any major information security incidents resulting in business damage. In the future, it will continue to strengthen its information security management and defense capabilities, enhance employees' information security awareness, and implement recovery plan drills to protect the company's important systems and data security.

## VI. Important contracts

Unit: NTD in thousands

Nature of the contract	Business owner	Project contents and contract amount	Starting date	Restrictions
Contract of the engineering construction	Second District Engineering Office of Taipei City Government MRT Engineering Bureau	CR580C Eastward Section Project of Xinyi Section in the Taipei MRT System: NT\$3,917,874,000	October, 2016–October 2023	None
Contract of the engineering construction	Taoyuan International Airport Corporation	The construction of parking apron, taxiway and apron facilities in terminal III of Taiwan Taoyuan International Airport: NT\$3,284,635,000	May, 2017–October 2023	None
Contract of the engineering construction	Taoyuan International Airport Corporation	The earthwork and infrastructure in terminal III of Taiwan Taoyuan International Airport: 3,586,674 NTD in thousands	June, 2017–April 2022	None
Contract of the engineering construction	Taoyuan International Airport Corporation	The comprehensive facility reinforcement project in Taoyuan International Airport: 1,899,423 NTD in thousands	September, 2017–June, 2022	None
Contract of the engineering construction	North District Water Resources Bureau, Ministry of Economic Affairs	Shimen Reservoir Anti-silt Tunnel Project (Phase 1) – Amuping Anti-silt Tunnel Project: NT\$3,397,457,...	November, 2017–July 2022	None
Contract of the engineering construction	ROC Air Force Combatant Command	Dormitory Reconstruction Turnkey Project in Fuxing Camp Area: 2,983,000 NTD in thousands	May 2018–September 2021	None
Contract of the engineering construction	Northern Construction Office of Nuclear Thermal Power Engineering Office of Taiwan Power Company.	The new construction project of the pumping machine room #7, 8 and 9 and water inlet/outlet underdrain in Taitan Power Plant: NT\$3,583,743	October, 2018–November 2022	None
Contract of the engineering construction	National Taiwan University Hospital	The new construction project of the Health Building in National Taiwan University Hospital: NT\$2,065,474,000	October, 2018–April 2023	None
Contract of the engineering construction	Hua Nan Commercial Bank, Ltd. and Hua-Nan Golden Asset Management Co., Ltd.	Hua-Nan Information Technology Building and new construction in Hua-Nan DingPo Science and Technology Building: 2,205,785 NTD in thousands	November, 2018–December 2021	None
Contract of	Taipei City	The public housing turnkey project on the	November, 2018–	None

Nature of the contract	Business owner	Project contents and contract amount	Starting date	Restrictions
the engineering construction	Government Urban Development Bureau	Hebing High School Base in Neihu District of Taipei City: 2,460,938 NTD in thousands	March 2022	
Contract of the engineering construction	China Petrochemical Development Corporation	The basic design, detail design, procurement and construction engineering for the China Petrochemical Development Corporation's liquid ammonia and phenol storage and transportation project in the intercontinental phase II wharf of Kaohsiung Harbor: 1,446,690 NTD in thousands	January, 2019–November 2022	None
Contract of the engineering construction	MRT Engineering Bureau of Taoyuan Government	GM01 electromechanical system turnkey engineering project of the Taoyuan MRT Green Line: 14,181,039 NTD in thousands	January, 2019–June 2031	None
Contract of the engineering construction	Yulon Motor Co., Ltd.	Main Structure of New Construction Project in Yulong Town Commercial District (Phase 1): NT\$1,103,705,000	March, 2019–January 2022	None
Contract of the engineering construction	MRT Engineering Bureau of Taoyuan Government	GC02 civil engineering and construction turnkey project of the underground section between the daylighting section to G07 Station (exclusive) of the Taoyuan MRT Green Line: 11,293,000 NTD in thousands	July 2019–August 2026	None
Contract of the engineering construction	Central District Water Resources Bureau, Ministry of Economic Affairs	Niaozueitan Artificial Lake Project, Wu River- Construction of Lake Area - 8,086,978 NTD in thousands	August 2019–September 2023	None
Contract of the engineering construction	Taiwan Railways Administration, MOTC	ME06A The electromechanical system engineering of the project of the addition of Station of Terminal Three, Taoyuan Airport (A14 Station) and the extension to Chungli Railway Station: 341,451 NTD in thousands	October 2019–December 2024	None
Contract of the engineering construction	Southern District Water Resources Bureau, Ministry of Economic Affairs	Tseng Wen Nan Hua Leveling Pipe Turnkey Project A1 - NT\$4,053,500,000	January 2020–June 2024	None
Contract of the engineering construction	New Construction Office of New Taipei City Government	Turnkey project for renovation of the First Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market: NT\$12,999,297,000	February 2020–March 2028	None
Contract of	Land Administration	Hsing Tai Wen Zai Jun Zone 2 land	September 2021–	None

Nature of the contract	Business owner	Project contents and contract amount	Starting date	Restrictions
the engineering construction	Department, New Taipei City Government	replotting project in New Taipei City: 4,548,116 NTD in thousands	July 2025	
Contract of the engineering construction	the North Temporary Engineering Office of Coastal Highway, General Administration of Highways, Ministry of Transportation and Communications	Tai No.15 and Tai No. 4 pipeline rerouting project (including pipeline burial) in cooperation with the expansion of Taiwan Taoyuan International Airport: NT\$2,711,826,000	October 2021– June 2024	None
Contract of the engineering construction	Sun Ba Power Corp.	General building turnkey project of Sun Ba's phase II administrative district: NT\$672,000,000	January 2022– December 2024	None
Contract of the engineering construction	National Taiwan University Hospital	The new construction project of the Health Building in National Taiwan University Hospital (the first bid for electrical, plumbing, and air conditioning engineering): NT\$2,471,000,000	February 2022– February 2024	None
Contract of the engineering construction	Office of Aerotropolis Public Construction, Taoyuan City Government	Taoyuan Aerotropolis Zone Expropriation Project A2 Section Turnkey Project: NT\$5,940,000,000	February 2022– February 2027	None
Contract of the engineering construction	Northern District Water Resources Bureau, Ministry of Economic Affairs	Zengwen Reservoir water release channel and mud pumping expansion project: NT\$1,810,000	April, 2022– October, 2025	None

Unit: NTD in thousands

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
Subcontracted projects	Bai Hong Construction Co., Ltd.	GC02 civil engineering and construction turnkey project of the underground section between the daylighting section to G07 Station (exclusive) of the Taoyuan MRT Green Line - diaphragm wall construction of VS4 station	77,199,917	2021/1/25	None
Materials procurement	Koupu Concrete	The construction of parking apron, taxiway	150,331,535	2021/2/5	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
	Industrial Co., Ltd.	and apron facilities in terminal III of Taiwan Taoyuan International Airport - purchase of pre-mixed concrete (2nd supplementary contract)			
Subcontracted projects	Jiangfeng Construction Co., Ltd.	Niaozueitan Artificial Lake Project, Wu River-Construction of Lake Area - planting work	79,799,995	2021/2/17	None
Subcontracted projects	Wan De Construction Co., Ltd.	GC02 civil engineering and construction turnkey project of the underground section between the daylighting section to G07 Station (exclusive) of the Taoyuan MRT Green Line - VS4 pipe roof work	155,000,000	2021/2/25	None
Subcontracted projects	Jiangfeng Construction Co., Ltd.	Niaozueitan Artificial Lake Project, Wu River-Construction of Lake Area - diaphragm and cut-off wall work (2) (1st supplementary contract)	704,197,379	2021/3/15	None
Materials procurement	Jiangfeng Construction Co., Ltd.	Niaozueitan Artificial Lake Project, Wu River - Construction of Lake Area - purchase of plastic concrete	507,623,708	2021/3/18	None
Subcontracted projects	Yong Ching Enterprise	The public housing turnkey project on the Hebing High School Base in Neihu District of Taipei City – electromechanical engineering	272,856,073	2021/3/26	None
Materials procurement	Hsin I Ready Mixed Concrete Co., Ltd.	The earthwork and infrastructure in terminal III of Taiwan Taoyuan International Airport - purchase of	78,428,700	2021/3/30	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
		premixed concrete (2) (4th supplementary contract)			
Subcontracted projects	Jianren Enterprise Co. Ltd.	Biyenge construction project - formwork	182,998,830	2021/4/1	None
Subcontracted projects	Xinwangda Co., Ltd.	Biyenge construction project - rebar tying work	52,454,325	2021/4/8	None
Materials procurement	Tung Ho Steel Enterprise Corp.	Shimen Reservoir Anti-silt Tunnel Project (Phase 1) – Amuping Anti-silt Tunnel Project- purchase of reinforcing steel (30)	118,652,625	2021/4/9	None
Subcontracted projects	Chian-Shen M&E Engineering Co., Ltd.	Biyenge construction project - electrical and mechanical work	360,000,000	2021/4/12	None
Subcontracted projects	Tung Kang Steel Structure Corp.	New construction project for BES Cloud Universe Industrial Park - top-down construction work (Zones A&B) (3)	57,680,498	2021/4/13	None
Materials procurement	Tung Kang Steel Structure Corp.	New construction project for BES Cloud Universe Industrial Park - steel beam purchase for top-down construction work (Zones A&B) (3)	80,819,502	2021/4/13	None
Materials procurement	Evergreen Steel Corporation	New construction project for BES Cloud Universe Industrial Park - steel beam purchase for top-down construction work (Zones A&B) (1)	76,373,824	2021/4/13	None
Subcontracted projects	Evergreen Steel Corporation	New construction project for BES Cloud Universe Industrial Park - top-down construction work (Zones A&B) (1)	55,626,176	2021/4/13	None
Materials procurement	Chun Yuan Steel Industry	New construction project for BES Cloud	61,092,462	2021/4/22	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
	Co., Ltd.	Universe Industrial Park - steel beam purchase for top-down construction work (Zones A&B) (2)			
Materials procurement	Tung Ho Steel Enterprise Corp.	CR580C Eastward Section Project of Xinyi Section in the Taipei MRT System-- purchase of reinforcing steel (33)	65,457,000	2021/4/26	None
Materials procurement	Fortune Electric Co., Ltd.	GM01 electromechanical system turnkey engineering project of the MRT Green Line GM01 - Procurement of 22KV gas insulated switch box and related equipment	119,091,000	2021/5/6	None
Materials procurement	Tung Ho Steel Enterprise Corp.	GC02 civil engineering and construction turnkey project of the underground section between the daylighting section to G07 Station (exclusive) of the Taoyuan MRT Green Line - purchase of reinforcing steel (8)	99,001,350	2021/5/11	None
Materials procurement	Tung Ho Steel Enterprise Corp.	The earthwork and infrastructure in terminal III of Taiwan Taoyuan International Airport - purchase of reinforcing steel (31)	112,836,780	2021/5/11	None
Subcontracted projects	Zhuanghan Engineering Co., Ltd.	The new construction project of the pumping machine room #7, 8 and 9 and water inlet/outlet underdrain in Taitan Power Plant - earthwork construction (4)	52,294,692	2021/5/24	None
Subcontracted projects	Youli Engineering Co., Ltd.	Tseng Wen Nan Hua Leveling Pipe Turnkey Project A1 - water	98,800,000	2021/5/25	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
		conduit bridge work			
Subcontracted projects	Monisun International Co., Ltd.	GM01 electromechanical system turnkey engineering project of the MRT Green Line GM01 - purchase of 22KV electrical ring main unit (RMU) and relevant equipment	78,225,000	2021/6/18	None
Subcontracted projects	Jiangfeng Construction Co., Ltd.	Niaozueitan Artificial Lake Project, Wu River-Construction of Lake Area - diaphragm and cut-off wall work (2) (2nd supplementary contract)	503,408,204	2021/6/18	None
Materials procurement	Hsin I Ready Mixed Concrete Co., Ltd.	The earthwork and infrastructure in terminal III of Taiwan Taoyuan International Airport - purchase of premixed concrete (2) (5th supplementary contract)	68,904,770	2021/7/14	None
Materials procurement	Koupu Concrete Industrial Co., Ltd.	The earthwork and infrastructure in terminal III of Taiwan Taoyuan International Airport - purchase of pre-mixed concrete (4) (1st supplementary contract)	69,715,202	2021/7/14	None
Materials procurement	Wei Sheng Steel Co., Ltd.	GC02 civil engineering and construction turnkey project of the underground section between the daylighting section to G07 Station (exclusive) of the Taoyuan MRT Green Line - purchase of steel for supporting the covering system (phases	72,798,037	2021/7/21	None



Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
		1 and 2)			
Subcontracted projects	Bai Hong Construction Co., Ltd.	GC02 civil engineering and construction turnkey project of the underground section between the daylighting section to G07 Station (exclusive) of the Taoyuan MRT Green Line - diaphragm wall construction of G05 and G06 station (including VS5 and VS6 station) (2nd supplementary contract)	71,799,929	2021/7/23	None
Subcontracted projects	Zhezai Engineering Co., Ltd.	Hsing Tai Wen Zai Jun Zone 2 land replotting project in New Taipei City - grading and earthwork	488,367,032	2021/8/9	None
Subcontracted projects	Hung Sing Engineering Limited	CR580C Eastward Section Project of Xinyi Section in the Taipei MRT System- CR285 bid - R03 station structural formwork (excluding crossover)	109,999,793	2021/8/10	None
Subcontracted projects	Mu He Landscape Engineering Co., Ltd.	Agora Garden - Landscape rectification work in the outdoor garden on the first floor	73,500,000	2021/8/17	None
Subcontracted projects	Chun Yuan Steel Industry Co., Ltd.	Turnkey project for renovation of the First Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market-steel material for the relay market - the steel structure work for the main structure of the agriculture category in the first phase	913,784,961	2021/8/20	None
Materials procurement	Chun Yuan	Turnkey project for	959,815,039	2021/8/20	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
	Steel Industry Co., Ltd.	renovation of the First Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market - the steel structure materials for the main structure of the agriculture category in the first phase			
Subcontracted projects	Jiangfeng Construction Co., Ltd.	Niaozueitan Artificial Lake Project, Wu River-Construction of Lake Area - earthwork and retaining support construction (7th supplementary contract)	151,036,307	2021/9/8	None
Subcontracted projects	Jing Feng Construction Co., Ltd.	- Road and Public Pipeline Project in Changhua Coastal Industrial Park - Lunwei West District 1 (phase 1) - road work and drainage work	94,600,000	2021/9/27	None
Subcontracted projects	Ji Diing Engineering Company Limited	- Road and Public Pipeline Project in Changhua Coastal Industrial Park - Lunwei West District 1 (phase 1) - tap water pipelines, industrial water, waste water collection pipelines, and lighting work	240,000,000	2021/9/27	None
Materials procurement	Taoyuan Branch of Kuoshun Premixed Concrete Co., Ltd.	Hsing Tai Wen Zai Jun Zone 2 land replotting project in New Taipei City - purchase of pre-mixed concrete (2)	229,354,661	2021/10/6	None
Materials procurement	Mork Inc.	Hsing Tai Wen Zai Jun Zone 2 land replotting project in New Taipei City - purchase of pre-mixed concrete (1)	229,367,334	2021/10/6	None
Subcontracted projects	BES Machinery	Changhua Coastal	79,000,000	2021/10/12	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
	Co., Ltd.	Industrial Park Development Project - Ocean Park's blowing sand treatment project			
Materials procurement	Tung Ho Steel Enterprise Corp.	New construction project for BES Cloud Universe Industrial Park - reinforcing steel purchase (8)	144,900,000	2021/10/12	None
Materials procurement	New San Yea Ready Mixed Concrete Co., Ltd.	Shimen Reservoir Anti-silt Tunnel Project (Phase 1) – Amuping Anti-silt Tunnel Project - purchase of pre-mixed concrete (3) (3rd supplementary contract)	58,160,272	2021/10/28	None
Materials procurement	Mork Inc.	Shimen Reservoir Anti-silt Tunnel Project (Phase 1) – Amuping Anti-silt Tunnel Project - purchase of pre-mixed concrete (2) (3rd supplementary contract)	56,165,907	2021/10/28	None
Subcontracted projects	Tung Kang Steel Structure Corp.	New construction project for BES Cloud Universe Industrial Park - upper main steel structure work (Zone B)	805,320,586	2021/10/29	None
Subcontracted projects	Longxin Construction Co., Ltd.	Development Project in Changhua Coastal Industrial Park - Lunwei West District 1 (phase 2) Road and Public Plumbing Project - drainage engineering	106,000,000	2021/10/29	None
Subcontracted projects	Cuntang Construction Co., Ltd.	GC02 civil engineering and construction turnkey project of the underground section between the daylighting section to G07 Station (exclusive) of the Taoyuan MRT Green Line - Interim digging support, composition and removal of covering system at G05	112,000,000	2021/10/29	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
		station			
Subcontracted projects	Cuntang Construction Co., Ltd.	GC02 civil engineering and construction turnkey project of the underground section between the daylighting section to G07 Station (exclusive) of the Taoyuan MRT Green Line - Interim digging support, composition and removal of covering system at G06 station and crossovers	109,300,000	2021/10/29	None
Materials procurement	Tung Kang Steel Structure Corp.	New construction project for BES Cloud Universe Industrial Park - purchase for upper main steel structure (Zone B)	663,734,295	2021/10/29	None
Subcontracted projects	Ji Diing Engineering Company Limited	Development Project in Changhua Coastal Industrial Park - Lunwei West District 1 (phase 2) Road and Public Plumbing Project - gate, pipeline, and lighting works	240,999,999	2021/10/29	None
Subcontracted projects	Weixin Industrial Co. Ltd.	Tai No.15 and Tai No. 4 pipeline rerouting project (including pipeline burial) in cooperation with the expansion of Taiwan Taoyuan International Airport - Chinese Petroleum Corporation's oil pipeline project	136,500,000	2021/11/1	None
Subcontracted projects	Qianpufeng Mechanical Engineering Co., Ltd.	GC02 civil engineering and construction turnkey project of the underground section between the daylighting section to G07 Station	55,000,000	2021/11/10	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
		(exclusive) of the Taoyuan MRT Green Line - Interim digging support, composition and removal of covering system at VS4 station			
Subcontracted projects	Tung Feng Construction Co., Ltd.	New construction project for BES Cloud Universe Industrial Park - foundation pile and top-down construction work	200,552,618	2021/11/12	None
Materials procurement	Wei Sheng Steel Co., Ltd.	GC02 civil engineering and construction turnkey project of the underground section between the daylighting section to G07 Station (exclusive) of the Taoyuan MRT Green Line - purchase of steel for supporting the covering system - beams	71,921,640	2021/11/16	None
Materials procurement	Mork Inc.	Turnkey project for renovation of the First Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market - the main structure of the agriculture category in the first phase (including the ramp) - purchase of pre-mixed concrete (1)	81,459,189	2021/11/24	None
Materials procurement	Qinghuang Cement Co., Ltd.	Tai No.15 and Tai No. 4 pipeline rerouting project (including pipeline burial) in cooperation with the expansion of Taiwan Taoyuan International Airport - purchase of	124,349,846	2021/11/24	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
		pre-mixed concrete (1)			
Materials procurement	Taoyuan Branch of Kuoshun Premixed Concrete Co., Ltd.	Turnkey project for renovation of the First Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market - the main structure of the agriculture category in the first phase (including the ramp) - purchase of pre-mixed concrete (3)	81,459,189	2021/11/24	None
Materials procurement	Wu Hsiung Enterprise Co., Ltd.	Tai No.15 and Tai No. 4 pipeline rerouting project (including pipeline burial) in cooperation with the expansion of Taiwan Taoyuan International Airport - purchase of pre-mixed concrete (2)	124,333,115	2021/11/24	None
Materials procurement	Dashen Industrial Co., Ltd.	Turnkey project for renovation of the First Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market - the main structure of the agriculture category in the first phase (including the ramp) - purchase of pre-mixed concrete (2)	81,459,189	2021/11/24	None
Subcontracted projects	Linming Construction Co., Ltd.	Development Project in Changhua Coastal Industrial Park - Lunwei West District 1 (phase 2) Road and Public Plumbing Project - road construction	227,500,000	2021/11/25	None
Subcontracted projects	Liyang Plumber and Electricity Co., Ltd.	Tai No.15 and Tai No. 4 pipeline rerouting project (including pipeline burial) in	225,000,000	2021/11/29	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
		cooperation with the expansion of Taiwan Taoyuan International Airport - Taipower's 161kV Luzhu-Fuhai Line and 69kV Luzhu-Dayuan Tianxin Line cable line rerouting project			
Materials procurement	Hsin I Ready Mixed Concrete Co., Ltd.	Taoyuan Aerotropolis Zone Expropriation Project A2 Section Turnkey Project-purchase of pre-mixed concrete (1)	126,029,400	2021/12/3	None
Materials procurement	Xutian Enterprise Co., Ltd.	Taoyuan Aerotropolis Zone Expropriation Project A2 Section Turnkey Project-purchase of pre-mixed concrete (2)	126,029,400	2021/12/3	None
Subcontracted projects	Yixing Development Engineering Co., Ltd.	Tai No.15 and Tai No. 4 pipeline rerouting project (including pipeline burial) in cooperation with the expansion of Taiwan Taoyuan International Airport - construction site demolition and embankment excavation and filling work	118,999,997	2021/12/9	None
Subcontracted projects	Sanhsia Construction Co., Ltd.	Tai No.15 and Tai No. 4 pipeline rerouting project (including pipeline burial) in cooperation with the expansion of Taiwan Taoyuan International Airport - asphalt concrete engineering work	228,999,658	2021/12/9	None

Unit: NTD in thousands

Nature of the contract	Party	Start date of the contract	Main content	Restrictions
Agreement	Ministry of Economic Affairs The Industrial Bureau	March, 1994~(Project progress is adjusted according to the market demand)	Public Facilities Project in Yilan Lize Industrial Park: The estimated amount of direct construction fee is 4,264,140 NTD in thousands (by actual settlement)	None
Agreement	Ministry of Economic Affairs The Industrial Bureau	December, 1990~(Project progress is adjusted according to the market demand)	Public facilities project in Changhua Coastal Industrial Park (Xianxi, Lunwei District) The estimated amount of direct construction fee is 53,608,071 NTD in thousands (by actual settlement)	None
Agreement	Ministry of Economic Affairs The Industrial Bureau	August, 1995~(Project progress is adjusted according to the market demand)	Public Facilities Project Yunlin Science and Technology Industrial Park (Dabeixi Area) : The estimated amount of direct construction fee is 4,024,820 NTD in thousands (by actual settlement)	None

Remarks: The estimated direct construction costs are based on the results of the 2013 development costs of Industrial Bureau, Ministry of Economic Affairs.



Nature of the contract	Party	Main content	Starting date	Restrictions
Urban renewal	92 people including Liu	New residential construction in BES Yuncui	From the signing date on March 3, 2011 to the settlement date after the completion and handover of the house	None
Urban renewal	221 people including Tsai	New residential construction in BES Biyenge	From the signing date on April 7, 2012 to the settlement date after the completion and handover of the house	None
Urban renewal	417 people including Ding	New residential construction in Yanshou Zone J	From the signing date on October 17, 2012 to the settlement date after the completion and handover of the house	None
Urban renewal	62 people including Lee	New residential construction in Nangang District	From the signing date on May 16, 2015 to the settlement date after the completion and handover of the house	None
Urban renewal	BES ENGINEERING CORPORATION	BES Cloud Universe Industrial Park - factories	From the Plan for review date on May 8, 2015 to the settlement date after the completion and handover of the house	None
Urban renewal of public office buildings	New Taipei City Government	Public office building urban renewal project in Shulin New residential housing Construction projects	From the signing date on December 28, 2021 to the settlement date after the completion and handover of the property	None
Jointly-constructed and sold in partitions	Asia Pacific Commerce Co., Ltd.	“Tao Zhu Yin Yuan”	From the signing date on March 08, 2010 to the settlement date after the completion and handover of the house	None

## Six. Financial overview

### I. The Condensed Balance Sheet and Comprehensive Income Statement for the Recent Five Years

(I) The Condensed Balance Sheet and Comprehensive Income Statement applied IFRS

#### Condensed Balance Sheet

Unit: NT NTD in thousands

Item	Year	Financial Information for the Recent Five Years					The current year up to March 31, 2022 Financial Information (Note 3)
		Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	
Current Assets		28,942,303	30,416,617	35,382,398	33,789,293	38,754,641	Not applicable
Property, Plant, and Equipment		3,435,858	3,419,553	3,312,312	3,220,082	3,210,072	
Intangible Assets		115,191	101,673	43,997	0	0	
Other Assets		5,535,938	5,852,961	4,485,467	5,099,342	6,123,450	
Total Assets		38,029,290	39,790,804	43,224,174	42,108,717	48,088,163	
Current Liabilities	Before Distribution	13,674,729	14,126,037	16,565,080	16,243,125	17,472,075	
	After Distribution	13,961,007	14,427,624	16,872,791	16,599,825	(Note1)	
Non-current Liabilities		4,328,203	5,670,448	6,634,536	5,450,050	7,687,342	
Total Liabilities	Before Distribution	18,002,932	19,796,485	23,199,616	21,693,175	25,159,417	
	After Distribution	18,289,210	20,098,072	23,507,327	22,049,875	(Note1)	
Equity Attributed to the Owners of Parent Company		19,852,800	19,854,375	19,897,187	20,307,824	22,835,523	
Capital Share		15,308,998	15,308,998	15,308,998	15,308,998	15,308,998	
Capital Reserves		69,688	69,688	73,782	73,833	73,884	
Retained Earnings	Before Distribution	4,935,084	5,034,451	5,080,690	5,387,899	7,676,432	
	After Distribution	4,648,806	4,732,864	4,772,979	5,031,199	(Note1)	
Other Equity		(460,970)	(558,762)	(566,283)	(462,906)	(223,791)	
Treasury Shares		-	-	-	-	-	
Non-controlling Equity		173,558	139,944	127,371	107,718	93,223	
Total Equity	Before Distribution	20,026,358	19,994,319	20,024,558	20,415,542	22,928,746	
	After Distribution	19,740,080	19,692,732	19,716,847	20,058,842	(Note1)	

Note1 : The 2021 profit distribution plan is yet to be distributed through the resolution of the shareholders' meeting.

## Condensed Consolidated Comprehensive Income Statement

Unit: NT NTD in thousands

Year Item	Financial Information for the Recent Five Years					The current year up to March 31, 2022 Financial Information (Note 2)
	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	
Operating Revenue	9,782,245	11,062,421	12,590,753	13,470,962	17,196,685	Not applicable
Gross Operating Profit	1,146,711	1,054,299	1,208,930	946,047	339,886	
Net Operating Profit	386,605	352,537	512,266	375,047	(358,619)	
Non-operating Revenue and Expenses	(18,760)	(127,658)	(94,583)	418,185	2,837,088	
Net Profit Before Tax	367,845	224,879	417,683	793,232	2,478,469	
Net Profit of the Period for the Continuing Operations	270,357	356,435	307,844	598,847	2,662,176	
Losses from the Discontinued Operations	-	-	-	-	-	
Net Income (Loss) of the Period	270,357	356,435	307,844	598,847	2,662,176	
Other Comprehensive Income of the Period (Net Amount after Tax)	265,232	(79,225)	38,630	100,314	239,037	
Total Comprehensive Incomes and Losses	535,589	277,210	346,474	699,161	2,901,213	
Net Profit Attributed to the Owners of Parent Company	264,086	363,334	312,886	618,959	2,676,758	
Net Profit Attributed to the Non-Controlling Equity	6,271	(6,899)	(5,042)	(20,112)	(14,582)	
Comprehensive Income Attributed to the Owners of Parent Company	525,351	287,853	352,340	718,327	2,915,641	
Comprehensive Income Attributed to the Non-Controlling Equity	10,238	(10,643)	(5,866)	(19,166)	(14,428)	
EPS	0.17	0.24	0.20	0.40	1.75	

## Condensed Balance Sheet of Parent Company Only

Unit: NT NTD in thousands

Item	Year	Financial Information for the Recent Five Years					The current year up to March 31, 2022 Financial Information (Note 1)
		Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	
Current Assets		27,289,668	29,466,032	33,161,121	32,277,718	35,815,439	Not applicable
Property, Plant, and Equipment		2,803,431	2,559,056	2,518,085	2,433,886	2,416,388	
Intangible Assets		-	-	-	-	-	
Other Assets		6,535,982	6,453,107	6,093,544	6,102,200	8,602,794	
Total Assets		36,629,081	38,478,195	41,772,750	40,813,804	46,834,621	
Current Liabilities	Before Distribution	12,813,169	13,282,769	15,703,068	15,549,129	16,681,171	
	After Distribution	13,099,447	13,584,356	16,010,779	15,905,829	(Note 2)	
Non-current Liabilities		3,963,112	5,341,051	6,172,495	4,956,851	7,317,927	
Total Liabilities	Before Distribution	16,776,281	18,623,820	21,875,563	20,505,980	23,999,098	
	After Distribution	17,062,559	18,925,407	22,183,274	20,862,680	(Note 2)	
Equity Attributed to the Owners of Parent Company		19,852,800	19,854,375	19,897,187	20,307,824	22,835,523	
Capital Share		15,308,998	15,308,998	15,308,998	15,308,998	15,308,998	
Capital Reserves		69,688	69,688	73,782	73,833	73,884	
Retained Earnings	Before Distribution	4,935,084	5,034,451	5,080,690	5,387,899	7,676,432	
	After Distribution	4,648,806	4,732,864	4,772,979	5,031,199	(Note 2)	
Other Equity		(460,970)	(558,762)	(566,283)	(462,906)	(223,791)	
Treasury Shares		-	-	-	-	-	
Non-controlling Equity		-	-	-	-	-	
Total Equity	Before Distribution	19,852,800	19,854,375	19,897,187	20,307,824	22,835,523	
	After Distribution	19,566,522	19,552,788	19,679,476	19,951,124	(Note 2)	

Note 1: No individual financial report was prepared in the first quarter of 2022, so it is not applicable.

Note 2: The 2021 profit distribution plan is yet to be distributed through the resolution of the shareholders' meeting.

## Condensed Comprehensive Income Statement of Parent Company Only

Unit: NT NTD in thousands

Item	Year	Financial Information for the Recent Five Years					The current year up to March 31, 2022 Financial Information (Note 1)
		Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	
Operating Revenue		7,011,956	8,813,523	10,538,452	11,996,627	15,823,745	Not applicable
Gross Operating Profit		616,882	630,450	799,248	701,469	71,941	
Net Operating Profit		288,100	344,320	476,365	372,383	(378,716)	
Non-operating Revenue and Expenses		33,885	(110,388)	(71,199)	410,101	2,855,755	
Net Profit Before Tax		321,985	233,932	405,166	782,484	2,477,039	
Net Profit of the Period for the Continuing Operations		264,086	363,334	312,886	618,959	2,676,758	
Losses from the Discontinued Operations		-	-	-	-	-	
Net Income (Loss) of the Period		264,086	363,334	312,886	618,959	2,676,758	
Other Comprehensive Income of the Period (Net Amount after Tax)		261,265	(75,481)	39,454	99,368	238,883	
Total Comprehensive Incomes and Losses		525,351	287,853	352,340	718,327	2,915,641	
Net Profit Attributed to the Owners of Parent Company		-	-	-	-	-	
Net Profit Attributed to the Non-Controlling Equity		-	-	-	-	-	
Comprehensive Income Attributed to the Owners of Parent Company		-	-	-	-	-	
Comprehensive Income Attributed to the Non-Controlling Equity		-	-	-	-	-	
EPS		0.17	0.24	0.20	0.40	1.75	

Note 1: No individual financial report was prepared in the first quarter of 2022, so it is not applicable.

### (II) Name of the CPAs and the Opinions for the Recent Five Years

	Name of CPAs	Audit Opinions of CPAs
Year 2017	Tung-Feng Lee and Ching-Cheng Yang	Unqualified opinion
Year 2018	Tung-Feng Lee and Ching-Cheng Yang	Unqualified opinion
Year 2019	Tung-Feng Lee and Ching-Cheng Yang	Unqualified opinion
Year 2020	Tung-Feng Lee and Yao-Lin. Huang	Unqualified opinion
Year 2021	Tung-Feng Lee and Yao-Lin. Huang	Unqualified opinion

## II. Financial Analysis for the Recent Five Years

### (I) Application of IFRS

#### Consolidated Financial Analysis – Application of IFRS

Analysis Items (Note 2)		Year	Financial Analysis for the Recent Five Years					The current year up to March 31, 2022 (Note 1)
		Year 2017	Year 2018	Year 2019	Year 2020	Year 2021		
Financial Structure (%)	Ratio of Liabilities to Assets	47.34	49.75	53.67	51.52	52.31	Not applicable	
	Long-term Capital to Property, Plant, & Equipment	708.83	750.53	804.85	803.26	953.75		
Solvency %	Current Ratio	211.65	215.32	213.60	208.02	221.80		
	Quick Ratio	149.98	143.90	119.03	105.31	124.83		
	Interest Protection Multiples	2.55	1.43	2.93	5.07	14.91		
Operating Capability	Turnover Rate of Receivables (Times)	3.57	3.57	3.72	4.08	4.67		
	Average Days of Receiving Cash	102.24	74.48	98.12	89.46	78.15		
	Turnover Rate of Inventory (Times)	1.06	1.11	0.92	0.81	1.06		
	Turnover Rate of Payables (Times)	3.66	4.28	3.48	2.92	3.75		
	Average Days of Sales	344.34	328.83	396.74	450.62	344.33		
	Turnover Rate of Property, Plant, and Equipment (Times)	2.85	3.24	3.80	4.18	5.35		
	Total Turnover Rate of Assets (Times)	0.26	0.28	0.29	0.32	0.35		
Profitability	Return on Assets (%)	0.84	1.04	1.04	1.73	6.16		
	Return on Equity (%)	1.36	1.78	1.54	2.96	12.28		
	Ratio of Pre-Tax Net Income to Paid-up Capital %	2.4	1.47	2.73	5.18	16.18		
	Net Margin (%)	2.76	3.22	2.45	4.45	15.48		
	Earnings Per Share (NT\$)	0.17	0.24	0.20	0.40	1.75		
Cash Flow	Cash flow ratio (%)	-	-	0.57	3.37	1.12		
	Cash flow adequacy ratio (%)	40.41	38.04	4.22	7.45	10.23		
	Cash re-investment ratio (%)	-	-	-	0.89	-		
Leverage	Operating Leverage	1.37	1.36	1.35	1.44	0.55		
	Financial Leverage	1.23	1.2	1.66	1.84	0.70		
<p>The increase and decrease of each financial ratio in the recent two years for more than 50%. The reasons are described as the followings:</p> <ol style="list-style-type: none"> <li>1. The increase of interest protection multiples resulted from the increase of pre-tax income of 2021.</li> <li>2. The increase of the ratio of pre-tax net income to paid-up capital resulted from the increase of pre-tax income of 2021. So, Return on Assets, Return on Equity, Ratio of Pre-Tax Net Income to Paid-up Capital, Net Margin and Earnings Per Share to the increase.</li> <li>3. The decrease of Cash flow ratio and Cash flow adequacy ratio from the decrease of the operating actives Cash flow of 2021.</li> <li>4. The decrease in operating leverage and financial leverage was due to the decrease in net operating profit in 2021.</li> <li>5. The ratios related to cash flows are not calculated when the net cash flows from the operating actives are negative.</li> </ol>								

## Parent Company Only Financial Analysis- IFRS applied

Year		Financial Analysis for the Recent Five Years (Note 1)					The current year up to March 31, 2022 (Note 1)
		Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	
Analysis Items (Note 2)							
Financial Structure (%)	Ratio of Liabilities to Assets	45.80	48.40	52.37	50.24	51.24	(Not Applicable)
	Long-term Capital to Property, Plant, & Equipment	849.53	984.56	1,035.30	1,038.04	1,247.87	
Solvency %	Current Ratio	212.98	221.84	211.18	207.59	214.70	
	Quick Ratio	147.20	146.37	111.96	100.78	113.90	
	Interest Protection Multiples	2.43	1.52	3.08	5.44	16.38	
Operating	Turnover Rate of Receivables (Times)	2.74	4.16	6.59	8.60	8.93	
	Average Days of Receiving Cash	133.21	87.74	55.39	42.44	40.87	
	Turnover Rate of Inventory (Times)	0.84	0.91	0.79	0.73	0.99	
	Turnover Rate of Payables (Times)	2.87	3.57	3.01	2.65	3.56	
	Average Days of Sales	434.52	401.10	462.03	500.00	368.68	
	Turnover Rate of Property, Plant and Equipment (Times)	2.50	3.44	4.19	4.93	6.54	
	Total Turnover Rate of Assets (Times)	0.19	0.23	0.26	0.29	0.33	
Profitability	Return on Assets (%)	0.84	1.05	1.14	1.79	6.35	
	Return on Equity (%)	1.34	1.83	1.57	3.08	12.40	
	Profit Before Tax to Paid-up Capital (%) (Note 7)	2.10	1.53	2.65	5.11	16.18	
	Net Margin (%)	3.77	4.12	2.97	5.16	16.91	
	Earnings Per Share (NT\$)	0.17	0.24	0.20	0.40	1.75	
Cash Flow	Cash flow ratio (%)	-	-	-	2.73	0.71	
	Cash flow adequacy ratio (%)	48.39	30.04	5.51	7.09	6.82	
	Cash re-investment ratio (%)	-	-	-	0.46	-	
Leverage	Operating Leverage	1.26	1.20	1.19	1.21	0.80	
	Financial Leverage	1.24	1.13	1.62	1.69	0.73	
<p>The increase and decrease of each financial ratio in the recent two years for more than 50%. The reasons are described as the followings:</p> <ol style="list-style-type: none"> <li>1. The increase of interest protection multiples resulted from the increase of pre-tax income of 2021.</li> <li>2. The increase of the ratio of pre-tax net income to paid-up capital resulted from the increase of pre-tax income of 2021. So, Return on Assets, Return on Equity, Ratio of Pre-Tax Net Income to Paid-up Capital, Net Margin and Earnings Per Share to the increase.</li> <li>3. The decrease of Cash flow ratio and Cash flow adequacy ratio from the decrease of the operating active Cash flow of 2021.</li> <li>4. The decrease in operating leverage and financial leverage was due to the decrease in net operating profit in 2021.</li> <li>5. The ratios related to cash flows are not calculated when the net cash flows from the operating active are negative.</li> </ol>							

Note 1: No financial statement for parent company only is prepared for Q1 2021, and thus not applicable.

Note 2: Formula for the Items in Financial Analysis

1. Financial Structure

(1) Ratio of Liabilities to Assets = total liabilities / total assets

(2) Long-term Capital to Property, Plant and Equipment = (total equity + non-current liabilities) / net amount of property, plant, & equipment

2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets – inventory – pre-payment) / current liabilities

(3) Interest Protection Multiples = net income before income tax and interest expenses / interest expenditures of the period.

3. Operating Capability

(1) Turnover Rate of Receivables (including receivables and the bills receivables resulted from the operating activities) = net amount of sales / balance of the average receivables of each period (including receivables and the bills receivables resulted from the operating activities)

(2) Average Days of Receiving Cash = 365 / Turnover Rate of Receivables

(3) Turnover Rate of Inventory = sales costs / average amount of inventory

(4) Turnover Rate of Payables (including payables and the bills payable resulted from the operating activities) = sales costs / balance of the average payables of each period (including payables and the bills payables resulted from the operating activities)

(5) Average Days of Sales = 365/ Turnover Rate of Inventory

(6) Turnover Rate of Property, Plant, and Equipment = net amount of sales/ average net amount of property, plant and equipment

(7) Total Turnover Rate of Assets = net amount of sales/ average total assets.

4. Profitability

(1) Return on Assets = [Income after tax + interest expenses x (1- tax rate)]/ average total assets.

(2) Return on Equity = post-tax income / average total equity

(3) Net Margin = post-tax income / net amount of sales

(4) Earning Per Share = (income attributed to the owners of parent company – dividends of preferred shares) / weighted average issued shares (Note 4)

5. Cash Flow

(1) Cash Flow Ratio = net cash flow from operating activities/ current liabilities

(2) Cash Flow Adequacy Rate = net cash flow from operating activities in the past five years / (capital expenditure + amount of increased inventory + cash dividends) in the past five years

(3) Cash Re-investment Ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant, & equipment + long term investment + other non-current assets + operating funds) (Note 5)

6. Leverage:

(1) Operating Leverage = (Net operating amount – variant operating costs and expenses) / Operating income (Note 6)

(2) Financial Leverage = Operating income / (Operating income - interest expenses)

Note 3: The followings shall be paid attention to when measuring with the abovementioned formula:

1. The basis shall be the weighted average common shares but not the issued share at the end of the year
2. When there is any capital increase by cash or treasury share transaction, the weighted average share shall be calculated based on their outstanding period.
3. Whenever there is a capital increase by earnings or capital reserves, the EPS of the past years and six-month, the retrospective adjustment shall be made according to the proportion of the capital increase, but the issuance period of the capital increase is not the consideration.
4. If the preferred shares are the cumulative preferred shares not for convertible, the dividend of the year (whether being paid or not) shall be deducted from the net profit after tax, or increase the net loss after profit. If the preferred shares are not cumulative, the dividends of preferred shares shall be deducted from the net profit after tax; in case of loss, no adjustment is needed.

Note 4: When measuring the cash flow, the following shall be paid attention to:

1. The net cash flow from the operating activities means the net cash inflows from the operating activities in the cash flow statement
2. Increase of capital expense refers to the cash outflow of the capital investment.
3. The increase of inventory only is accounted for when the balance at the end of period greater than the balance at the beginning of the period; if the inventory at the end of period decreased, it is accounted for as zero
4. Cash dividends include the cash dividends of common shares and preferred shares.
5. The gross property, plant and equipment refers to the gross property, plant, and equipment before accumulated depreciation.

Note 5: The issuer shall divide each operating costs and expenses by their nature as fixed and variable. Should there be any estimation or subjective judgement, that shall be reasonable and consistent.

Note 6: Should the share of the company have no face value or the face value per share is not NT\$10, the former one is calculated by the proportions in the paid-up capital; the latter is calculated by the proportion in the equity attributed to the owners of the parent company in the balance sheet.



### **III. Audit Committee's audit report of the most recent annual financial report**

#### **BES ENGINEERING CORPORATION Audit Report by Audit Committee**

The business report, parent company only financial statements, consolidated financial statements, and the proposal of profit distribution prepared by the Board of Directors have been delegated to CPAs from Deloitte Taiwan, Mr. Tung-Feng Lee and Mr. Yao-Lin. Huang; the documents are reviewed with the audit report.

The abovementioned business report, parent company only financial statements, consolidated financial statements, and the proposal of profit distribution have been audited by the Audit Committee, and found no inconsistency with Article 14 of the Securities Exchange Act and Article 219 of the Company Act.

Please review

to

the AGM of BES Engineering Corporation

Audit Committee, BES Engineering Corporation

Independent Directors: Ge, Shu-Ren

Independent Directors: Lu, He-Yi

Independent Directors: Chang, Pan

March 15, 2022

## **IV. The latest annual financial report**

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
BES Engineering Corporation

#### **Opinion**

We have audited the accompanying consolidated financial statements of BES Engineering Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 Attestation of Financial Statements by Certified Public Accountants and 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. 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.

The key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

#### Accuracy of Construction Revenue Recognized

The Group operates in the construction industry and is mainly engaged in the construction of roads, bridges, wharfs and multi-storey residential buildings and office complexes. The Group calculates construction revenue based on the estimated percentage of completion and the total price of the construction project. As estimates are required to be made with reference to internal and external documents during the calculation of the percentage of completion of construction, the calculation of the percentage of completion is considered complex. In addition, the Group's construction revenue amount for the year ended December 31, 2021 is material, hence, the accuracy of the recognition of construction revenue was deemed as a key audit matter for the year ended December 31, 2021. Refer to Note 4 to the accompanying consolidated financial statements for the relevant accounting policies and Table 1 following the notes to the consolidated financial statements for the financial information of the construction projects.

The main audit procedures performed with respect to the above-mentioned key audit matter are as follows:

1. We understood and tested the design and operating effectiveness of the internal controls related to the estimation of the percentage of completion and the accuracy of construction revenue recognized.
2. We evaluated whether the accounting policies on the estimation of the percentage of completion were consistently applied.
3. We performed tests of the details of incomplete construction projects at the end of the year to confirm the accuracy of construction revenue recognized.
4. We obtained confirmations of approval of the owners after the reporting period and confirmed that no material adjustments were made after the reporting period.

#### Net Realizable Value of Real Estate Inventory

The Group is mainly engaged in the construction of buildings and transacting of real estate. As stated in Note 12, the carrying amount of buildings and land held for sale in the consolidated balance sheets as of December 31, 2021 is material. As real estate inventory is stated at the lower of cost and net realizable value, and the net realizable value of real estate inventory may be affected by changes in the market price of real estate and its assessment involves management's subjective judgment and accounting estimates, the net realizable value of real estate inventory was deemed as a key audit matter for the year ended December 31, 2021. Refer to Note 5 to the accompanying consolidated financial statements for the relevant accounting judgments and key sources of estimation uncertainty.

The main audit procedures performed with respect to the above-mentioned key audit matter are as follows:

1. We evaluated whether the accounting policies on the valuation of real estate inventory were consistently applied.
2. We obtained the information on the calculation of the net realizable value and impairment assessment of the above-mentioned real estate inventory and reviewed whether the assessment results were reasonable.

#### **Other Matter**

We have also audited the parent company only financial statements of BES Engineering Corporation as of and for the years ended December 31, 2021 and 2020 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect 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 misstatements, 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.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 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 audits resulting in this independent auditors' report are Tung-Feng Lee and Yao-Lin Huang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 15, 2022

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

## BES ENGINEERING CORPORATION AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 16)	\$ 2,995,422	6	\$ 2,447,681	6
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 36)	2,380,206	5	23,682	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 8, and 37)	1,081,055	2	964,350	2
Financial assets at amortized cost - current (Notes 4, 9, 26 and 37)	4,692,740	10	2,992,106	7
Notes receivable and trade receivables (Notes 4, 10, 28 and 36)	97,661	-	84,635	-
Construction receivables (Notes 4, 10, 16, 26, 28 and 36)	2,286,738	5	1,254,817	3
Contract assets - current (Notes 16, 26, 28 and Table 1)	2,459,043	5	3,273,890	8
Accounts receivable on the development of industrial districts (Notes 4, 11, 26 and 37)	6,077,203	13	6,995,042	17
Inventories (Notes 4, and 26)	188,496	-	12,145	-
Buildings and land held for sale, net (Notes 4, 5, 12, 26 and 37)	11,850,421	25	11,402,858	27
Construction in progress (Notes 13, 26 and 37)	3,113,718	7	3,088,754	7
Refundable deposits on construction contracts (Note 26)	158,801	-	124,075	-
Other current assets (Notes 16 and 36)	1,373,137	3	1,125,258	3
Total current assets	<u>38,754,641</u>	<u>81</u>	<u>33,789,293</u>	<u>80</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8, 36 and 37)	1,734,715	4	727,361	2
Financial assets at amortized cost - non-current (Notes 4, 9 and 37)	4,291	-	644,768	1
Investments accounted for using the equity method (Notes 4, 15 and 36)	1,638,812	3	1,962,920	5
Property, plant and equipment (Notes 4, 17 and 37)	3,210,072	7	3,220,082	8
Right-of-use assets (Notes 4, 18 and 37)	227,925	-	270,369	1
Investment properties (Notes 4, 19 and 37)	1,029,029	2	828,637	2
Deferred tax assets (Notes 4 and 30)	597,279	1	364,876	1
Refundable deposits (Notes 16 and 36)	70,215	-	60,424	-
Prepayments for investments (Note 8)	770,870	2	-	-
Other non-current assets	50,314	-	239,987	-
Total non-current assets	<u>9,333,522</u>	<u>19</u>	<u>8,319,424</u>	<u>20</u>
<b>TOTAL</b>	<u>\$ 48,088,163</u>	<u>100</u>	<u>\$ 42,108,717</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 21 and 37)	\$ 3,045,113	6	\$ 2,540,134	6
Short-term bills payable (Notes 21 and 37)	2,531,971	5	2,331,245	6
Notes payable (Note 26)	8,343	-	2,277	-
Trade payables (Notes 16, 22 and 26)	4,613,161	10	4,347,815	10
Contract liabilities - current (Notes 16, 26, 28, 36 and Table 1)	2,764,252	6	2,248,921	5
Lease liabilities - current (Notes 4, 18 and 36)	66,025	-	70,179	-
Accrued expenses (Notes 16 and 36)	461,736	1	386,795	1
Accounts payable for the development of industrial districts (Notes 4, 23 and 26)	1,981,683	4	1,943,027	5
Current tax liabilities (Note 4)	20,778	-	24,380	-
Provisions - current (Notes 4, 24 and 26)	461,341	1	468,177	1
Guarantee deposits on construction contracts - current (Note 26)	477,569	1	421,482	1
Current portion of long-term borrowings (Notes 21 and 37)	746,870	1	1,130,591	3
Other current liabilities (Notes 16 and 36)	293,233	1	328,102	1
Total current liabilities	<u>17,472,075</u>	<u>36</u>	<u>16,243,125</u>	<u>39</u>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Notes 4, 18 and 36)	172,469	1	207,971	-
Long-term borrowings (Notes 21 and 37)	5,313,000	11	3,607,218	9
Deferred tax liabilities (Notes 4 and 30)	1,115,149	2	1,110,055	3
Provisions - non-current (Notes 4 and 24)	984,074	2	365,748	1
Net defined benefit liabilities - non-current (Notes 4 and 25)	73,822	-	110,446	-
Guarantee deposits received	28,828	-	48,612	-
Total non-current liabilities	<u>7,687,342</u>	<u>16</u>	<u>5,450,050</u>	<u>13</u>
Total liabilities	<u>25,159,417</u>	<u>52</u>	<u>21,693,175</u>	<u>52</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION</b>				
Ordinary shares	15,308,998	32	15,308,998	36
Capital surplus	73,884	-	73,833	-
Retained earnings				
Legal reserve	821,206	2	759,714	2
Special reserve	2,475,958	5	2,788,570	7
Unappropriated earnings	4,379,268	9	1,839,615	4
Total retained earnings	7,676,432	16	5,387,899	13
Other equity	(223,791)	-	(462,906)	(1)
Total equity attributable to owners of the Corporation	22,835,523	48	20,307,824	48
<b>NON-CONTROLLING INTERESTS</b>	93,223	-	107,718	-
Total equity	<u>22,928,746</u>	<u>48</u>	<u>20,415,542</u>	<u>48</u>
<b>TOTAL</b>	<u>\$ 48,088,163</u>	<u>100</u>	<u>\$ 42,108,717</u>	<u>100</u>

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

# BES ENGINEERING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 16, 28, 36 and 42)				
Construction revenue	\$ 14,560,049	85	\$ 11,860,058	88
Other operating revenue	<u>2,636,636</u>	<u>15</u>	<u>1,610,904</u>	<u>12</u>
Total operating revenue	<u>17,196,685</u>	<u>100</u>	<u>13,470,962</u>	<u>100</u>
OPERATING COSTS (Notes 4, 16, 25, 29 and 36)				
Construction costs	14,471,086	84	11,103,643	82
Other operating costs	<u>2,385,713</u>	<u>14</u>	<u>1,421,272</u>	<u>11</u>
Total operating costs	<u>16,856,799</u>	<u>98</u>	<u>12,524,915</u>	<u>93</u>
GROSS PROFIT	<u>339,886</u>	<u>2</u>	<u>946,047</u>	<u>7</u>
OPERATING EXPENSES (Notes 25, 29 and 36)				
Selling and marketing expenses	133,836	1	88,621	1
General and administrative expenses	537,719	3	457,392	3
Research and development expenses	27,113	-	24,849	-
Expected credit loss (gain) (Note 10)	<u>(163)</u>	<u>-</u>	<u>138</u>	<u>-</u>
Total operating expenses	<u>698,505</u>	<u>4</u>	<u>571,000</u>	<u>4</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(358,619)</u>	<u>(2)</u>	<u>375,047</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4, 16, 29 and 36)	71,703	-	106,746	1
Other income (Notes 4, 25, 29, 32 and 36)	76,560	1	104,233	1
Other gains and losses (Notes 15, 20 and 29)	2,842,626	17	509,376	4
Finance costs (Notes 4, 13, 29 and 36)	(150,282)	(1)	(170,908)	(2)
Share of loss of associates (Notes 4 and 15)	<u>(3,519)</u>	<u>-</u>	<u>(131,262)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>2,837,088</u>	<u>17</u>	<u>418,185</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	2,478,469	15	793,232	6
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 30)	<u>(183,707)</u>	<u>(1)</u>	<u>194,385</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,662,176</u>	<u>16</u>	<u>598,847</u>	<u>4</u>

(Continued)

# BES ENGINEERING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 25, 27 and 30)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (241)	-	\$ (4,815)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	257,778	1	68,130	1
Share of the other comprehensive income (loss) of associates accounted for using the equity method	14,095	-	16,599	-
Income tax related to items that will not be reclassified subsequently to profit or loss	48	-	964	-
	<u>271,680</u>	<u>1</u>	<u>80,878</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(12,698)	-	12,674	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(19,945)	-	6,762	-
	<u>(32,643)</u>	<u>-</u>	<u>19,436</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>239,037</u>	<u>1</u>	<u>100,314</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,901,213</u>	<u>17</u>	<u>\$ 699,161</u>	<u>5</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,676,758	15	\$ 618,959	4
Non-controlling interests	<u>(14,582)</u>	<u>-</u>	<u>(20,112)</u>	<u>-</u>
	<u>\$ 2,662,176</u>	<u>15</u>	<u>\$ 598,847</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,915,641	17	\$ 718,327	5
Non-controlling interests	<u>(14,428)</u>	<u>-</u>	<u>(19,166)</u>	<u>-</u>
	<u>\$ 2,901,213</u>	<u>17</u>	<u>\$ 699,161</u>	<u>5</u>

(Continued)



# BES ENGINEERING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2021		2020	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 31)				
Basic	<u>\$1.75</u>		<u>\$0.40</u>	
Diluted	<u>\$1.74</u>		<u>\$0.40</u>	

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

(Concluded)

**BES ENGINEERING CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Corporation (Note 27)												
	Share Capital Issued and Outstanding		Capital Surplus	Retained Earnings				Exchange Differences on Translation of Foreign Operations	Other Equity Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		Non-controlling Interests (Notes 27 and 33)	Total Equity	
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Total	Total			
BALANCE, JANUARY 1, 2020	1,530,899	\$ 15,308,998	\$ 73,782	\$ 728,425	\$ 2,788,570	\$ 1,563,695	\$ 5,080,690	\$ (322,536)	\$ (243,747)	\$ (566,283)	\$ 19,897,187	\$ 127,371	\$ 20,024,558
Appropriation of the 2019 earnings													
Legal reserve	-	-	-	31,289	-	(31,289)	-	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(307,711)	(307,711)	-	-	-	(307,711)	-	(307,711)
	-	-	-	31,289	-	(339,000)	(307,711)	-	-	-	(307,711)	-	(307,711)
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	-	618,959	618,959	-	-	-	618,959	(20,112)	598,847
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(4,009)	(4,009)	18,967	84,410	103,377	99,368	946	100,314
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	614,950	614,950	18,967	84,410	103,377	718,327	(19,166)	699,161
Actual acquisition of interests in subsidiaries	-	-	-	-	-	(30)	(30)	-	-	-	(30)	(487)	(517)
Donations from shareholders	-	-	51	-	-	-	-	-	-	-	51	-	51
BALANCE, DECEMBER 31, 2020	1,530,899	15,308,998	73,833	759,714	2,788,570	1,839,615	5,387,899	(303,569)	(159,337)	(462,906)	20,307,824	107,718	20,415,542
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	-	(312,612)	312,612	-	-	-	-	-	-	-
Appropriation of the 2020 earnings													
Legal reserve	-	-	-	61,492	-	(61,492)	-	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(356,700)	(356,700)	-	-	-	(356,700)	-	(356,700)
	-	-	-	61,492	-	(418,192)	(356,700)	-	-	-	(356,700)	-	(356,700)
Net profit (loss) for the year ended December 31, 2021	-	-	-	-	-	2,676,758	2,676,758	-	-	-	2,676,758	(14,582)	2,662,176
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(232)	(232)	(32,483)	271,598	239,115	238,883	154	239,037
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	2,676,526	2,676,526	(32,483)	271,598	239,115	2,915,641	(14,428)	2,901,213
Actual acquisition of interests in subsidiaries	-	-	13	-	-	-	-	-	-	-	13	(67)	(54)
Changes from investments in associates accounted for using the equity method	-	-	-	-	-	(31,293)	(31,293)	-	-	-	(31,293)	-	(31,293)
Donations from shareholders	-	-	38	-	-	-	-	-	-	-	38	-	38
BALANCE, DECEMBER 31, 2021	1,530,899	\$ 15,308,998	\$ 73,884	\$ 821,206	\$ 2,475,958	\$ 4,379,268	\$ 7,676,432	\$ (336,052)	\$ 112,261	\$ (223,791)	\$ 22,835,523	\$ 93,223	\$ 22,928,746

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

# BES ENGINEERING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 2,478,469	\$ 793,232
Adjustments for:		
Depreciation expense	160,707	164,116
Expected credit loss recognized (reversed) on trade receivables	(163)	138
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	8,350	(8,820)
Finance costs	150,282	170,908
Interest income	(71,703)	(106,746)
Dividend income	(12,533)	(38,741)
Share of loss of associates	3,519	131,262
(Gain) loss on disposal of property, plant and equipment	458	(314,064)
Gain on disposal of associates	(2,849,350)	-
Impairment loss on goodwill	-	43,997
Reversal of impairment losses on financial assets	(775,507)	-
Reversal of write-down of buildings and land held for sale	-	(10,648)
Gain on lease modification	(2,903)	-
Compensation loss (reversal)	665,623	(310,860)
Changes in operating assets and liabilities		
Notes receivable and trade receivables	(12,863)	(530)
Contract assets	814,847	(237,596)
Construction receivables	(1,031,921)	280,518
Accounts receivable on the development of industrial districts	917,839	871,618
Inventories	(174,425)	(1,370)
Construction in progress	(1,398,319)	(891,567)
Buildings and land held for sale	951,654	42,317
Other current assets	(248,058)	(84,918)
Notes payable	6,066	(494)
Contract liabilities	515,331	162,819
Trade payables	265,346	127,624
Accrued expenses	74,941	(1,478)
Accounts payable for the development of industrial districts	38,656	7,103
Provisions	(54,133)	(114,001)
Net defined benefit liabilities	(36,865)	(20,232)
Other current liabilities	(36,467)	(12,293)
Cash generated from operations	346,878	641,294
Interest received	70,781	106,739
Interest paid	(174,594)	(196,082)
Income tax paid	(46,055)	(4,717)
Net cash generated from operating activities	<u>197,010</u>	<u>547,234</u>

(Continued)

# BES ENGINEERING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit and loss	\$ (582,172)	\$ (277,808)
Proceeds from disposal of financial assets at fair value through profit and loss	592,909	676,565
Cash returns from capital reduction of investments in financial assets at fair value through profit and loss	1,532,692	-
Purchase of financial assets at fair value through other comprehensive income	(868,218)	(206,184)
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,937	27,596
Purchase of financial assets at amortized cost	(1,700,634)	(639,421)
Proceeds from disposal of financial assets at amortized cost	640,477	1,167,658
Payments for property, plant and equipment	(63,104)	(57,773)
Proceeds from disposal of property, plant and equipment	204	387,237
(Increase) decrease in refundable deposits	(44,517)	27,167
Increase in other assets	(30,571)	(187,580)
Decrease in prepayments for equipment	3,133	-
Increase in prepayments for investments	(770,870)	-
Dividends received	<u>12,533</u>	<u>38,741</u>
Net cash generated from (used in) investing activities	<u>(1,276,201)</u>	<u>956,198</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayment of) proceeds from short-term borrowings	214,930	(871,046)
Proceeds from short-term bills payable	200,726	897,020
(Repayment of) proceeds from long-term borrowings	1,322,061	(1,431,854)
Increase in guarantee deposits received	36,303	46,460
Repayment of the principal portion of lease liabilities	(69,882)	(74,948)
Decrease in other non-current liabilities	-	(450)
Acquisition of additional interests in subsidiaries	(54)	(517)
Cash dividends distributed	(356,700)	(307,711)
Donations from shareholders	<u>38</u>	<u>51</u>
Net cash generated from (used in) financing activities	<u>1,347,422</u>	<u>(1,742,995)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(10,539)</u>	<u>11,773</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	257,692	(227,790)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,447,681</u>	<u>2,675,471</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,705,373</u>	<u>\$ 2,447,681</u>

(Continued)

# BES ENGINEERING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

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Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2021 and 2020:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents in the consolidated balance sheets	\$ 2,995,422	\$ 2,447,681
Bank overdrafts	<u>(290,049)</u>	<u>-</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 2,705,373</u>	<u>\$ 2,447,681</u>

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

(Concluded)

# BES ENGINEERING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Otherwise)

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### 1. GENERAL INFORMATION

BES Engineering Corporation (the “Corporation”), which was a state-owned enterprise until June 22, 1994, engages mainly in civil engineering, building construction, real estate transaction and the development of industrial districts for the government.

The Corporation’s shares have been trading on the Taiwan Stock Exchange since March 1993.

The consolidated financial statements of the Corporation and its subsidiaries, collectively referred to as the “Group”, are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 15, 2022.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

- 1) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

The Group elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

- 2) Amendments to IFRS 16 “Covid-19-Related Rent Concessions” and “Covid-19-Related Rent Concessions beyond 30 June 2021”

The Group elected to apply the practical expedient provided in the amendments to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

There was no significant effect when the Group applies the amendments.

b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.



### 3) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

### 4) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

### 5) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Group will apply the amendments

prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### b. Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

##### c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 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.

Assets and liabilities that are not classified as current are classified as non-current.

The Group is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries, including structured entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation

See Note 14, Tables 7 and 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the currency.

For the purpose of presenting the consolidated financial statements, the Corporation's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries) that are prepared using functional currencies which are different from the current of the Corporation are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate)

f. Inventories

Inventories consist of raw materials and are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

For a contract where a land owner provides land for construction of buildings by a property developer in exchange for a certain percentage of the buildings, no exchange gain or loss is recognized if the buildings acquired are classified as properties held for sale. Revenue is recognized when the properties held for sale are sold to third parties.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Corporation subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized

only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

#### h. Joint operations

A joint operation is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

Any acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business should be treated as a business combination, except when the parties sharing joint control are under the common control of the same ultimate controlling party or parties both before and after the acquisition and that control is not transitory.

The Group recognizes the following items in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output of the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenue and expenses.

When the Group sells or contributes assets to its joint operation, it recognizes gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When the Group purchases assets from its joint operation, it does not recognize its share of the gain or loss until it resells those assets to a third party.

#### i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the declining balance method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties include right-of-use assets and properties under construction that meet the definition of investment properties. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the declining balance method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

l. Impairment of property, plant and equipment, right-of-use assets, investment properties, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation. Otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 35.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and other receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

### iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

### b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.



Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

The Group's financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

n. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1) Onerous contracts

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

2) Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Corporation of the expenditures required to settle the Group's obligations.

o. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

For contracts to sell properties in the ordinary course of business, the fixed transaction price is received in instalments and recognized as a contract liability. The transaction price, after adjusting for the effect of the significant financing component, is recognized as revenue when the construction is completed and the property is transferred to the buyer.

2) Revenue from the rendering of services

Revenue from the rendering of services is recognized when services are provided.

Revenue from a contract to provide services is recognized with reference to the stage of completion of the contract.

3) Construction contract revenue

The Group recognizes revenue from real estate construction contracts which are in the progress of construction over time. The Group measures the progress of completion of the construction contracts based on the satisfaction of performance obligations as stated in the contracts. Contract assets are recognized during the construction and are reclassified to trade receivable at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

When the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognized only to the extent of contract costs incurred in satisfying the performance obligation for which recovery is expected.

4) Business on the development of industrial districts

The Group is authorized to develop and sell the development of industrial districts, whose accounting affairs are processed individually. Input costs of each industrial zone debit accounts receivable on the development of industrial districts; the price of land was paid by the purchaser, and the cost of development credits accounts payable for the development of industrial districts. When vendors pay off the price, accounts receivable on the development of industrial districts will be charged off. If the balance remains, the committee of industrial zone development and administration fund will be remitted.

Business on the development of industrial districts is charged by appointment contracts and related laws, which recognized in agency fee revenue included in other operating revenue of current year.

p. Buildings and land held for sale, net

Buildings and land held for sale, net is stated at the lower of cost or net realizable value. Comparing costs with net realizable value is based on individual item. The net realizable value is the estimated selling price less the selling expense. The cost is calculated by the specific identification method when selling.

q. Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized with reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs, except for the stage of completion which isn't representative. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, revenue from cost-plus contracts is recognized with reference to the recoverable costs incurred during the period plus the fees earned, measured according to the proportion of the costs incurred to date to the estimated total costs of the contract.

When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus the recognized profit less the recognized deficits exceed progress billings, the surplus is shown as the gross amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus the recognized profit less the recognized deficits, the surplus is shown as the gross amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheets as a liability under contract liabilities. Amounts billed for work performed but not yet paid by customers are included in the consolidated balance sheets under trade receivables.

r. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

## 1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessor, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

## 2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheet.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and in-substance fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the

right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions for lease contracts and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

s. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

t. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

u. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

#### v. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### 1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

##### 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### **Key Sources of Estimation Uncertainty**

a. Construction contracts

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The degree of completion of a contract is measured based on the satisfaction of performance obligations stated in the contract.

The estimated total contract costs and contractual items are assessed and determined by management, based on the nature of the work, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profit and loss from the construction contracts.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 9,214	\$ 6,478
Checking accounts and demand deposits	2,919,696	2,424,069
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	<u>66,512</u>	<u>17,134</u>
	<u>\$ 2,995,422</u>	<u>\$ 2,447,681</u>

The market rate intervals of bank deposits at the end of the reporting period were as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Bank deposits	0.005%-0.200%	0.005%-0.350%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	\$ 6,060	\$ 8,960
Domestic unlisted shares	2,369,559	14,722
Mutual funds	<u>4,587</u>	<u>-</u>
	<u>\$ 2,380,206</u>	<u>\$ 23,682</u>

In 2020, the Group held a 23.76% interest in Core Pacific City Co., Ltd. (Core Pacific City) and accounted for its investment in associate by using the equity method. On October 22, 2021, Core Pacific City's preference shares were converted to ordinary shares, the Group held less than 20% of its voting rights and consequently ceased to have significant influence over Core Pacific City. The Group accounted for the remaining equity as financial assets at FVTPL, which is described in Note 15.

In order to activate shareholders' funds and adjust the capital structure, Core Pacific City resolved to apply for capital reduction to offset deficit and capital reduction by cash to return investments in the extraordinary general meeting on November 8, 2021. The record date for capital reduction was also on November 8, 2021. Following the resolution of the meeting, shares of Core Pacific City held by the Group and Core Pacific World Co., Ltd. were converted into ordinary shares, and \$1,532,692 thousand of cash returns from capital reduction of investments had been fully collected on November 11, 2021.



## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Domestic investments		
Listed shares	\$ <u>1,081,055</u>	\$ <u>964,350</u>
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 1,635,700	\$ 627,050
Unlisted shares	99,015	100,311
The investment case of movie - The M Riders	<u>-</u>	<u>-</u>
	<u>\$ 1,734,715</u>	<u>\$ 727,361</u>

These investments in Taiwan Business Bank, China Petrochemical Development Corporation (the “China Petrochemical Development”), Century Development Corporation, and Overseas Investment & Development Corporation are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes.

The Group participated in cash capital increase of China Petrochemical Development by subscribing for the shares as specific person on December 17, 2021, prepayment for the investments was \$770,870 thousand in December 2021, and the related registration was completed on January 26, 2022.

Refer to Note 37 for information relating to investments in equity instruments at FVTOCI pledged as security.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (a)	\$ 2,721,243	\$1,329,560
Others (b)	<u>1,971,497</u>	<u>1,662,546</u>
	<u>\$ 4,692,740</u>	<u>\$ 2,992,106</u>
<u>Non-current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (a)	\$ 2,301	\$ 642,553
Others (b)	<u>1,990</u>	<u>2,215</u>
	<u>\$ 4,291</u>	<u>\$ 644,768</u>

- a. The range of interest rates for time deposits with original maturities of more than 3 months was approximately 0.002%-2.800% per annum as of December 31, 2021 and 2020.
- b. Restricted deposits and reserve account for trusts.

Refer to Note 37 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND CONSTRUCTION RECEIVABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>		
Notes receivable	\$ 1,154	\$ 801
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	109,173	96,663
Less: Allowance for impairment loss	<u>(12,666)</u>	<u>(12,829)</u>
	<u>96,507</u>	<u>83,834</u>
Notes receivable and trade receivables	<u>\$ 97,661</u>	<u>\$ 84,635</u>
Construction receivables	<u>\$ 2,286,738</u>	<u>\$ 1,254,817</u>

### Trade Receivables and Construction Receivables

The average credit period granted by the Group for sales of its products is 90 days; assessment of impairment of accounts receivable is based on aging analysis, past experience and the client's current financial condition on an individual basis to estimate the uncollectible amounts.

When deciding the collectability of trade receivables, the Group takes the change of credit quality from the grant date of trade receivables to the balance sheet date in consideration. Past experience shows that, unless the traders are government entities which have good credit quality and are evaluated not to recognize allowance for doubtful accounts, the Group evaluates the uncollectible amounts in the future and recognizes appropriate allowance for doubtful accounts in principle.

Expect for individually recognizing appropriate allowance for doubtful accounts, which is based on objective evidence showing that trade receivables of specific trader is uncollectible, recognizing allowance for doubtful accounts is based on past experience of collective evaluation. The Group then distinguishes customers into different risk groups and recognizes allowance loss by expected loss rate.

At the balance sheet date, no allowance for doubtful accounts was recognized for some past-due trade receivables and construction receivables because there were no significant changes in credit quality, the amounts outstanding were still considered recoverable, and there was no indication of impairment of these receivables.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The aging of receivables, net was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Not past due	\$ 2,382,255	\$ 1,323,403
Less than 60 days	870	13,740
61-90 days	-	707
90-120 days	-	83
Past due over 120 days	<u>120</u>	<u>718</u>
	<u>\$ 2,383,245</u>	<u>\$ 1,338,651</u>

The movements of the loss allowance of trade receivables were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 12,829	\$ 12,691
Add: Net remeasurement of loss allowance	-	138
Less: Net remeasurement of loss allowance	<u>(163)</u>	<u>-</u>
Balance at December 31	<u>\$ 12,666</u>	<u>\$ 12,829</u>

#### 11. ACCOUNTS RECEIVABLE ON THE DEVELOPMENT OF INDUSTRIAL DISTRICTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Chung Hua Coastal Industrial Park	\$ 4,130,336	\$ 5,028,791
Other industrial districts	<u>1,946,867</u>	<u>1,966,251</u>
	<u>\$ 6,077,203</u>	<u>\$ 6,995,042</u>

The Corporation's development costs (including interest) amounted to \$899,934 thousand in 2021 and \$924,064 thousand in 2020, and the amounts collected were \$1,817,773 thousand in 2021 and \$1,795,682 thousand in 2020.

The Group's receivables on the development of industrial districts are mainly funded by advanced cash and interest from the Industrial Bureau of the Ministry of Economic Affairs. After assessing the following factors, there is no need to provide an allowance for bad debts:

- a. The price of land in an industrial zone is based on the estimated total development costs. All the interest generated from the development costs after the settlement base date are in response to the price adjustment mechanism used for adding the interest month by month and are a basis for reflecting the accurate price of an industrial zone at various points in time. The price paid by the vendors are included in the interest generated from the development costs after the settlement base date. The Development Bureau of the Ministry of Economic Affairs implements a land lease plan in an industrial zone, and the development costs of the entrusted development unit is also calculated based on the price in the month in which the manufacturers sign the lease. Land rental income is simply one of the advanced repayments of the development costs and can still be returned through other relevant alternative measures.

- b. As industrial zone development contracts are civil law appointment contracts, all the authorized development units are not subject to the risk of profit and loss. This is because the fees paid by the appointed firms are legally required and reimbursed from the appointing party which is a government agency and such an agent's credit is unquestionable.
- c. Development contracts only stipulate that development units may use advanced prepayments to process the development costs of the land sale price. Additionally, rental income from the land is not required to be the only repayment source. Industrial zone development is the government's method of promoting the industrial development policy. Thus, the government shall adopt countermeasures to solve problems such as sluggish sale of land in industrial zones or higher than market rental or selling prices leading to unsaleable land in industrial zones. The recovery funds that are entrusted to development units do not necessarily directly correlate with whether the land can be sold successfully.
- d. The Group's receivables on the development of industrial districts have no bad debt history. Also, the Industrial Bureau of the Ministry of Economic Affairs has not stated or shown that it will not repay the development costs to the Group. Moreover, the funds will be recovered successively, and some of the cases have been fully recovered.

In summary, there is no major doubt or uncertainty regarding the recovery of advanced development repayments for industrial zone development, and thus, allowance for bad debts is not required.

Accounts receivable on the development of industrial districts as collateral for borrowings are set out in Note 37.

## 12. BUILDINGS AND LAND HELD FOR SALE, NET

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
3 <sup>rd</sup> Subsection, Xinyi Section, Xinyi District, Taipei City	\$ 10,923,432	\$ 10,923,432
No.57-2, 1 <sup>st</sup> Subsection, Baoqing Section	447,611	-
Litzer Industrial District	267,436	267,436
Building and land in Danshui Township	72,519	72,519
3 <sup>rd</sup> Subsection, Linyi Section, Zhongzheng District, Taipei City	67,655	67,655
Zhongkeng Section and Niushan Section, Hualian County	40,622	40,622
Land in Beitun District, Taichung City	21,355	21,355
Puwei Section, Yunlin County	6,117	6,117
Jing-Xin Garden	2,013	2,013
Clayton County in the U.S. State of Georgia	831	855
Henry County in the U.S. State of Georgia	<u>830</u>	<u>854</u>
	<u>\$ 11,850,421</u>	<u>\$ 11,402,858</u>

The Group's investments in the above buildings and land are specifically held for sales purposes, and the loss allowance amounted to \$39,245 thousand as of December 31, 2021 and 2020. The operating costs for 2020 included reversal of write-downs of buildings and land held for sale which amounted to \$10,648 thousand. Reversal of write-downs of buildings and land held for sale was due to market value recovery.

In September 2021, the construction on the land at No.57-2, 1<sup>st</sup> Subsection, Baoqing Section was completed and recognized as buildings and land held for sale, net. Refer to Note 13 for more information.

The land development plan of Peibo Section in Tucheng District was approved by the Corporation's board of directors on May 13, 2020, and the land was reclassified under construction in progress.

Refer to Note 37 for information about buildings and land held for sale, net pledged as security.

### 13. CONSTRUCTION IN PROGRESS

	<b>Construction in Progress</b>		
	<b>Cost of Land</b>	<b>Cost of Construction</b>	<b>Total</b>
<u>December 31, 2021</u>			
Peibo Section in Tucheng District	\$ 1,244,634	\$ 598,625	\$ 1,843,259
Land in Baoqing Sec., Taipei City	79,481	1,155,239	1,234,720
Land in Zhengyi Sec., Taipei City	25,236	-	25,236
Land in Nangang Sec., Taipei City	-	9,911	9,911
No.290, Dongsheng Section, Shulin District, New Taipei City	-	592	592
	<u>\$ 1,349,351</u>	<u>\$ 1,764,367</u>	<u>\$ 3,113,718</u>
<u>December 31, 2020</u>			
Peibo Section in Tucheng District	\$ 1,244,634	\$ 128,258	\$ 1,372,892
Land in Baoqing Sec., Taipei City	79,481	1,605,295	1,684,776
Land in Zhengyi Sec., Taipei City	25,236	-	25,236
Land in Nangang Sec., Taipei City	-	5,850	5,850
	<u>\$ 1,349,351</u>	<u>\$ 1,739,403</u>	<u>\$ 3,088,754</u>

In November 2009, the Group acquired lots in the Zhengyi Section, Taipei City, and are in the process of contacting the landlords to discuss a new integrated development plan after the completion of the cooperative housing or urban renewal procedures.

In February 2011, the Group started to process an urban renewal plan of Yan Shou Public Housing located in land numbers 57-2, 57-13 and 57 in the Baoqing Section, Taipei City.

The Group has acquired the joint-construction agreements for land number 57-2 from the majority of the landlords. Application of the urban renewal business plan was completed in May 2012 with the approval received in April 2014; the transfer of ownership rights was approved in August 2016; the construction registration was completed in October 2017. The Group obtained the land use permit on March 19, 2021. The Group completed an urban renewal plan in accordance with the laws and regulations, and applied for registration of property rights in September 2021. Construction for this land was reclassified as buildings and land held for sale. Refer to Note 12 for the information.

In addition, the Group has acquired the joint-construction agreements for land number 57-13 from the majority of the landlords. Application of the urban renewal business plan was completed in October 2013 with the approval received in December 2015; the transfer of ownership rights was approved in December 2018; the approval letter was received on January 23, 2019; the construction license was approved on June 13, 2019; the first public coordination meeting was held on September 26, 2019; and the demolition review meeting was passed on December 10, 2019; the relocation was completed in March 2020; the demolition of the buildings was completed in July 2020. As of the end of 2021, the underground structural engineering was in progress.

Moreover, the urban renewal business plan for land number 57 of Baoqing Section, Taipei City was completed in December 2014; application of the urban renewal business plan was completed in June 2017; the transfer of ownership rights was submitted for approval in October 2018; the public hearing was held in February 2019; the hearing meeting was convened on December 23, 2019; the approval letter was received on April 22, 2020; the construction license was approved on June 21, 2021; the first public coordination meeting was held on August 31, 2021. As of the end of 2021, the Group completed an agreement with

residents.

In 2015, the Group started to process three urban renewal plans located on the land, plot number 316, in the Nangang Section, Taipei City. The urban renewal business plans were submitted to the authorities for approval in December 2015. The second hearing meeting was in December 2017 and the plan review meeting was held on December 9, 2019; the public hearing of the transfer of ownership rights was held on November 28, 2020; the house selection was completed on January 2021; the public hearing was held on October 22, 2021. As of the end of 2021, the transfer of ownership rights was still under review.

The land development plan of Peibo Section in Tucheng District was approved by the Corporation's board of directors and authorized for issue on May 13, 2020, and the demolition of the buildings was completed in June 2020; the public hearing was held on April 27, 2021. As of the end of 2021, the second review meeting of urban design was held.

The Group was awarded a tender for urban renewal of public and private land in No. 290, Dongsheng Section, Shulin District, New Taipei City on October 13, 2021. As of the end of 2021, the Group signed a contract with New Taipei City Government.

As of December 31, 2021 and 2020, the interest expense before capitalization was \$176,192 thousand and \$190,246 thousand, respectively; the capitalized construction interest was \$25,910 thousand and \$19,338 thousand, respectively; the capitalization rates per annum were 1.745%-2.347% and 1.956%-2.028%, respectively.

## 14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main Business	% of Ownership December 31		Remark
			2021	2020	
BES Engineering Corporation	Core Pacific World Co., Ltd.	Makes investments	99.95	99.95	Notes 1 and 2
	BES Machinery Co., Ltd.	Leases engineering machinery and equipment, and wholesale construction materials and provides consulting service for designing and planning projects, except for certain architectural matters	99.35	99.35	Notes 1, 2 and 5
	BES Investment Company Ltd.	Overseas construction and equipment sale	100.00	100.00	Notes 1 and 4
	BES Logistics International Co., Ltd.	Makes investments	100.00	100.00	Note 1
	Core Asia Human Resources Management Co., Ltd.	Consultancy on business administration and investments	100.00	100.00	Note 1
	Chung Kung Safeguarding & Security Corp.	Security and related services	64.67	64.67	Note 1
	Cinemark-Core Pacific, Ltd.	Movie broadcasting and related businesses	15.38	15.38	Note 1
	BES Construction Corporation (U.S.A.)	Develops lands for investments	91.79	91.79	Note 1
	BES Global Investment Co.	Overseas construction and equipment sale	100.00	100.00	Note 1
Core Pacific World Co., Ltd.	Zhong Hua Cheng Development Co., Ltd.	Consulting	100.00	100.00	Note 1
	Chinese City International Investment Co., Ltd.	Consulting	100.00	100.00	Note 1
BES Machinery Co., Ltd.	BESM Holding Co., Ltd.	Holds investments	100.00	100.00	Note 1
	Cinemark-Core Pacific, Ltd.	Movie broadcasting and related businesses	62.76	62.76	Note 1
Cinemark-Core Pacific, Ltd.	Cinema 7 Theater Co., Ltd.	Movie broadcasting and retail sale of food products and groceries	100.00	100.00	Note 1
Core Asia Human Resources Management Co., Ltd.	Elite Human Resources Management Co., Ltd.	Human resource consulting	100.00	100.00	Note 1
Chung Kung Safeguarding & Security Corp.	Chung Kung Management Consultant Co., Ltd.	Business management consulting and running parking lots	100.00	100.00	Note 1
	Chung Kung Management and Maintenance of Apartment Co., Ltd.	Manages apartment maintenance and renders related services	37.00	37.00	Note 1
Chung Kung Management Consultant Co., Ltd.	Chung Kung Management and Maintenance of Apartment Co., Ltd.	Manages apartment maintenance and renders related services	63.00	63.00	Note 1

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			2021	2020	
BES Investment Company Ltd.	BES Construction Corporation (U.S.A.)	Develops lands for investments	8.21	8.21	Note 1
	Global BES Engineering (Myanmar) Co., Ltd.	Engineering and construction	100.00	100.00	Note 1
	BES Engineering Vietnam Co., Ltd.	Engineering and construction	100.00	100.00	Notes 1, 3 and 4
Chinese City International Investment Co., Ltd.	Hua Cheng Consulting (Changshu) Co., Ltd.	Provides engineering consulting services.	100.00	100.00	Note 1
Zhong Hua Cheng Development Co., Ltd.	Core Pacific Consulting (Changshu) Co., Ltd.	Provides engineering consulting services	100.00	100.00	Note 1

(Concluded)

Remark:

- Note 1: The Group holds more than 50% of the investee's shares; thus, this investee was included in the consolidated financial statements.
- Note 2: The Group acquired 0.06% of the shares of BES Machinery Co., Ltd. and 0.005% of the shares of Core Pacific World Co., Ltd. in October 2020 and April 2021, respectively. Refer to Note 33 for the related information.
- Note 3: The registration of establishment was completed on November 5, 2019, and the Group investment on February 6, 2020, holding 100% of the equity with control, and include in the consolidated financial report.
- Note 4: The board of directors of the Corporation resolved to increase its capital investment of BES Investment Company Ltd. by US\$27 million on June 10, 2021, and then invested US\$25 million in BES Engineering Vietnam Co., Ltd. As of the end of 2021, the related procedures were completed.
- Note 5: On December 29, 2021, the board of directors resolved to merge with BES Machinery Co., Ltd. in view of the Group's organizational adjustment. The record date of merger is March 25, 2022. After the merger, the Corporation is the surviving company and BES Machinery Co., Ltd. is the dissolved company.

## 15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Associates that are not individually material	<u>\$ 1,638,812</u>	<u>\$ 1,962,920</u>
Aggregate information of joint ventures that are not individually material		
	For the Year Ended December 31	
	2021	2020
The Group's share of:		
Loss for the year	\$ (3,519)	\$ (131,262)
Other comprehensive income (loss)	<u>(5,850)</u>	<u>23,361</u>
Total comprehensive income (loss) for the year	<u>\$ (9,369)</u>	<u>\$ (107,901)</u>

The Core Pacific City's board of directors resolved on August 13, 2021 to repurchase 10,591 thousand ordinary shares. The above transactions resulted in the changes in percentage of ownership interests since the Corporation increased its continuing interest from 23.51% to 23.76%. In addition, Core Pacific City's preference shares were converted into ordinary shares on October 22, 2021, the changes in percentage of ownership interests resulted in a decrease of the Corporation's continuing interest from 23.76% to 15.34% and consequently ceased to have significant influence over it. The Group retained the remaining 15.34% interest as financial assets at FVTPL whose fair value at the date of disposal was \$3,908,303 thousand. Refer to Note 37 for the information. This transaction resulted in the recognition of a gain in profit or loss, calculated as follows:

Proceeds from disposal	\$ -
Plus: Fair value of retained investment (15.34%)	3,908,303
Less: Carrying amount of investment on the date of loss of significant influence	<u>(1,058,953)</u>
Gain recognized	<u>\$ 2,849,350</u>

## 16. JOINT OPERATIONS

Some of the Group's construction projects are joint construction projects, and the Group signed cooperation agreements with participating contractors to form a single operating unit and adopted the operating model of joint contracting and also independently set up accounting records. The joint contractor, construction assets and liabilities and details of the amounts the Corporation made in proportion to its interest in the joint agreements are as follows:

### a. Yulon Town Joint Venture

The Group and Taiwan Kumagai Co., Ltd. jointly contracted the main construction of the Yulon Town Development Project in the commercial area (the "Yulon Town Joint Venture"), which was entrusted by Yulon Motor Co., Ltd. The Corporation and Taiwan Kumagai Co., Ltd. signed the joint venture contract in December 2018, and had 30% and 70% interest in the joint venture, respectively. The related assets, liabilities, revenue, and expenses relating to the joint venture operations in the consolidated financial statements are shown below:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 91,651	\$ 47,748
Construction receivables	14,421	71,182
Contract assets - current	81,043	44,588
Other current assets	192	658
Refundable deposits	<u>599</u>	<u>629</u>
	<u>\$ 187,906</u>	<u>\$ 164,805</u>
<u>Liabilities</u>		
Trade payables	\$ 1,084	\$ 4,710
Accrued expenses	1,308	2,438
Contract liabilities-current	104,100	118,952
Other current liabilities	<u>3,496</u>	<u>3,570</u>
	<u>\$ 109,988</u>	<u>\$ 129,670</u>



**For the Year Ended December 31**

	<b>2021</b>	<b>2020</b>
Construction revenue	<u>\$ 364,550</u>	<u>\$ 491,372</u>
Construction cost	<u>\$ 330,089</u>	<u>\$ 490,358</u>
Interest revenue	<u>\$ 15</u>	<u>\$ 15</u>

b. Core Pacific Living City Yangzhou CBD business in A6 district

In June 2012, the subsidiaries of Core Pacific Consulting (Changshu) Co., Ltd. and Hua Cheng Consulting (Changshu) Co., Ltd. signed an agreement with Core Pacific Living City Yangzhou CBD regarding a joint operation development of Core Pacific Living City Yangzhou CBD business in A6 district and a residence hotel. Based on the agreement, Core Pacific Consulting (Changshu) Co., Ltd. and Hua Cheng Consulting (Changshu) Co., Ltd. each own 7.5% of the interest, and Core Pacific Living City Yangzhou CBD has an 85% interest. As well, the Group signed the joint control operation agreement which has an expected duration of 5 years. This contract may be terminated early only under mutual agreement. Any profit or loss on this project will be shared at a percentage based on the contribution of each party.

The agreement expired in July 2017, and the Group's capital contribution reached 22.5%. The principal and expected interest amounted to \$576,384 thousand and was paid in August 2017. Meanwhile, an asset valuation was performed and completed on September 30, 2017. As of December 31, 2021, the actual profit sharing settlement is still underway due to calculation of the land value increment tax. The expected interest recognized in other liabilities - current is estimated at \$70,182 thousand.

## 17. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 2,766,404	\$ 646,514	\$ 1,183,510	\$ 342,938	\$ 1,457	\$ 4,940,823
Additions	-	1,119	43,443	4,677	8,534	57,773
Disposals	-	(695)	(413,046)	(1,337)	-	(415,078)
Transferred from prepayments for equipment	-	-	225	-	-	225
Transferred to investment properties	-	(4,190)	-	-	-	(4,190)
Effect of foreign currency exchange differences	-	-	34	-	-	34
Reclassification	-	-	255	1,202	(1,457)	-
Balance at December 31, 2020	<u>\$ 2,766,404</u>	<u>\$ 642,748</u>	<u>\$ 814,421</u>	<u>\$ 347,480</u>	<u>\$ 8,534</u>	<u>\$ 4,579,587</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ 3,004	\$ 375,446	\$ 957,410	\$ 292,651	\$ -	\$ 1,628,511
Depreciation expense	-	17,041	54,971	5,097	-	77,109
Disposals	-	(451)	(340,245)	(1,209)	-	(341,905)
Transferred to investment properties	-	(1,731)	-	-	-	(1,731)
Transferred to other assets	-	-	(2,513)	-	-	(2,513)
Effect of foreign currency exchange differences	-	-	34	-	-	34
Reclassification	-	-	(1,072)	1,072	-	-
Balance at December 31, 2020	<u>\$ 3,004</u>	<u>\$ 390,305</u>	<u>\$ 668,585</u>	<u>\$ 297,611</u>	<u>\$ -</u>	<u>\$ 1,359,505</u>
Balance at December 31, 2020, net	<u>\$ 2,763,400</u>	<u>\$ 252,443</u>	<u>\$ 145,836</u>	<u>\$ 49,869</u>	<u>\$ 8,534</u>	<u>\$ 3,220,082</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 2,766,404	\$ 642,748	\$ 814,421	\$ 347,480	\$ 8,534	\$ 4,579,587
Additions	1,680	-	54,182	6,395	847	63,104
Disposals	(3,276)	-	(4,912)	(460)	-	(8,648)
Transferred to inventories	-	-	(13,596)	-	-	(13,596)
Effect of foreign currency exchange differences	-	-	(16)	-	-	(16)
Reclassification	-	-	1,800	-	(1,800)	-
Balance at December 31, 2021	<u>\$ 2,764,808</u>	<u>\$ 642,748</u>	<u>\$ 851,879</u>	<u>\$ 353,415</u>	<u>\$ 7,581</u>	<u>\$ 4,620,431</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ 3,004	\$ 390,305	\$ 668,585	\$ 297,611	\$ -	\$ 1,359,505
Depreciation expense	231	15,611	49,004	5,679	-	70,525
Disposals	(2,948)	-	(4,625)	(413)	-	(7,986)
Transferred to inventories	-	-	(11,670)	-	-	(11,670)
Effect of foreign currency exchange differences	-	-	(15)	-	-	(15)
Balance at December 31, 2021	<u>\$ 287</u>	<u>\$ 405,916</u>	<u>\$ 701,279</u>	<u>\$ 302,877</u>	<u>\$ -</u>	<u>\$ 1,410,359</u>
Balance at December 31, 2021, net	<u>\$ 2,764,521</u>	<u>\$ 236,832</u>	<u>\$ 150,600</u>	<u>\$ 50,538</u>	<u>\$ 7,581</u>	<u>\$ 3,210,072</u>

(Concluded)

No impairment assessment was performed for the years ended December 31, 2021 and 2020 as there was no indication of impairment.

Property, plant and equipment are depreciated using the fixed-percentage-on-declining-balance-method and on a straight-line basis over their estimated useful lives as follows:

Land improvements	8-40 years
Buildings	
Main buildings	60 years
Air-conditioning equipment	3 years
Machinery and equipment	2-13 years
Other equipment	2-20 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 37.

## 18. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amount</u>		
Land	\$ 44,184	\$ 53,410
Buildings	157,203	187,094
Machinery	34	448
Transportation equipment	<u>26,504</u>	<u>29,417</u>
	<u>\$ 227,925</u>	<u>\$ 270,369</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 34,081</u>	<u>\$ 75,984</u>
Decrease in right-of-use assets	<u>\$ 952</u>	<u>\$ 560</u>
Depreciation charge for right-of-use assets		
Land	\$ 9,225	\$ 11,287
Buildings	48,805	50,247
Machinery	414	1,051
Transportation equipment	17,129	16,227
Other equipment	<u>-</u>	<u>16</u>
	<u>\$ 75,573</u>	<u>\$ 78,828</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Current	<u>\$ 66,025</u>	<u>\$ 70,179</u>
Non-current	<u>\$ 172,469</u>	<u>\$ 207,971</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	2.40%-2.80%	2.40%-2.80%
Buildings	2.00%-4.75%	2.00%-4.75%
Machinery	2.80%	2.80%
Transportation Equipment	2.00%-2.90%	2.00%-2.90%

c. Material leasing activities and terms

Because of the market conditions severely affected by COVID-19 in 2021 and 2020, the Group negotiated with the lessor for rent concessions for its lease of land. The lessor agreed to provide unconditional rent reductions. The Group recognized in profit or loss the impact of rent concessions of \$3,336 thousand and \$2,125 thousand in 2021 and 2020, respectively.

d. Subleases

The Group subleases its right-of-use assets for buildings under operating leases with lease terms of 1 to 3 years.

The maturity analysis of lease payments receivable under operating subleases was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 1,470	\$ 1,688
Year 2	360	1,178
Year 3	<u>-</u>	<u>360</u>
	<u>\$ 1,830</u>	<u>\$ 3,226</u>

e. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 19.

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 7,089</u>	<u>\$ 6,078</u>
Expenses relating to low-value asset leases	<u>\$ 572</u>	<u>\$ 1,559</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 187,246</u>	<u>\$ 201,327</u>
Total cash outflow for leases	<u>\$ (271,492)</u>	<u>\$ (291,317)</u>

## 19. INVESTMENT PROPERTIES

	<b>Completed Investment Properties</b>
<u>Cost</u>	
Balance at January 1, 2020	\$ 1,031,418
Transferred from property, plant and equipment	4,190
Effect of foreign currency exchange differences	<u>1,634</u>
Balance at December 31, 2020	<u>\$ 1,037,242</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	\$ 198,052
Depreciation expense	8,179
Transferred from property, plant and equipment	1,731
Effect of foreign currency exchange differences	<u>643</u>
Balance at December 31, 2020	<u>\$ 208,605</u>
Balance at December 31, 2020, net	<u>\$ 828,637</u>

(Continued)

**Completed  
Investment  
Properties**

Cost

Balance at January 1, 2021	\$ 1,037,242
Transferred from advance real estate payment	217,111
Effect of foreign currency exchange differences	<u>(2,386)</u>
Balance at December 31, 2021	<u>\$ 1,251,967</u>

Accumulated depreciation and impairment

Balance at January 1, 2021	\$ 208,605
Depreciation expense	14,609
Effect of foreign currency exchange differences	<u>(276)</u>
Balance at December 31, 2021	<u>\$ 222,938</u>
Balance at December 31, 2021, net	<u>\$ 1,029,029</u> (Concluded)

No impairment assessment was performed for the years ended December 31, 2021 and 2020 as there was no indication of impairment.

Investment properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Land improvements	8-40 years
Buildings	
Main buildings	60 years
Air-conditioning equipment	3 years

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2021 and 2020, respectively, was as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Not later than 1 year	\$ 88,464	\$ 77,498
Later than 1 year and not later than 5 years	<u>143,388</u>	<u>44,002</u>
	<u>\$ 231,852</u>	<u>\$ 121,500</u>

The fair values of investment properties were arrived at on the basis of valuations carried out as of December 2021 and 2020 by independent and qualified professional appraiser. The fair values are shown below:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Fair value	<u>\$ 5,645,456</u>	<u>\$ 3,031,590</u>

The market for some investment properties of the Group is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment properties is not reliably measurable.

The Group held freehold interests in all of its investment properties. The carrying amounts of investment properties pledged by the Group to secure its borrowings are shown in Note 37.

## 20. GOODWILL

	<b>For the Year Ended December 31, 2020</b>
<u>Cost</u>	
Balance at January 1	\$ 43,997
Impairment losses recognized	<u>(43,997)</u>
Balance at December 31	<u>\$ -</u>

The Group assessed the recoverable amount of goodwill in 2020, and recognized impairment losses related to Cinema 7 Theater Co., Ltd. of \$43,997 thousand for the year ended December 31, 2020. The impairment loss mainly resulted from the lower-than-expected number of customers.

## 21. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Secured borrowings</u>		
Bank loans	\$ 2,255,064	\$ 2,001,964
Bank overdrafts	<u>290,049</u>	<u>-</u>
	2,545,113	2,001,964
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>500,000</u>	<u>538,170</u>
	<u>\$ 3,045,113</u>	<u>\$ 2,540,134</u>

The short-term borrowings were pledged by some of the Group's bank deposits, shares, buildings and land held for sale, freehold land, buildings and time deposits (refer to Note 37).

The range of weighted average effective interest rate on bank loans was 1.350%-2.750% and 1.745%-2.600% per annum at December 31, 2021 and 2020, respectively.

b. Short-term bills payable

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Commercial paper	\$ 2,540,000	\$ 2,335,000
Less: Unamortized discounts on bills payable	<u>(8,029)</u>	<u>(3,755)</u>
	<u>\$ 2,531,971</u>	<u>\$ 2,331,245</u>

Outstanding short-term bills payable were as follows:

December 31, 2021

Promissory Institution	Nominal Amount	Discount Amount	Carrying Value	Interest Rate	Collateral	Carrying Value of Collateral
<u>Commercial paper</u>						
International Bills Finance Corporation	\$ 800,000	\$ 1,342	\$ 798,658	2.230%	Note 1	Note 1
Mega Bills Finance	450,000	1,835	448,165	1.800%	Land and building	\$ 499,746
Shanghai Commercial & Savings Bank, Ltd. - Tien Mou Branch	450,000	2,666	447,334	1.910%	Land and building	815,731
Taiwan Finance Corporation	390,000	597	389,403	2.112%	Note 2	Note 2
Shanghai Commercial & Savings Bank, Ltd. - Tien Mou Branch	250,000	1,253	248,747	1.610%	Note 3	Note 3
Taiwan Finance Corporation	<u>200,000</u>	<u>336</u>	<u>199,664</u>	2.230%	Note 1	Note 1
	<u>\$ 2,540,000</u>	<u>\$ 8,029</u>	<u>\$ 2,531,971</u>			

Note 1: The bills payable to International Bills Finance Corporation and Taiwan Finance Corporation were part of the same loan limit of the \$2 billion syndicated loan under Entie Commercial Bank, which were collateralized by receivables from the Xianxi and Lunwei Districts in Chung Hua Coastal Industrial Park with a total book value of \$4,130,366 thousand.

Note 2: The loan is collateralized by land and buildings in Xinyi Section 3, Xinyi District, Taipei City and a total of 5,207 thousand shares of Taipei Business Bank with a total book value of \$913,013 thousand.

Note 3: A total of 38,775 thousand shares of China Petrochemical Development Corporation with book value of \$509,891 thousand have been pledged as collateral.

December 31, 2020

Promissory Institution	Nominal Amount	Discount Amount	Carrying Value	Interest Rate	Collateral	Carrying Value of Collateral
<u>Commercial paper</u>						
International Bills Finance Corporation	\$ 707,200	\$ 1,230	\$ 705,970	2.230%	Note 1	Note 1
Shanghai Commercial & Savings Bank, Ltd. - Tien Mou Branch	450,000	576	449,424	1.830%	Land and building	\$ 815,731
Mega Bills Finance	450,000	1,246	448,754	1.800%	Land and building	500,396
Taiwan Finance Corporation	415,000	275	414,725	2.162%	Note 2	Note 2
Taiwan Finance Corporation	176,800	308	176,492	2.230%	Note 1	Note 1
Shanghai Commercial & Savings Bank, Ltd. - Tien Mou Branch	100,000	120	99,880	1.530%	Note 3	Note 3
Ta Ching Bills Finance Corporation	<u>36,000</u>	<u>-</u>	<u>36,000</u>	1.988%	Note 4	Note 4
	<u>\$ 2,335,000</u>	<u>\$ 3,755</u>	<u>\$ 2,331,245</u>			

Note 1: The bills payable to International Bills Finance Corporation and Taiwan Finance Corporation were part of the same loan limit of the \$1.9 billion syndicated loan under Entie Commercial Bank, which were collateralized by receivables from the Xianxi and Lunwei Districts in Chung Hua Coastal Industrial Park with a total book value of \$5,028,791 thousand.

Note 2: The loan is collateralized by land and buildings in Xinyi Section 3, Xinyi District, Taipei City and a total of 5,207 thousand shares of Taipei Business Bank with a total book value of \$912,128 thousand.

Note 3: A total of 38,775 thousand shares of China Petrochemical Development Corporation with book value of \$451,729 thousand have been pledged as collateral.

Note 4: A total of 2,000 thousand shares of China Petrochemical Development Corporation and repurchase agreements collateralized by bonds with a total book value of \$52,300 thousand have been pledged as collateral.

The short-term bills payable were pledged by listed stocks, repurchase agreements collateralized by bonds, receivables (recognized as accounts receivable on the development of industrial districts), buildings and land held for sale, freehold land and buildings. (Refer to Note 37)

c. Long-term borrowings

	<u>December 31</u>	
	2021	2020
<u>Secured borrowings</u>		
Bank loans	\$ 5,462,555	\$ 4,188,187
<u>Unsecured borrowings</u>		
Bank loans	<u>597,315</u>	<u>549,622</u>
	6,059,870	4,737,809
Less: Current portion	<u>(746,870)</u>	<u>(1,130,591)</u>
Long-term borrowings	<u>\$ 5,313,000</u>	<u>\$ 3,607,218</u>

The long-term borrowings were pledged by some of the Group's bank deposits, freehold land and buildings, buildings and land held for sale, receivables (recognized as accounts receivable on the development of industrial districts), and time deposits (refer to Note 37). As of December 31, 2021 and 2020, the effective annual interest rate ranges were 1.490%-4.000% and 1.490%-2.950%, respectively.

## 22. TRADE PAYABLES

	<u>December 31</u>	
	2021	2020
<u>Trade payables</u>		
Operating	<u>\$ 4,613,161</u>	<u>\$ 4,347,815</u>



Accounts payable classified as construction retainage received was \$1,769,279 thousand as of December 31, 2021 and \$1,529,087 thousand as of December 31, 2020. Construction retainage received, which is interest free, will be paid for each construction contract at the end of the construction retainage period. The warranty period is the Group's normal operating cycle, which normally exceeds one year. Related information on construction contracts is shown in Table 1 following the notes to consolidated financial statements.

### 23. ACCOUNTS PAYABLE FOR THE DEVELOPMENT OF INDUSTRIAL DISTRICTS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Litzer Industrial District	\$ 1,088,001	\$ 1,069,047
Yunlin Technology-based Industrial Park	877,719	858,017
Other Industrial Districts	<u>15,963</u>	<u>15,963</u>
	<u>\$ 1,981,683</u>	<u>\$ 1,943,027</u>

Accounts payable (receivable) for the development of industrial districts amounted to \$53,810 thousand in 2021 and \$54,914 thousand in 2020. The input costs were \$15,154 thousand in 2021 and \$47,811 thousand in 2020.

### 24. PROVISIONS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Warranties	\$ 461,341	\$ 445,573
Onerous contracts	<u>-</u>	<u>22,604</u>
	<u>\$ 461,341</u>	<u>\$ 468,177</u>
<u>Non-current</u>		
Long-term provision for the judgment of legal procedures	<u>\$ 984,074</u>	<u>\$ 365,748</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under contracts for the sale of goods. The estimate has been made on the basis of historical warranty trends.

The provision for onerous contracts represents the present value of future payment that the Group is presently obligated to make under non-cancellable onerous operating contracts less the revenue expected to be earned.

The long-term provision for the judgment of legal procedures was based on the litigation of the recognition of construction overdue between the management of the Group and the owner. To make provisions for contingent losses due to lawsuits which are likely to occur in the future.

## 25. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation and its domestic subsidiaries of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

For 2021 and 2020, two of the Corporation's subsidiaries - Core Pacific Consulting (Changshu) Co., Ltd., Hua Cheng Consulting (Changshu) Co., Ltd. - have defined contribution plans. In accordance with the pension which were contributed from employees' salaries, the Group contributed some of the relative proportion of pension funds which was deposited in a special account. The pension accounts are managed by the local statutory insurance institutions. Upon retirement, employees will receive funds and relative yield from the special account. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

BES Investment Company Ltd., BES Global Investment Co., Global BES Engineering (Myanmar) Co., Ltd., Global BES Engineering (Vietnam) Co., Ltd., BESM Holding Co., Ltd., BES Logistics International Co., Ltd., Core Pacific World Co., Ltd., Zhong Hua Cheng Development Co., Ltd., Chinese City International Investment Co., Ltd. and BES Construction Corporation (U.S.A.) do not have pension plans.

### b. Defined benefit plans

The defined benefit plans adopted by the Corporation and subsidiaries (BES Machinery Co., Ltd., Core Asia Human Resources Management Co., Ltd., Chung Kung Safeguarding & Security Corp., Chung Kung Management Consultant Co., Ltd., and Chung Kung Management and Maintenance of Apartment Co., Ltd.) in accordance with the Labor Standards Act. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributed at specific rate of salaries (the rates of the Corporation and other subsidiaries were 7% and 2% for 2021 and 2020, respectively) and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 301,691	\$ 352,692
Fair value of plan assets	<u>(227,869)</u>	<u>(242,246)</u>
Net defined benefit liabilities	<u>\$ 73,822</u>	<u>\$ 110,446</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2020	<u>\$ 358,472</u>	<u>\$ (232,609)</u>	<u>\$ 125,863</u>
Service cost			
Current service cost	7,406	-	7,406
Net interest expense (income)	<u>2,410</u>	<u>(1,572)</u>	<u>838</u>
Recognized in profit or loss	<u>9,816</u>	<u>(1,572)</u>	<u>8,244</u>
Remeasurement			
Returns on plan assets (excluding the amounts included in net interest)	-	(8,313)	(8,313)
Actuarial (gain) loss			
Changes in demographic assumptions	10,370	-	10,370
Changes in financial assumptions	181	-	181
Experience adjustments	<u>2,577</u>	<u>-</u>	<u>2,577</u>
Recognized in other comprehensive income	<u>13,128</u>	<u>(8,313)</u>	<u>4,815</u>
Contributions from the employer	-	(23,789)	(23,789)
Benefits paid	<u>(28,724)</u>	<u>24,037</u>	<u>(4,687)</u>
Balance at December 31, 2020	<u>\$ 352,692</u>	<u>\$ (242,246)</u>	<u>\$ 110,446</u>
Balance at January 1, 2021	<u>\$ 352,692</u>	<u>\$ (242,246)</u>	<u>\$ 110,446</u>
Service cost			
Current service cost	6,941	-	6,941
Net interest expense (income)	<u>991</u>	<u>(677)</u>	<u>314</u>
Recognized in profit or loss	<u>7,932</u>	<u>(677)</u>	<u>7,255</u>
Remeasurement			
Returns on plan assets (excluding the amounts included in net interest)	-	(3,749)	(3,749)
Actuarial (gain) loss			
Changes in demographic assumptions	340	-	340
Changes in financial assumptions	(9,346)	-	(9,346)
Experience adjustments	<u>12,996</u>	<u>-</u>	<u>12,996</u>
Recognized in other comprehensive income	<u>3,990</u>	<u>(3,749)</u>	<u>241</u>
Contributions from the employer	-	(43,631)	(43,631)
Benefits paid	<u>(62,923)</u>	<u>62,434</u>	<u>(489)</u>
Balance at December 31, 2021	<u>\$ 301,691</u>	<u>\$ (227,869)</u>	<u>\$ 73,822</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 5,015	\$ 2,915
Selling and market expenses	-	8
General and administrative expenses	2,241	5,379
Research and development expenses	35	19
Other income	<u>(36)</u>	<u>(77)</u>
	<u>\$ 7,255</u>	<u>\$ 8,244</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)	0.55%-0.70%	0.19%-0.30%
Expected rate(s) of salary increase	0.50%-2.00%	0.50%-2.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would or increase (decrease) 0.25% as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)		
0.25% increase	<u>\$ (5,709)</u>	<u>\$ (6,956)</u>
0.25% decrease	<u>\$ 5,883</u>	<u>\$ 7,174</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 5,796</u>	<u>\$ 7,041</u>
0.25% decrease	<u>\$ (5,654)</u>	<u>\$ (6,862)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	<u>\$ 7,124</u>	<u>\$ 8,677</u>
Average duration of the defined benefit obligation	4-9 years	4-10 years

## 26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Corporation classified the assets and liabilities of its construction operations and industrial district development projects as current and noncurrent in accordance with the length of the operating cycle of these constructions and projects. The amounts expected to be recovered or settled within 1 year after the reporting period and more than 1 year after the reporting period for related assets and liabilities were as follows:

	<b>December 31, 2021</b>		
	<b>Due Within One Year</b>	<b>Due After One Year</b>	<b>Total</b>
<u>Assets</u>			
Financial assets at amortized cost - current	\$ 1,635,470	\$ 512,795	\$ 2,148,265
Construction receivables	2,013,497	273,241	2,286,738
Contract assets - current	965,714	1,493,329	2,459,043
Accounts receivable on the development of industrial districts	-	6,077,203	6,077,203
Inventories	175,179	-	175,179
Buildings and land held for sale, net	2,335,838	9,514,583	11,850,421
Construction in progress	-	3,113,718	3,113,718
Refundable deposits on construction contracts	<u>85,490</u>	<u>73,311</u>	<u>158,801</u>
	<u>\$ 7,211,188</u>	<u>\$ 21,058,180</u>	<u>\$ 28,269,368</u>
<u>Liabilities</u>			
Notes payable	\$ 7,167	\$ -	\$ 7,167
Trade payables	3,285,721	1,201,711	4,487,432
Contract liabilities - current	1,531,304	1,203,074	2,734,378
Accounts payable for the development of industrial districts	-	1,981,683	1,981,683
Provisions - current	28,654	432,687	461,341
Guarantee deposits on construction contracts - current	<u>152,822</u>	<u>324,747</u>	<u>477,569</u>
	<u>\$ 5,005,668</u>	<u>\$ 5,143,902</u>	<u>\$ 10,149,570</u>
<u>Assets</u>			
Financial assets at amortized cost - current	\$ 1,123,041	\$ 221,840	\$ 1,344,881
Construction receivables	1,160,725	94,092	1,254,817
Contract assets - current	993,576	2,280,314	3,273,890
Accounts receivable on the development of industrial districts	-	6,995,042	6,995,042
Buildings and land held for sale, net	977,941	10,424,917	11,402,858
Construction in progress	1,073,691	2,015,063	3,088,754
Refundable deposits on construction contracts	<u>6,146</u>	<u>117,929</u>	<u>124,075</u>
	<u>\$ 5,335,120</u>	<u>\$ 22,149,197</u>	<u>\$ 27,484,317</u>

(Continued)

	<b>December 31, 2021</b>		
	<b>Due Within One Year</b>	<b>Due After One Year</b>	<b>Total</b>
<u>Liabilities</u>			
Trade payables	\$ 3,899,505	\$ 398,759	\$ 4,298,264
Contract liabilities - current	1,090,623	1,134,589	2,225,212
Accounts payable for the development of industrial districts	-	1,943,027	1,943,027
Provisions - current	88,398	379,779	468,177
Guarantee deposits on construction contracts - current	<u>311,897</u>	<u>109,585</u>	<u>421,482</u>
	<u>\$ 5,390,423</u>	<u>\$ 3,965,739</u>	<u>\$ 9,356,162</u> (Concluded)

## 27. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Shares authorized (in thousands of shares)	<u>3,000,000</u>	<u>3,000,000</u>
Shares authorized	<u>\$ 30,000,000</u>	<u>\$ 30,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>1,530,899</u>	<u>1,530,899</u>
Shares issued	<u>\$ 15,308,998</u>	<u>\$ 15,308,998</u>

### b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 11,501	\$ 11,501
Treasury share transactions	1,757	1,757
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	13	-
Changes in net equity of associates accounted for using the equity method	4,094	4,094
Donations	89	51
<u>May only be used to offset a deficit (2)</u>		
Other	<u>56,430</u>	<u>56,430</u>
	<u>\$ 73,884</u>	<u>\$ 73,833</u>

- 1) Capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends, or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).
  - 2) Capital surplus may be used to offset a deficit only.
- c. Retained earnings and dividend policy

According to the Corporation's Articles of Incorporation, the Corporation distributes share dividends and cash dividends after taking into account its future business needs, capital demand and long-term financial plan. Under the Corporation's Articles of Incorporation, the Corporation should make appropriations from its net income (less any deficit) in the following order:

- 1) Paying for taxes in accordance with the laws and regulations
- 2) Offsetting losses of previous years
- 3) 10% as legal reserve; unless legal reserve equals to the Corporation's paid-in capital.
- 4) Setting aside or reversing a special reserve equivalent to the net debit balance of the other components of stockholders equity.
- 5) Of the remainder, together with any unappropriated earnings of prior years, over 20% should be appropriated as dividends
- 6) The appropriation of earnings to be allocated for distribution shall depend on the actual earnings and fund level. The board of directors shall propose a plan for the distribution of the remaining undistributed earnings and the shareholders shall resolve such plan in the shareholders' meeting for distribution of dividends and bonus to shareholders. Cash dividends shall not be lower than 10% of total dividends. If the amount of dividend is less than \$0.10 per share, it shall not be distributed as cash dividend but may be distributed as share dividends.

For policies on distribution of remuneration of employees, directors and supervisors before and after the amendment of the Articles, refer to Note 29 (h) employee benefits expense.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019, which had been approved in the Corporation's shareholders' meetings on August 4, 2021 and June 23, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	<u>\$ 61,492</u>	<u>\$ 31,289</u>
Cash dividends	<u>\$ 356,700</u>	<u>\$ 307,711</u>
Cash dividends per share (NT\$)	\$ 0.233	\$ 0.201

The appropriations of earnings for 2021, which had been proposed by the Corporation's board of directors on March 15, 2022, were as follows:

	<b>For the Year Ended December 31, 2021</b>
Legal reserve	<u>\$ 295,784</u>
Cash dividends	<u>\$ 817,500</u>
Cash dividends per share (NT\$)	<u>\$ 0.534</u>

The appropriations of earnings for 2021 is subject to the resolution of the shareholders in the shareholders' meeting to be held on May 31, 2022.

d. Special reserve

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 2,788,570	\$ 2,788,570
Reversal:		
Disposal of associates	<u>(312,612)</u>	<u>-</u>
Balance at December 31	<u>\$ 2,475,958</u>	<u>\$ 2,788,570</u>

On first-time adoption of IFRSs, the Corporation appropriated for special reserve, the amounts that were the same as the unrealized revaluation increment and cumulative translation differences transferred to retained earnings, which was \$2,466,834 thousand.

If the special reserve appropriated on the first-time adoption of IFRSs relates to investment property other than land, the special reserve may be reversed continuously over the period of use. The special reserve relating to land may be reversed on disposal or reclassification.

e. Other equity items

1) Exchange differences on the translation of the financial statements of foreign operations

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (303,569)	\$ (322,536)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	(12,538)	12,205
Share from associates accounted for using the equity method	<u>(19,945)</u>	<u>6,762</u>
Balance at December 31	<u>\$ (336,052)</u>	<u>\$ (303,569)</u>



2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (159,337)	\$ (243,747)
Recognized for the year		
Unrealized gain (loss) - equity instruments	257,503	67,822
Share from associates accounted for using the equity method	<u>14,095</u>	<u>16,588</u>
Balance at December 31	<u>\$ 112,261</u>	<u>\$ (159,337)</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 107,718	\$ 127,371
Share in profit for the year	(14,582)	(20,112)
Attributable to non-controlling interests:		
Exchange differences on translating the financial statements of foreign entities	(160)	469
Remeasurement of defined benefit plans	49	211
Income tax related to actuarial gains (losses)	(10)	(42)
Unrealized gain (loss) on financial assets at FVTOCI	275	308
Acquisition of non-controlling interests in subsidiaries (Note 33)	<u>(67)</u>	<u>(487)</u>
Balance at December 31	<u>\$ 93,223</u>	<u>\$ 107,718</u>

**28. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Construction contract revenue	\$ 14,560,049	\$ 11,860,058
Revenue from the rendering of services	1,246,391	1,340,327
Revenue from sell of properties	1,237,815	35,091
Other operating revenue	<u>152,430</u>	<u>235,486</u>
	<u>\$ 17,196,685</u>	<u>\$ 13,470,962</u>

**Contract Balances**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Trade receivables (Note 10)	<u>\$ 96,507</u>	<u>\$ 83,834</u>	<u>\$ 83,682</u>
Construction receivables (Note 10)	<u>\$ 2,286,738</u>	<u>\$ 1,254,817</u>	<u>\$ 1,535,335</u>

(Continued)

	December 31, 2021	December 31, 2020	January 1, 2020
Contract assets			
Deposits under construction contracts for construction receivables	\$ 1,666,471	\$ 1,944,868	\$ 1,673,802
Amounts due from customers for construction contracts	<u>792,572</u>	<u>1,329,022</u>	<u>1,362,492</u>
	<u>\$ 2,459,043</u>	<u>\$ 3,273,890</u>	<u>\$ 3,036,294</u>
Contract liabilities			
Amounts due to customers for construction contracts	\$ 2,627,413	\$ 1,874,194	\$ 1,821,670
Pre-construction sale	106,965	351,018	244,741
Advance payment for the rendering of services	<u>29,874</u>	<u>23,709</u>	<u>19,691</u>
	<u>\$ 2,764,252</u>	<u>\$ 2,248,921</u>	<u>\$ 2,086,102</u>

(Concluded)

The credit risk management of contract assets is the same as trade receivables, related information is shown in Note 10.

## 29. NET PROFIT

### a. Interest income

	<u>For the Year Ended December 31</u>	
	2021	2020
Bank deposits	\$ 3,638	\$ 11,537
Financial assets at amortized cost	21,817	19,805
Others	<u>46,248</u>	<u>75,404</u>
	<u>\$ 71,703</u>	<u>\$ 106,746</u>

### b. Other income

	<u>For the Year Ended December 31</u>	
	2021	2020
Rental income	\$ 60,328	\$ 55,787
Dividends	12,533	38,741
Others	<u>3,699</u>	<u>9,705</u>
	<u>\$ 76,560</u>	<u>\$ 104,233</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Loan application fee	\$ (144,062)	\$ (108,272)
Gain on disposal of associates	2,849,350	-
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	(8,350)	8,820
Impairment loss on goodwill	-	(43,997)
Reversal of impairment losses on financial assets	775,507	-
Gain on lease modification	2,903	-
Gain (loss) on disposal of property, plant and equipment	(458)	314,064
Compensation reversal (loss)	(665,623)	310,860
Others	<u>33,359</u>	<u>27,901</u>
	<u>\$ 2,842,626</u>	<u>\$ 509,376</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank overdrafts and loans	\$ 143,579	\$ 164,801
Interest on lease liabilities	6,703	5,943
Interest expense incurred on contracts with customers	<u>-</u>	<u>164</u>
	<u>\$ 150,282</u>	<u>\$ 170,908</u>

Refer to Note 13 for information about capitalized interest.

e. Depreciation

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of amortization by function		
Operating costs	\$ 61,795	\$ 73,343
Operating expenses	<u>84,303</u>	<u>82,594</u>
	<u>\$ 146,098</u>	<u>\$ 155,937</u>

The depreciation of investment properties, which was recognized in other income - rental income, was \$14,609 and \$8,179 thousand in 2021 and 2020, respectively.

f. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Direct operating expenses of investment properties generating rental income	<u>\$ 2,344</u>	<u>\$ 3,176</u>

g. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term benefits	<u>\$ 1,906,617</u>	<u>\$ 1,796,372</u>
Post-employment benefits		
Defined contribution plan	84,208	82,954
Defined benefit plans	<u>7,291</u>	<u>8,321</u>
	91,499	91,275
Other employee benefits	<u>203,106</u>	<u>143,610</u>
Total employee benefits expense	<u>\$ 2,201,222</u>	<u>\$ 2,031,257</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,890,654	\$ 1,761,592
Operating expenses	<u>310,568</u>	<u>269,665</u>
	<u>\$ 2,201,222</u>	<u>\$ 2,031,257</u>

h. Compensation of employees and remuneration of directors and supervisors

According to the Corporation's Articles, the Corporation accrues compensation of employees and remuneration of directors and supervisors at the rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which were approved by the Corporation's board of directors on March 15, 2022 and March 17, 2021, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	2%	2%
Remuneration of directors and supervisors	2%	2%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	<u>\$ 51,605</u>	<u>\$ 16,302</u>
Remuneration of directors and supervisors	<u>\$ 51,605</u>	<u>\$ 16,302</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

### 30. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 19,782	\$ 17,794
Income tax on unappropriated earnings	10,033	4,084
Land value increment tax	14,090	118
Adjustments for prior year	<u>(351)</u>	<u>(3,988)</u>
	<u>43,554</u>	<u>18,008</u>
Deferred tax		
In respect of the current year	(227,908)	173,698
Adjustments for prior year	<u>647</u>	<u>2,679</u>
	<u>(227,261)</u>	<u>176,377</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ (183,707)</u>	<u>\$ 194,385</u>

A reconciliation of accounting profit and current income tax expense (benefit) is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax expense calculated at the statutory rate	\$ 493,714	\$ 145,740
Nondeductible expenses in determining taxable income	(432,788)	68,465
Tax-exempt income	(33,272)	(9,608)
Unrecognized loss on impairment of assets	(252,141)	(2,130)
Unrealized valuation gain on financial assets at FVTPL	(1,940)	-
Income tax on unappropriated earnings	10,033	4,084
Land value increment tax	14,090	118
Unrecognized deductible temporary differences	18,775	(10,975)
Unrecognized loss carryforwards	(474)	-
Adjustments for prior years' tax	<u>296</u>	<u>(1,309)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ (183,707)</u>	<u>\$ 194,385</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year - remeasurement of defined benefit plans	<u>\$ 48</u>	<u>\$ 964</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized loss on construction	\$ 66,548	\$ 139,530	\$ -	\$ 206,078
Provision for warranties	57,114	2,921	-	60,035
Defined benefit plans	28,923	(7,427)	48	21,544
Others	49,489	4,943	-	54,432
Loss carryforwards	<u>162,802</u>	<u>92,388</u>	<u>-</u>	<u>255,190</u>
	<u>\$ 364,876</u>	<u>\$ 232,355</u>	<u>\$ 48</u>	<u>\$ 597,279</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Provision for land value increment tax	\$ 991,342	\$ -	\$ -	\$ 991,342
Foreign investments accounted for using the equity method	105,074	1,351	-	106,425
Others	<u>13,639</u>	<u>3,743</u>	<u>-</u>	<u>17,382</u>
	<u>\$ 1,110,055</u>	<u>\$ 5,094</u>	<u>\$ -</u>	<u>\$ 1,115,149</u>

For the year ended December 31, 2020

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized loss on construction	\$ 115,348	\$ (48,800)	\$ -	\$ 66,548
Provision for warranties	103,287	(46,173)	-	57,114
Defined benefit plans	30,694	(2,735)	964	28,923
Others	40,945	8,544	-	49,489
Loss carryforwards	<u>248,806</u>	<u>(86,004)</u>	<u>-</u>	<u>162,802</u>
	<u>\$ 539,080</u>	<u>\$ (175,168)</u>	<u>\$ 964</u>	<u>\$ 364,876</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Provision for land value increment tax	\$ 991,342	\$ -	\$ -	\$ 991,342
Foreign investments accounted for using the equity method	99,949	5,125	-	105,074
Others	<u>17,555</u>	<u>(3,916)</u>	<u>-</u>	<u>13,639</u>
	<u>\$ 1,108,846</u>	<u>\$ 1,209</u>	<u>\$ -</u>	<u>\$ 1,110,055</u>

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2021	2020
Deductible temporary differences		
Impairment of financial assets	\$ 38,979	\$ 38,979
Unrealized loss on lawsuits	83,310	83,310
Impairment of assets	<u>58,118</u>	<u>58,118</u>
	<u>\$ 180,407</u>	<u>\$ 180,407</u>

- e. Information on unused investment credits, unused loss carryforwards and tax-exemptions

Loss carryforwards as of December 31, 2021 comprised:

Unused Amount	Expiry Year
\$ 341,404	2025 (approved)
450,782	2028 (approved)
4,690	2029 (approved)
11,836	2030 (unapproved)
<u>467,238</u>	2031 (unapproved)
<u>\$ 1,275,950</u>	

- f. Income tax assessments

	<u>Last Income Tax Approval Year</u>
BES Engineering Corporation	2019
Core Pacific World Co., Ltd.	2019
BES Machinery Co., Ltd.	2019
Cinemark-Core Pacific, Ltd.	2019
Chung Kung Safeguarding & Security Corp.	2019
Chung Kung Management Consultant Co., Ltd.	2020
Chung Kung Management and Maintenance of Apartment Co., Ltd.	2020
Core Asia Human Resources Management Co., Ltd.	2019
Elite Human Resources Management Co., Ltd.	2020
Cinema 7 Theater Co., Ltd.	2019

### 31. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows:

#### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Earnings used in the computation of basic earnings per share	<u>\$ 2,676,758</u>	<u>\$ 618,959</u>

#### Weighted Average Number of Ordinary Shares Outstanding

(In Thousands of Shares)

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares outstanding used in the computation of basic earnings per share	1,530,899	1,530,899
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>6,069</u>	<u>1,980</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,536,968</u>	<u>1,532,879</u>

If the Group offered to settle the compensation of employees by cash or shares, the Group assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees is resolved in the following year.

### 32. GOVERNMENT GRANTS

In 2021 and 2020, the Group's application for a government grant of \$3,699 thousand and \$9,705 thousand, respectively, in accordance with the Ministry of Culture's "Regulations Governing Relief and Revitalization for Industries and Businesses Experiencing Operational Difficulties due to the Impact of Covid-19 Pandemic" were approved, and the proceeds from the government grant was used to compensate for the expenses incurred and for working capital subsidies. As of December 31, 2021, the government grant revenue was recognized as other revenue. In addition, the Group applied for relief measures for outsourcing parking lot operators with operational difficulties due to the impact of the Covid-19 pandemic, and the royalties were reduced based on monthly revenue. As of December 31, 2021 and 2020, the amounts of the reduction in royalties were \$1,908 thousand and \$1,384 thousand, respectively.



### 33. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In October 2020, the Group acquired 0.06% of the shares of its subsidiary, BES Machinery Co., Ltd., which increased the Group's continuing interest from 99.29% to 99.35%.

The Group held the rest of the equity interest measured at fair value and remained significant influence over BES Machinery Co., Ltd.; therefore, the Group recognized share of profits by using the equity method.

	<b>BES Machinery Co., Ltd.</b>
Consideration paid	\$ (517)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>487</u>
	<u>\$ (30)</u>
 <u>Line items adjusted for equity transactions</u>	
Retained earnings	<u>\$ (30)</u>

In April 2021, the Group acquired 0.005% of the shares of its subsidiary, Core Pacific World Co., Ltd., and the Group's continuing interest was 99.95%.

The Group held the rest of the equity interest measured at fair value and remained significant influence over Core Pacific World Co., Ltd.; therefore, the Group recognized share of profits by using the equity method.

	<b>Core Pacific World Co., Ltd.</b>
Consideration paid	\$ (54)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>67</u>
	<u>\$ 13</u>
 <u>Line items adjusted for equity transactions</u>	
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>\$ 13</u>

### 34. CAPITAL MANAGEMENT

The Group's capital management strategies, the Group plans for future working capital needs, research and development expenses and shareholder expenses based on the current overall economic environment, industry characteristics and future development, to ensure that the Group would be able to continue as going concerns with long-term shareholders' equity and stable operating performance as goal, and to maximizing shareholders' equity.

Management regularly reviews the capital structure and considers the costs and risks involved in different capital structures. The Group adopts the conservative risk management strategy by consideration of the industry scale, industry growth and future product roadmaps.

### 35. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed shares	\$ 6,060	\$ -	\$ -	\$ 6,060
Unlisted shares	-	-	2,369,559	2,369,559
Mutual funds	<u>4,587</u>	<u>-</u>	<u>-</u>	<u>4,587</u>
	<u>\$ 10,647</u>	<u>\$ -</u>	<u>\$ 2,369,559</u>	<u>\$ 2,380,206</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	\$ 2,716,755	\$ -	\$ -	\$ 2,716,755
Unlisted shares	<u>-</u>	<u>99,015</u>	<u>-</u>	<u>99,015</u>
	<u>\$ 2,716,755</u>	<u>\$ 99,015</u>	<u>\$ -</u>	<u>\$ 2,815,770</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed shares	\$ 8,960	\$ -	\$ -	\$ 8,960
Unlisted shares	<u>-</u>	<u>14,722</u>	<u>-</u>	<u>14,722</u>
	<u>\$ 8,960</u>	<u>\$ 14,722</u>	<u>\$ -</u>	<u>\$ 23,682</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	\$ 1,591,400	\$ -	\$ -	\$ 1,591,400
Unlisted shares	<u>-</u>	<u>100,311</u>	<u>-</u>	<u>100,311</u>
	<u>\$ 1,591,400</u>	<u>\$ 100,311</u>	<u>\$ -</u>	<u>\$ 1,691,711</u>

There were no transfers between Levels 1 and 2 in the current and prior year.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTPL Equity Instruments
Balance at January 1, 2021	\$ 14,722
Recognized in profit or loss (included in other gains and losses)	(20,774)
Purchases	3,908,303
Cash returns from capital reduction of investments	<u>(1,532,692)</u>
Balance at December 31, 2021	<u>\$ 2,369,559</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Unlisted shares	Transaction method of market approach. The approach is a valuation strategy that looks at market ratios of companies with similar profitability at the end of the reporting periods, while taking the liquidity premium into consideration.
Others	Discounted cash flow.  Future cash flows are discounted at a rate that reflects current borrowing interest rates of the bond issuers at the end of the year.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The unlisted equity investment is evaluated using asset-based approach to calculate the present value of expected gain on investment.

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,380,206	\$ 23,682
Financial assets at amortized cost (Note 1)	10,442,388	7,683,814
Financial assets at FVTOCI		
Equity instruments	2,815,770	1,691,711
<u>Financial liabilities</u>		
Amortized cost (Note 2)	18,210,270	15,263,299

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes receivable and trade receivables, construction receivables, refundable deposits on construction contracts, other receivables (included in other current assets) and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, trade payables, guarantee deposits on construction contracts - current, long-term borrowings (expired in one year), provisions and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, notes receivable, trade receivables, construction receivables, accounts receivable on the development of industrial districts, notes payable, trade payables, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through the analysis of exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 39.

Sensitivity analysis

The Group was mainly exposed to the RMB and HKD.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period under the assumption of a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax equity when New Taiwan dollars strengthened by 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax equity and the balances below would be negative.

	<b>RMB Impact</b>		<b>HKD Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Equity	\$ 57,490	\$ 59,128	\$ 24,451	\$ 24,552

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 2,714,616	\$ 1,861,915
Financial liabilities	2,780,597	2,609,395
Cash flow interest rate risk		
Financial assets	4,898,101	4,158,825
Financial liabilities	9,094,851	7,277,943

The Group was exposed to fair value interest rate risk in relation to fixed-rate certificate of deposit, short-term bills payable and lease liabilities.

The Group was also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group's cash flow interest rate risk was mainly concentrated in the fluctuation of the benchmark interest rate arising from the Group's New Taiwan dollars denominated borrowings.

### Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A sensitivity rate of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would decrease by \$41,968 thousand and \$31,191 thousand, respectively. The Group's sensitivity to interest rates increased during the current period mainly due to the increase in variable rate borrowings.

#### c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and mutual funds.

### Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to the equity price risks at the end of the reporting period.

If the equity prices had been 5% higher, the Group's pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have been increase by \$140,789 thousand and \$84,586 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

#### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure about the discharge an obligation by the counterparties or the financial guarantees provided by the Group, could be equal to the total of the following:

- a) The carrying amount of the respective recognized financial assets as stated in the condensed balance sheets.
- b) The amount of contingent liabilities generated from financial guarantees that the Group provided.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group had available unutilized short-term bank loan facilities as shown below:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 1,097,315	\$ 1,087,792
Amount unused	<u>5,286,884</u>	<u>6,688,106</u>
	<u>\$ 6,384,199</u>	<u>\$ 7,775,898</u>
Secured bank overdraft facilities:		
Amount used	\$ 10,539,639	\$ 8,521,396
Amount unused	<u>14,824,712</u>	<u>19,246,592</u>
	<u>\$ 25,364,351</u>	<u>\$ 27,767,988</u>

#### Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the year.

#### December 31, 2021

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities		\$ 1,372,818	\$ 1,700,115	\$ 338,500	\$ 1,133,460	\$ 76,611
Lease liabilities	2.000-4.750	5,993	11,899	48,345	145,263	46,024
Variable interest rate liabilities	1.350-2.750	311,896	855,936	2,765,484	5,558,492	98,362
Fixed interest rate liabilities	1.610-4.000	<u>1,390,651</u>	<u>451,303</u>	<u>705,863</u>	<u>2,606</u>	<u>-</u>
		<u>\$ 3,081,358</u>	<u>\$ 3,019,253</u>	<u>\$ 3,858,192</u>	<u>\$ 6,839,821</u>	<u>\$ 220,997</u>

December 31, 2020

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities		\$ 1,023,943	\$ 1,171,110	\$ 1,746,573	\$ 377,271	\$ 31,195
Lease liabilities	2.000-4.750	6,823	13,031	50,465	156,705	76,262
Variable interest rate liabilities	1.490-2.950	212,300	735,211	2,827,614	3,573,706	99,881
Fixed interest rate liabilities	1.530-2.223	<u>1,849,000</u>	<u>450,000</u>	<u>36,000</u>	<u>-</u>	<u>-</u>
		<u>\$ 3,092,066</u>	<u>\$ 2,369,352</u>	<u>\$ 4,660,652</u>	<u>\$ 4,107,682</u>	<u>\$ 207,338</u>

### 36. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
China Petrochemical Development Corporation	Legal director of the Corporation and its subsidiaries
Sheen Chuen-Chi Cultural & Educational Foundation	Related party in substance
Yunheyue Agriculture Co., Ltd.	Related party in substance
Core Pacific City Co., Ltd.	Associate
HROO Logistics Co., Ltd.	Associate
Agora Garden Co., Ltd.	Related party of the Corporation
Glory Construction Co., Ltd.	Related party of the Corporation
Cheng Yao Enterprise Co., Ltd.	Related party of the Corporation
Jen Huei Enterprise Co., Ltd.	Related party of the Corporation
Tsou Seen Chemical Industries Corporation	Subsidiary of legal directors of the Corporation
BES Twin Towers Development Co., Ltd.	Subsidiary of legal directors of the Corporation
Core Pacific Pioneer (Myanmar) Co., Ltd.	Subsidiary of legal directors of the Corporation
CPDC Engineering Corp.	Subsidiary of legal directors of the Corporation
Ding Yue Development Co., Ltd.	Subsidiary of legal directors of the Corporation
Hui-Lan Chu	Corporation's chairman
Tony C. J. Sheen	Related party in substance
Yu-Kun Chen	Associate of the Corporation's chairman and legal director of its subsidiaries

b. Trading transactions and other transactions with related parties

Line Items	Related Party Categories	December 31	
		2021	2020
Operating revenue	Legal directors of the Corporation	\$ 187,449	\$ 316,993
	Subsidiaries of legal directors of the Corporation	9,699	9,063
	Associates	2,057	858
	Related parties of the Corporation	106	220
	Related parties in substance	<u>188</u>	<u>139</u>
		<u>\$ 199,499</u>	<u>\$ 327,273</u>
Operating costs	Related parties of the Corporation	\$ 8,156	\$ 9,375
	Associates	<u>-</u>	<u>200</u>
		<u>\$ 8,156</u>	<u>\$ 9,575</u>
Operating expenses	Related parties in substance	\$ 24,000	\$ -
	Related parties of the Corporation	<u>10,041</u>	<u>9,567</u>
		<u>\$ 34,041</u>	<u>\$ 9,567</u>

For transactions with related parties, the prices and collection terms are similar to those transactions with third parties.

c. Receivables from related parties

Line Items	Related Party Categories	December 31	
		2021	2020
Construction receivables	Legal directors of the Corporation	<u>\$ 16,475</u>	<u>\$ 32,554</u>
Trade receivables	Legal directors of the Corporation	\$ 3,809	\$ 4,110
	Associates	163	-
	Subsidiaries of legal directors of the Corporation	<u>-</u>	<u>3,173</u>
		<u>\$ 3,972</u>	<u>\$ 7,283</u>
Other receivables (included in other current assets)	Related parties of the Corporation	\$ 505	\$ 521
	Related parties in substance	<u>616</u>	<u>-</u>
		<u>\$ 1,121</u>	<u>\$ 521</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment losses were recognized for trade receivables from related parties.

d. Payables to related parties (excluding loans to related parties)

Line Items	Related Party Categories	December 31	
		2021	2020
Accrued expenses	Related parties of the Corporation	<u>\$ 508</u>	<u>\$ 1,659</u>

The outstanding trade payables from related parties are unsecured and will be settled in cash.



- e. Prepayments (included in other current assets)

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Related parties of the Corporation	<u>\$ -</u>	<u>\$ 1,151</u>

- f. Contract liabilities

The contract liabilities as of December 31, 2021 and 2020, respectively, were as follows:

December 31, 2021

<b>Related Party Names</b>	<b>Engineering Code</b>	<b>Total Amount of Construction</b>	<b>Contract Liabilities</b>
China Petrochemical Development Corporation	A6E	<u>\$ 1,532,800</u>	<u>\$ 45,096</u>

December 31, 2020

<b>Related Party Names</b>	<b>Engineering Code</b>	<b>Total Amount of Construction</b>	<b>Contract Liabilities</b>
China Petrochemical Development Corporation	A6E	<u>\$ 1,532,800</u>	<u>\$ 239,038</u>

The contract contracts and engineering payment conditions with related parties were made at terms comparable to those with similar unrelated parties.

- g. Lease arrangements

<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Acquisition of right-of-use assets</u>		
Related parties in substance	\$ 10,660	\$ 12,545
Related parties of the Corporation	<u>-</u>	<u>22,646</u>
	<u>\$ 10,660</u>	<u>\$ 35,191</u>

<b>Line Items</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
Lease liabilities	Related parties in substance	\$ 21,450	\$ 22,350
	Related parties of the Corporation	<u>9,639</u>	<u>16,447</u>
		<u>\$ 31,089</u>	<u>\$ 38,797</u>

<b>Line Items</b>	<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
Interest expenses	Related parties in substance	\$ 527	\$ 180
	Related parties of the Corporation	<u>448</u>	<u>727</u>
		<u>\$ 975</u>	<u>\$ 907</u>

h. Acquisition of financial assets

For the year ended December 31, 2021

<b>Related Party Names</b>	<b>Line Item</b>	<b>Number of Shares</b>	<b>Underlying Assets</b>	<b>Purchase Price</b>
China Petrochemical Development Corporation	Financial assets at FVTOCI - current	3,327,095	<u>Stock</u> China Petrochemical Development	<u>\$ 39,094</u>
	Financial assets at FVTOCI - non-current	70,563,760	<u>Stock</u> China Petrochemical Development	<u>\$ 829,124</u>

Note: The abovementioned investments were held individually by the Corporation and Core Pacific World Co., Ltd. that participated in China Petrochemical Development's seasoned equity offering.

i. Loans to related parties

<b>Line Items</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
Other receivables (included in other current assets)	Associates	<u>\$ 21,550</u>	<u>\$ 21,345</u>

As of December 31, 2021, the interest receivable of the Group from associates amounted to \$366 thousand.

Interest income

<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Associates	<u>\$ 1,054</u>	<u>\$ 304</u>

The Group provided with short-term loan at rates comparable to market interest rates. As of December 31, 2021, the annual interest rate was 5.00%.

j. Other transactions with related parties

Interest income, rental revenue and other revenue are as follows:

<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Related parties in substance	\$ 7,046	\$ 3,523
Related parties of the Corporation	5,780	5,785
Legal directors of the Corporation	4,814	4,814
Associates	<u>201</u>	<u>205</u>
	<u>\$ 17,841</u>	<u>\$ 14,327</u>

The transactions with related parties were made at prices and terms comparable to those for similar transactions with unrelated parties. That is, the prices and terms for sales and purchases as well as conditions for warranties, loans and other transactions with related parties were similar to those for transactions with unrelated parties. Other receivables from related parties were rent receivables.

Endorsements and guarantees are as follows:

Refundable deposits by related parties

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Related parties of the Corporation	\$ 1,292	\$ 1,412
Associates	<u>1</u>	<u>1</u>
	<u>\$ 1,293</u>	<u>\$ 1,413</u>

Guarantee deposits received by related parties

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries of legal directors of the Corporation	\$ 7,584	\$ 7,584
Legal directors of the Corporation	<u>9,553</u>	<u>7,405</u>
	<u>\$ 17,137</u>	<u>\$ 14,989</u>

Other payables (included in other current liabilities) given by related parties

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries of legal directors of the Corporation	<u>\$ 28,571</u>	<u>\$ 28,571</u>

k. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 76,516	\$ 38,164
Post-employment benefits	<u>-</u>	<u>-</u>
	<u>\$ 76,516</u>	<u>\$ 38,164</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

l. Guarantees

As of 2020, the Corporation's proportion of bank loan contract was jointly guaranteed by Hui-Lan Chu, Tony C.J. Sheen and Yu-Kun Chen.

### 37. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been mortgaged as collateral for long- and short-term bank loans, short-term bills payable, performance guarantees, construction warranties and lawsuits:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Financial assets at FVTOCI - current	\$ 611,889	\$ 601,382
Financial assets at amortized cost - current	4,452,169	2,909,939
Accounts receivable on the development of industrial districts	4,130,336	5,028,791
Buildings and land held for sale, net	4,787,356	11,371,664
Construction in Progress	1,244,634	1,244,634
Financial assets at FVTOCI - non-current	536,191	475,029
Financial assets at amortized cost - non-current	4,291	590,971
Property, plant and equipment, net	1,621,078	1,527,011
Investment properties, net	<u>709,053</u>	<u>710,913</u>
	<u>\$ 18,096,997</u>	<u>\$ 24,460,334</u>

### 38. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The appropriations of earnings for 2021 were approved by Core Pacific City's shareholders in their meeting on February 23, 2022, and the Corporation and Core Pacific World Co., Ltd. received cash dividends of \$2,350,388 thousand. Initially, Core Pacific World Co., Ltd. had 30,000 thousand shares of Core Pacific City Co., Ltd. Class A preference shares and 1,472 thousand shares of Core Pacific City Co., Ltd. Class H preference shares, with dividend rates of 8% and 9.5%, respectively. Based on the issue price, dividends on preference shares amounted to \$374,807 thousand. The above appropriations from retained earnings and preference share dividends had been fully collected on February 25, 2022.

### 39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than function currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2021

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Non-monetary items			
Investments accounted for using the equity method			
RMB	\$ 264,687	4.344 (RMB:NTD)	\$ 1,149,799
HKD	137,789	3.549 (HKD:NTD)	489,013

December 31, 2020

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Non-monetary items			
Investments accounted for using the equity method			
RMB	\$ 270,175	4.377 (RMB:NTD)	\$ 1,182,555
HKD	133,688	3.673 (HKD:NTD)	491,037

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange gains (losses) were \$8,860 thousand and \$403 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

#### **40. OTHER ITEMS**

Regarding the investigation result of “the renovation turnkey project of Gongguan military installations and camps” which is contracted by the Corporation, Taiwan New Taipei District Court Prosecutors Office prosecuted against the former chairman of the Corporation, Shen Jun, and the other two individuals in accordance with the Securities and Exchange Act and Anti -Corruption Act. For this reason, the Ministry of National Defense sent a letter to recover the bid bond of \$50,000 thousand for the “the renovation turnkey project of Gongguan military installations and camps” on September 30, 2021, and the amount of compensation was recognized in other losses (included in other gains and losses) and paid on October 18, 2021. In order to ensure that the rights and interests were not infringed, the Corporation filed a lawsuit for damages and other remedies in the Taipei District Court of Taiwan on October 21, 2021 against the former chairman of the Corporation, Shen Jun, and the other two individuals. However, the financial and business operations have not been significantly affected by the aforementioned events. As of March 15, 2022, the case is still pending in the court.

#### **41. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 2)
- 2) Endorsements/guarantees provided. (Table 3)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 4)
- 4) Marketable securities acquired or disposed of at costs or prices at least \$300 million or 20% of the paid-in capital. (Table 5)
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (Non-applicable)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (Non-applicable)

- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 6)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (Non-applicable)
- 9) Trading in derivative instruments. (Non-applicable)
- 10) Information on investees. (Table 7)
- 11) Intercompany relationships and significant intercompany transactions. (Table 8)
- b. Information on investments in mainland China
- Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 10)

## 42. SEGMENT INFORMATION

- a. Operating segment information:  
Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The reportable segments were as follows:
- Construction segment - engage in civil engineering projects.
  - Construction development segment - make investment in construction of buildings and development of industrial districts for the government.
  - Other segments - human resources consulting, security management, theater entertainment.
- b. Segment revenues and results:

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	<u>Segment Revenue</u>		<u>Segment Profit (Loss)</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Construction segment	\$ 13,944,110	\$ 11,314,777	\$ (369,499)	\$ 506,122
Construction development segment	1,875,193	665,597	58,147	(122,237)
Other segments	<u>1,377,382</u>	<u>1,490,588</u>	<u>(47,267)</u>	<u>(8,838)</u>
	<u>\$ 17,196,685</u>	<u>\$ 13,470,962</u>	<u>(358,619)</u>	<u>375,047</u>

(Continued)

	<u>Segment Revenue</u>		<u>Segment Profit (Loss)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	2021	2020	2021	2020
Interest income			\$ 71,703	\$ 106,746
Other income			76,560	104,233
Other gains and losses			2,842,626	509,376
Finance costs			(150,282)	(170,908)
Share of profit or loss of associates			<u>(3,519)</u>	<u>(131,262)</u>
Profit before income tax			<u>\$ 2,478,469</u>	<u>\$ 793,232</u>

(Concluded)

Segment revenues were all generated by external customers. No inter-segment sales occurred during 2021 and 2020.

Segment profit represents the profit earned from each segment, and does not include the share of the profit or loss of associates, leasing revenue, interest income, dividends revenue, gain or loss on foreign exchange, net, compensation loss, financial assets at fair value through profit (loss), gain or loss on disposal of property, plant and equipment, general administrative expenses, finance costs, miscellaneous expenses and income tax expense. This was measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

c. Segment total assets and liabilities

	<u>December 31</u>	
	2021	2020
<u>Segment assets</u>		
Construction segment	\$ 5,699,711	\$ 5,111,489
Construction development segment	19,966,357	18,677,300
Other segments	<u>21,168,553</u>	<u>17,025,015</u>
Total segment assets	46,834,621	40,813,804
Unallocated assets	<u>1,253,542</u>	<u>1,294,913</u>
Consolidated total assets	<u>\$ 48,088,163</u>	<u>\$ 42,108,717</u>
<u>Segment liabilities</u>		
Construction segment	\$ 4,666,318	\$ 3,254,973
Construction development segment	2,998,837	3,048,806
Other segments	<u>16,333,943</u>	<u>14,202,201</u>
Total segment assets	23,999,098	20,505,980
Unallocated assets	<u>1,160,319</u>	<u>1,187,735</u>
Consolidated total liabilities	<u>\$ 25,159,417</u>	<u>\$ 21,693,715</u>

## BES ENGINEERING CORPORATION AND SUBSIDIARIES

CONTRACT ASSETS, CONTRACT LIABILITIES AND AMOUNTS DUE TO CUSTOMERS FOR CONSTRUCTION CONTRACTS  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
 (In Thousands of New Taiwan Dollars)

## Contract assets - amounts due from customers for construction contracts

December 31, 2021

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Contract Assets	% of Completion	Accumulated Construction Profit (Loss)	Contract Liabilities	Net Amount of Contract Assets
A7B-1	2031	\$ 13,505,752	\$ 12,704,527	\$ 867,424	3.51	\$ 28,115	\$ 473,873	\$ 393,551
A6B-1	2023	3,199,878	3,092,049	1,859,123	52.75	56,881	1,721,823	137,300
A6C	2022	3,376,474	3,309,500	2,932,806	83.50	55,925	2,848,237	84,569
A8B	2031	10,814,726	10,208,733	1,841,076	15.47	93,729	1,722,972	118,104
A8F	2024	3,638,095	3,434,086	1,047,333	28.11	57,345	1,022,646	24,687
B0A	2025	4,331,539	4,201,593	21,164	-	-	-	21,164
B0B	2026	5,657,143	5,487,429	13,197	-	-	-	13,197
		<u>\$ 44,523,607</u>	<u>\$ 42,437,917</u>	<u>\$ 8,582,123</u>		<u>\$ 291,995</u>	<u>\$ 7,789,551</u>	<u>\$ 792,572</u>

December 31, 2020

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Contract Assets	% of Completion	Accumulated Construction Profit (Loss)	Contract Liabilities	Net Amount of Contract Assets
A0B	2020	\$ 13,807,331	\$ 15,241,994	\$ 14,529,879	98.44	\$ (1,434,663)	\$ 13,592,843	\$ 937,036
A7B	2031	13,830,943	12,978,455	610,553	5.92, 2.68	24,466	381,714	228,839
A6B-1	2023	3,004,035	2,902,961	1,501,230	46.66	47,162	1,426,753	74,477
A6D	2021	2,885,074	2,753,598	1,681,897	56.60	74,410	1,651,975	29,922
A6C	2021	3,273,507	3,063,242	1,944,503	56.66	119,134	1,885,770	58,733
A8B	2029	10,755,238	10,136,110	557,824	5.19	32,108	557,809	15
		<u>\$ 47,556,128</u>	<u>\$ 47,076,360</u>	<u>\$ 20,825,886</u>		<u>\$ (1,137,383)</u>	<u>\$ 19,496,864</u>	<u>\$ 1,329,022</u>

(Continued)



Contract liabilities - amounts due to customers for construction contracts

December 31, 2021

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Contract Assets	% of Completion	Accumulated Construction Profit (Loss)	Contract Liabilities	Net Amount of Contract Liabilities
A8C	2023	\$ 7,701,884	\$ 7,268,838	\$ 3,648,844	52.46	\$ 227,176	\$ 4,040,427	\$ 391,583
A6B-2	2022	3,691,781	3,675,176	2,988,314	89.97	14,939	3,348,762	360,448
A7A	2024	2,002,236	1,888,311	1,087,536	64.44	73,413	1,378,637	291,101
A9A	2027	12,380,283	11,555,898	798,222	8.58	70,724	1,062,133	263,911
A7D	2022	2,383,007	2,250,852	1,717,198	81.78	108,071	1,955,882	238,684
A6D	2022	2,961,501	2,828,672	2,382,408	87.86	116,706	2,613,146	230,738
A7C	2022	2,080,747	1,959,464	1,768,841	95.00	115,224	1,976,803	207,962
A6F	2022	1,849,299	1,714,479	1,364,550	82.76	111,573	1,537,370	172,820
A7F	2022	3,504,804	3,312,666	2,686,158	79.92	153,564	2,819,580	133,422
A5C	2023	3,804,286	3,970,953	1,787,832	44.28	(166,667)	1,902,050	114,218
A7E	2022	1,051,147	981,268	881,749	93.79	65,538	985,849	104,100
A7B-2	2024	325,191	276,809	96,063	52.08	25,196	169,349	73,286
A6E	2022	1,532,800	1,483,073	1,450,733	96.86, 97.29	48,173	1,495,829	45,096
A0B	2021	13,997,959	16,135,890	13,997,959	100.00	(2,137,931)	13,998,003	44
98C-1	2021	3,677,852	3,617,005	3,677,852	100.00	60,847	3,677,852	-
93C	2021	690,775	830,149	673,300	97.47	(139,374)	673,300	-
A5B	2021	562,934	543,682	562,934	100.00	19,252	562,934	-
83C	2021	850,523	787,662	-	100.00	62,861	-	-
A5D	2021	4,101,593	3,905,571	-	100.00	196,022	-	-
A4C	2021	758,642	777,882	758,642	100.00	(19,240)	758,642	-
A5A	2021	169,566	169,187	-	100.00	379	-	-
A5F	2021	302,311	313,634	-	100.00	(11,323)	-	-
A8A	2021	812,045	680,589	-	100.00, 100.00	131,456	-	-
		<u>71,193,166</u>	<u>70,927,710</u>	<u>42,329,135</u>		<u>(873,421)</u>	<u>44,956,548</u>	<u>2,627,413</u>
750		<u>-</u>	<u>-</u>	<u>19,679,673</u>		<u>-</u>	<u>19,679,673</u>	<u>-</u>
		<u>\$ 71,193,166</u>	<u>\$ 70,927,710</u>	<u>\$ 62,008,808</u>		<u>\$ (873,421)</u>	<u>\$ 64,636,221</u>	<u>\$ 2,627,413</u>

(Continued)

December 31, 2020

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Contract Assets	% of Completion	Accumulated Construction Profit (Loss)	Contract Liabilities	Net Amount of Contract Liabilities
A6E	2021	\$ 1,532,800	\$ 1,483,204	\$ 1,128,822	94.59, 85.41	\$ 42,514	\$ 1,367,860	\$ 239,038
A8C	2023	7,701,884	7,260,637	1,418,487	21.15	93,306	1,628,632	210,145
A7A	2023	1,941,228	1,828,620	610,704	33.93	38,210	816,969	206,265
A6F	2021	1,822,971	1,690,362	1,073,856	69.71	92,442	1,275,029	201,173
A9A	2027	11,921,115	11,105,947	146,716	1.28	10,426	342,964	196,248
A6B-2	2022	3,515,847	3,501,636	2,091,123	63.92	9,083	2,283,307	192,184
A5D	2021	4,102,613	3,987,386	3,891,788	99.06	114,146	4,065,056	173,268
A7E	2021	1,036,503	986,668	539,359	58.34	29,072	658,311	118,952
A7D	2021	2,345,252	2,212,342	1,148,005	52.90	70,308	1,241,327	93,322
A8F	2024	3,638,095	3,429,127	219,492	7.97	16,661	290,050	70,558
A7C	2021	2,100,747	1,977,028	894,645	45.84	56,713	962,980	68,335
A7F	2022	3,348,571	3,159,210	1,558,203	48.19	91,251	1,613,658	55,455
98C-1	2020	3,677,852	3,619,026	3,658,638	100.00	58,826	3,677,852	19,214
A8A	2020	816,396	689,347	795,688	100.00, 97.55	126,413	812,131	16,443
A5A	2020	169,566	176,150	161,534	100.00	(6,584)	169,566	8,032
83C	2020	9,043,607	8,681,058	847,523	100.00	362,549	850,523	3,000
A5C	2022	3,754,698	3,757,571	1,582,396	100.00	(2,873)	1,584,958	2,562
93C	2020	690,775	830,149	673,300	97.47	(139,374)	673,300	-
A5B	2020	562,934	540,585	562,934	100.00	22,349	562,934	-
A4C	2020	756,968	772,029	756,723	100.00	(15,061)	756,723	-
A5F	2020	302,311	313,634	302,311	100.00	(11,323)	302,311	-
A6G	2020	973,996	816,282	-	100.00	157,714	-	-
		<u>65,756,729</u>	<u>62,817,998</u>	<u>24,062,247</u>		<u>1,216,768</u>	<u>25,936,441</u>	<u>1,874,194</u>
750		<u>-</u>	<u>-</u>	<u>19,063,733</u>		<u>-</u>	<u>19,063,733</u>	<u>-</u>
		<u>\$ 65,756,729</u>	<u>\$ 62,817,998</u>	<u>\$ 43,125,980</u>		<u>\$ 1,216,768</u>	<u>\$ 45,000,174</u>	<u>\$ 1,874,194</u>

(Continued)

Amounts due to customers for construction contracts

December 31, 2021

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Amounts Due from Customers for Construction Contracts	% of Completion	Accumulated Construction Profit (Loss)	Amounts Due to Customers for Construction Contracts	Net Amount of Amounts Due to Customers for Construction Contracts
A4B	2021	\$ 117,221	\$ 106,399	\$ -	100.00	\$ 10,822	\$ -	\$ -
A0A	2021	<u>934,228</u>	<u>1,229,528</u>	<u>-</u>	100.00	<u>(11,323)</u>	<u>-</u>	<u>-</u>
		<u>\$ 1,051,449</u>	<u>\$ 1,335,927</u>	<u>\$ -</u>		<u>\$ (284,478)</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Amounts Due from Customers for Construction Contracts	% of Completion	Accumulated Construction Profit (Loss)	Amounts Due to Customers for Construction Contracts	Net Amount of Amounts Due to Customers for Construction Contracts
97H	2020	\$ 2,871,276	\$ 2,590,724	\$ -	100.00	\$ 280,552	\$ -	\$ -
A4B	2020	117,221	106,399	117,221	100.00	10,822	117,221	-
A0A	2020	<u>934,228</u>	<u>1,229,528</u>	<u>934,228</u>	100.00	<u>(295,300)</u>	<u>934,228</u>	<u>-</u>
		<u>\$ 3,922,725</u>	<u>\$ 3,926,651</u>	<u>\$ 1,051,449</u>		<u>\$ (3,926)</u>	<u>\$ 1,051,449</u>	<u>\$ -</u>

Note 1: For the amount of amounts due from customers for construction contracts, refer to Note 28.

Note 2: For the amount of amounts due to customers for construction contracts, refer to Note 22.

Note 3: The Corporation recognized construction revenue of \$14,560,049 thousand in 2021 and \$11,860,058 thousand in 2021 and 2020, respectively.

(Concluded)

## BES ENGINEERING CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counter party	Financial Statement Account	Related Party	Financing Limit for Each Borrowing Company (Note 1)	Ending Balance (Note 1)	Actual Used	Interest Rate	Financing Properties (Note 3)	Financing Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Limit for Each Counter party	Financing Company's Financing Amount Limits	Note
													Item	Value			
0	BES Engineering Corporation	Bes Engineering Vietnam Co., Ltd.	Other receivable	Y	\$ 29,291	\$ 29,291	\$ 29,291	5	b.	\$ -	Business revolving fund	\$ -	-	\$ -	\$913,421 for each counter party is equal to 4% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$9,134,209 for each counter party is equal to 40% of the Corporation's net equity as shown in Corporation's latest financial statements.	Note 2
1	Chung Kung Safeguarding & Security Corp.	Chung Kung Management Consultant Co., Ltd.	Accounts receivable - related party	Y	16,000	15,000	-	-	b.	-	Business revolving fund	-	-	-	\$31,193 for each counter party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$31,193 for each counter party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	
		Chung Kung Management and Maintenance of Apartment Co., Ltd.	Accounts receivable - related party	Y	16,000	15,000	-	-	b.	-	Business revolving fund	-	-	-	\$31,193 for each counter party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$31,193 for each counter party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	
2	Core Asia Human Resources Management Co., Ltd.	Elite Human Resources Management Co., Ltd.	Accounts receivable - related party	Y	10,000	-	-	-	b.	-	Business revolving fund	-	-	-	\$18,633 for each counter party is equal to 20% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$37,267 for each counter party is equal to 40% of the Corporation's net equity as shown in Corporation's latest financial statements.	
3	BES Machinery Co., Ltd.	HRDD Logistics Co., Ltd.	Accounts receivable - related party	Y	21,550	21,550	21,550	5	b.	-	Business revolving fund	-	-	-	\$35,101 for each counter party is equal to 4% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$351,005 for each counter party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	Note 2
4	Cinemark-Core Pacific, Ltd.	Cinema 7 Theater Co., Ltd.	Accounts receivable - related party	Y	20,000	20,000	-	4	b.	-	Business revolving fund	-	-	-	\$108,423 for each counter party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$108,423 for each counter party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	

Note 1: Financing limits approved by the board of directors.

Note 2: Except for the accounts receivable - related party of BES Machinery Co., Ltd. from GRDD Logistics Co., Ltd., all receivables have been eliminated in the consolidated financial statements.

Note 3: Reasons for financing are as follows:

- a. Business relationship.
- b. The need for short-term financing.

## BES ENGINEERING CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 13)											
0	BES Engineering Corporation	Agora Garden Co., Ltd.	a.	\$ 57,088,807 (Note 1)	\$ 8,200,000	\$ -	\$ -	\$ -	-	\$ 68,506,569 (Note 2)	-	-	-	
1	Cinemark-Core Pacific, Ltd.	Cinema 7 Theater Co., Ltd.	b.	271,057 (Note 4)	74,300	74,300	56,018	43,530	27.41	813,171 (Note 9)	Y	-	-	Note 3
		Cinemark-Core (Xi-an) Pacific Ltd.	c.	132,353 (Note 5)	59,813	-	-	-	-	132,353	-	-	Y	
2	Hua Cheng Consulting (Changshu) Co., Ltd.	BES Engineering Corporation	d.	474,120 (Note 6)	289,118	289,118	260,000	289,118	60.98	948,240 (Note 10)	-	Y	-	
3	Core Pacific Consulting (Changshu) Co., Ltd.	BES Engineering Corporation	d.	469,566 (Note 7)	289,118	289,118	260,000	289,118	61.57	939,132 (Note 11)	-	Y	-	
4	Chung Kung Safeguarding & Security Corp.	Chung Kung Management Consultant Co., Ltd.	b.	194,956 (Note 8)	25,000	25,000	3,409	-	32.06	233,946 (Note 12)	Y	-	-	
		Chung Kung Management and Maintenance of Apartment Co., Ltd.	b.	194,956 (Note 8)	25,000	25,000	1,500	-	32.06	233,946 (Note 12)	Y	-	-	

Note 1: The limit on the endorsement for each counterparty is equal to 250% of BES Engineering Corporation's net equity as shown in its latest financial statements.

Note 2: The limit on the total endorsements provided is equal to 300% of BES Engineering Corporation's net equity as shown in its latest financial statements.

Note 3: The use of "Y" represents endorsements provided on behalf of entities located in mainland China.

Note 4: The limit on the for each counterparty is equal to 100% of Cinemark-Core Pacific, Ltd.'s net equity as shown in its latest financial statements.

Note 5: The limit on the endorsement depends on the financing contract with Cinemark-Core Pacific, Ltd.

Note 6: The limit on the endorsement for each counterparty is equal to 100% of Hua Cheng Consulting (Changshu) Co., Ltd.'s net equity as shown in its latest financial statements.

Note 7: The limit on the endorsement for each counterparty is equal to 100% of Core Pacific Consulting (Changshu) Co., Ltd.'s net equity as shown in its latest financial statements.

Note 8: The limit on the endorsement for each counterparty is equal to 250% of Chung Kung Safeguarding & Security Corp.'s net equity as shown in its latest financial statements.

Note 9: The limit on the for each counterparty is equal to 300% of Cinemark-Core Pacific, Ltd.'s net equity as shown in its latest financial statements.

Note 10: The limit on the endorsement for each counterparty is equal to 200% of Hua Cheng Consulting (Changshu) Co., Ltd.'s net equity as shown in its latest financial statements.

Note 11: The limit on the endorsement for each counterparty is equal to 200% of Core Pacific Consulting (Changshu) Co., Ltd.'s net equity as shown in its latest financial statements.

Note 12: The limit on the endorsement for each counterparty is equal to 300% of Chung Kung Safeguarding & Security Corp.'s net equity as shown in its latest financial statements.

(Continued)

Note 13: Relationships between endorser/guarantor and endorsee/guarantee are as follows:

- a. Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry for the purposes of undertaking a construction project.
- b. A subsidiary in which parent company holds directly and indirectly over 50% of an equity interest.
- c. Business relationship.
- d. An investee in which parent company and its subsidiaries hold directly and indirectly over 50% of an equity interest.

(Concluded)

## BES ENGINEERING CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No.	Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
					Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
0	BES Engineering Corporation	Taishin ESG Emerging Markets Bond Fund	-	Financial assets at FVTPL - current	500,000	\$ 4,587	-	\$ 4,587	Note 1
		Core Pacific City Co., Ltd.	-	Financial assets at FVTPL - current	1,538,484	2,354,728	15.34	2,354,728	Note 1
		Taiwan Business Bank	-	Financial assets at FVTOCI - current	67,104,077	664,330	0.87	664,330	Note 1
		China Petrochemical Development Corporation	Legal directors of the Corporation	Financial assets at FVTOCI - non-current	111,277,510	1,463,299	2.94	1,463,299	Note 1
		Century Development Corporation	-	Financial assets at FVTOCI - non-current	10,633,492	80,815	3.03	80,815	Note 1
		Overseas Investment & Development Corporation	-	Financial assets at FVTOCI - non-current	2,600,000	18,200	2.89	18,200	Note 1
		Zowie Technology Corporation	-	Financial assets at FVTOCI - non-current	6,611	-	0.02	-	
		Fortemedia	-	Financial assets at FVTOCI - non-current	4,137	-	-	-	
		Fortemedia	-	Financial assets at FVTOCI - non-current	62,282	-	-	-	Note 2
1	Core Pacific World Co., Limited	China Petrochemical Development Corporation	Legal directors of the Corporation	Financial assets at FVTOCI - current	30,649,620	403,042	0.81	403,042	Note 1
		Taiwan Business Bank	-	Financial assets at FVTOCI - current	1,382,075	13,683	0.02	13,683	Note 1
		Core Pacific City Co., Ltd.	-	Financial assets at FVTPL - current	9,690	14,831	0.10	14,831	Note 1
2	BES Machinery Co., Ltd.	China Petrochemical Development Corporation	Legal directors of the Corporation	Financial assets at FVTOCI - non-current	13,110,345	172,401	0.35	172,401	Note 1
		Formosa Chemicals & Fibre Corporation	-	Financial assets at FVTPL - current	75,000	6,060	-	6,060	Note 1
3	Cinemark-Core Pacific, Ltd.	The investment case of movie - The M Riders	-	Financial assets at FVTOCI - non-current	-	-	-	-	

Note 1: Market values of listed quoted shares and mutual funds were based on the closing prices and net asset values, respectively, as of December 31, 2021; values of unlisted shares were determined by using the fair value measurement as of December 31, 2021.

Note 2: Preferred shares.

## BES ENGINEERING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
BES Engineering Corporation	Stock China Petrochemical Development	Financial assets at FVTOCI - non-current	-	-	40,713,750	\$ 1,023,592	70,563,760	\$ 829,124	-	\$ -	\$ -	\$ -	111,277,510	\$ 1,852,716
Core Pacific World Co., Limited	Stock China Petrochemical Development	Financial assets at FVTOCI - current	-	-	27,322,525	198,980	3,327,095	39,094	-	-	-	-	30,649,620	238,074
BES Engineering Vietnam Co., Ltd.	Stock Phu An Real Estate Co., Ltd.	Investments accounted for using the equity method	Phu An Real Estate Co., Ltd.	Subsidiaries	-	-	-	-	-	-	-	-	-	-

Note: BES Engineering Vietnam Co., Ltd. acquired the shareholdings in the investment in Phu An Real Estate Co., Ltd., which was approved by the board of directors on December 13, 2021 and signed an agreement on December 15, 2021. As of the reporting date, equity transfer procedure is in progress.



**BES ENGINEERING CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
BES Engineering Corporation	China Petrochemical Development Corporation	Legal directors of the Corporation	Sales	\$ (162,000)	(1.02)	-	\$ -	-	Construction receivables \$ 16,475	0.72	

## BES ENGINEERING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Investment Gain (Loss) Recognized (Note 1)	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
BES Engineering Corporation	Core Pacific World Co., Limited BES Machinery Corporation	Taipei, Taiwan	Makes investments	\$ 1,530,094	\$ 1,530,040	115,942,000	99.95	\$ 1,430,852	\$ 16,022	\$ 16,014	Investee is a subsidiary
		Kaohsiung, Taiwan	Leases engineering machinery and equipment, and wholesale construction materials and provides consulting service for designing and planning projects, except for certain architectural matters	867,733	867,733	77,364,999	99.35	871,809	19,573	19,446	Investee is a subsidiary
	Core Pacific City Co., Ltd. BES Investment Company Ltd.	Taipei, Taiwan	Department store	-	2,254,760	-	-	-	-	25,412	(Note 3)
		Hong Kong	Overseas construction and equipment sale	1,485,277	733,975	49,600,000	100.00	1,285,528	895	895	Investee is a subsidiary
	BES Logistics International Co., Ltd.	Republic of Mauritius	Makes investments	348,278	348,278	13,995,389	100.00	723,939	16,057	16,057	Investee is a subsidiary
	Core Asia Human Resources Management Co., Ltd.	Taipei, Taiwan	Consultancy on business administration and investments	60,000	60,000	6,000,000	100.00	93,167	5,313	5,313	Investee is a subsidiary
	Chung Kung Safeguarding & Security Corp.	Taipei, Taiwan	Security and related services	38,127	38,127	3,880,000	64.67	50,432	1,235	799	Investee is a subsidiary
	Cinemark-Core Pacific, Ltd.	Taipei, Taiwan	Movie broadcasting and related businesses	23,450	23,450	1,861,500	15.38	41,688	(69,322)	(10,622)	Investee is a subsidiary (Note 2)
	BES Construction Corporation (U.S.A.)	Georgia, U.S.A.	Develops lands for investments	259,562	259,562	8,509	91.79	24,583	(384)	(353)	Investee is a subsidiary
	BES Global Investment Co.	B.V.I.	Overseas construction and equipment sale	51,313	51,313	1,510,100	100.00	16,939	161	161	Investee is a subsidiary
BA & BES Contracting (L.L.C.)	P.O. Box 92237, Dubai-UAE	Engineering and construction	10,696	10,696	1,200,000	40.00	-	-	-	Investee is a subsidiary	
Core Pacific World Co., Limited	Chinese City International Investment Co., Ltd. Zhong Hua Cheng Development Co., Ltd.	Republic of Mauritius	Consulting	330,714	330,714	9,500,000	100.00	482,800	6,064	6,064	Investee is a subsidiary
		Republic of Mauritius	Consulting	330,714	330,714	9,500,000	100.00	478,172	5,855	5,855	Investee is a subsidiary
BES Machinery Co., Ltd.	BESM Holding Co., Ltd. Cinemark-Core Pacific, Ltd.	B.V.I.	Holds investments	162,163	162,163	5,075,000	100.00	251,620	4,055	4,055	Investee is a subsidiary
		Taipei, Taiwan	Movie broadcasting and related businesses	91,930	91,930	7,593,680	62.76	170,115	(69,322)	(43,506)	Investee is a subsidiary (Note 2)
BES Investment Company Ltd.	Wei-Jing Holdings Ltd. BES Construction Corporation (U.S.A.) Global BES Engineering (Myanmar) Co., Ltd. BES Engineering Vietnam Co., Ltd.	B.V.I.	Holds investments	463,104	463,104	14,400,000	44.67	489,013	(11,168)	(4,989)	Investee is a subsidiary
		Georgia, U.S.A.	Develops lands for investments	25,724	25,724	761	8.21	2,199	(384)	(31)	Investee is a subsidiary
		Yangon, Myanmar	Engineering and construction	15,478	15,478	500,000	100.00	13,556	2,489	2,489	Investee is a subsidiary
		Ho Chi Minh, Vietnam	Engineering and construction	726,220	30,570	2,600,000	100.00	721,071	3,615	3,615	Investee is a subsidiary
Core Asia Human Resources Management Co., Ltd.	Elite Human Resources Management Co., Ltd.	Taipei, Taiwan	Human resource consulting	5,000	5,000	500,000	100.00	11,987	3,472	3,472	Investee is a subsidiary
Chung Kung Safeguarding & Security Corp.	Chung Kung Management Consultant Co., Ltd. Chung Kung Management and Maintenance of Apartment Co., Ltd.	Taipei, Taiwan	Business management consulting and running parking lots	10,000	10,000	-	100.00	12,843	(1,208)	(1,208)	Investee is a subsidiary
		Taipei, Taiwan	Manages apartment maintenance and renders related services	3,700	3,700	-	37.00	4,710	1,076	398	Investee is a subsidiary
Cinemark-Core Pacific, Ltd.	Cinemark-Core (Hong Kong) Pacific Ltd. Cinema 7 Theater Co., Ltd.	Hong Kong	Hold investment	246,729	246,729	61,503,000	49.60	118,953	(37,655)	(18,677)	Investee is a subsidiary
		Taipei, Taiwan	Movie broadcasting and retail sale of food products and groceries	150,183	150,183	25,000	100.00	(15,296)	(26,411)	(26,411)	Investee is a subsidiary
Chung Kung Management Consultant Co., Ltd.	Chung Kung Management and Maintenance of Apartment Co., Ltd.	Taipei, Taiwan	Manages apartment maintenance and renders related services	6,300	6,300	-	63.00	8,020	1,076	678	Investee is a subsidiary

Note 1: Except BA & BES Contracting (L.L.C.), the investees' financial statements as of and for the year ended December 31, 2021 had all been audited, management believed that if these investments accounted for using the equity method financial statements were audited by auditors, material adjustments may not arise.

Note 2: The Corporation and its subsidiary, BES Machinery Co., Ltd., had a 77.73% interest in Cinemark-Core Pacific, Ltd.; thus, this investment was accounted for by the equity method.

Note 3: The Corporation ceased to have significant influence over Core Pacific City Co., Ltd. on October 22, 2021, and reclassified the remaining shareholding as financial assets at FVTPL.

Note 4: Except BA & BES Contracting (L.L.C.), Wei-Jing Holding Ltd., Cinemark - Core (Hong Kong) Pacific Ltd. and Core Pacific City Co., Ltd., the investment gains and losses between reinvestments, long-term equity investment of investors, and the equity between investees have been eliminated in the consolidated financial statements.

**BES ENGINEERING CORPORATION AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investee Company	Counterparty	Relationship	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
0	BES Engineering Corporation	BES Machinery Co., Ltd. BES Machinery Co., Ltd.	Note 1 Note 1	Construction cost	\$ 178,773	As agreed by both parties	1.04
				Trade payables	35,417	As agreed by both parties	0.07

Note 1: Representing the Corporation to subsidiaries.

Note 2: All transactions shown above have been eliminated in the consolidated financial statements.

## BES ENGINEERING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Engages in the logistics, warehousing and international trade	\$ 1,100,438 (RMB 250,000 thousand)	b. (Note 3)	\$ 341,921 (US\$ 10,703 thousand)	\$ -	\$ -	\$ 341,921 (US\$ 10,703 thousand)	\$ 42,131 (RMB 9,705 thousand)	39.20	\$ 16,515 (RMB 3,804 thousand) b, 2)	\$ 770,253 (RMB 177,314 thousand)	\$ 153,108 (US\$ 5,038 thousand)
Core Pacific Consulting (Changshu) Co., Ltd.	Provides engineering consulting services	305,982 (US\$ 9,000 thousand)	b. (Note 4)	305,982 (US\$ 9,000 thousand)	-	-	305,982 (US\$ 9,000 thousand)	6,622 (RMB 1,526 thousand)	100.00	6,622 (RMB 1,526 thousand) b, 2)	469,566 (RMB 108,095 thousand)	-
Hua Cheng Consulting (Changshu) Co., Ltd.	Provides engineering consulting services	305,982 (US\$ 9,000 thousand)	b. (Note 5)	305,982 (US\$ 9,000 thousand)	-	-	305,982 (US\$ 9,000 thousand)	6,833 (RMB 1,574 thousand)	100.00	6,833 (RMB 1,574 thousand) b, 2)	474,120 (RMB 109,144 thousand)	-
Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Engages in the logistics, warehousing and international trade	1,100,438 (RMB 250,000 thousand)	b. (Note 6)	167,565 (RMB 40,900 thousand)	-	-	167,565 (RMB 40,900 thousand)	42,131 (RMB 9,705 thousand)	9.80	4,129 (RMB 951 thousand) b, 2)	192,563 (RMB 44,328 thousand)	38,277 (US\$ 1,260 thousand)
Cinemark-Core (Shanghai) Pacific Management and Consulting	Theater management, purchasing, and consulting	27,602 (US\$ 900 thousand)	b. (Note 7)	27,577 (US\$ 900 thousand)	-	-	27,577 (US\$ 900 thousand)	(4) (RMB (1) thousand)	49.60	(2) (RMB - thousand) b, 2)	(476) (RMB (110) thousand)	-
Yunnan Core Pacific City	Theater management, purchasing, and consulting	120,676 (US\$ 4,031 thousand)	b. (Note 7)	59,131 (US\$ 1,975 thousand)	-	-	59,131 (US\$ 1,975 thousand)	(5,375) (RMB (1,238) thousand)	24.30	(1,306) (RMB (301) thousand) b, 2)	33,224 (RMB 7,647 thousand)	-
HRDD Logistics Co., Ltd.	Provides warehousing and freight forwarders	653,328 (RMB 144,000 thousand)	a. (Note 8)	166,730 (RMB 34,000 thousand)	-	-	166,730 (RMB 34,000 thousand)	(109,737) (RMB (25,278) thousand)	23.61	(25,909) (RMB (5,968) thousand) b, 2)	68,030 (RMB 15,661 thousand)	-
Cinemark-Core (Suzhou) Pacific Ltd.	Theater management, purchasing, and consulting	343,172 (US\$ 11,000 thousand)	b. (Note 7)	161,597 (US\$ 5,000 thousand)	-	-	161,597 (US\$ 5,000 thousand)	(35,668) (RMB (8,217) thousand)	49.60	(17,691) (RMB (4,076) thousand) b, 2)	58,548 (RMB 13,478 thousand)	-

(Continued)

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
BES Engineering Corporation	US\$ 12,103 thousand	US\$ 15,184 thousand	NT\$ 13,701,314
Core Pacific World Co., Limited	US\$ 18,000 thousand	US\$ 19,000 thousand	NT\$ 858,941
BES Machinery Co., Ltd.	RMB 74,900 thousand (US\$ 16,241 thousand)	RMB 79,800 thousand (US\$ 17,038 thousand)	NT\$ 526,508
Cinemark-Core Pacific, Ltd.	US\$ 7,875 thousand	US\$ 7,875 thousand	NT\$ 162,634

Note 1: The three methods of investment in mainland China are as follows:

- a. Direct investment in China.
- b. Investment made in China through third party.
- c. Others.

Note 2: Recognized in investment gain (loss) during the current period:

- a. Gain or loss not recognized during the current period.
- b. Three bases to recognize gain or loss:
  - 1) Financial statements are audited through the cooperation between international accounting firm and ROC accounting firm.
  - 2) Financial statements are audited by licensed CPA of the parent company.
  - 3) Others

Note 3: BES Logistics International Co., Ltd., is third party investor.

Note 4: Zhong Hua Cheng Development Co., Ltd., is third party investor.

Note 5: Chinese City International Investment Co., Ltd., is third party investor.

Note 6: BESM Holding Co., Ltd., is third party investor.

Note 7: Cinemark Core (Hong Kong) Pacific Ltd., is third party investor.

Note 8: BES Machinery Co., Ltd. is third party investor.

Note 9: Except Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd., Cinemark - Core (Shanghai) Pacific Management and Consulting, Yunnan Core Pacific City, and HRDD Logistics Co., Ltd., all gains and losses have been eliminated in the consolidated financial statements.

(Concluded)

**BES ENGINEERING CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Petrochemical Development Corporation	164,348,449	10.73

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

## **V. The individual financial report of the latest year certified by the accountants**

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
BES Engineering Corporation

#### **Opinion**

We have audited the accompanying financial statements of BES Engineering Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, 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 Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Corporation's financial statements for the year ended December 31, 2021 are stated as follows:

#### Accuracy of Construction Revenue Recognized

The Corporation operates in the construction industry and is mainly engaged in the construction of roads, bridges, wharfs and multi-storey residential buildings and office complexes. The Corporation calculates construction revenue based on the estimated percentage of completion and the total price of the construction project. As estimates are required to be made with reference to internal and external documents during the calculation of the percentage of completion of construction, the calculation of the percentage of completion is considered complex. In addition, the Corporation's construction revenue amount for the year ended December 31, 2021 is material, hence, the accuracy of recognition of construction revenue was deemed as a key audit matter for the year ended December 31, 2021. Refer to Note 4 to the accompanying financial statements for the relevant accounting policies and Table 1 following the notes to the financial statements for the financial information of the construction projects.

The main audit procedures performed with respect to the above-mentioned key audit matter are as follows:

1. We understood and tested the design and operating effectiveness of the internal controls related to the estimation of the percentage of completion and the accuracy of construction revenue recognized.
2. We evaluated whether the accounting policies on the estimation of the percentage of completion were consistently applied.
3. We performed tests of the details of incomplete construction projects at the end of the year to confirm the accuracy of construction revenue recognized.
4. We obtained confirmations of approval of the owners after the reporting period and confirmed that no material adjustments were made after the reporting period.

#### Net Realizable Value of Real Estate Inventory

The Corporation is mainly engaged in the construction of buildings and transacting of real estate. As stated in Note 12, the carrying amount of buildings and land held for sale in the balance sheets as of December 31, 2021 is material. As real estate inventory is stated at the lower of cost and net realizable value, and the net realizable value of real estate inventory may be affected by changes in the market price of real estate and its assessment involves management's subjective judgment and accounting estimates, the net realizable value of real estate inventory has been deemed as a key audit matter for the year ended December 31, 2021. Refer to Note 5 to the accompanying financial statements for the relevant accounting judgments and key sources of estimation uncertainty.

The main audit procedures performed with respect to the above-mentioned key audit matter are as follows:

1. We evaluated whether the accounting policies on the valuation of real estate inventory were consistently applied.
2. We obtained the information on the calculation of the net realizable value and impairment assessment of the above-mentioned real estate inventory and reviewed whether the assessment results were reasonable.



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

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 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 audits resulting in this independent auditors' report are Tung-Feng Lee and Yao-Lin Huang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 15, 2022

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# BES ENGINEERING CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Notes 4, 6 and 15)	\$ 1,530,676	3	\$ 1,635,217	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,359,315	5	-	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 33)	664,330	2	631,453	2
Financial assets at amortized cost - current (Notes 4, 9, 24 and 33)	3,936,565	8	2,859,500	7
Construction receivables (Notes 4, 10, 15, 24, 26 and 32)	2,286,738	5	1,254,817	3
Contract assets - current (Notes 15, 24, 26 and Table 1)	2,459,043	5	3,273,890	8
Accounts receivable on the development of industrial districts (Notes 4, 11, 24 and 33)	6,077,203	13	6,995,042	17
Inventories(Notes 4 and 24)	175,179	-	176	-
Buildings and land held for sale, net (Notes 4, 5, 12, 24 and 33)	11,848,760	25	11,401,149	28
Construction in progress (Notes 4, 13, 24 and 33)	3,113,718	7	3,088,754	8
Refundable deposits on construction contracts (Note 24)	158,801	-	124,075	-
Other current assets (Notes 15 and 32)	1,205,111	3	1,013,645	2
Total current assets	<u>35,815,439</u>	<u>76</u>	<u>32,277,718</u>	<u>79</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8, 32 and 33)	1,562,314	4	574,626	1
Financial assets at amortized cost - non-current (Notes 4 and 9)	-	-	53,338	-
Investments accounted for using the equity method (Notes 4 and 14)	4,538,937	10	3,986,684	10
Property, plant and equipment (Notes 4, 16 and 33)	2,416,388	5	2,433,886	6
Right-of-use assets (Notes 4, 17 and 32)	80,757	-	96,885	-
Investment properties (Notes 4, 18 and 33)	1,005,711	2	1,009,666	3
Deferred tax assets (Notes 4 and 28)	536,752	1	309,505	1
Refundable deposits (Notes 15 and 32)	61,302	-	59,247	-
Prepayments for investments (Note 8)	770,870	2	-	-
Other non-current assets	46,151	-	12,249	-
Total non-current assets	<u>11,019,182</u>	<u>24</u>	<u>8,536,086</u>	<u>21</u>
<b>TOTAL</b>	<u>\$ 46,834,621</u>	<u>100</u>	<u>\$ 40,813,804</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 19 and 33)	\$ 2,688,049	6	\$ 2,287,800	6
Short-term bills payable (Notes 19 and 33)	2,531,971	5	2,295,245	6
Notes payable (Note 24)	7,167	-	-	-
Trade payables (Notes 15, 20, 24 and 32)	4,531,620	10	4,308,320	10
Contract liabilities - current (Notes 15, 24, 26, 32 and Table 1)	2,734,378	6	2,225,212	5
Lease liabilities - current (Notes 4, 17 and 32)	31,467	-	32,649	-
Accrued expenses (Notes 15 and 32)	371,470	1	292,748	1
Accounts payable for the development of industrial districts (Notes 4, 21 and 24)	1,981,683	4	1,943,027	5
Provisions - current (Notes 4, 22 and 24)	461,341	1	468,177	1
Guarantee deposits on construction contracts - current (Note 24)	477,569	1	421,482	1
Current portion of long-term borrowings (Notes 19 and 33)	670,000	1	1,057,124	3
Other current liabilities (Notes 15 and 32)	194,456	-	217,345	-
Total current liabilities	<u>16,681,171</u>	<u>35</u>	<u>15,549,129</u>	<u>38</u>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Notes 4, 17 and 32)	50,664	-	65,101	-
Long-term borrowings (Notes 19 and 33)	5,147,316	11	3,342,498	8
Deferred tax liabilities (Notes 4 and 28)	1,035,383	3	1,032,046	3
Provisions - non-current (Notes 4 and 22)	984,074	2	365,748	1
Net defined benefit liabilities - non-current (Notes 4 and 23)	80,665	-	116,370	-
Guarantee deposits received (Note 32)	19,825	-	35,088	-
Total non-current liabilities	<u>7,317,927</u>	<u>16</u>	<u>4,956,851</u>	<u>12</u>
Total liabilities	<u>23,999,098</u>	<u>51</u>	<u>20,505,980</u>	<u>50</u>
<b>EQUITY</b>				
Ordinary shares	15,308,998	33	15,308,998	38
Capital surplus	73,884	-	73,833	-
Retained earnings				
Legal reserve	821,206	2	759,714	2
Special reserve	2,475,958	5	2,788,570	7
Unappropriated earnings	4,379,268	9	1,839,615	4
Total retained earnings	<u>7,676,432</u>	<u>16</u>	<u>5,387,899</u>	<u>13</u>
Other equity	(223,791)	-	(462,906)	(1)
Total equity	<u>22,835,523</u>	<u>49</u>	<u>20,307,824</u>	<u>50</u>
<b>TOTAL</b>	<u>\$ 46,834,621</u>	<u>100</u>	<u>\$ 40,813,804</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

# BES ENGINEERING CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 15, 26 and 32)				
Construction revenue	\$ 14,560,049	92	\$ 11,860,058	99
Other operating revenue	<u>1,263,696</u>	<u>8</u>	<u>136,569</u>	<u>1</u>
Total operating revenue	<u>15,823,745</u>	<u>100</u>	<u>11,996,627</u>	<u>100</u>
OPERATING COSTS (Notes 4, 15, 23, 27 and 32)				
Construction costs	14,742,490	93	11,256,968	94
Other operating costs	<u>1,009,314</u>	<u>6</u>	<u>38,190</u>	<u>-</u>
Total operating costs	<u>15,751,804</u>	<u>99</u>	<u>11,295,158</u>	<u>94</u>
GROSS PROFIT	<u>71,941</u>	<u>1</u>	<u>701,469</u>	<u>6</u>
OPERATING EXPENSES (Notes 23, 27 and 32)				
Selling and marketing expenses	113,600	1	67,226	1
General and administrative expenses	309,944	2	237,011	2
Research and development expenses	<u>27,113</u>	<u>-</u>	<u>24,849</u>	<u>-</u>
Total operating expenses	<u>450,657</u>	<u>3</u>	<u>329,086</u>	<u>3</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(378,716)</u>	<u>(2)</u>	<u>372,383</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4, 15, 27 and 32)	48,624	-	72,645	-
Other income (Notes 4, 27 and 32)	74,914	1	96,861	1
Other gains and losses (Notes 14, 27 and 32)	2,792,575	18	538,916	4
Finance costs (Notes 4, 13, 27 and 32)	(133,440)	(1)	(152,465)	(1)
Share of profit or loss of subsidiaries and associates (Notes 4 and 14)	<u>73,082</u>	<u>-</u>	<u>(145,856)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>2,855,755</u>	<u>18</u>	<u>410,101</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	2,477,039	16	782,484	6
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 28)	<u>(199,719)</u>	<u>(1)</u>	<u>163,525</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>2,676,758</u>	<u>17</u>	<u>618,959</u>	<u>5</u>

(Continued)

# BES ENGINEERING CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 23, 25 and 28)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (1,327)	-	\$ (5,955)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	191,441	1	(84,848)	(1)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	80,987	-	170,013	2
Income tax related to items that will not be reclassified subsequently to profit or loss	<u>265</u>	<u>-</u>	<u>1,191</u>	<u>-</u>
	271,366	1	80,401	1
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	<u>(32,483)</u>	<u>-</u>	<u>18,967</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>238,883</u>	<u>1</u>	<u>99,368</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,915,641</u>	<u>18</u>	<u>718,327</u>	<u>6</u>
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$1.75</u>		<u>\$0.40</u>	
Diluted	<u>\$1.74</u>		<u>\$0.40</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

**BES ENGINEERING CORPORATION**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	Share Capital Issued and Outstanding (Note 25)		Retained Earnings (Note 25)					Other Equity (Notes 4 and 25)			Total Equity
			Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	
	Number of Shares (In thousands)	Amount									
BALANCE, JANUARY 1, 2020	1,530,899	\$ 15,308,998	\$ 73,782	\$ 728,425	\$ 2,788,570	\$ 1,563,695	\$ 5,080,690	\$ (322,536)	\$ (243,747)	\$ (566,283)	\$ 19,897,187
Appropriation of the 2019 earnings											
Legal reserve	-	-	-	31,289	-	(31,289)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(307,711)	(307,711)	-	-	-	(307,711)
	-	-	-	31,289	-	(339,000)	(307,711)	-	-	-	(307,711)
Net profit for the year ended December 31, 2020	-	-	-	-	-	618,959	618,959	-	-	-	618,959
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(4,009)	(4,009)	18,967	84,410	103,377	99,368
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	614,950	614,950	18,967	84,410	103,377	718,327
Actual acquisition of interests in subsidiaries	-	-	-	-	-	(30)	(30)	-	-	-	(30)
Donations from shareholders	-	-	51	-	-	-	-	-	-	-	51
BALANCE, DECEMBER 31, 2020	1,530,899	15,308,998	73,833	759,714	2,788,570	1,839,615	5,387,899	(303,569)	(159,337)	(462,906)	20,307,824
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	-	(312,612)	312,612	-	-	-	-	-
Appropriation of the 2020 earnings											
Legal reserve	-	-	-	61,492	-	(61,492)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(356,700)	(356,700)	-	-	-	(356,700)
	-	-	-	61,492	-	(418,192)	(356,700)	-	-	-	(356,700)
Net profit for the year ended December 31, 2021	-	-	-	-	-	2,676,758	2,676,758	-	-	-	2,676,758
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(232)	(232)	(32,483)	271,598	239,115	238,883
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	2,676,526	2,676,526	(32,483)	271,598	239,115	2,915,641
Actual acquisition of interests in subsidiaries	-	-	13	-	-	-	-	-	-	-	13
Changes from investments in associates accounted for using the equity method	-	-	-	-	-	(31,293)	(31,293)	-	-	-	(31,293)
Donations from shareholders	-	-	38	-	-	-	-	-	-	-	38
BALANCE, DECEMBER 31, 2021	1,530,899	\$ 15,308,998	\$ 73,884	\$ 821,206	\$ 2,475,958	\$ 4,379,268	\$ 7,676,432	\$ (336,052)	\$ 112,261	\$ (223,791)	\$ 22,835,523

The accompanying notes are an integral part of the financial statements.

# BES ENGINEERING CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 2,477,039	\$ 782,484
Adjustments for:		
Depreciation expenses	72,431	79,399
Net loss on fair value changes of financial assets at fair value through profit or loss	30,852	29
Finance costs	133,440	152,465
Interest income	(48,624)	(72,645)
Dividend income	(10,201)	(26,702)
Share of profit or loss of subsidiaries and associates	(73,082)	145,856
(Gain) loss on disposal of property, plant and equipment	564	(313,218)
Gain on disposal of associates	(2,849,350)	-
Reversal of impairment losses on financial assets	(775,507)	-
Reversal of write-down of buildings and land held for sale	-	(10,648)
Gain on lease modification	(27)	-
Compensation loss (reversal)	668,746	(317,633)
Changes in operating assets and liabilities		
Construction receivables	(1,031,921)	280,518
Contract assets	814,847	(237,596)
Accounts receivable on the development of industrial districts	917,839	871,618
Construction in progress	(1,398,319)	(891,567)
Buildings and land held for sale	951,654	42,317
Inventories	(175,003)	-
Other current assets	(217,750)	(112,479)
Notes payable	7,167	(150)
Trade payables	223,300	106,766
Contract liabilities	509,166	158,801
Accrued expenses	77,124	8,072
Accounts payable for the development of industrial districts	38,656	7,103
Provisions	(57,256)	(107,228)
Net defined benefit liabilities	(37,032)	(16,369)
Other current liabilities	(22,889)	(7,221)
Cash generated from operations	225,864	521,972
Interest received	47,702	72,638
Interest paid	(157,752)	(177,639)
Income tax paid	3,281	7,289
Net cash generated from operating activities	<u>119,095</u>	<u>424,260</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	(8,032)	-
Proceeds from disposal of financial assets at fair value through profit or loss	3,069	4,972
Cash returns from capital reduction of investments in financial assets at fair value through profit and loss	1,523,099	-

(Continued)

# BES ENGINEERING CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Purchase of financial assets at fair value through other comprehensive income	\$ (829,124)	\$ -
Purchase of financial assets at amortized cost	(1,023,727)	-
Proceeds from disposal of financial assets at amortized cost	-	308,965
Acquisition of the investment accounted for using the equity method	(751,302)	-
Payments for property, plant and equipment	(17,283)	(30,151)
Proceeds from disposal of property, plant and equipment	9	384,980
(Increase) decrease in refundable deposits	(36,781)	18,716
(Increase) decrease in other assets	(33,902)	3,303
Increase in prepayments for investments	(770,870)	-
Dividends received	6,000	7,500
Dividends received from others	<u>10,201</u>	<u>26,702</u>
Net cash generated from (used in) investing activities	<u>(1,928,643)</u>	<u>724,987</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayments of) proceeds from short-term borrowings	110,200	(673,046)
Proceeds from short-term bills payable	236,726	937,882
(Repayments of) proceeds from long-term borrowings	1,417,694	(1,568,892)
Increase in guarantee deposits received	40,824	78,368
Cash dividends distributed	(356,700)	(307,711)
Repayment of the principal portion of lease liabilities	(33,732)	(33,748)
Acquisition of additional interests in subsidiaries	<u>(54)</u>	<u>(517)</u>
Net cash generated from (used in) financing activities	<u>1,414,958</u>	<u>(1,567,664)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(394,590)	(418,417)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,635,217</u>	<u>2,053,634</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,240,627</u>	<u>\$ 1,635,217</u>

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2021 and 2020:

	<u>December 31</u>	
	2021	2020
Cash in the balance sheets	\$ 1,530,676	\$ 1,635,217
Bank overdrafts	<u>(290,049)</u>	<u>-</u>
Cash in the statements of cash flows	<u>\$ 1,240,627</u>	<u>\$ 1,635,217</u>

The accompanying notes are an integral part of the financial statements.

(Concluded)



# BES ENGINEERING CORPORATION

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

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### 1. GENERAL INFORMATION

BES Engineering Corporation (the “Corporation”), which was a state-owned enterprise until June 22, 1994, engages mainly in civil engineering, building construction, and the development of industrial districts for the government.

The Corporation’s shares have been trading on the Taiwan Stock Exchange since March 1993.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 15, 2022.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation’s accounting policies:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and  
IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

The Corporation elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

There was no significant effect when the Corporation applies the amendments.

- b. The IFRSs endorsed by the FSC for application starting from 2022

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

Except for the above impact, as of the date the financial statements were authorized for issue, the Corporation has assessed that the application of other standards and interpretations will not have a material impact on the Corporation’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Corporation sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Corporation loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Corporation sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Corporation’s interest as an unrelated investor in the associate or joint venture, i.e., the Corporation’s share of the gain or loss is eliminated. Also, when the Corporation loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Corporation’s interest as an unrelated investor in the associate or joint venture, i.e., the Corporation’s share of the gain or loss is eliminated.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Corporation shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Corporation will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Corporation must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Corporation’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Corporation’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

3) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Corporation should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Corporation may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Corporation changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
  - b) The Corporation chose the accounting policy from options permitted by the standards;
  - c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
  - d) The accounting policy relates to an area for which the Corporation is required to make significant judgements or assumptions in applying an accounting policy, and the Corporation discloses those judgements or assumptions; or
  - e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.
- 4) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Corporation may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Corporation uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

- 5) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Corporation will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Corporation will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

Except for the above impact, as of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only the financial statements, the Corporation used the equity method to account for its investments in subsidiaries and associates. In order for amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owner of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatment between the parent company only basis and the consolidated basis were made to the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

##### c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 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.

Assets and liabilities that are not classified as current are classified as non-current.

The Corporation is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Corporation's construction-related assets and liabilities.

d. Foreign currencies

In preparing the Corporation's financial statements, transactions in currencies other than the Corporation's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in a foreign currency and measured at historical cost are stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the financial statements, the financial statements of the Corporation's foreign operations (including subsidiaries, associates and branches operating in other countries) that are prepared using functional currencies which are different from the currency of the Corporation are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

Inventories consist of raw materials, materials, finished goods and work in process, and are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

For a contract where a land owner provides land for construction of buildings by a property developer in exchange for a certain percentage of the buildings, no exchange gain or loss is recognized if the buildings acquired are classified as properties held for sale. Revenue is recognized when the properties held for sale are sold to third parties.

f. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are accounted for as equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Corporation directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit or loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

g. Investments in associates

An associate is an entity over which the Corporation has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Corporation uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associates. The Corporation also recognizes the changes in the Corporation's share of the equity of associates.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Corporation subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Corporation's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the associate), the Corporation discontinues recognizing its share of further losses, if any. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Corporation discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Corporation transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Corporation's financial statements only to the extent of interests in the associate that is not related to the Corporation.



#### h. Joint operations

A joint operation is a joint arrangement whereby the Corporation and other parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

Any acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business should be treated as a business combination, except when the parties sharing joint control are under the common control of the same ultimate controlling party or parties both before and after the acquisition and that control is not transitory.

The Corporation recognizes the following items in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output of the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Corporation accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenue and expenses.

When the Corporation sells or contributes assets to its joint operation, it recognizes gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When the Corporation purchases assets from its joint operation, it does not recognize its share of the gain or loss until it resells those assets to a third party.

#### i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the declining balance method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

#### j. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties include right-of-use assets and properties under construction that meet the definition of investment properties. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the declining balance method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

- k. Impairment of property, plant and equipment, right-of-use assets, investment properties, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation. Otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

- l. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

- 1) Financial assets

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

- a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

- i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and other receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), as well as contract assets.

The Corporation always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

### 3) Financial liabilities

#### a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

#### b) Derecognition of financial liabilities

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

### m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### 1) Onerous contracts

Onerous contracts are those in which the Corporation's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

#### 2) Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Corporation of the expenditures required to settle the Corporation's obligations.

### n. Revenue recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

#### 1) Revenue from the sale of goods

For contracts to sell properties in the ordinary course of business, the fixed transaction price is received in instalments and recognized as a contract liability. The transaction price, after adjusting for the effect of the significant financing component, is recognized as revenue when the construction is completed and the property is transferred to the buyer.

#### 2) Revenue from the rendering of services

Revenue from the rendering of services is recognized when services are provided.

Revenue from a contract to provide services is recognized with reference to the stage of completion of the contract.

### 3) Construction contract revenue

The Corporation recognizes revenue from real estate construction contracts which are in the progress of construction over time. The Corporation measures the progress of completion of the construction contracts based on the satisfaction of performance obligations as stated in the contracts. Contract assets are recognized during the construction and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Corporation recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Corporation adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Corporation satisfies its performance obligations.

When the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognized only to the extent of contract costs incurred in satisfying the performance obligation for which recovery is expected.

### 4) Business on the development of industrial districts

The Corporation is authorized to develop and sell the development of industrial districts, whose accounting affairs are processed individually. Input costs of each industrial zone debit accounts receivable on the development of industrial districts; the price of land was paid by the purchaser, and the cost of development credits accounts payable for the development of industrial districts. When vendors pay off the price, accounts receivable on the development of industrial districts will be charged off. If the balance remains, the committee of industrial zone development and administration fund will be remitted.

Business on the development of industrial districts is charged by appointment contracts and related laws, which recognized in agency fee revenue included in other operating revenue of current year.

#### o. Buildings and land held for sale, net

Buildings and land held for sale, net are stated at the lower of cost or net realizable value. Comparing costs with net realizable value is based on individual item. The net realizable value is the estimated selling price less the selling expense. The cost is calculated by the specific identification method when selling.

#### p. Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized with reference to the stage of completion of the contract activity at the end of the reporting period, measured according to the proportion of costs incurred relative to the total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, revenue from cost-plus contracts is recognized with reference to the recoverable costs incurred during the period plus the fees earned, measured according to the proportion of the costs incurred to date to the estimated total costs of the contract.

When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus the recognized profit less the recognized deficits exceed progress billings, the surplus is shown as the gross amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus the recognized profit less the recognized deficits, the surplus is shown as the gross amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheets as a liability under contract liabilities. Amounts billed for work performed but not yet paid by customers are included in the balance sheets under trade receivables.

q. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Corporation allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Corporation as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Corporation assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and in-substance fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Corporation accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

r. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

s. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Corporation's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.



t. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key Sources of Estimation Uncertainty

#### a. Construction contracts

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The degree of completion of a contract is measured based on the satisfaction of performance obligations stated in the contract.

The estimated total contract costs and contractual items are assessed and determined by management, based on the nature of the work, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profit and loss from the construction contracts.

#### a. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

## 6. CASH

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 4,081	\$ 3,892
Checking accounts and demand deposits	<u>1,526,595</u>	<u>1,631,325</u>
	<u>\$ 1,530,676</u>	<u>\$ 1,635,217</u>

The market rate intervals of bank deposits at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	0.005%-0.050%	0.005%-0.050%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	\$ 2,354,728	\$ -
Mutual funds	<u>4,587</u>	<u>-</u>
	<u>\$ 2,359,315</u>	<u>\$ -</u>

In 2020, the Corporation held a 23.76% interest in Core Pacific City Co., Ltd. (the “Core Pacific City”) accounted for the investment as an associate. On October 22, 2021, Core Pacific City’s preference shares were converted to ordinary shares, the Corporation held less than 20% of its voting rights and consequently ceased to have significant influence over Core Pacific City. The Corporation retained the remaining as financial assets at FVTPL, which is described in Note 14.

In order to activate shareholders funds and adjust the capital structure, Core Pacific City resolved to apply for capital reduction to offset deficit and capital reduction by cash to return investments in the extraordinary general meeting on November 8, 2021. The record date for capital reduction was also on November 8, 2021. The cash returns from capital reduction of investments in the amount of \$1,523,099 thousand had been fully collected on November 11, 2021.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Domestic investments		
Listed shares	<u>\$ 664,330</u>	<u>\$ 631,453</u>
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 1,463,299	\$ 474,315
Unlisted shares	<u>99,015</u>	<u>100,311</u>
	<u>\$ 1,562,314</u>	<u>\$ 574,626</u>

These investments in Taiwan Business Bank, China Petrochemical Development Corporation (the “China Petrochemical Development”), Century Development Corporation, and Overseas Investment & Development Corporation are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Corporation’s strategy of holding these investments for long-term purposes.

The Corporation participated in cash capital increase of China Petrochemical Development by subscribing for the shares as specific person on December 17, 2021, prepayments for the investments was \$770,870 thousand in December 2021, and the related registration was completed on January 26, 2022.

Refer to Note 33 for information relating to investments in equity instruments at FVTOCI pledged as security.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (a)	\$ 1,995,347	\$ 1,280,932
Others (b)	<u>1,941,218</u>	<u>1,578,568</u>
	<u>\$ 3,936,565</u>	<u>\$ 2,859,500</u>
<u>Non-current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (a)	\$ _____ -	\$ <u>53,338</u>

a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.002%-1.065% and 0.002%-1.070% per annum as of December 31, 2021 and 2020, respectively.

b. Restricted deposits and reserve account of trusts.

Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. CONSTRUCTION RECEIVABLES

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Construction receivables	<u>\$ 2,286,738</u>	<u>\$ 1,254,817</u>

### Construction Receivables

The average credit period granted by the Corporation for sales of its products is 90 days; assessment of impairment of accounts receivable is based on aging analysis, past experience and the client's current financial condition on an individual basis to estimate the uncollectible amounts.

When deciding the collectability of trade receivables, the Corporation takes the change of credit quality from the grant date of trade receivables to the balance sheet date in consideration. Past experience shows that, unless the traders are government entities which have good credit quality and are evaluated not to recognize allowance for doubtful accounts, the Corporation evaluates the uncollectible amounts in the future and recognizes appropriate allowance for doubtful accounts in principle.

Expect for individually recognizing appropriate allowance for doubtful accounts, which is based on objective evidence showing that trade receivables of specific trader is uncollectible, recognizing allowance for doubtful accounts is based on past experience of collective evaluation. The Corporation then distinguishes customers into different risk groups and recognizes allowance loss by expected loss rate.

At the balance sheet date, no allowance for doubtful accounts was recognized for some past-due trade receivables and construction receivables because there were no significant changes in credit quality, the amounts outstanding were still considered recoverable, and there was no indication of impairment of these receivables.

The Corporation writes off a trade receivable when there is evidence indicating that debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The aging of receivables was as follows:

	<u>December 31</u>	
	2021	2020
Not past due	<u>\$ 2,286,738</u>	<u>\$ 1,254,817</u>

The above aging schedule was based on the past due days from the invoice date.

**11. ACCOUNTS RECEIVABLE ON THE DEVELOPMENT OF INDUSTRIAL DISTRICTS**

	<u>December 31</u>	
	2021	2020
Chung Hua Coastal Industrial Park	\$ 4,130,336	\$ 5,028,791
Other industrial districts	<u>1,946,867</u>	<u>1,966,251</u>
	<u>\$ 6,077,203</u>	<u>\$ 6,995,042</u>

The Corporation’s investments in development costs amounted to \$899,934 thousand in 2021 and \$924,064 thousand in 2020, and the amounts collected were \$1,817,773 thousand in 2021 and \$1,795,682 thousand in 2020.

The Corporation’s receivables on the development of industrial districts are mainly funded by advanced cash and interest from the Industrial Bureau of the Ministry of Economic Affairs. After assessing the following factors, there is no need to provide an allowance for bad debts:

- a. The price of land in an industrial zone is based on the estimated total development costs. All the interest generated from the development costs after the settlement base date are in response to the price adjustment mechanism used for adding the interest month by month and are a basis for reflecting the accurate price of an industrial zone at various points in time. The price paid by the vendors are included in the interest generated from the development costs after the settlement base date. The Development Bureau of the Ministry of Economic Affairs implements a land lease plan in an industrial zone, and the development costs of the entrusted development unit is also calculated based on the price in the month in which the manufacturers sign the lease. Land rental income is simply one of the advanced repayments of the development costs and can still be returned through other relevant alternative measures.

- b. As industrial zone development contracts are civil law appointment contracts, all the authorized development units are not subject to the risk of profit and loss. This is because the fees paid by the appointed firms are legally required and reimbursed from the appointing party which is a government agency and such an agent's credit is unquestionable.
- c. Development contracts only stipulate that development units may use advanced prepayments to process the development costs of the land sale price. Additionally, rental income from the land is not required to be the only repayment source. Industrial zone development is the government's method of promoting the industrial development policy. Thus, the government shall adopt countermeasures to solve problems such as sluggish sale of land in industrial zones or higher than market rental or selling prices leading to unsaleable land in industrial zones. The recovery funds that are entrusted to development units do not necessarily directly correlate with whether the land can be sold successfully.
- d. The Corporation's receivables on the development of industrial districts have no bad debt history. Also, the Industrial Bureau of the Ministry of Economic Affairs has not stated or shown that it will not repay the development costs to the Corporation. Moreover, the funds will be recovered successively, and some of the cases have been fully recovered.

In summary, there is no major doubt or uncertainty regarding the recovery of advanced development repayments for industrial zone development, and thus, allowance for bad debts is not required.

Accounts receivable on the development of industrial districts as collateral for borrowings are set out in Note 33.

## 12. BUILDINGS AND LAND HELD FOR SALE, NET

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
3 <sup>rd</sup> Subsection, Xinyi Section, Xinyi District, Taipei City	\$ 10,923,432	\$ 10,923,432
No. 57-2, 1 <sup>st</sup> Subsection, Baoqing Section	447,611	-
Litzer Industrial District	267,436	267,436
Building and land in Danshui Township	72,519	72,519
3 <sup>rd</sup> Subsection, Linyi Section, Zhongzheng District, Taipei City	67,655	67,655
Zhongkeng Section and Niushan Section, Hualian County	40,622	40,622
Land in Beitun District, Taichung City	21,355	21,355
Puwei Section, Yunlin County	6,117	6,117
Jing-Xin Garden	<u>2,013</u>	<u>2,013</u>
	<u>\$ 11,848,760</u>	<u>\$ 11,401,149</u>

The Corporation's investments in the above buildings and land are specifically held for sales purposes, and the loss allowance amounted to \$39,245 thousand as of December 31, 2021 and 2020. The operating costs for 2020 included reversal of write-downs of buildings and land held for sale which amounted to \$10,648 thousand. Reversal of write-downs of buildings and land held for sale was due to market value recovery.

In September 2021, the construction on the land at No.57-2, 1<sup>st</sup> Subsection, Baoqing Section, was completed and recognized as buildings and land held for sale, net. Refer to Note 13 for more information.

The land development plan of Peibo Section in Tucheng District was approved by the Corporation's board of directors on May 13, 2020, and the land was reclassified under construction in progress.

Refer to Note 33 for information about buildings and land held for sale, net pledged as security.

### 13. CONSTRUCTION IN PROGRESS

	<b>Construction in Progress</b>		
	<b>Cost of Land</b>	<b>Cost of Construction</b>	<b>Total</b>
<u>December 31, 2021</u>			
Peibo Section in Tucheng District	\$ 1,244,634	\$ 598,625	\$ 1,843,259
Land in Baoqing Sec., Taipei City	79,481	1,155,239	1,234,720
Land in Zhengyi Sec., Taipei City	25,236	-	25,236
Land in Nangang Sec., Taipei City	-	9,911	9,911
No. 290, Dongsheng Section, Shulin District, New Taipei City	-	592	592
	<u>\$ 1,349,351</u>	<u>\$ 1,764,367</u>	<u>\$ 3,113,718</u>
<u>December 31, 2020</u>			
Peibo Section in Tucheng District	\$ 1,244,634	\$ 128,258	\$ 1,372,892
Land in Baoqing Sec., Taipei City	79,481	1,605,295	1,684,776
Land in Zhengyi Sec., Taipei City	25,236	-	25,236
Land in Nangang Sec., Taipei City	-	5,850	5,850
	<u>\$ 1,349,351</u>	<u>\$ 1,739,403</u>	<u>\$ 3,088,754</u>

In November 2009, the Corporation acquired lots in the Zhengyi Section, Taipei City, and are in the process of contacting the landlords to discuss a new integrated development plan after the completion of the cooperative housing or urban renewal procedures.

In February 2011, the Corporation started to process an urban renewal plan of Yan Shou Public Housing located in land numbers 57-2, 57-13 and 57 in the Baoqing Section, Taipei City.

The Corporation has acquired the joint-construction agreements for land number 57-2 from the majority of the landlords. Application of the urban renewal business plan was completed in May 2012 with the approval received in April 2014; the transfer of ownership rights was approved in August 2016; the construction registration was completed in October 2017. The Corporation obtained the land use permit on March 19, 2021. The Corporation completed an urban renewal plan in accordance with the laws and regulations, and applied for registration of property rights in September 2021. Construction for this land was reclassified as buildings and land held for sale. Refer to Note 12 for the information.

In addition, the Corporation has acquired the joint-construction agreements for land number 57-13 from the majority of the landlords. Application of the urban renewal business plan was completed in October 2013 with the approval received in December 2015; the transfer of ownership rights was approved in December 2018; the approval letter was received on January 23, 2019; the construction license was approved on June 13, 2019; the first public coordination meeting was held on September 26, 2019; and the demolition review meeting was passed on December 10, 2019; the relocation was completed in March 2020; the demolition of the buildings was completed in July 2020. As of the end of 2021, the underground structural engineering was in progress.

Moreover, the urban renewal business plan for land number 57 of Baoqing Section, Taipei City was completed in December 2014; application of the urban renewal business plan was completed in June 2017; the transfer of ownership rights was submitted for approval in October 2018; the public hearing was held in February 2019; the hearing meeting was convened on December 23, 2019; the approval letter was received on April 22, 2020; the construction license was approved on June 21, 2021; the first public coordination meeting was held on August 31, 2021. As of the end of 2021, the Corporation completed an agreement with residents.

In 2015, the Corporation started to process three urban renewal plans located on the land, plot number 316, in the Nangang Section, Taipei City. The urban renewal business plans were submitted to the authorities for approval in December 2015. The second hearing meeting was in December 2017 and the plan review meeting was held on December 9, 2019; the public hearing of the transfer of ownership rights was held on November 28, 2020; the house selection was completed on January 2021; the public hearing was held on October 22, 2021. As of the end of 2021, the transfer of ownership rights was still under review.

The land development plan of Peibo Section in Tucheng District was approved by the Corporation's board of directors and authorized for issue on May 13, 2020, and the demolition of the buildings was completed in June 2020; the public hearing was held on April 27, 2021. As of the end of 2021, the second review meeting of urban design was held.

The Corporation was awarded a tender urban for renewal of public and private land in No. 290, Dongsheng Section, Shulin District, New Taipei City on October 13, 2021. As of the end of 2021, the Corporation signed a contract with New Taipei City Government.

As of December 31, 2021 and 2020, the interest expense before capitalization was \$159,350 thousand and \$171,803 thousand, respectively; the capitalized construction interest was \$25,910 thousand and \$19,338 thousand, respectively; the capitalization rates per annum were 1.745%-2.347% and 1.956%-2.028%, respectively.

#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

##### a. Investment in subsidiaries

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Unlisted ordinary shares</u>		
Core Pacific World Co., Ltd.	\$ 1,430,852	\$ 1,375,740
BES Machinery Co., Ltd.	871,809	834,720
BES Investment Company Ltd.	1,285,528	535,439
BES Logistics International Co., Ltd.	723,939	713,248
Core Asia Human Resource Management Corporation	93,167	93,814
Cinemark-Core Pacific, Ltd.	41,688	52,495
Chung Kung Safeguarding & Security Corp.	50,432	49,342
BES Construction Corporation (U.S.A.)	24,583	25,653
BES Global Investment Co.	<u>16,939</u>	<u>16,905</u>
	<u>\$ 4,538,937</u>	<u>\$ 3,697,356</u>



	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Core Pacific World Co., Ltd.	99.95%	99.95%
BES Machinery Co., Ltd. (Note 1)	99.35%	99.35%
BES Investment Company Ltd. (Note 2)	100.00%	100.00%
BES Logistics International Co., Ltd.	100.00%	100.00%
Core Asia Human Resource Management Corporation	100.00%	100.00%
Cinemark-Core Pacific, Ltd. (Note 3)	15.38%	15.38%
Chung Kung Safeguarding & Security Corp.	64.67%	64.67%
BES Construction Corporation (U.S.A.)	91.79%	91.79%
BES Global Investment Co.	100.00%	100.00%

Note 1: On December 29, 2021, the board of directors resolved to merge with BES Machinery Co., Ltd. in view of the Corporation's organizational adjustment. The record date of merger is March 25, 2022. After the merger, the Corporation is the surviving company and BES Machinery Co., Ltd. is the dissolved company.

Note 2: The board of directors of the Corporation resolved to increase its capital investment of BES Investment Company Ltd. By US\$27 million on June 10, 2021, and then invested US\$25 million in BES Engineering Vietnam Co., Ltd. As of the end of 2021, the related procedures were completed.

Note 3: For the years ended December 31, 2021 and 2020, Cinemark-Core Pacific, Ltd.'s proportion of ownership held by the Corporation and BES Machinery Co., Ltd. was 77.73%.

b. Investment in associates

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Associates that are not individually material	<u>\$ -</u>	<u>\$ 289,328</u>
Aggregate information of joint ventures that are not individually material:		
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
The Corporation's share of:		
Gain (loss) for the year	\$ 25,412	\$ (120,675)
Other comprehensive income	<u>-</u>	<u>11</u>
Total comprehensive gain (loss) for the year	<u>\$ 25,412</u>	<u>\$ (120,664)</u>

The Core Pacific City's board of directors resolved on August 13, 2021 to repurchase 10,591 thousand ordinary shares. The above transactions resulted in the changes in percentage of ownership interests since the Corporation increased its continuing interest from 23.51% to 23.76%. In addition, Core Pacific City's preference shares were converted into ordinary shares on October 22, 2021, the changes in percentage of ownership interests resulted in a decrease of the Corporation's continuing interest from 23.76% to 15.34% and consequently ceased to have significant influence over it. The Corporation retained the remaining 15.34% interest as financial assets at FVTPL whose fair value at the date of disposal was \$3,908,303 thousand. Refer to Note 7 for the information. This transaction resulted in the recognition of a gain in profit or loss, calculated as follows:

Proceeds from disposal	\$ -
Plus: Fair value of retained investment (15.34%)	3,908,303
Less: Carrying amount of investment on the date of loss of significant influence	<u>(1,058,953)</u>
Gain recognized	<u>\$ 2,849,350</u>

## 15. JOINT OPERATIONS

Some of the Corporation's construction projects are joint construction projects, and the Corporation signed cooperation agreements with participating contractors to form a single operating unit and adopted the operating model of joint contracting and also independently set up accounting records. The joint contractor, construction assets and liabilities and details of the amounts the Corporation made in proportion to its interest in the joint agreements are as follows.

### Yulon Town Joint Venture

The Corporation and Taiwan Kumagai Co., Ltd. jointly contracted the main construction of the Yulon Town Development Project in the commercial area (the "Yulon Town Joint Venture"), which was entrusted by Yulon Motor Co., Ltd. The Corporation and Taiwan Kumagai Co., Ltd. signed the joint venture contract in December 2018, and had 30% and 70% interest in the joint venture, respectively. The related assets, liabilities, revenue and expense relating to the joint venture operations in the financial statements are shown below:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash	\$ 91,651	\$ 47,748
Construction receivables	14,421	71,182
Contract assets - current	81,043	44,588
Other current assets	192	658
Refundable deposits	<u>599</u>	<u>629</u>
	<u>\$ 187,906</u>	<u>\$ 164,805</u>
<u>Liabilities</u>		
Trade payables	\$ 1,084	\$ 4,710
Accrued expenses	1,308	2,438
Contract liabilities - current	104,100	118,952
Other current liabilities	<u>3,496</u>	<u>3,570</u>
	<u>\$ 109,988</u>	<u>\$ 129,670</u>

**For the Year Ended December 31**  
**2021**                      **2020**

Construction revenue	<u>\$ 364,550</u>	<u>\$ 491,372</u>
Construction costs	<u>\$ 330,089</u>	<u>\$ 490,358</u>
Interest income	<u>\$ 15</u>	<u>\$ 15</u>

**16. PROPERTY, PLANT AND EQUIPMENT**

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 2,199,234	\$ 553,828	\$ 486,757	\$ 58,076	\$ -	\$ 3,297,895
Additions	-	912	22,590	6,649	-	30,151
Transferred from other assets	-	-	2,143	-	-	2,143
Disposals	-	(695)	(364,526)	(1,574)	-	(366,795)
Transferred to investment properties	<u>-</u>	<u>(6,286)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,286)</u>
Balance at December 31, 2020	<u>\$ 2,199,234</u>	<u>\$ 547,759</u>	<u>\$ 146,964</u>	<u>\$ 63,151</u>	<u>\$ -</u>	<u>\$ 2,957,108</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ 3,004	\$ 348,457	\$ 382,984	\$ 45,365	\$ -	\$ 779,810
Depreciation expense	-	14,972	21,624	4,447	-	41,043
Disposals	-	(451)	(293,166)	(1,416)	-	(295,033)
Transferred to investment properties	<u>-</u>	<u>(2,598)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,598)</u>
Balance at December 31, 2020	<u>\$ 3,004</u>	<u>\$ 360,380</u>	<u>\$ 111,442</u>	<u>\$ 48,396</u>	<u>\$ -</u>	<u>\$ 523,222</u>
Balance at December 31, 2020, net	<u>\$ 2,196,230</u>	<u>\$ 187,379</u>	<u>\$ 35,522</u>	<u>\$ 14,755</u>	<u>\$ -</u>	<u>\$ 2,433,886</u>
<u>Cost</u>						
Balance at January 1, 2021	\$ 2,199,234	\$ 547,759	\$ 146,964	\$ 63,151	\$ -	\$ 2,957,108
Additions	1,680	-	9,677	5,917	9	17,283
Disposals	<u>(3,275)</u>	<u>-</u>	<u>(1,408)</u>	<u>(1,046)</u>	<u>-</u>	<u>(5,729)</u>
Balance at December 31, 2021	<u>\$ 2,197,639</u>	<u>\$ 547,759</u>	<u>\$ 155,233</u>	<u>\$ 68,022</u>	<u>\$ 9</u>	<u>\$ 2,968,662</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ 3,004	\$ 360,380	\$ 111,442	\$ 48,396	\$ -	\$ 523,222
Depreciation expense	231	13,517	15,215	5,245	-	34,208
Disposals	<u>(2,948)</u>	<u>-</u>	<u>(1,268)</u>	<u>(940)</u>	<u>-</u>	<u>(5,156)</u>
Balance at December 31, 2021	<u>\$ 287</u>	<u>\$ 373,897</u>	<u>\$ 125,389</u>	<u>\$ 52,701</u>	<u>\$ -</u>	<u>\$ 552,274</u>
Balance at December 31, 2021, net	<u>\$ 2,197,352</u>	<u>\$ 173,862</u>	<u>\$ 29,844</u>	<u>\$ 15,321</u>	<u>\$ 9</u>	<u>\$ 2,416,388</u>

No impairment assessment was performed for the years ended December 31, 2021 and 2020 as there was no indication of impairment.

Property, plant and equipment are depreciated using the fixed-percentage-on-declining-balance-method and on a straight-line basis over their estimated useful lives as follows:

Land improvements	8-40 years
Buildings	
Main buildings	60 years
Air-conditioning equipment	3 years
Machinery and equipment	2-13 years
Other equipment	2-20 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 33.

## 17. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Land	\$ 43,107	\$ 49,701
Buildings	14,727	22,354
Machinery	-	-
Transportation equipment	<u>22,923</u>	<u>24,830</u>
	<u>\$ 80,757</u>	<u>\$ 96,885</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 18,805</u>	<u>\$ 56,160</u>
Decrease in right-of-use assets	<u>\$ 665</u>	<u>\$ 560</u>
Depreciation charge for right-of-use assets		
Land	\$ 6,594	\$ 6,008
Buildings	13,803	14,784
Machinery	-	637
Transportation equipment	<u>13,871</u>	<u>12,900</u>
	<u>\$ 34,268</u>	<u>\$ 34,329</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Current	<u>\$ 31,467</u>	<u>\$ 32,649</u>
Non-current	<u>\$ 50,664</u>	<u>\$ 65,101</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Land	2.40%-2.72%	2.40%-2.72%
Buildings	2.19%-2.72%	2.40%-2.72%
Transportation equipment	2.19%-2.72%	2.40%-2.72%

c. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 18.

	<u>For the Year Ended December 31</u>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 3,302</u>	<u>\$ 5,611</u>
Expenses relating to variable lease payments not include in the measurement of lease liabilities	<u>\$ 169,035</u>	<u>\$ 183,739</u>
Total cash outflow for leases	<u>\$ (208,391)</u>	<u>\$ (225,222)</u>

The Corporation's leases of certain office equipment qualify as short-term leases and leases of certain equipment qualify as low-value asset leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 18. INVESTMENT PROPERTIES

	<b>Completed Investment Properties</b>
<u>Cost</u>	
Balance at January 1, 2020	\$ 1,182,746
Transferred from property, plant and equipment	<u>6,286</u>
Balance at December 31, 2020	<u>\$ 1,189,032</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	\$ 172,741
Depreciation expense	4,027
Transferred from property, plant and equipment	<u>2,598</u>
Balance at December 31, 2020	<u>\$ 179,366</u>
Balance at December 31, 2020, net	<u>\$ 1,009,666</u>

(Continued)

	<b>Completed Investment Properties</b>
<u>Cost</u>	
Balance at January 1, 2021	\$ <u>1,189,032</u>
Balance at December 31, 2021	\$ <u>1,189,032</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2021	\$ 179,366
Depreciation expense	<u>3,955</u>
Balance at December 31, 2021	\$ <u>183,321</u>
Balance at December 31, 2021, net	\$ <u>1,005,711</u> (Concluded)

No impairment assessment was performed for the years ended December 31, 2021 and 2020 as there was no indication of impairment.

Investment properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Land improvements	8-40 years
Buildings	
Main buildings	60 years
Air-conditioning equipment	3 years

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2021 and 2020 were as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
No later than 1 year	\$ 71,439	\$ 64,319
Later than 1 year and not later than 5 years	<u>96,470</u>	<u>26,029</u>
	<u>\$ 167,909</u>	<u>\$ 90,348</u>

The fair values of investment properties were arrived at on the basis of valuations carried out as of December 2021 and 2020 by independent and qualified professional appraiser. The fair values are shown below:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Fair value	<u>\$ 6,779,512</u>	<u>\$ 4,340,012</u>

The market for some investment properties of the Corporation is inactive and alternative reliable measurements of fair value are not available; therefore, the Corporation determined that the fair value of the investment properties is not reliably measurable.

The Corporation held freehold interests in all of its investment properties. The investment properties pledged as collateral for bank borrowings are set out in Note 33.

## 19. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Secured borrowings</u>		
Bank loans	\$ 1,898,000	\$ 1,787,800
Bank overdrafts	290,049	-
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>500,000</u>	<u>500,000</u>
	<u>\$ 2,688,049</u>	<u>\$ 2,287,800</u>

The short-term borrowings were pledged by the Corporation's shares, buildings and land held for sale, freehold land and building (Refer to Note 33).

The range of weighted average effective interest rate on bank loans was 1.745%-2.157% and 1.745%-2.347% per annum at December 31, 2021 and 2020, respectively.

### b. Short-term bills payable

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Commercial paper	\$ 2,540,000	\$ 2,299,000
Less: Unamortized discount on bills payable	<u>(8,029)</u>	<u>(3,755)</u>
	<u>\$ 2,531,971</u>	<u>\$ 2,295,245</u>

Outstanding short-term bills payable were as follows:

#### December 31, 2021

<u>Promissory Institution</u>	<u>Nominal Amount</u>	<u>Discount Amount</u>	<u>Carrying Value</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Carrying Value of Collateral</u>
<u>Commercial paper</u>						
International Bills Finance Corporation	\$ 800,000	\$ 1,342	\$ 798,658	2.230%	Note 1	Note 1
Mega Bills Finance	450,000	1,835	448,165	1.800%	Land and building	\$ 499,746
Shanghai Commercial & Savings Bank, Ltd. - Tien Mou Branch	450,000	2,666	447,334	1.910%	Land and building	815,731
Taiwan Finance Corporation	390,000	597	389,403	2.112%	Note 2	Note 2
Shanghai Commercial & Savings Bank, Ltd. - Tien Mou Branch	250,000	1,253	248,747	1.610%	Note 3	Note 3
Taiwan Finance Corporation	<u>200,000</u>	<u>336</u>	<u>199,664</u>	2.230%	Note 1	Note 1
	<u>\$ 2,540,000</u>	<u>\$ 8,029</u>	<u>\$ 2,531,971</u>			

Note 1: The bills payable to International Bills Finance Corporation and Taiwan Finance Corporation were part of the same loan limit of the \$2 billion syndicated loan under Entie Commercial Bank, which were collateralized by receivables from the Xianxi and Lunwei Districts in Chung Hua Coastal Industrial Park with a total book value of \$4,130,366 thousand.

Note 2: The loan is collateralized by land and buildings in Xinyi Section 3, Xinyi District, Taipei City and a total of 5,207 thousand shares of Taipei Business Bank with a total book value of \$913,013 thousand.

Note 3: A total of 38,775 thousand shares of China Petrochemical Development Corporation with book value of \$509,891 thousand have been pledged as collateral.

December 31, 2020

Promissory Institution	Nominal Amount	Discount Amount	Carrying Value	Interest Rate	Collateral	Carrying Value of Collateral
<u>Commercial paper</u>						
International Bills Finance Corporation	\$ 707,200	\$ 1,230	\$ 705,970	2.230%	Note 1	Note 1
Shanghai Commercial & Savings Bank, Ltd. - Tien Mou Branch	450,000	576	449,424	1.830%	Land and building	\$ 815,731
Mega Bills Finance	450,000	1,246	448,754	1.800%	Land and building	500,396
Taiwan Finance Corporation	415,000	275	414,725	2.162%	Note 2	Note 2
Taiwan Finance Corporation	176,800	308	176,492	2.230%	Note 1	Note 1
Shanghai Commercial & Savings Bank, Ltd. - Tien Mou Branch	<u>100,000</u>	<u>120</u>	<u>99,880</u>	1.530%	Note 3	Note 3
	<u>\$ 2,299,000</u>	<u>\$ 3,755</u>	<u>\$ 2,295,245</u>			

Note 1: The bills payable to International Bills Finance Corporation and Taiwan Finance Corporation were part of the same loan limit of the \$1.9 billion syndicated loan under Entie Commercial Bank, which were collateralized by receivables from the Xianxi and Lunwei Districts in Chung Hua Coastal Industrial Park with a total book value of \$5,028,791 thousand.

Note 2: The loan is collateralized by land and buildings in Xinyi Section 3, Xinyi District, Taipei City and a total of 5,207 thousand shares of Taipei Business Bank with a total book value of \$912,128 thousand.

Note 3: A total of 38,775 thousand shares of China Petrochemical Development Corporation with book value of \$451,729 thousand have been pledged as collateral.

The short-term bills payable were pledged by listed stocks, buildings and land held for sale, repurchase agreements collateralized by bonds, receivables (recognized as accounts receivable on the development of industrial districts), freehold land and buildings. (Refer to Note 33)



b. Long-term borrowings

	<u>December 31</u>	
	2021	2020
<u>Secured borrowings</u>		
Bank loans	\$ 5,220,000	\$ 3,850,000
<u>Unsecured borrowings</u>		
Bank loans	<u>597,316</u>	<u>549,622</u>
	5,817,316	4,399,622
Less: Current portion	<u>(670,000)</u>	<u>(1,057,124)</u>
Long-term borrowings	<u>\$ 5,147,316</u>	<u>\$ 3,342,498</u>

The long-term borrowings were pledged by the Corporation's bank deposits, freehold land and buildings, receivables (recognized as accounts receivable on the development of industrial districts), and time deposits (Refer to Note 33).

As of December 31, 2021 and 2020, the effective annual interest rate ranges were 1.900%-2.347% and 2.047%-2.250%, respectively.

**20. TRADE PAYABLES**

	<u>December 31</u>	
	2021	2020
<u>Trade payables</u>		
Operating	<u>\$ 4,531,620</u>	<u>\$ 4,308,320</u>

Accounts payable classified as construction retainage received was \$1,770,811 thousand as of December 31, 2021 and \$1,529,758 thousand as of December 31, 2020. Construction retainage received, which is interest free, will be paid for each construction contract at the end of the construction retainage period. The warranty period is the Corporation's normal operating cycle, which normally exceeds one year. Related information on construction contracts is shown in Table 1 following the notes to financial statements.

**21. ACCOUNTS PAYABLE FOR THE DEVELOPMENT OF INDUSTRIAL DISTRICTS**

	<u>December 31</u>	
	2021	2020
Litzer Industrial District	\$ 1,088,001	\$ 1,069,047
Yunlin Technology-based Industrial Park	877,719	858,017
Other Industrial Districts	<u>15,963</u>	<u>15,963</u>
	<u>\$ 1,981,683</u>	<u>\$ 1,943,027</u>

Accounts payable (receivable) for the development of industrial districts amounted to \$53,810 thousand in 2021 and \$54,914 thousand in 2020. The input costs were \$15,154 thousand in 2021 and \$47,811 thousand in 2020.

## 22. PROVISIONS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Warranties	\$ 461,341	\$ 445,573
Onerous contracts	<u>-</u>	<u>22,604</u>
	<u>\$ 461,341</u>	<u>\$ 468,177</u>
<u>Non-current</u>		
Long-term provision for the judgment of legal procedures	<u>\$ 984,074</u>	<u>\$ 365,748</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Corporation's obligations for warranties under local sale of goods. The estimate has been made on the basis of historical warranty trends.

The provision for onerous contracts represents the present value of future payment that the Corporation is presently obligated to make under non-cancellable onerous operating contracts less the revenue expected to be earned.

The long-term provision for the judgment of legal procedures was based on the litigation of the recognition on construction overdue between the management of the Corporation and the owner. To make provisions for contingent losses due to lawsuits which are likely to occur in the future.

## 23. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plan

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contributed at specific rate of salaries (the rate was 7% for 2021 and 2020) and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 271,058	\$ 319,503
Fair value of plan assets	<u>(190,393)</u>	<u>(203,133)</u>
Net defined benefit liabilities	<u>\$ 80,665</u>	<u>\$ 116,370</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2020	<u>\$ 319,113</u>	<u>\$ (192,329)</u>	<u>\$ 126,784</u>
Service cost			
Current service cost	6,762	-	6,762
Net interest expense (income)	<u>2,182</u>	<u>(1,323)</u>	<u>859</u>
Recognized in profit and loss	<u>8,944</u>	<u>(1,323)</u>	<u>7,621</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,938)	(6,938)
Actuarial (gain) loss			
Changes in demographic assumptions	8	-	8
Changes in financial assumptions	10,311	-	10,311
Experience adjustments	<u>2,574</u>	<u>-</u>	<u>2,574</u>
Recognized in other comprehensive income	<u>12,893</u>	<u>(6,938)</u>	<u>5,955</u>
Contributions from the employer	-	(22,677)	(22,677)
Benefits paid	<u>(21,447)</u>	<u>20,134</u>	<u>(1,313)</u>
Balance at December 31, 2020	<u>\$ 319,503</u>	<u>\$ (203,133)</u>	<u>\$ 116,370</u>
Balance at January 1, 2021	<u>\$ 319,503</u>	<u>\$ (203,133)</u>	<u>\$ 116,370</u>
Service cost			
Current service cost	6,490	-	6,490
Net interest expense (income)	<u>925</u>	<u>(588)</u>	<u>337</u>
Recognized in profit and loss	<u>7,415</u>	<u>(588)</u>	<u>6,827</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,131)	(3,131)
Actuarial (gain) loss			
Changes in demographic assumptions	322	-	322
Changes in financial assumptions	(8,780)	-	(8,780)
Experience adjustments	<u>12,915</u>	<u>-</u>	<u>12,915</u>
Recognized in other comprehensive income	<u>4,457</u>	<u>(3,131)</u>	<u>1,326</u>
Contributions from the employer	-	(43,369)	(43,369)
Benefits paid	<u>(60,317)</u>	<u>59,828</u>	<u>(489)</u>
Balance at December 31, 2021	<u>\$ 271,058</u>	<u>\$ (190,393)</u>	<u>\$ 80,665</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 4,645	\$ 2,483
Selling and marketing expenses	-	8
General and administrative expenses	2,147	5,111
Research and development expenses	<u>35</u>	<u>19</u>
	<u>\$ 6,827</u>	<u>\$ 7,621</u>

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)	0.70%	0.30%
Expected rate(s) of salary increase	2.00%	2.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)		
0.25% increase	<u>\$ (5,341)</u>	<u>\$ (6,504)</u>
0.25% decrease	<u>\$ 5,503</u>	<u>\$ 6,709</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 5,419</u>	<u>\$ 6,579</u>
0.25% decrease	<u>\$ (5,287)</u>	<u>\$ (6,413)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	2021	2020
Expected contributions to the plan for the next year	<u>\$ 6,881</u>	<u>\$ 8,281</u>
Average duration of the defined benefit obligation	8 years	8 years

## 24. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Corporation classified the assets and liabilities of its construction operations and industrial district development projects as current and noncurrent in accordance with the length of the operating cycle of these constructions and projects. The amounts expected to be recovered or settled within 1 year after the reporting period and more than 1 year after the reporting period for related assets and liabilities were as follows:

	<u>December 31, 2021</u>		
	<u>Due Within One Year</u>	<u>Due After One Year</u>	<u>Total</u>
<u>Assets</u>			
Financial assets at amortized cost - current	\$ 1,635,470	\$ 512,795	\$ 2,148,265
Construction receivables	2,013,497	273,241	2,286,738
Contract assets - current	965,714	1,493,329	2,459,043
Accounts receivable on the development of industrial districts	-	6,077,203	6,077,203
Inventories	175,179	-	175,179
Buildings and land held for sale, net	2,335,838	9,512,922	11,848,760
Construction in progress	-	3,113,718	3,113,718
Refundable deposits on construction contracts	<u>85,490</u>	<u>73,311</u>	<u>158,801</u>
	<u>\$ 7,211,188</u>	<u>\$ 21,056,519</u>	<u>\$ 28,267,707</u>
<u>Liabilities</u>			
Notes payable	\$ 7,167	\$ -	\$ 7,167
Trade payables	3,329,909	1,201,711	4,531,620
Contract liabilities - current	1,531,304	1,203,074	2,734,378
Accounts payable for the development of industrial districts	-	1,981,683	1,981,683
Provisions - current	28,654	432,687	461,341
Guarantee deposits on construction contracts - current	<u>152,822</u>	<u>324,747</u>	<u>477,569</u>
	<u>\$ 5,049,856</u>	<u>\$ 5,143,902</u>	<u>\$ 10,193,758</u>

	<b>December 31, 2020</b>		
	<b>Due Within One Year</b>	<b>Due After One Year</b>	<b>Total</b>
<u>Assets</u>			
Financial assets at amortized cost - current	\$ 1,123,041	\$ 221,840	\$ 1,344,881
Construction receivables	1,160,725	94,092	1,254,817
Contract assets - current	993,576	2,280,314	3,273,890
Accounts receivable on the development of industrial districts	-	6,995,042	6,995,042
Buildings and land held for sale, net	977,941	10,423,208	11,401,149
Construction in progress	1,073,691	2,015,063	3,088,754
Refundable deposits on construction contracts	<u>6,146</u>	<u>117,929</u>	<u>124,075</u>
	<u>\$ 5,335,120</u>	<u>\$ 22,147,488</u>	<u>\$ 27,482,608</u>
<u>Liabilities</u>			
Trade payables	\$ 3,909,561	\$ 398,759	\$ 4,308,320
Contract liabilities - current	1,090,623	1,134,589	2,225,212
Accounts payable for the development of industrial districts	-	1,943,027	1,943,027
Provisions - current	88,398	379,779	468,177
Guarantee deposits on construction contracts - current	<u>311,897</u>	<u>109,585</u>	<u>421,482</u>
	<u>\$ 5,400,479</u>	<u>\$ 3,965,739</u>	<u>\$ 9,366,218</u>

## 25. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Shares authorized (in thousands of shares)	<u>3,000,000</u>	<u>3,000,000</u>
Shares authorized	<u>\$ 30,000,000</u>	<u>\$ 30,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>1,530,899</u>	<u>1,530,899</u>
Shares issued	<u>\$ 15,308,998</u>	<u>\$ 15,308,998</u>

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 11,501	\$ 11,501
Treasury share transactions	1,757	1,757
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	13	-
Changes in net equity of associates accounted for using the equity method	4,094	4,094
Donations	89	51
<u>May only be used to offset a deficit (2)</u>		
Other	<u>56,430</u>	<u>56,430</u>
	<u>\$ 73,884</u>	<u>\$ 73,833</u>

1) Capital surplus may be used to offset a deficit. In addition, when the Corporation has no deficit, the capital surplus may be distributed as cash dividends, or transferred to share capital (within a certain percentage of the Corporation's capital surplus once a year).

2) Capital surplus may be used to offset a deficit only.

c. Retained earnings and dividend policy

According to the Corporation's Articles of Incorporation, the Corporation distributes share dividends and cash dividends after taking into account its future business needs, capital demand and long-term financial plan. Under the Corporation's Articles of Incorporation, the Corporation should make appropriations from its net income (less any deficit) in the following order:

- 1) Paying for taxes in accordance with the laws and regulations.
- 2) Offsetting losses of previous years.
- 3) 10% as legal reserve; unless legal reserve equals to the Corporation's paid-in capital.
- 4) Setting aside or reversing a special reserve equivalent to the net debit balance of the other components of stockholders equity.
- 5) Of the remainder, together with any unappropriated earnings of prior years, over 20% should be appropriated as dividends.
- 6) The appropriation of earnings to be allocated for distribution shall depend on the actual earnings and fund level. The board of directors shall propose a plan for the distribution of the remaining undistributed earnings and the shareholders shall resolve such plan in the shareholders' meeting for distribution of dividends and bonus to shareholders. Cash dividends shall not be lower than 10% of total dividends. If the amount of dividend is less than \$0.10 per share, it shall not be distributed as cash dividend but may be distributed as share dividends.

For policies on distribution of remuneration of employees, directors and supervisors before and after the amendment of the Articles, refer to Note 27 (h) employee benefits expense.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019, which had been approved in the Corporation's shareholders' meetings on August 4, 2021 and June 23, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	<u>\$ 61,492</u>	<u>\$ 31,289</u>
Cash dividends	<u>\$ 356,700</u>	<u>\$ 307,711</u>
Cash dividends per share (NT\$)	<u>\$ 0.233</u>	<u>\$ 0.201</u>

The appropriations of earnings for 2021, which had been proposed by the Corporation's board of directors on March 15, 2022, were as follows:

	<b>For the Year Ended December 31, 2021</b>
Legal reserve	<u>\$ 295,784</u>
Cash dividends	<u>\$ 817,500</u>
Cash dividends per share (NT\$)	<u>\$ 0.534</u>

The appropriations of earnings for 2021 is subject to the resolution of the shareholders in the shareholders' meeting to be held on May 31, 2022.

d. Special reserve

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 2,788,570	\$ 2,788,570
Reversal:		
Disposal of associates	<u>(312,612)</u>	<u>-</u>
Balance at December 31	<u>\$ 2,475,958</u>	<u>\$ 2,788,570</u>

On first-time adoption of IFRSs, the Corporation appropriated for special reserve, the amounts that were the same as the unrealized revaluation increment and cumulative translation differences transferred to retained earnings, which was \$2,466,834 thousand.

If the special reserve appropriated on the first-time adoption of IFRSs relates to investment property other than land, the special reserve may be reversed continuously over the period of use. The special reserve relating to land may be reversed on disposal or reclassification.



e. Other equity items

1) Exchange differences on translating of the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (303,569)	\$ (322,536)
Recognized for the year		
Share from associates accounted for using the equity method	<u>(32,483)</u>	<u>18,967</u>
Balance at December 31	<u>\$ (336,052)</u>	<u>\$ (303,569)</u>

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (159,337)	\$ (243,747)
Recognized for the year		
Unrealized gain (loss) - equity instruments	191,441	(84,848)
Share from associates accounted for using the equity method	<u>80,157</u>	<u>169,258</u>
Balance at December 31	<u>\$ 112,261</u>	<u>\$ (159,337)</u>

**26. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Construction contract revenue	\$ 14,560,049	\$ 11,860,058
Revenue from sell of properties	1,237,815	35,091
Revenue from the rendering of services	21,439	27,122
Other operating revenue	<u>4,442</u>	<u>74,356</u>
	<u>\$ 15,823,745</u>	<u>\$ 11,996,627</u>

**Contract Balances**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Construction receivables	<u>\$ 2,286,738</u>	<u>\$ 1,254,817</u>	<u>\$ 1,535,335</u>
Contract assets			
Deposits under construction contracts for construction receivables	\$ 1,666,471	\$ 1,944,868	\$ 1,673,802
Amounts due from customers for construction contracts	<u>792,572</u>	<u>1,329,022</u>	<u>1,362,492</u>
	<u>\$ 2,459,043</u>	<u>\$ 3,273,890</u>	<u>\$ 3,036,294</u>

(Continued)



	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities			
Amounts due to customers for construction contracts	\$ 2,627,413	\$ 1,874,194	\$ 1,821,670
Pre-construction sale	<u>106,965</u>	<u>351,018</u>	<u>244,741</u>
	<u>\$ 2,734,378</u>	<u>\$ 2,225,212</u>	<u>\$ 2,066,411</u> (Concluded)

The credit risk management of contract assets is the same as trade receivables, related information is shown in Note 10.

## 27. NET PROFIT

### a. Interest income

	<u>For the Year Ended December 31</u>	
	2021	2020
Bank deposits	\$ 234	\$ 421
Financial assets at amortized cost	3,328	3,160
Others	<u>45,062</u>	<u>69,064</u>
	<u>\$ 48,624</u>	<u>\$ 72,645</u>

### b. Other income

	<u>For the Year Ended December 31</u>	
	2021	2020
Rental income	\$ 64,713	\$ 70,159
Dividends	<u>10,201</u>	<u>26,702</u>
	<u>\$ 74,914</u>	<u>\$ 96,861</u>

### c. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2021	2020
Loan application fee	\$ (144,052)	\$ (99,074)
Gain on disposal of associates	2,849,350	-
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	(30,852)	(29)
Compensation reversal (loss)	(668,746)	317,633
Gain (loss) on disposal of property, plant and equipment	(564)	313,218
Gain on lease modification	27	-
Reversal of impairment losses on financial assets	775,507	-
Others	<u>11,905</u>	<u>7,168</u>
	<u>\$ 2,792,575</u>	<u>\$ 538,916</u>

### d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank overdrafts and loans	\$ 132,481	\$ 151,639
Interest on lease liabilities	959	662
Interest expense incurred on contracts with customers	<u>-</u>	<u>164</u>
	<u>\$ 133,440</u>	<u>\$ 152,465</u>

Refer to Note 13 for information about capitalized interest.

e. Depreciation

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of amortization by function		
Operating costs	\$ 38,275	\$ 44,897
Operating expenses	<u>30,201</u>	<u>30,475</u>
	<u>\$ 68,476</u>	<u>\$ 75,372</u>

The depreciation of investment properties, which was recognized in other income - rental income, was \$3,955 thousand and \$4,027 thousand in 2021 and 2020, respectively.

f. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Direct operating expenses from investment properties generating rental income	<u>\$ 3,870</u>	<u>\$ 4,402</u>

g. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term benefits	<u>\$ 900,435</u>	<u>\$ 721,665</u>
Post-employment benefits		
Defined contribution plan	29,884	27,610
Defined benefit plans	<u>6,827</u>	<u>7,621</u>
	<u>36,711</u>	<u>35,231</u>
Other employee benefits	<u>88,658</u>	<u>77,812</u>
Total employee benefits expense	<u>\$ 1,025,804</u>	<u>\$ 834,708</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 826,988	\$ 679,901
Operating expenses	<u>198,816</u>	<u>154,807</u>
	<u>\$ 1,025,804</u>	<u>\$ 834,708</u>

h. Compensation of employees and remuneration of directors and supervisors

According to the Corporation's Articles, the Corporation accrues compensation of employees and remuneration of directors and supervisors at the rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which were approved by the Corporation's board of directors on March 15, 2022 and March 17, 2021, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	2%	2%
Remuneration of directors and supervisors	2%	2%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	<u>\$ 51,605</u>	<u>\$ 16,302</u>
Remuneration of directors and supervisors	<u>\$ 51,605</u>	<u>\$ 16,302</u>

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and they will be adjusted and recorded in the following year.

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 28. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
Land value increment tax	\$ 14,090	\$ 118
Income tax on unappropriated earnings	9,836	441
Adjustments for prior year	<u>-</u>	<u>(163)</u>
	<u>23,926</u>	<u>396</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Deferred tax		
In respect of the current year	\$ (224,055)	\$ 161,100
Adjustments for prior year	<u>410</u>	<u>2,029</u>
	<u>(223,645)</u>	<u>163,129</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ (199,719)</u>	<u>\$ 163,525</u> (Concluded)

A reconciliation of accounting profit and current income tax expense (benefit) is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax expense calculated at the statutory rate	\$ 495,408	\$ 156,497
Nondeductible expenses in determining taxable income	(448,016)	32,308
Tax-exempt income	(27,966)	(5,340)
Unrecognized loss on impairment of assets	(251,134)	(2,129)
Land value increment tax	14,090	118
Income tax on unappropriated earnings	9,836	441
Unrecognized deductible temporary differences	7,653	(20,236)
Adjustments for prior year's tax	<u>410</u>	<u>1,866</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ (199,719)</u>	<u>\$ 163,525</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year - remeasurement of defined benefit plans	<u>\$ 265</u>	<u>\$ 1,191</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized loss on construction	\$ 66,548	\$ 139,530	\$ -	\$ 206,078
Provision for warranties	57,114	2,921	-	60,035
Defined benefit plans	26,981	(7,262)	265	19,984
Others	-	373	-	373
Loss carryforwards	<u>158,862</u>	<u>91,420</u>	<u>-</u>	<u>250,282</u>
	<u>\$ 309,505</u>	<u>\$ 226,982</u>	<u>\$ 265</u>	<u>\$ 536,752</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Provision for land value increment tax	\$ 991,342	\$ -	\$ -	\$ 991,342
Foreign investments accounted for using the equity method	<u>40,704</u>	<u>3,337</u>	<u>-</u>	<u>44,041</u>
	<u>\$ 1,032,046</u>	<u>\$ 3,337</u>	<u>\$ -</u>	<u>\$ 1,035,383</u>

For the year ended December 31, 2020

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized loss on construction	\$ 115,461	\$ (48,913)	\$ -	\$ 66,548
Provision for warranties	103,287	(46,173)	-	57,114
Defined benefit plans	28,525	(2,735)	1,191	26,981
Loss carryforwards	<u>222,014</u>	<u>(63,152)</u>	<u>-</u>	<u>158,862</u>
	<u>\$ 469,287</u>	<u>\$ (160,973)</u>	<u>\$ 1,191</u>	<u>\$ 309,505</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Provision for land value increment tax	\$ 991,342	\$ -	\$ -	\$ 991,342
Foreign investments accounted for using the equity method	<u>38,548</u>	<u>2,156</u>	<u>-</u>	<u>40,704</u>
	<u>\$ 1,029,890</u>	<u>\$ 2,156</u>	<u>\$ -</u>	<u>\$ 1,032,046</u>

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	<u>December 31</u>	
	2021	2020
Deductible temporary differences		
Impairment of financial assets	\$ 38,979	\$ 38,979
Unrealized loss on lawsuits	83,310	83,310
Impairment of assets	<u>58,118</u>	<u>58,118</u>
	<u>\$ 180,407</u>	<u>\$ 180,407</u>

- e. Information on unused investment credits, unused loss carryforwards and tax-exemptions

Loss carryforwards as of December 31, 2021 comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 341,404	2025 (approved)
450,782	2028 (approved)
<u>459,224</u>	2031 (unapproved)
 <u>\$ 1,251,410</u>	

- f. Income tax assessments

The income tax returns through 2019 have been assessed by the tax authorities.

## 29. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows:

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2021	2020
Earnings used in the computation of basic earnings per share	<u>\$ 2,676,758</u>	<u>\$ 618,959</u>

### Weighted Average Number of Ordinary Shares Outstanding

(In Thousands of Shares)

	<u>For the Year Ended December 31</u>	
	2021	2020
Weighted average number of ordinary shares outstanding used in the computation of basic earnings per share	1,530,899	1,530,899
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>6,069</u>	<u>1,980</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,536,968</u>	<u>1,532,879</u>

If the Corporation offered to settle the compensation of employees in cash or shares, the Corporation assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved by the shareholders in the following year.



### 30. CAPITAL MANAGEMENT

The Corporation's capital management strategies, the Corporation plans for future working capital needs, research and development expenses and shareholder expenses based on the current overall economic environment, industry characteristics and future development, to ensure that the Corporation would continue as a going concern with long-term shareholders' equity and stable operating performance as goal, and to maximize shareholders' equity.

Management regularly reviews the capital structure and considers the costs and risks involved in different capital structures. The Corporation adopts the conservative risk management strategy by consideration of the industry scale, industry growth and future product roadmaps.

### 31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Unlisted shares	\$ -	\$ -	\$ 2,354,728	\$ 2,354,728
Mutual funds	<u>4,587</u>	<u>-</u>	<u>-</u>	<u>4,587</u>
	<u>\$ 4,587</u>	<u>\$ -</u>	<u>\$ 2,354,728</u>	<u>\$ 2,359,315</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	\$ 2,127,629	\$ -	\$ -	\$ 2,127,629
Unlisted shares	<u>-</u>	<u>99,015</u>	<u>-</u>	<u>99,015</u>
	<u>\$ 2,127,629</u>	<u>\$ 99,015</u>	<u>\$ -</u>	<u>\$ 2,226,644</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	\$ 1,105,768	\$ -	\$ -	\$ 1,105,768
Unlisted shares	<u>-</u>	<u>100,311</u>	<u>-</u>	<u>100,311</u>
	<u>\$ 1,105,768</u>	<u>\$ 100,311</u>	<u>\$ -</u>	<u>\$ 1,206,079</u>

There were no transfers between Levels 1 and 2 in the current and prior year.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

<b>Financial Assets</b>	<b>Financial Assets at FVTPL Equity Instruments</b>
Balance at January 1, 2021	\$ -
Recognized in profit or loss (including other gains and losses)	(30,476)
Purchases	3,908,303
Cash returns from capital reduction of investments	<u>(1,532,099)</u>
Balance at December 31, 2021	<u>\$ 2,354,728</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Unlisted shares	Transaction method of market approach. The approach is a valuation strategy that looks at market ratios of companies with similar profitability at the end of the reporting periods, while taking the liquidity premium into consideration.
Others	Discounted cash flow.  Future cash flows are discounted at a rate that reflects current borrowing interest rates of the bond issuers at the end of the year.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The unlisted equity investment is evaluated using asset-based approach method to calculate the present value of expected gain on investment.

b. Categories of financial instruments

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,359,315	\$ -
Financial assets at amortized cost (Note 1)	8,043,983	6,036,727
Financial assets at FVTOCI		
Equity instruments	2,226,644	1,206,079
<u>Financial liabilities</u>		
Amortized cost (Note 2)	17,518,932	14,581,482

Note 1: The balances included financial assets measured at amortized cost, which comprise cash, financial assets at amortized cost, notes receivable and trade receivables, construction receivables, refundable deposits on construction contracts, other receivables (include in other current assets) and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, trade payables, guarantee deposits on construction contracts - current, long-term borrowings (expired in one year), provisions and guarantee deposits received.

c. Financial risk management objectives and policies

The Corporation's major financial instruments included equity investments, notes receivable, trade receivables, construction receivables, accounts receivable on the development of industrial districts, notes payable, trade payables, borrowings and lease liabilities. The Corporation's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 35.

Sensitivity analysis

The Corporation is mainly exposed to the RMB and HKD.

The following table details the Corporation's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in pre-tax equity when New Taiwan dollar strengthened by 5% against the relevant currency. For a 5% weakening of New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax equity and the balances below would be negative.

	<b>RMB Impact</b>		<b>HKD Impact</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Equity	\$ 37,044	\$ 36,508	\$ 64,276	\$ 26,772

b) Interest rate risk

The Corporation is exposed to interest rate risk because the Corporation borrow funds at both fixed and floating interest rates.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31</u>	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 1,919,907	\$ 1,208,549
Financial liabilities	2,614,102	2,392,995
Cash flow interest rate risk		
Financial assets	3,487,328	3,295,177
Financial liabilities	8,505,365	6,687,422

The Corporation was exposed to fair value interest rate risk in relation to fixed-rate certificates of deposit and short-term bills payable.

The Corporation was also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Corporation's cash flow interest rate risk is mainly concentrated in the fluctuation of the benchmark interest rate arising from the Corporation's New Taiwan dollar denominated borrowings.

#### Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A sensitivity rate of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2021 and 2020 would decrease by \$50,180 thousand and \$33,922 thousand, respectively. The Corporation's sensitivity to interest rates increased during the current period mainly due to the increase in variable rate borrowings.

#### c) Other price risk

The Corporation was exposed to equity price risk through its investments in listed equity securities and mutual funds.

#### Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher, the Corporation's pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have increased by \$111,332 thousand and \$60,304 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. At the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Corporation, could be equal to the total of the following:

- a) The carrying amount of the respective recognized financial assets as stated in the condensed balance sheets.
- b) The amount of contingent liabilities generated from financial guarantees that the Corporation provided.

The Corporation adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Corporation only transacts with entities that are rated the equivalent of investment grade and above. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

## 3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Corporation had available unutilized short-term bank loan facilities were shown below:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 1,097,316	\$ 1,049,622
Amount unused	<u>5,286,884</u>	<u>6,688,106</u>
	<u>\$ 6,384,200</u>	<u>\$ 7,737,728</u>
Secured bank overdraft facilities:		
Amount used	\$ 9,940,020	\$ 7,933,045
Amount unused	<u>14,564,951</u>	<u>18,845,000</u>
	<u>\$ 24,504,971</u>	<u>\$ 26,778,045</u>

### Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Corporation's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the year.

December 31, 2021

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities		\$ 1,340,746	\$ 1,657,995	\$ 338,335	\$ 1,133,088	\$ 68,623
Lease liabilities	2.190-2.720	3,052	6,088	22,486	37,033	21,133
Variable interest rate liabilities	1.745-2.468	304,671	526,114	2,671,182	5,472,848	-
Fixed interest rate liabilities	1.610-2.223	<u>1,390,000</u>	<u>450,000</u>	<u>700,000</u>	<u>-</u>	<u>-</u>
		<u>\$ 3,038,469</u>	<u>\$ 2,640,197</u>	<u>\$ 3,732,003</u>	<u>\$ 6,642,969</u>	<u>\$ 89,756</u>

December 31, 2020

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities		\$ 1,016,126	\$ 1,152,980	\$ 1,740,455	\$ 375,783	\$ 22,976
Lease liabilities	2.400-2.720	2,955	5,843	23,866	47,953	26,480
Variable interest rate liabilities	1.745-2.347	12,004	706,200	2,728,398	3,378,195	-
Fixed interest rate liabilities	1.530-2.223	<u>1,849,000</u>	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 2,880,085</u>	<u>\$ 2,315,023</u>	<u>\$ 4,492,719</u>	<u>\$ 3,801,931</u>	<u>\$ 49,456</u>

### 32. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Corporation and related parties are disclosed below:

a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
China Petrochemical Development Corporation	Legal directors of the Corporation and its subsidiaries
Core Pacific City Co., Ltd.	Associates
Agora Garden Co., Ltd.	Related party of the Corporation
Glory Construction Co., Ltd.	Related party of the Corporation
Cheng Yao Enterprise Co., Ltd.	Related party of the Corporation
Yunheyue Agriculture Co., Ltd.	Related party in substance
Sheen Chuen-Chi Cultural & Education Foundation	Related party in substance
Tsou Seen Chemical Industries Corporation	Subsidiary of legal directors of the Corporation
BES Twin Towers Development Co., Ltd.	Subsidiary of legal directors of the Corporation
BES Machinery Co., Ltd.	Subsidiary
Chung Kung Safeguarding & Security Corp.	Subsidiary
Chung Kung Management Consultant Co., Ltd.	Subsidiary
Chung Kung Management and Maintenance of Apartment Co., Ltd.	Subsidiary
Cinemark-Core Pacific Co., Ltd.	Subsidiary

(Continued)

<b>Related Party Name</b>	<b>Related Party Categories</b>
Core Asia Human Resources Management Co., Ltd.	Subsidiary
Elite Human Resources Management Co., Ltd.	Subsidiary
BES Engineering Vietnam Co., Ltd.	Subsidiary
Hui-Lan Chu	Corporation's chairman
Tony C. J. Sheen	Related party in substance
Yu-Kun Chen	Associates of the Corporation's chairman and legal directors of its subsidiaries

(Concluded)

b. Trading transactions and other transactions with related parties

<b>Line Items</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
Operating revenue	Legal directors of the Corporation	\$ 162,000	\$ 282,426
	Subsidiaries	<u>1</u>	<u>1</u>
		<u>\$ 162,001</u>	<u>\$ 282,427</u>
Operating costs	Subsidiaries	\$ 190,599	\$ 152,364
	Related parties of the Corporation	2,485	2,951
	Associates	<u>-</u>	<u>200</u>
		<u>\$ 193,084</u>	<u>\$ 155,515</u>
Operating expenses	Related parties in substance	\$ 24,000	\$ -
	Subsidiaries	7,499	7,157
	Related parties of the Corporation	<u>3,330</u>	<u>2,866</u>
		<u>\$ 34,829</u>	<u>\$ 10,023</u>

The prices and terms of the transactions with related parties are determined based on the contracts.

c. Receivables from related parties

<b>Line Items</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
Construction receivables	Legal directors of the Corporation	<u>\$ 16,475</u>	<u>\$ 32,554</u>
Other receivables (include in other current assets)	Subsidiaries	\$ 834	\$ 699
	Related parties in substance	616	-
	Related parties of the Corporation	<u>505</u>	<u>505</u>
		<u>\$ 1,955</u>	<u>\$ 1,204</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for trade receivables from related parties.

d. Payables to related parties

Line Items	Related Party Categories	December 31	
		2021	2020
Trade payables	Subsidiaries	\$ 44,188	\$ 10,056
Accrued expenses	Subsidiaries	\$ 972	\$ 623
	Related parties of the Corporation	508	509
		\$ 1,480	\$ 1,132

The outstanding trade payables from related parties are unsecured and will be settled in cash.

e. Construction liabilities

The contract liabilities as of December 31, 2021 and 2020, respectively, were as follows:

December 31, 2021

Related Party Name	Engineering Code	Total Amount of Construction	Amounts Due to Construction Contracts
China Petrochemical Development Corporation	A6E	\$ 1,532,800	\$ 45,096

December 31, 2020

Related Party Name	Engineering Code	Total Amount of Construction	Amounts Due to Construction Contracts
China Petrochemical Development Corporation	A6E	\$ 1,532,800	\$ 239,038

The construction contracts and engineering payment conditions with related parties were made at terms comparable to those with similar unrelated parties.

f. Lease arrangements

Related Party Name	For the Year Ended December 31, 2020
<u>Acquisition of right-of-use assets</u>	
Yunheyue Agriculture Co., Ltd.	\$ 22,646
BES Machinery Co., Ltd.	11,608
Glory Construction Co., Ltd.	-
	\$ 34,254



Line Items	Related Party Name	December 31	
		2021	2020
Lease liabilities	Yunheyue Agriculture Co., Ltd.	\$ 21,450	\$ 22,350
	BES Machinery Co., Ltd.	5,236	10,349
	Glory Construction Co., Ltd.	<u>3,359</u>	<u>8,995</u>
		<u>\$ 30,045</u>	<u>\$ 41,694</u>

Related Party Name	For the Year Ended December 31	
	2021	2020
<u>Interest expense</u>		
Yunheyue Agriculture Co., Ltd.	\$ 527	\$ 180
BES Machinery Co., Ltd.	192	67
Glory Construction Co., Ltd.	<u>175</u>	<u>326</u>
	<u>\$ 894</u>	<u>\$ 573</u>

g. Acquisition of financial assets

For the year ended December 31, 2021

Related Party Names	Line Item	Number of Shares	Underlying Assets	Purchase Price
China Petrochemical Development Corporation	Financial assets at FVTOCI - non-current	70,563,760	Stock China Petrochemical Development	<u>\$ 829,124</u>

h. Loans to related parties

Line Items	Related Party Categories	December 31	
		2021	2020
Other receivables (include in other current assets)	Associates	<u>\$ 29,291</u>	<u>\$ -</u>

As of December 31, 2021, the interest receivable of the Corporation from associates amounted to \$735 thousand.

Interest income

Related Party Categories	For the Year Ended December 31	
	2021	2020
Subsidiaries	<u>\$ 735</u>	<u>\$ -</u>

The Corporation provided with short-term loan at rates comparable to market interest rates. As of December 31, 2021, the annual interest rate was 5.00%.

i. Other transactions with related parties

Interest income, rental revenue and other revenue are as follows:

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Related parties in substance	\$ 7,046	\$ 3,523
Related parties of the Corporation	5,774	5,776
Subsidiaries	5,506	4,113
Legal directors of the Corporation	4,814	4,814
Associates	<u>201</u>	<u>206</u>
	<u>\$ 23,341</u>	<u>\$ 18,432</u>

The transactions with related parties were made at prices and terms comparable to those for similar transactions with unrelated parties. That is, the prices and terms for sales and purchases as well as conditions for warranties, loans and other transactions with related parties were similar to those for transactions with unrelated parties. Other receivables from related parties were rent receivables.

Endorsements and guarantees are as follows:

Refundable deposits by related parties

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries	\$ 24,000	\$ 25,000
Related parties of the Corporation	<u>637</u>	<u>637</u>
	<u>\$ 24,637</u>	<u>\$ 25,637</u>

Guarantee deposits received by related parties

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries	<u>\$ 52</u>	<u>\$ 52</u>

Other payables (including other current liabilities) given by related parties

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries of legal directors of the Corporation	<u>\$ 28,571</u>	<u>\$ 28,571</u>

j. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 76,355	\$ 37,505
Post-employment benefits	<u>-</u>	<u>-</u>
	<u>\$ 76,355</u>	<u>\$ 37,505</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

k. Guarantees

As of 2020, the Corporation's proportion of bank loan contract was jointly guaranteed by Hui-Lan Chu, Tony C.J. Sheen and Yu-Kun Chen.

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been mortgaged collateral for long- and short-term bank loans, short-term bills payable, performance guarantees, construction warranties and lawsuits:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Financial assets at FVTOCI - current	\$ 611,889	\$ 601,382
Financial assets at amortized cost - current	3,766,511	2,778,414
Accounts receivable on the development of industrial districts	4,130,336	5,028,791
Buildings and land held for sale, net	4,787,356	11,371,664
Construction in Progress	1,244,634	1,244,634
Financial assets at FVTOCI - non-current	509,891	451,729
Property, plant and equipment, net	990,586	906,803
Investment properties, net	<u>939,713</u>	<u>941,812</u>
	<u>\$ 16,980,916</u>	<u>\$ 23,325,229</u>

### 34. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The appropriations of earnings for 2021 were approved by Core Pacific City's shareholders in their meeting on February 23, 2022, and the appropriations \$2,335,677 thousand from retained earnings had been fully collected on February 25, 2022.

### 35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than function currencies of the entities in the Corporation and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2021

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Non-monetary items			
Investments accounted for using the equity method			
RMB	\$ 170,552	4.344 (RMB:NTD)	\$ 740,878
HKD	362,223	3.549 (HKD:NTD)	1,285,528

December 31, 2020

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Non-monetary items			
Investments accounted for using the equity method			
RMB	\$ 166,816	4.377 (RMB:NTD)	\$ 730,153
HKD	145,777	3.673 (HKD:NTD)	535,439

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange gains (losses) were \$(3,047) thousand and \$1,169 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Corporation.

### 36. OTHER ITEMS

Regarding the investigation result of “the renovation turnkey project of Gongguan military installations and camps” which is contracted by the Corporation, Taiwan New Taipei District Court Prosecutors Office prosecuted against the former chairman of the Corporation, Shen Jun, and the other two individuals in accordance with the Securities and Exchange Act and Anti-Corruption Act. For this reason, the Ministry of National Defense sent a letter to recover the bid bond of \$50,000 thousand for the “the renovation turnkey project of Gongguan military installations and camps” on September 30, 2021, and the amount of compensation was recognized in other losses (including other gains and losses) and paid on October 18, 2021. In order to ensure that the rights and interests were not infringed, the Corporation filed a lawsuit for damages and other remedies in the Taipei District Court of Taiwan on October 21, 2021 against the former chairman of the Corporation, Shen Jun, and the other two individuals. However, the financial and business operations have not been significantly affected by the aforementioned events. As of March 15, 2022, the case is still pending in the court.

### 37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 2)
- 2) Endorsements/guarantees provided. (Table 3)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 4)
- 4) Marketable securities acquired or disposed of at costs or prices at least \$300 million or 20% of the paid-in capital. (Table 5)
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (Non-applicable)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (Non-applicable)
- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 6)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (Non-applicable)
- 9) Trading in derivative instruments. (Non-applicable)

b. Information on investees (Note 7)

c. Information on investments in mainland China

Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

## BES ENGINEERING CORPORATION

CONTRACT ASSETS, CONTRACT LIABILITIES AND AMOUNTS DUE TO CUSTOMERS FOR CONSTRUCTION CONTRACTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)

## Contract assets - amounts due from customers for construction contracts

December 31, 2021

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Contract Assets	% of Completion	Accumulated Construction Profit (Loss)	Contract Liabilities	Net Amount of Contract Assets
A7B-1	2031	\$ 13,505,752	\$ 12,704,527	\$ 867,424	3.51	\$ 28,115	\$ 473,873	\$ 393,551
A6B-1	2023	3,199,878	3,092,049	1,859,123	52.75	56,881	1,721,823	137,300
A6C	2022	3,376,474	3,309,500	2,932,806	83.50	55,925	2,848,237	84,569
A8B	2031	10,814,726	10,208,733	1,841,076	15.47	93,729	1,722,972	118,104
A8F	2024	3,638,095	3,434,086	1,047,333	28.11	57,345	1,022,646	24,687
B0A	2025	4,331,539	4,201,593	21,164	-	-	-	21,164
B0B	2026	5,657,143	5,487,429	13,197	-	-	-	13,197
		<u>\$ 44,523,607</u>	<u>\$ 42,437,917</u>	<u>\$ 8,582,123</u>		<u>\$ 291,995</u>	<u>\$ 7,789,551</u>	<u>\$ 792,572</u>

December 31, 2020

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Contract Assets	% of Completion	Accumulated Construction Profit (Loss)	Contract Liabilities	Net Amount of Contract Assets
A0B	2020	\$ 13,807,331	\$ 15,241,994	\$ 14,529,879	98.44	\$ (1,434,663)	\$ 13,592,843	\$ 937,036
A7B	2031	13,830,943	12,978,455	610,553	5.92, 2.68	24,466	381,714	228,839
A6B-1	2023	3,004,035	2,902,961	1,501,230	46.66	47,162	1,426,753	74,477
A6D	2021	2,885,074	2,753,598	1,681,897	56.60	74,410	1,651,975	29,922
A6C	2021	3,273,507	3,063,242	1,944,503	56.66	119,134	1,885,770	58,733
A8B	2029	10,755,238	10,136,110	557,824	5.19	32,108	557,809	15
		<u>\$ 47,556,128</u>	<u>\$ 47,076,360</u>	<u>\$ 20,825,886</u>		<u>\$ (1,137,383)</u>	<u>\$ 19,496,864</u>	<u>\$ 1,329,022</u>

(Continued)

Contract liabilities - amounts due to customers for construction contracts

December 31, 2021

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Contract Assets	% of Completion	Accumulated Construction Profit (Loss)	Contract Liabilities	Net Amount of Contract Liabilities
A8C	2023	\$ 7,701,884	\$ 7,268,838	\$ 3,648,844	52.46	\$ 227,176	\$ 4,040,427	\$ 391,583
A6B-2	2022	3,691,781	3,675,176	2,988,314	89.97	14,939	3,348,762	360,448
A7A	2024	2,002,236	1,888,311	1,087,536	64.44	73,413	1,378,637	291,101
A9A	2027	12,380,283	11,555,898	798,222	8.58	70,724	1,062,133	263,911
A7D	2022	2,383,007	2,250,852	1,717,198	81.78	108,071	1,955,882	238,684
A6D	2022	2,961,501	2,828,672	2,382,408	87.86	116,706	2,613,146	230,738
A7C	2022	2,080,747	1,959,464	1,768,841	95.00	115,224	1,976,803	207,962
A6F	2022	1,849,299	1,714,479	1,364,550	82.76	111,573	1,537,370	172,820
A7F	2022	3,504,804	3,312,666	2,686,158	79.92	153,564	2,819,580	133,422
A5C	2023	3,804,286	3,970,953	1,787,832	44.28	(166,667)	1,902,050	114,218
A7E	2022	1,051,147	981,268	881,749	93.79	65,538	985,849	104,100
A7B-2	2024	325,191	276,809	96,063	52.08	25,196	169,349	73,286
A6E	2022	1,532,800	1,483,073	1,450,733	96.86, 97.29	48,173	1,495,829	45,096
A0B	2021	13,997,959	16,135,890	13,997,959	100.00	(2,137,931)	13,998,003	44
98C-1	2021	3,677,852	3,617,005	3,677,852	100.00	60,847	3,677,852	-
93C	2021	690,775	830,149	673,300	97.47	(139,374)	673,300	-
A5B	2021	562,934	543,682	562,934	100.00	19,252	562,934	-
83C	2021	850,523	787,662	-	100.00	62,861	-	-
A5D	2021	4,101,593	3,905,571	-	100.00	196,022	-	-
A4C	2021	758,642	777,882	758,642	100.00	(19,240)	758,642	-
A5A	2021	169,566	169,187	-	100.00	379	-	-
A5F	2021	302,311	313,634	-	100.00	(11,323)	-	-
A8A	2021	812,045	680,589	-	100.00, 100.00	131,456	-	-
		<u>71,193,166</u>	<u>70,927,710</u>	<u>42,329,135</u>		<u>(873,421)</u>	<u>44,956,548</u>	<u>2,627,413</u>
750		<u>-</u>	<u>-</u>	<u>19,679,673</u>		<u>-</u>	<u>19,679,673</u>	<u>-</u>
		<u>\$ 71,193,166</u>	<u>\$ 70,927,710</u>	<u>\$ 62,008,808</u>		<u>\$ (873,421)</u>	<u>\$ 64,636,221</u>	<u>\$ 2,627,413</u>

(Continued)

December 31, 2020

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Contract Assets	% of Completion	Accumulated Construction Profit (Loss)	Contract Liabilities	Net Amount of Contract Liabilities
A6E	2021	\$ 1,532,800	\$ 1,483,204	\$ 1,128,822	94.59, 85.41	\$ 42,514	\$ 1,367,860	\$ 239,038
A8C	2023	7,701,884	7,260,637	1,418,487	21.15	93,306	1,628,632	210,145
A7A	2023	1,941,228	1,828,620	610,704	33.93	38,210	816,969	206,265
A6F	2021	1,822,971	1,690,362	1,073,856	69.71	92,442	1,275,029	201,173
A9A	2027	11,921,115	11,105,947	146,716	1.28	10,426	342,964	196,248
A6B-2	2022	3,515,847	3,501,636	2,091,123	63.92	9,083	2,283,307	192,184
A5D	2021	4,102,613	3,987,386	3,891,788	99.06	114,146	4,065,056	173,268
A7E	2021	1,036,503	986,668	539,359	58.34	29,072	658,311	118,952
A7D	2021	2,345,252	2,212,342	1,148,005	52.90	70,308	1,241,327	93,322
A8F	2024	3,638,095	3,429,127	219,492	7.97	16,661	290,050	70,558
A7C	2021	2,100,747	1,977,028	894,645	45.84	56,713	962,980	68,335
A7F	2022	3,348,571	3,159,210	1,558,203	48.19	91,251	1,613,658	55,455
98C-1	2020	3,677,852	3,619,026	3,658,638	100.00	58,826	3,677,852	19,214
A8A	2020	816,396	689,347	795,688	100.00, 97.55	126,413	812,131	16,443
A5A	2020	169,566	176,150	161,534	100.00	(6,584)	169,566	8,032
83C	2020	9,043,607	8,681,058	847,523	100.00	362,549	850,523	3,000
A5C	2022	3,754,698	3,757,571	1,582,396	100.00	(2,873)	1,584,958	2,562
93C	2020	690,775	830,149	673,300	97.47	(139,374)	673,300	-
A5B	2020	562,934	540,585	562,934	100.00	22,349	562,934	-
A4C	2020	756,968	772,029	756,723	100.00	(15,061)	756,723	-
A5F	2020	302,311	313,634	302,311	100.00	(11,323)	302,311	-
A6G	2020	973,996	816,282	-	100.00	157,714	-	-
		<u>65,756,729</u>	<u>62,817,998</u>	<u>24,062,247</u>		<u>1,216,768</u>	<u>25,936,441</u>	<u>1,874,194</u>
750		<u>-</u>	<u>-</u>	<u>19,063,733</u>		<u>-</u>	<u>19,063,733</u>	<u>-</u>
		<u>\$ 65,756,729</u>	<u>\$ 62,817,998</u>	<u>\$ 43,125,980</u>		<u>\$ 1,216,768</u>	<u>\$ 45,000,174</u>	<u>\$ 1,874,194</u>

(Continued)



Amounts due to customers for construction contracts

December 31, 2021

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Amounts Due from Customers for Construction Contracts	% of Completion	Accumulated Construction Profit (Loss)	Amounts Due to Customers for Construction Contracts	Net Amount of Amounts Due to Customers for Construction Contracts
A4B	2021	\$ 117,221	\$ 106,399	\$ -	100.00	\$ 10,822	\$ -	\$ -
A0A	2021	<u>934,228</u>	<u>1,229,528</u>	<u>-</u>	100.00	<u>(295,300)</u>	<u>-</u>	<u>-</u>
		<u>\$ 1,051,449</u>	<u>\$ 1,335,927</u>	<u>\$ -</u>		<u>\$ (284,478)</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

Engineering Station Code	Estimated Year of Completion	Total Amount of Construction	Estimated Cost of Construction	Amounts Due from Customers for Construction Contracts	% of Completion	Accumulated Construction Profit (Loss)	Amounts Due to Customers for Construction Contracts	Net Amount of Amounts Due to Customers for Construction Contracts
97H	2020	\$ 2,871,276	\$ 2,590,724	\$ -	100.00	\$ 280,552	\$ -	\$ -
A4B	2020	117,221	106,399	117,221	100.00	10,822	117,221	-
A0A	2020	<u>934,228</u>	<u>1,229,528</u>	<u>934,228</u>	100.00	<u>(295,300)</u>	<u>934,228</u>	<u>-</u>
		<u>\$ 3,922,725</u>	<u>\$ 3,926,651</u>	<u>\$ 1,051,449</u>		<u>\$ (3,926)</u>	<u>\$ 1,051,449</u>	<u>\$ -</u>

Note 1: For the amounts due from customers for construction contracts, refer to Note 26.

Note 2: For the amounts due to customers for construction contracts, refer to Note 20.

Note 3: The Corporation recognized construction revenue of \$14,560,049 thousand in 2021 and \$11,860,058 thousand in 2020.

(Concluded)

## BES ENGINEERING CORPORATION

FINANCING PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Financing Limit for Each Borrowing Company (Note 1)	Ending Balance (Note 1)	Actual Used	Interest Rate	Financing Properties (Note 2)	Financing Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Limit for Each Counterparty	Financing Company's Financing Amount Limits	Note
													Item	Value			
0	BES Engineering Corporation	Bes Engineering Vietnam Co., Ltd.	Other receivable	Y	\$ 29,291	\$ 29,291	\$ 29,291	5	b.	\$ -	Business revolving fund	\$ -	-	\$ -	\$913,421 for each counter-party is equal to 4% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$9,134,209 for each counter-party is equal to 40% of the Corporation's net equity as shown in Corporation's latest financial statements.	
1	Chung Kung Safeguarding & Security Corp.	Chung Kung Management Consultant Co., Ltd.	Accounts receivable - related party	Y	16,000	15,000	-	-	b.	-	Business revolving fund	-	-	-	\$31,193 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$31,193 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	
		Chung Kung Management and Maintenance of Apartment Co., Ltd.	Accounts receivable - related party	Y	16,000	15,000	-	-	b.	-	Business revolving fund	-	-	-	\$31,193 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$31,193 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	
2	Core Asia Human Resources Management Co., Ltd.	Elite Human Resources Management Co., Ltd.	Accounts receivable - related party	Y	10,000	-	-	-	b.	-	Business revolving fund	-	-	-	\$18,633 for each counter-party is equal to 20% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$37,267 for each counter-party is equal to 40% of the Corporation's net equity as shown in Corporation's latest financial statements.	
3	BES Machinery Co., Ltd.	HRDD Logistics Co., Ltd.	Accounts receivable - related party	Y	21,550	21,550	21,550	5	b.	-	Business revolving fund	-	-	-	\$35,101 for each counter-party is equal to 4% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$351,005 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	
4	Cinemark-Core Pacific, Ltd.	Cinema 7 Theater Co., Ltd.	Accounts receivable - related party	Y	20,000	20,000	-	4	b.	-	Business revolving fund	-	-	-	\$108,423 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$108,423 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	

Note 1: Financing limits approved by the board of directors.

Note 2: Reasons for financing are as follows:

- a. Business relationship.
- b. The need for short-term financing.

## BES ENGINEERING CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 13)											
0	BES Engineering Corporation	Agora Garden Co., Ltd.	a.	\$ 57,088,807 (Note 1)	\$ 8,200,000	\$ -	\$ -	\$ -	-	\$ 68,506,569 (Note 2)	-	-	-	
1	Cinemark-Core Pacific, Ltd.	Cinema 7 Theater Co., Ltd.	b.	271,057 (Note 4)	74,300	74,300	56,018	43,530	27.41	813,171 (Note 9)	Y	-	-	Note 3
		Cinemark-Core (Xi-an) Pacific Ltd.	c.	132,353 (Note 5)	59,813	-	-	-	-	132,353	-	-	Y	
2	Hua Cheng Consulting (Changshu) Co., Ltd.	BES Engineering Corporation	d.	474,120 (Note 6)	289,118	289,118	260,000	289,118	60.98	948,240 (Note 10)	-	Y	-	
3	Core Pacific Consulting (Changshu) Co., Ltd.	BES Engineering Corporation	d.	469,566 (Note 7)	289,118	289,118	260,000	289,118	61.57	939,132 (Note 11)	-	Y	-	
4	Chung Kung Safeguarding & Security Corp.	Chung Kung Management Consultant Co., Ltd.	b.	194,956 (Note 8)	25,000	25,000	3,409	-	32.06	233,946 (Note 12)	Y	-	-	
		Chung Kung Management and Maintenance of Apartment Co., Ltd.	b.	194,956 (Note 8)	25,000	25,000	1,500	-	32.06	233,946 (Note 12)	Y	-	-	

Note 1: The limit on the endorsement for each counterparty is equal to 250% of BES Engineering Corporation's net equity as shown in its latest financial statements.

Note 2: The limit on the total endorsements provided is equal to 300% of BES Engineering Corporation's net equity as shown in its latest financial statements.

Note 3: The use of "Y" represents endorsements provided on behalf of entities located in mainland China.

Note 4: The limit on the for each counterparty is equal to 100% of Cinemark-Core Pacific, Ltd.'s net equity as shown in its latest financial statements.

Note 5: The limit on the endorsement depends on the financing contract with Cinemark-Core Pacific, Ltd.

Note 6: The limit on the endorsement for each counterparty is equal to 100% of Hua Cheng Consulting (Changshu) Co., Ltd.'s net equity as shown in its latest financial statements.

Note 7: The limit on the endorsement for each counterparty is equal to 100% of Core Pacific Consulting (Changshu) Co., Ltd.'s net equity as shown in its latest financial statements.

Note 8: The limit on the endorsement for each counterparty is equal to 250% of Chung Kung Safeguarding & Security Corp.'s net equity as shown in its latest financial statements.

Note 9: The limit on the for each counterparty is equal to 300% of Cinemark-Core Pacific, Ltd.'s net equity as shown in its latest financial statements.

Note 10: The limit on the endorsement for each counterparty is equal to 200% of Hua Cheng Consulting (Changshu) Co., Ltd.'s net equity as shown in its latest financial statements.

Note 11: The limit on the endorsement for each counterparty is equal to 200% of Core Pacific Consulting (Changshu) Co., Ltd.'s net equity as shown in its latest financial statements.

Note 12: The limit on the endorsement for each counterparty is equal to 300% of Chung Kung Safeguarding & Security Corp.'s net equity as shown in its latest financial statements.

(Continued)

Note 13: Relationships between endorser/guarantor and endorsee/guarantee are as follows:

- a. Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry for the purposes of undertaking a construction project.
- b. A subsidiary in which parent company holds directly and indirectly over 50% of an equity interest.
- c. Business relationship.
- d. An investee in which parent company and its subsidiaries hold directly and indirectly over 50% of an equity interest.

(Concluded)

## BES ENGINEERING CORPORATION

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No.	Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
					Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
0	BES Engineering Corporation	Taishin ESG Emerging Markets Bond Fund	-	Financial assets at FVTPL - current	500,000	\$ 4,587	-	\$ 4,587	Note 1
		Core Pacific City Co., Ltd.	-	Financial assets at FVTPL - current	1,538,484	2,354,728	15.34	2,354,728	Note 1
		Taiwan Business Bank	-	Financial assets at FVTOCI - current	67,104,077	664,330	0.87	664,330	Note 1
		China Petrochemical Development Corporation	Legal directors of the Corporation	Financial assets at FVTOCI - non-current	111,277,510	1,463,299	2.94	1,463,299	Note 1
		Century Development Corporation	-	Financial assets at FVTOCI - non-current	10,633,492	80,815	3.03	80,815	Note 1
		Overseas Investment & Development Corporation	-	Financial assets at FVTOCI - non-current	2,600,000	18,200	2.89	18,200	Note 1
		Zowie Technology Corporation	-	Financial assets at FVTOCI - non-current	6,611	-	0.02	-	
		Fortemedia	-	Financial assets at FVTOCI - non-current	4,137	-	-	-	
		Fortemedia	-	Financial assets at FVTOCI - non-current	62,282	-	-	-	Note 2
1	Core Pacific World Co., Limited	China Petrochemical Development Corporation	Legal directors of the Corporation	Financial assets at FVTOCI - current	30,649,620	403,042	0.81	403,042	Note 1
		Taiwan Business Bank	-	Financial assets at FVTOCI - current	1,382,075	13,683	0.02	13,683	Note 1
		Core Pacific City Co., Ltd.	-	Financial assets at FVTPL - current	9,690	14,831	0.10	14,831	Note 1
2	BES Machinery Co., Ltd.	China Petrochemical Development Corporation	Legal directors of the Corporation	Financial assets at FVTOCI - non-current	13,110,345	172,401	0.35	172,401	Note 1
		Formosa Chemicals & Fibre Corporation	-	Financial assets at FVTPL - current	75,000	6,060	-	6,060	Note 1
3	Cinemark-Core Pacific, Ltd.	The investment case of movie - The M Riders	-	Financial assets at FVTOCI - non-current	-	-	-	-	

Note 1: Market values of listed quoted shares and mutual funds were based on the closing prices and net asset values, respectively, as of December 31, 2021; values of unlisted shares were determined by using the fair value measurement as of December 31, 2021.

Note 2: Preference shares.

## BES ENGINEERING CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
BES Engineering Corporation	Stock China Petrochemical Development	Financial assets at FVTOCI - non-current	-	-	40,713,750	\$ 1,023,592	70,563,760	\$ 829,124	-	\$ -	\$ -	\$ -	111,277,510	\$ 1,852,716
Core Pacific World Co., Limited	Stock China Petrochemical Development	Financial assets at FVTOCI - current	-	-	27,322,525	198,980	3,327,095	39,094	-	-	-	-	30,649,620	238,074
BES Engineering Vietnam Co., Ltd.	Stock Phu An Real Estate Co., Ltd.	Investments accounted for using the equity method	Phu An Real Estate Co., Ltd.	Subsidiaries	-	-	-	-	-	-	-	-	-	-

Note: BES Engineering Vietnam Co., Ltd. acquired the shareholdings in the investment in Fu An Real Estate Co., Ltd., which was approved by the board of directors on December 13, 2021 and signed an agreement on December 15, 2021. As of the reporting date, equity transfer procedure was in progress.

**BES ENGINEERING CORPORATION**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note)		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Term	Unit Price	Payment Terms	Ending Balance	% to Total	
BES Engineering Corporation	China Petrochemical Development Corporation	Legal directors of the Corporation	Sales	\$ (162,000)	(1.02)	-	\$ -	-	Construction receivables \$ 16,475	0.72	

## BES ENGINEERING CORPORATION

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Investment Gain (Loss) Recognized (Note 1)	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
BES Engineering Corporation	Core Pacific World Co., Limited BES Machinery Corporation	Taipei, Taiwan	Makes investments	\$ 1,530,094	\$ 1,530,040	115,942,000	99.95	\$ 1,430,852	\$ 16,022	\$ 16,014	Investee is a subsidiary
		Kaohsiung, Taiwan	Leases engineering machinery and equipment, and wholesale construction materials and provides consulting service for designing and planning projects, except for certain architectural matters	867,733	867,733	77,364,999	99.35	871,809	19,573	19,446	Investee is a subsidiary
	Core Pacific City Co., Ltd. BES Investment Company Ltd.	Taipei, Taiwan	Department store	-	2,254,760	-	-	-	-	25,412	(Note 3)
		Hong Kong	Overseas construction and equipment sale	1,485,277	733,975	49,600,000	100.00	1,285,528	895	895	Investee is a subsidiary
	BES Logistics International Co., Ltd.	Republic of Mauritius	Makes investments	348,278	348,278	13,995,389	100.00	723,939	16,057	16,057	Investee is a subsidiary
	Core Asia Human Resources Management Co., Ltd.	Taipei, Taiwan	Consultancy on business administration and investments	60,000	60,000	6,000,000	100.00	93,167	5,313	5,313	Investee is a subsidiary
	Chung Kung Safeguarding & Security Corp.	Taipei, Taiwan	Security and related services	38,127	38,127	3,880,000	64.67	50,432	1,235	799	Investee is a subsidiary
	Cinemark-Core Pacific, Ltd.	Taipei, Taiwan	Movie broadcasting and related businesses	23,450	23,450	1,861,500	15.38	41,688	(69,322)	(10,622)	Investee is a subsidiary (Note 2)
	BES Construction Corporation (U.S.A.)	Georgia, U.S.A.	Develops lands for investments	259,562	259,562	8,509	91.79	24,583	(384)	(353)	Investee is a subsidiary
	BES Global Investment Co.	B.V.I.	Overseas construction and equipment sale	51,313	51,313	1,510,100	100.00	16,939	161	161	Investee is a subsidiary
BA & BES Contracting (L.L.C.)	P.O. Box 92237, Dubai-UAE	Engineering and construction	10,696	10,696	1,200,000	40.00	-	-	-	Investee is a subsidiary	
Core Pacific World Co., Limited	Chinese City International Investment Co., Ltd. Zhong Hua Cheng Development Co., Ltd.	Republic of Mauritius	Consulting	330,714	330,714	9,500,000	100.00	482,800	6,064	6,064	Investee is a subsidiary
		Republic of Mauritius	Consulting	330,714	330,714	9,500,000	100.00	478,172	5,855	5,855	Investee is a subsidiary
BES Machinery Co., Ltd.	BESM Holding Co., Ltd. Cinemark-Core Pacific, Ltd.	B.V.I.	Holds investments	162,163	162,163	5,075,000	100.00	251,620	4,055	4,055	Investee is a subsidiary
		Taipei, Taiwan	Movie broadcasting and related businesses	91,930	91,930	7,593,680	62.76	170,115	(69,322)	(43,506)	Investee is a subsidiary (Note 2)
BES Investment Company Ltd.	Wei-Jing Holdings Ltd. BES Construction Corporation (U.S.A.) Global BES Engineering (Myanmar) Co., Ltd. BES Engineering Vietnam Co., Ltd.	B.V.I.	Holds investments	463,104	463,104	14,400,000	44.67	489,013	(11,168)	(4,989)	Investee is a subsidiary
		Georgia, U.S.A.	Develops lands for investments	25,724	25,724	761	8.21	2,199	(384)	(31)	Investee is a subsidiary
		Yangon, Myanmar	Engineering and construction	15,478	15,478	500,000	100.00	13,556	2,489	2,489	Investee is a subsidiary
		Ho Chi Minh, Vietnam	Engineering and construction	726,220	30,570	26,000,000	100.00	721,071	3,615	3,615	Investee is a subsidiary
Core Asia Human Resources Management Co., Ltd.	Elite Human Resources Management Co., Ltd.	Taipei, Taiwan	Human resource consulting	5,000	5,000	500,000	100.00	11,987	3,472	3,472	Investee is a subsidiary
		Taipei, Taiwan	Business management consulting and running parking lots	10,000	10,000	-	100.00	12,843	(1,208)	(1,208)	Investee is a subsidiary
Chung Kung Safeguarding & Security Corp.	Chung Kung Management Consultant Co., Ltd. Chung Kung Management and Maintenance of Apartment Co., Ltd.	Taipei, Taiwan	Manages apartment maintenance and renders related services	3,700	3,700	-	37.00	4,710	1,076	398	Investee is a subsidiary
		Taipei, Taiwan	Manages apartment maintenance and renders related services	3,700	3,700	-	37.00	4,710	1,076	398	Investee is a subsidiary
Cinemark-Core Pacific, Ltd.	Cinemark-Core (Hong Kong) Pacific Ltd. Cinema 7 Theater Co., Ltd.	Hong Kong	Hold investment	246,729	246,729	61,503,000	49.60	118,953	(37,655)	(18,677)	Investee is a subsidiary
		Taipei, Taiwan	Movie broadcasting and retail sale of food products and groceries	150,183	150,183	25,000	100.00	(15,296)	(26,411)	(26,411)	Investee is a subsidiary
Chung Kung Management Consultant Co., Ltd.	Chung Kung Management and Maintenance of Apartment Co., Ltd.	Taipei, Taiwan	Manages apartment maintenance and renders related services	6,300	6,300	-	63.00	8,020	1,076	678	Investee is a subsidiary

Note 1: Except BA & BES Contracting (L.L.C.) which were calculated based on unaudited financial statements, the rest were calculated based on the investees' audited financial statements for the same period, proportionate to the Corporation's shareholding proportion in the respective investee. The management of the Corporation believes that the above-mentioned financial statements of the investee companies under the equity method were audited, which would not cause significant adjustment.

Note 2: The Corporation and its subsidiary, BES Machinery Co., Ltd. had a 77.73% interest in Cinemark-Core Pacific, Ltd.; thus, this investment was accounted for by the equity method.

Note 3: The Corporation ceased to have significant influence over Core Pacific City Co., Ltd. on October 22, 2021, and reclassified the remaining shareholding as financial assets at FVTPL.



## BES ENGINEERING CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Engages in the logistics, warehousing and international trade	\$ 1,100,438 (RMB 250,000 thousand)	b. (Note 3)	\$ 341,921 (US\$ 10,703 thousand)	\$ -	\$ -	\$ 341,921 (US\$ 10,703 thousand)	\$ 42,131 (RMB 9,705 thousand)	39.20	\$ 16,515 (RMB 3,804 thousand) b, 2)	\$ 770,253 (RMB 177,314 thousand)	\$ 153,108 (US\$ 5,038 thousand)
Core Pacific Consulting (Changshu) Co., Ltd.	Provides engineering consulting services	305,982 (US\$ 9,000 thousand)	b. (Note 4)	305,982 (US\$ 9,000 thousand)	-	-	305,982 (US\$ 9,000 thousand)	6,622 (RMB 1,526 thousand)	100.00	6,622 (RMB 1,526 thousand) b, 2)	469,566 (RMB 108,095 thousand)	-
Hua Cheng Consulting (Changshu) Co., Ltd.	Provides engineering consulting services	305,982 (US\$ 9,000 thousand)	b. (Note 5)	305,982 (US\$ 9,000 thousand)	-	-	305,982 (US\$ 9,000 thousand)	6,833 (RMB 1,574 thousand)	100.00	6,833 (RMB 1,574 thousand) b, 2)	474,120 (RMB 109,144 thousand)	-
Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Engages in the logistics, warehousing and international trade	1,100,438 (RMB 250,000 thousand)	b. (Note 6)	167,565 (RMB 40,900 thousand)	-	-	167,565 (RMB 40,900 thousand)	42,131 (RMB 9,705 thousand)	9.80	4,129 (RMB 951 thousand) b, 2)	192,563 (RMB 44,328 thousand)	38,277 (US\$ 1,260 thousand)
Cinemark-Core (Shanghai) Pacific Management and Consulting	Theater management, purchasing, and consulting	27,602 (US\$ 900 thousand)	b. (Note 7)	27,577 (US\$ 900 thousand)	-	-	27,577 (US\$ 900 thousand)	(4) (RMB (1) thousand)	49.60	(2) (RMB - thousand) b, 2)	(476) (RMB (110) thousand)	-
Yunnan Core Pacific City	Theater management, purchasing, and consulting	120,676 (US\$ 4,031 thousand)	b. (Note 7)	59,131 (US\$ 1,975 thousand)	-	-	59,131 (US\$ 1,975 thousand)	(5,375) (RMB (1,238) thousand)	24.30	(1,306) (RMB (301) thousand) b, 2)	33,224 (RMB 7,647 thousand)	-
HRDD Logistics Co., Ltd.	Provides warehousing and freight forwarders	653,328 (RMB 144,000 thousand)	a. (Note 8)	166,730 (RMB 34,000 thousand)	-	-	166,730 (RMB 34,000 thousand)	(109,737) (RMB (25,278) thousand)	23.61	(25,909) (RMB (5,968) thousand) b, 2)	68,030 (RMB 15,661 thousand)	-
Cinemark-Core (Suzhou) Pacific Ltd.	Theater management, purchasing, and consulting	343,172 (US\$ 11,000 thousand)	b. (Note 7)	161,597 (US\$ 5,000 thousand)	-	-	161,597 (US\$ 5,000 thousand)	(35,668) (RMB (8,217) thousand)	49.60	(17,691) (RMB (4,076) thousand) b, 2)	58,548 (RMB 13,478 thousand)	-

(Continued)

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
BES Engineering Corporation	US\$ 12,103 thousand	US\$ 15,184 thousand	NT\$ 13,701,314
Core Pacific World Co., Limited	US\$ 18,000 thousand	US\$ 19,000 thousand	NT\$ 858,941
BES Machinery Co., Ltd.	RMB 74,900 thousand (US\$ 16,241 thousand)	RMB 79,800 thousand (US\$ 17,038 thousand)	NT\$ 526,508
Cinemark-Core Pacific, Ltd.	US\$ 7,875 thousand	US\$ 7,875 thousand	NT\$ 162,634

Note 1: Methods of investment are as categorized as follows:

- a. Direct investment in China.
- b. Investment made in China through third party.
- c. Others.

Note 2: Under the investment gain (loss) column:

- a. Companies still in the preparatory stage and therefore have no gains or losses should be disclosed.
- b. Investment gain (loss) recognized based on the following should be disclosed:
  - 1) Financial statements are audited through the cooperation between international accounting firm and ROC accounting firm.
  - 2) Financial statements are audited by licensed CPA of the parent company.
  - 3) Others

Note 3: BES Logistics International Co., Ltd., is third party investor.

Note 4: Zhong Hua Cheng Development Co., Ltd., is third party investor.

Note 5: Chinese City International Investment Co., Ltd., is third party investor.

Note 6: BESM Holding Co., Ltd., is third party investor.

Note 7: Cinemark-Core (Hong Kong) Pacific Ltd., is third party investor.

Note 8: BES Machinery Co., Ltd., is third party investor.

(Concluded)

**BES ENGINEERING CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Petrochemical Development Corporation	164,348,449	10.73

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

# BES ENGINEERING CORPORATION

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## BES ENGINEERING CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS - CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	January 1, 2021		Additions		Decrease		Gain (Loss) on Financial Assets at Fair Value Through Profit or Loss	December 31, 2021		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount		
Unlisted shares - ordinary shares											
Core Pacific City Co., Ltd.	-	\$ -	233,749,600	\$ 3,908,303	232,211,116	\$ 1,523,099	\$ (30,476)	1,538,484	\$ 2,354,728	None	Note
Mutual funds											
Taishin ESG Emerging Markets Bond Fund	-	-	500,000	5,030	-	-	(443)	500,000	4,587	None	
Taishin ESG Global Environmental Growth Equity Fund	-	-	300,000	3,002	300,000	3,069	67	-	-	None	
				8,032		3,069	(376)		4,587		
		\$ -		\$ 3,916,335		\$ 1,526,168	\$ (30,852)		\$ 2,359,315		

Note: There were two reasons for reduction for the current year. First, the capital reduction to offset deficit divested 79,901,193 issued shares, and the ratio of capital reduction was about 34.1823871%. Second, the capital reduction by cash to return investments divested 152,309,923 issued shares at \$10 par value per share, amounted to about \$1,523,099 thousand, and the ratio was 99%. Besides, the decrease in Core Pacific City Co., Ltd.'s paid-in capital was according to the proportion of the original shareholders' shareholding.

## BES ENGINEERING CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	January 1, 2021		Additions		Decrease		Unrealized Gain on Financial Assets at Fair Value Through Other Comprehen- sive Income	December 31, 2021		Accumulated Impairment	Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount			
Listed shares - ordinary shares Taiwan Business Bank	64,897,560	\$ 631,453	2,206,517	\$ -	-	\$ -	\$ 32,877	67,104,077	\$ 664,330	Not applicable	Yes	Note

Note: As of the end of 2021, Taiwan Business Bank is pledged for short-term borrowings with a mortgage amount of \$611,889 thousand.

**BES ENGINEERING CORPORATION****STATEMENT OF CONSTRUCTION RECEIVABLES, NET****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

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<b>Name of Owner</b>	<b>Amount</b>
Department of Urban Development, Taipei City Government	\$ 326,724
Department of Rapid Transit Systems, Taoyuan City Government	287,195
Air Force Combatant Command	262,556
Taoyuan International Airport Corporation	213,148
New Construction Office, Public Works Department, Taipei City Government	209,836
Southern Region Water Resources Office, Water Resources Agency, Ministry of Economic Affairs	176,028
Hua Nan Commercial Bank, Ltd.	151,340
North Construction site of Nuclear Construction Department, Taipower Co.	147,111
Central Region Water Resources Office, Water Resources Agency, Ministry of Economic Affairs	144,084
National Taiwan University Hospital	141,876
Others (Note)	<u>226,840</u>
	<u>\$ 2,286,738</u>

Note: The amount of each item does not exceed 5% of the account balance.

## BES ENGINEERING CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Balance, January 1, 2021			Additions		Decrease		Investment Profit (Loss) Accounted for Using Equity Method	Cumulative Translation Adjustment	Balance, December 31, 2021			Note
	Number of Shares	Percentage of Ownership (%)	Amount	Number of Shares	Amount	Number of Shares	Amount			Number of Shares	Percentage of Ownership (%)	Amount	
Core Pacific City Co., Ltd.	233,749,600	23.51	\$ 289,328	-	\$ 775,507	233,749,600	\$ 1,090,247	\$ 25,412	\$ -	-	-	\$ -	(Notes 6, 8 and 9)
Core Pacific World Co., Limited	115,936,200	99.95	1,375,740	5,800	46,363	-	-	16,014	(7,265)	115,942,000	99.95	1,430,852	(Note 3)
BES Machinery Co., Ltd.	77,364,999	99.35	834,720	-	20,303	-	-	19,446	(2,660)	77,364,999	99.35	871,809	(Notes 2, 3 and 4)
BES Investment Company Ltd.	22,600,000	100.00	535,439	27,000,000	765,397	-	-	895	(16,203)	49,600,000	100.00	1,285,528	(Notes 3 and 5)
BES Logistics International Co., Ltd.	13,995,389	100.00	713,248	-	-	-	-	16,057	(5,366)	13,995,389	100.00	723,939	
Core Asia Human Resources Management Co., Ltd.	6,000,000	100.00	93,814	-	40	-	6,000	5,313	-	6,000,000	100.00	93,167	(Notes 2 and 7)
Chung Kung Safeguarding & Security Corp.	3,880,000	64.67	49,342	-	291	-	-	799	-	3,880,000	64.67	50,432	(Notes 2 and 3)
Cinemark - Core Pacific, Ltd.	1,861,500	15.38	52,495	-	-	-	-	(10,662)	(145)	1,861,500	15.38	41,688	
BES Construction Corporation (U.S.A.)	8,509	91.79	25,653	-	-	-	-	(353)	(717)	8,509	91.79	24,583	
BES Global Investment Co.	1,510,100	100.00	16,905	-	-	-	-	161	(127)	1,510,100	100.00	16,939	
BA & BES Contracting (L.L.C.)	1,200,000	40.00	-	-	-	-	-	-	-	1,200,000	40.00	-	(Note 1)
			<u>\$ 3,986,684</u>		<u>\$ 1,607,901</u>		<u>\$ 1,096,247</u>	<u>\$ 73,082</u>	<u>\$ (32,483)</u>			<u>\$ 4,538,937</u>	

Note 1: Except BA & BES Contracting (L.L.C.) which were calculated based on unaudited financial statements, the rest were calculated based on the investees' audited financial statements for the same period, proportionate to the Corporation's shareholding proportion in the respective investee. The management of the Corporation believes that the above-mentioned financial statements of the investee companies under the equity method were audited, which would not cause significant adjustment.

Note 2: Increase in the current year is due to accrued defined benefit gain. Among them, there's \$727 thousand from BES Machinery Co., Ltd., \$40 thousand from Core Asia Human Resource Management Co., Ltd. and \$63 thousand from Chung Kung Safeguarding & Security Corp.

Note 3: Increase in the current year is due to unrealized gain on financial assets. Among them, there's \$46,296 thousand from Core Pacific World Co., Limited, \$19,538 thousand from BES Machinery Co., Ltd., \$14,095 thousand from BES Investment Co., Ltd. and \$228 thousand from Chung Kung Safeguarding & Security Corp.

Note 4: Increase in the current year is due to BES Machinery Co., Ltd.'s receipt of donated surplus of \$38 thousand from stockholders.

Note 5: Increase in the current year is due to purchase of Core Pacific World Co., Limited's share, amounted to \$67 thousand and more investments in BES Investment Company Ltd., amounted to \$751,302 thousand.

Note 6: Increase in the current period is due to reversal of impairment losses on financial assets.

Note 7: Decrease in the current year is due to payment of \$6,000 thousand cash dividends from investee companies.

Note 8: Decrease in the current year is due to stock repurchase resolved by the Core Pacific City's board of directors on August 13, 2021, which changed in equity about \$31,293 thousand.

Note 9: Decrease in the current year is that Core Pacific City converted its preference shares into ordinary shares on October 22, 2021, and the Corporation's shareholding proportion was less than 20%. The Corporation ceased to have significant influence over it and use the equity method, so the carrying amount of investments decreased about \$1,058,954 thousand. The Corporation reclassified the remaining shareholdings as financial assets at FVTPL.

Note 10: As of December 31, 2021, no investments accounted for using the equity method were pledged as collateral or provided as guarantee.



## BES ENGINEERING CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Name	January 1, 2021		Additions		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Compre- hensive Income	December 31, 2021		Accumulated Impairment	Collateral	Note
	Shares	Amount	Shares	Amount		Shares	Amount			
Listed shares - ordinary shares										
China Petrochemical Development Corporation	40,713,750	\$ 474,315	70,563,760	\$ 829,124	\$ 159,860	111,277,510	\$ 1,463,299	Not applicable	Yes	Notes 1 and 2
Unlisted shares - ordinary shares										
Century Development Corporation	10,633,492	78,263	-	-	2,552	10,633,492	80,815	Not applicable	None	
Overseas Investment & Development Corporation	2,600,000	22,048	-	-	(3,848)	2,600,000	18,200	Not applicable	None	
Zowie Technology Corporation	6,611	-	-	-	-	6,611	-	Not applicable	None	
Fortemedia	4,137	-	-	-	-	4,137	-	Not applicable	None	
Unlisted shares - preferred shares										
Fortemedia	62,282	-	-	-	-	62,282	-	Not applicable	None	
		<u>100,311</u>		<u>-</u>	<u>(1,296)</u>		<u>99,015</u>			
		<u>\$ 574,626</u>		<u>\$ 829,124</u>	<u>\$ 158,564</u>		<u>\$ 1,562,314</u>			

Note 1: As of the end of 2021, China Petrochemical Development Corporation is pledged for short-term borrowings with a mortgage amount of \$509,891 thousand.

Note 2: Increase in the current year is due to the subscription for China Petrochemical Development's seasoned equity offering at par value of \$11.75 per share.

## BES ENGINEERING CORPORATION

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Item	Land	Buildings	Transportation Equipment	Total
<u>Cost</u>				
Balance, January 1, 2021	\$ 57,841	\$ 37,094	\$ 38,580	\$ 133,515
Additions	-	6,841	11,964	18,805
Decrease	<u>(852)</u>	<u>(7,993)</u>	<u>(5,223)</u>	<u>(14,068)</u>
Balance, December 31, 2021	<u>\$ 56,989</u>	<u>\$ 35,942</u>	<u>\$ 45,321</u>	<u>\$ 138,252</u>
<u>Accumulated depreciation</u>				
Balance, January 1, 2021	\$ 8,140	\$ 14,740	\$ 13,750	\$ 36,630
Additions	6,594	13,803	13,871	34,268
Decrease	<u>(852)</u>	<u>(7,328)</u>	<u>(5,223)</u>	<u>(13,403)</u>
Balance, December 31, 2021	<u>\$ 13,882</u>	<u>\$ 21,215</u>	<u>\$ 22,398</u>	<u>\$ 57,495</u>
Net, December 31, 2021	<u>\$ 43,107</u>	<u>\$ 14,727</u>	<u>\$ 22,923</u>	<u>\$ 80,757</u>

## BES ENGINEERING CORPORATION

## STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Type	Contract Period	Interest Rate (%)	Amount	Loan Commitments	Collateral
Unsecured loans					
Taiwan Business Bank	2021.12.15-2022.06.15	1.800	\$ 500,000	\$ 500,000	
Mortgage loan					
Bank of Taiwan	2021.11.08-2022.11.08	1.880	800,000	800,000	Land, buildings and parking space
Bank of East Asia	2021.02.17-2022.02.16	2.157	450,000	450,000	Land and building
Sunny Bank- Min sheng Branch	2021.11.19-2022.04.02	1.745	300,000	550,000	Taiwan Business Bank, Ltd. shares
Bank of Taiwan	2021.11.08-2022.11.08	1.880	200,000	1,400,000	Land and building and parking space
Sunny Bank- Min sheng Branch	2021.11.19-2022.04.02	1.845	100,000	-	Taiwan Business Bank, Ltd. shares
Shin Kong Bank - Cheng The Branch	2021.09.08-2022.03.08	2.010	48,000	48,000	Land and building
			<u>1,898,000</u>	<u>3,248,000</u>	
Bank overdrafts					
Taiwan Business Bank			290,049	300,000	Land and building
			<u>\$ 2,688,049</u>	<u>\$ 4,048,000</u>	

Note: As of December 31, 2021, the Corporation had available unutilized short-term borrowings facilities was \$1,359,951 thousand.

**BES ENGINEERING CORPORATION****STATEMENT OF TRADE PAYABLE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Related parties	
Chung Kung Safeguarding & Security Corp.	\$ 5,462
Core Asia Human Resources Management Co., Ltd.	4,143
BES Machinery Co., Ltd.	<u>34,583</u>
	44,188
Unrelated parties	
Others (Note)	<u>4,487,432</u>
	<u>\$ 4,531,620</u>

Note: The amount of each items does not exceed 5% of the account balance.

## BES ENGINEERING CORPORATION

## STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollar)

Type	Expected Duration and Repayment Method	Range of Interest Rates (%)	Ending Balance			Collateral
			Long-term Borrowings Due Within A Year	Long-term Borrowings Over A Year	Total	
Unsecured loans						
Taiwan Business Bank Department of Business	From August 16, 2021 to March 26, 2025, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.195	\$ -	\$ 200,000	\$ 200,000	
Hua Nan Bank - Chungshiao East Road	From December 15, 2021 to October 15, 2025, the principal is written off by 30% of the deduction of the estimated unit price for each period, the interest is paid monthly and the remaining principal is repaid once at maturity.	1.900	-	200,000	200,000	
Branch Shanghai Commercial & Savings Bank, Ltd. - Tien Mou Branch	From December 15, 2021 to May 27, 2024, the principal is written off by 20% of the deduction of the estimated unit price for each period, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.050	-	180,200	180,200	
Taiwan Cooperative Bank - Dong Taipei Branch	From April 12, 2021 to November 12, 2025, the principal is written off by 20% of the deduction of the estimated unit price for each period, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.140	-	17,116	17,116	
			-	597,316	597,316	
Guaranteed loans						
The Bank of East Asia, Ltd. - Taipei Branch	From December 18, 2020 to December 16, 2022, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.052	520,000	-	520,000	Letter of Credit
EnTie Bank	Note 2	2.347	120,000	680,000	800,000	Receivables
Bank of Kaohsiung - Taipei Branch	Note 2	2.347	15,000	85,000	100,000	Receivables
Shin Kong Bank - Chang An Branch	Note 2	2.347	15,000	85,000	100,000	Receivables
Bank of Taiwan Department of Business	Note 3	2.205	-	438,421	438,421	Land
Bank of Taiwan Department of Business	Note 3	2.205	-	731,579	731,579	Land
Taiwan Business Bank Department of Business	Note 3	2.205	-	442,000	442,000	Land
Hua Nan Bank - Chungshiao East Road	Note 3	2.205	-	442,000	442,000	Land
First Bank - Xingya Branch	Note 3	2.205	-	442,000	442,000	Land
Land Bank of Taiwan - Chung Lun Branch	Note 3	2.205	-	435,000	435,000	Land
Taiwan Cooperative Bank - Dong Taipei Branch	Note 3	2.205	-	221,000	221,000	Land
Chang Hwa Bank - His-Neihu Branch	Note 3	2.205	-	221,000	221,000	Land
Agricultural Bank of Taiwan	Note 3	2.205	-	221,000	221,000	Land
The Bank of East Asia, Ltd.	Note 3	2.205	-	106,000	106,000	Land
			670,000	4,550,000	5,220,000	
			\$ 670,000	\$ 5,147,316	\$ 5,817,316	

Note 1: As of December 31, 2021, the Corporation had available unutilized long-term borrowings facilities was \$17,616,884 thousand.

Note 2: In the case of the syndicated loan from the EnTie Bank of \$2 billion, repayment will be made in seven installments. For the first 4 installment periods, 7.5% of the principal will be paid in each installment period, and the remaining 70% of the principal will be paid in the seventh installment; interest is paid monthly.

Note 3: From April 14, 2021 to April 14, 2026, the interest is paid monthly and the remaining principal is repaid once at maturity.

## BES ENGINEERING CORPORATION

STATEMENT OF CONSTRUCTION CONTRACT REVENUE AND  
 CONSTRUCTION CONTRACT COST  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Code	Construction Contract Revenue	Construction Contract Cost	Construction Contract Gross Profit (Loss)
1. Engineering station			
A8C	\$ 2,411,794	\$ 2,277,924	\$ 133,870
A5D	36,537	(45,339)	81,876
A7F	1,205,923	1,143,610	62,313
A8B	1,165,164	1,103,543	61,621
A9A	909,645	849,347	60,298
A7C	1,013,823	955,312	58,511
A6D	961,170	918,874	42,296
A8F	732,596	691,912	40,684
A7D	714,555	676,792	37,763
A7E	364,551	328,085	36,466
A7A	643,844	608,641	35,203
A7B-2	150,097	127,801	22,296
A6F	262,341	243,210	19,131
A6B-1	295,070	285,351	9,719
A5A	-	(6,963)	6,963
A7B-1	111,412	104,863	6,549
A6B-2	1,065,455	1,059,599	5,856
A6E	161,999	156,340	5,659
A8A	-	(5,043)	5,043
98C-1	-	(2,021)	2,021
83C	-	266	(266)
A5B	-	3,097	(3,097)
A4C	1,919	6,098	(4,179)
A6C	962,467	1,025,676	(63,209)
A5C	368,587	532,381	(163,794)
A0B	405,160	1,108,428	(703,268)
	<u>13,944,109</u>	<u>14,147,784</u>	<u>(203,675)</u>
2. Development station			
750	<u>615,940</u>	<u>594,706</u>	<u>21,234</u>
	<u>\$ 14,560,049</u>	<u>\$ 14,742,490</u>	<u>\$ (182,441)</u>

**BES ENGINEERING CORPORATION****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Research and Development Expenses</b>	<b>Total</b>
Salary (Note 1)	\$ 24,225	\$ 151,877	\$ 12,352	\$ 188,454
Commission expense	42,617	-	-	42,617
Professional fees	10,726	21,255	8,731	40,712
Donation expense	-	34,210	-	34,210
Taxes and fees	352	28,219	-	28,571
Other (Note 2)	<u>35,680</u>	<u>74,383</u>	<u>6,030</u>	<u>116,093</u>
	<u>\$ 113,600</u>	<u>\$ 309,944</u>	<u>\$ 27,113</u>	<u>\$ 450,657</u>

Note 1: Salary includes salary, bonus and retirement expense.

Note 2: The amount of each item does not exceed 5% of the account balance.

## BES ENGINEERING CORPORATION

STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)

Item	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employees benefits expense						
Salaries expenses	\$ 718,074	\$ 121,488	\$ 839,562	\$ 585,350	\$ 109,023	\$ 694,373
Labor and health expenses	57,458	8,776	66,234	50,191	8,048	58,239
Pension expenses	30,618	6,093	36,711	26,228	9,003	35,231
Director's emoluments	-	60,873	60,873	-	27,292	27,292
Other employee benefits	20,838	1,586	22,424	18,132	1,441	19,573
	<u>\$ 826,988</u>	<u>\$ 198,816</u>	<u>\$ 1,025,804</u>	<u>\$ 679,901</u>	<u>\$ 154,807</u>	<u>\$ 834,708</u>
Depreciation expense	<u>\$ 42,230</u>	<u>\$ 30,201</u>	<u>\$ 72,431</u>	<u>\$ 48,924</u>	<u>\$ 30,475</u>	<u>\$ 79,399</u>

Note 1: As of December 31, 2021 and 2020, the Corporation had 840 and 824 employees, respectively, of which 8 directors were not concurrently serving as employees for both years.

Note 2. The average employee benefits expenses were \$1,160 thousand and \$989 thousand in 2021 and 2020, respectively.

Note 3. The average employees' salary expenses were \$1,009 thousand and \$851 thousand in 2021 and 2020, respectively.

Note 4. The change in the average employees' salary expenses was 18.6%.

Note 5: There was no supervisor in the Corporation, and audit committee has replaced supervisors' authority as required by law.

Note 6: The compensation policies of the Corporation are as follows:

a. Directors

In accordance with Article 28 of the Corporation's articles of incorporation, if the Corporation has a profit before tax in the current year, the Corporation shall allocate no less than 2% of the profit as employees' compensation and no more than 2% of the profit as remuneration of directors. However, if the Corporation has accumulated losses, it should first reserve an amount for the offset of the loss. The above-mentioned distribution ratios are adopted by the resolution of the board of directors with more than two-thirds of the board of directors present and with the consent of more than half of the directors that are present, and are reported at the shareholders meeting. In addition, the "Board Performance Evaluation Method" of the Corporation is used as a reference for the remuneration of directors.

b. Managers

The salary level of the Corporation's managers must be competitive in order to attract external outstanding talent and retain existing talent. Managers' salaries are differentiated based on job responsibilities and performance in order to encourage managers to assume greater responsibilities and meet their performance goals. Managers are responsible for operations performance, and incentives should take into account the Corporation's long-term and short-term performance.

c. Employees

The overall salary of the Corporation's employees, which includes fixed and variable salary, is based on the principle of balancing internal fairness and external competitiveness. In addition, bonuses are promptly issued to share the results of operations with colleagues to attract, motivate and retain talent. Pursuant to the Corporation's articles of incorporation, no less than 2% of annual pre-tax net income before deduction of employees' compensation and remuneration of directors and supervisors shall be allocated as employees' compensation. Employees' compensation is determined based on job responsibilities and professional skills, and the amount of salary and bonus paid is based on individual performance and level of contribution to the Corporation.



**VI. The impact on the company's financial condition shall be listed for the company and its affiliated companies that have encountered difficulty in financial turnover in the most recent year and up to the published date of this annual report : N/A**

## Seven. Discussion and Analysis for the Financial Position and Operating Results and Risks

### I. Financial Position

#### Comparative Analysis of the Financial Position

Unit: NT NTD in thousands

Item	Year	Year 2020	Year 2021	Deviance	
				Increase (Decrease) Amount	Change Ratio%
Current Assets		33,789,293	38,754,641	4,965,348	14.70
Investments by the Equity Method		1,962,920	1,638,812	(324,108)	(16.51)
Property, Plant and Equipment		3,220,082	3,210,072	(10,010)	(0.31)
Other Non-Current Assets		3,136,422	4,484,638	1,348,216	42.99
Total Assets		42,108,717	48,088,163	5,979,446	14.20
Current Liabilities		16,243,125	17,472,075	1,228,950	7.57
Non-current Liabilities		5,450,050	7,687,342	2,237,292	41.05
Total Liabilities		21,693,175	25,159,417	3,466,242	15.98
Share Capital		15,308,998	15,308,998	0	0.00
Capital Reserves		73,833	73,884	51	0.07
Retained Earnings		5,387,899	7,676,432	2,288,533	42.48
Other Equity		(462,906)	(223,791)	239,115	(51.66)
Equity Attributed to the Owners of the Parent Company		20,307,824	22,835,523	2,527,699	12.45
Non-controlling Equity		107,718	93,223	(14,495)	(13.46)
Total of Shareholders' Equity		20,415,542	22,928,746	2,513,204	12.31
The main reasons for the increase or decrease and its impact and future response plan:					
1. The increase in other non-current assets was mainly attributable to the increase in financial assets measured at fair value through other comprehensive profit or loss - non-current and prepaid investments.					
2. The increase in non-current liabilities was mainly due to the increase in long-term borrowings.					
3. The increase in retained earnings was mainly due to the increase in net profit for the year.					

### II. Financial Performance

#### (I) Comparison and analysis of operating results.

Unit: NT NTD in thousands

Item	Year 2020	Year 2021	Deviance	
			Increase (Decrease) Amount	Change Ratio%
Operating Revenue	13,470,962	17,196,685	3,725,723	27.66
Operating Costs	12,524,915	16,856,799	4,331,884	34.59
Gross Operating Profit	946,047	339,886	(606,161)	(64.07)
Operating Expenses	571,000	698,505	127,505	22.33
Operating Income (Loss)	375,047	(358,619)	(733,666)	(195.62)
Non-operating Revenue and Expenses	418,185	2,837,088	2,418,903	578.43
Pre-tax Net Profit	793,232	2,478,469	1,685,237	212.45
Income Tax Expenses (Incomes)	194,385	(183,707)	(378,092)	(194.51)
Net profit for the year	598,847	2,662,176	2,063,329	344.55
Other Comprehensive Incomes and Losses	100,314	239,037	138,723	138.29
Total Comprehensive Incomes and Losses	699,161	2,901,213	2,202,052	314.96

1. The decrease in operating profit and operating profit was mainly due to the increase in operating costs.
2. The increase in non-operating income and expenses, the increase in net profit before profit and the increase in net profit were mainly due to the disposal of the interests of Jinghua City.

(II) Analysis of Changes in Gross Operating Profit:

Item	Year		
	Year 2020	Year 2021	Percentage of Increase (Decrease) (%)
Operating Margin (%)	7.02	1.97	(71.95)
Analysis and explanation for the changes of increase/decrease percentage: Mainly due to the increase in operating costs in 2021 and the decrease in operating gross profit.			

### III. Cash Flow

(I) Analysis for the Liquidity of the Recent Two Years

Item	Year		
	Year 2020	Year 2021	Percentage of Increase (Decrease) (%)
Cash flow ratio (%)	3.37	1.12	-66.77
Cash flow adequacy ratio (%)	7.45	10.23	37.69
Cash re-investment ratio (%)	0.89	-	-
Analysis and explanation for the changes in increase/decrease percentage: Mainly due to the decrease in net cash inflow from operating activities.			

(II) Analysis for the cash liquidity for the next year

1. Analysis for the changes in cash flow for the year (next year)

Unit: NT NTD in thousands

Cash and cash equivalents at the beginning of the year Balance ①	Net cash flow from the operating activities for the full year ②	Cash outflow for the full year ③	Remaining cash (insufficient) amount ① + ② - ③	Remedy for insufficient cash amount	
				Investment Plan	Wealth management Plan
2,705,373	1,764,615	2,539,588	1,930,400		

- (1) Operating activities: actively contracting public construction and individual construction projects; well controlling the construction progress and promoting the development, sales and leasing business in industrial zones, in order to contribute to the operating revenue and funds
- (2) Investment activities: continuously implementing the streamline of the Company and carefully selecting the underlying investees.
- (3) Financing activities: repaying the borrowings due gradually

2. The expected remedy for insufficient cash amount and the analysis for liquidity: N/A

**IV. The impact from annual material capital expenses to the financial business: None**

**V. The main reasons for the profit or loss of the re-investment policy for the recent year, the improvement plan and the investment plan for the next year:**

Unit: NT NTD in thousands

Explanation Item	Amount	Policy	Main reasons for the profit or loss	Improvement plan	Other investment plan for the next year
Core Pacific World Co., Limited.	1,430,852	Diversified operation	The Company has started to earn profit from 2021	—	—
BES Machinery Co., Ltd.	871,809	Vertical integration	The company has started to lose money since 2021	—	—
Core Asia Human	93,167	Diversified	The Company has started	—	—

Resources Management Co., Ltd.		operation	to earn profit from 2021		
Chung Kung Safeguarding & Security Corp.	50,432	Diversified operation	The company has started to lose money since 2021	—	—

## **VI. Analysis and Assessment of the Risks for the Recent Year up to the Publication Date of the Annual Report**

(I) Impacts to the income and loss of the Company from changes of interest rates, foreign exchange rates, and inflation, and the countermeasures

### 1. Interest rates

A. Considering the surge of global energy and commodity prices due to the Russia-Ukraine conflict and the mounting pressure of imported inflation in Taiwan, the central bank has adjusted the domestic financial policy and increased interest rates by one mark. The central bank believes that the increase hike helps to suppress the expectation for domestic inflation. This will stabilize prices and assist in the stability of economic developments. The Company's borrowing rates have gone up slightly as a result of the central bank's interest rate policy. We will keep a close eye on interest rate changes and the global economic development.

B. Regarding the financing activities with financial institutions, the Company actively negotiates for lowering the additional rates, while continues repaying borrowings to banks, in order to lower the outstanding balance for fewer interest expenses. Therefore, interest rates have limited impacts to the holistic income/loss.

2 Foreign exchange rates: The Company has very insignificant foreign currency assets in the total assets; therefore, foreign exchange rates have limited impacts to the Company.

### 3. Inflation:

A. In recent years, the prices movements of raw materials and energies have been rather steady, and thus the prices have been stable. However, holistic economics and industries are expected to grow steadily, and thus inflation is still in check. Also, the Company actively maintains good relationships with clients and suppliers, and timely adjusts the sales prices and material inventory corresponding to the movement of prices, for the purpose of lowering the influence of inflation.

B. The Company closely observes the market conditions of the bulk commodity, as well as enhances analyses of the trends and movements of the domestic and overseas market. Procurements are made in batches or once-for-all to lower the costs, and subcontract the professional works to avoid the risks of the inflations

C. When contracting out for jobs, the Company negotiates to increase the price-adjustment payment, to decrease the erosion of the profit as much as possible. Therefore, the impact of inflation to the Company is limited.

(II) Policies for investments with high risks and leverage, loaning of funds to others, endorsement and guarantee, and the derivative trading, the main reasons for the profit or loss, and future countermeasures:

1. The Company currently does not engage in any investments with high risks and leverage, nor derivative trading.

2. The endorsement/guarantee cases up to now: The Company's 7th meeting of the 25th board of directors on March 29, 2018 approved the following. Given the joint development for Agora Garden, the Company and Exertis Connect Asia Co., Ltd. became joint obligors for the syndicated loan of NT\$8,500,000 thousand from financial institutions including EnTie Commercial Bank. The endorsement and the guarantee was for NT\$8,200,000 thousand. On December 23, 2020, the board of directors approved the extension of the aforesaid syndicated loan to December 28, 2021. The aforesaid syndicated loan was repaid in full on December 28, 2021. As of December 31, 2021, the Company had no outstanding endorsement or guarantee. The board of directors of the subsidiary Cinemark-Core Pacific Co., Ltd. in April and October 2021 approved that it would act as the joint guarantor for CMK Theatres, which the Company directly and indirectly owns over 50% voting rights, for a loan of NT\$16,415 thousand from Taishin Leasing & Financing Co., Ltd. and a loan of NT\$57,885 thousand from Taishin International Bank to fund the cinema revamp and working capital and provide Taishin International Bank with a certificate of deposit at RMB 10,000 thousand pledged as collateral. As of December 31, 2021, the endorsed and guaranteed amount utilized was NT\$56,018 thousand. The boards of directors of the subsidiaries Core Pacific

Consulting (Changshu) Co., Ltd. and Hua Cheng Consulting (Changshu) Co., Ltd. in December 2020 approved the application to Bank of East Asia Limited's Taipei branch for a revolving credit of NT\$550,000 thousand to fund the Company's working capital. The subsidiaries also provided certificates of deposits in RMB as collateral for the application to the Suzhou branch of Bank of East Asia Limited (China) for a standby L/C at RMB 134,000 thousand for two years. All the guaranteed amounts were in adherence to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. As of December 31, 2021, the total amount utilized by the two companies was NT\$520,000 thousand. The board of directors of the subsidiary Chung Kung Safeguarding & Security Corp. in August 2021 approved that it would act as the joint guarantor for Chung Kung Management Consultant Co., Ltd. and Chung Kung Management and Maintenance of Apartment Co., Ltd. whose over 50% voting rights are directly and indirectly owned by the Company, to apply from the Shanghai Commercial & Savings Bank for a shared credit facility of NT\$50,000 thousand. The guaranteed amount were in adherence to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. As of December 31, 2021, the endorsed and guaranteed amount utilized was NT\$3,409 thousand by Chung Kung Management Consultant Co., Ltd. and NT\$1,500 thousand by Chung Kung Management and Maintenance of Apartment Co., Ltd.

- 3.Loaning funds to others: The Company's 8th meeting of the 26th board of directors on June 10, 2021 resolved the Company's lending of US\$1,050 thousand to CÔNG TY TNHH BES ENGINEERING VIỆT NAM for the business development needs of the latter. The amount actually utilized was US\$1,050 thousand. As of December 31, 2021, the Company's lending totaled US\$1,050 thousand. As of December 31, 2021, three subsidiaries offered credit facilities to others: (1) Chung Kung Safeguarding & Security Corp.'s credit facilities offered were NT\$30,000 thousand, i.e., NT\$15,000 thousand to Chung Kung Management Consultant Co., Ltd. and NT\$15,000 thousand to Chung Kung Management and Maintenance of Apartment Co., Ltd. As of December 31, 2021, no amount was utilized. (2) BES Machinery's credit facilities to Huarui Quanshi Logistics Co., Ltd. was NT\$21,550 thousand and the amount utilized was NT\$21,550 thousand. (3) Cinemark-Core Pacific Co., Ltd.'s credit facilities to CMK Theatres totaled NT\$20,000 thousand and no amount was utilized as of December 31, 2021.

(III) Future plans of R&D and R&D investment expected:

- 1.Construction management system framework reform.
- 2.Establishment of the smart site management mechanism.
- 3.Create an integrated monitoring platform for the command center.
- 4.Establish textualized stakes interconnection management system.
- 5.Establishment of leasing modules for construction equipment.
- 6.The expected investment of R&D for the next year is NT\$16 million.

(IV) The Impact to the finance and business of the Company from the changes of domestic and overseas key policies and laws, and the countermeasures

1. Analysis and Assessment of Risks

- (1) The levy of taxes on multiple properties of the same owner, the restriction of loan-to-value ratios, the implementation of Housing and Land Transaction Tax and the policy in social housing in Taiwan and the continued spread of COVID-19 around the world pandemic are all affecting the fundamentals. The Russia-Ukraine war and sanctions from western countries have dramatically reduced trades with Russia and disrupted the global supply chain of commodities, crude oil, natural gases, metals and mining. Rapidly rising commodity price are pushing global inflation and undermining global trade growth. Major international institutions have all downgrades the forecasts about the global economy and trade growth. All these factors may significantly affect Taiwan's trade performance. The economic growth from last year is unlikely to maintain. Domestic price levels and interest rates are unlikely to hold stable given the rising commodity prices and currency rate fluctuations in the global market. Inflation and rising prices will impact the economy and likely all industries.
- (2) The government has started to contract work for small projects and local constructors are able to bid. As a result, large engineering companies become less competitive in projects of small contract values.
- (3) Government policies, macroeconomy, interest rates, oil prices and water/electricity supply have

influence on the Company's profit or loss.

In summary, the following risk and countermeasures are derived.

2. Risks affecting the Company's incomes:

(1) Market environment competition risk: The excessive supply of similar products in the market results a fierce marketing competition, and finally risks of increasing marketing costs and slow sales of products are derived. The risks are generated from insufficient market research and analysis and product competitiveness, as well as the incapability of grasping the market.

(2) Financial allocation risk: The developers are unable to recover its returns on the investment as scheduled or on schedule, resulting in the use of financial leverage.

(3) Governmental policy direction risk:

A. To encourage Taiwanese companies to return home, the Executive Yuan began in 2019 to drive the action plans to encourage Taiwanese companies to return home, accelerate the keeping of roots in Taiwan and speed up investments from SMEs (small and medium enterprises). All these three action plans are extended to the end of 2024, to encourage investments with assistance in land searching and capital sourcing for manufacturing facilities. Industrial property sales have benefited as a result. To increase the supply of industrial land, the government is also promoting the release of industrial land from public and private sectors via projects such as floor area incentives and the setup of superficies on project basis. This will cause competitive pressure on land sale in the region. Meanwhile, to prevent artificial demand due to industrial land speculation, the government controls the land development and supply for new industrial zones by requiring preregistrations for sale and lease. This has obviously affected the mid-to-long term land reserve planning and purchase willingness of manufacturers. It will influence the timing of industrial land sales.

B. The government's energy transformation plan, public infrastructure projects and private participation in public projects are all contributing significantly to the development of the industries focusing on the domestic market and the creation of job opportunities. Many large corporations domestic and overseas have purchased green electricity. The government is also promoting the development of wind and solar industries with enhanced R&D and manufacturing capacities. Given the policy push for use of green energy, the large consumption of green energy will increase the Company's operation cost.

C. In 2020, the government launched five measures to rectify the real estate market in Taiwan by enhancing the management of transaction behaviors such as the speculation of prebooking for off-plan projects and the use of corporate entities to evade housing taxes by segmenting a property into small units. Meanwhile, more subsidies are provided for social housing and rents. To correct the banking sector's overconcentration on property loans, the central bank added and amended credit control measures four times in 2020-2021, so as to curb short-term speculation of real estate. The Ministry of Finance implemented the Housing and Land Transaction Tax 2.0 in July 2021, to combat speculation in the housing market, to crack down on tax evasion, to prevent excess liquidity in the housing market and to realize housing justice by creating quality homes. This will have an impact on the Company's property development and sales going forward.

D. Overseas development (Vietnam and Myanmar): The investment policies and regulations of the governments in these countries are highly influential to the entrance of foreign companies in investment and project development. Return on investments is a function of investment laws and regulations, the definition of domestic and foreign companies, tax incentives, limitations on land holding years and foreign ownership of real estate. Therefore, it is necessary to keep a close eye on the policy and regulatory changes of local governments.

(4) Macro-economic risk:

A. The pandemic was somewhat eased in 2021 by higher vaccination coverage and testing capacities and hence the number of severe cases and deaths dropped significantly. As strict anti-COVID measures are unlikely to be repeated by major countries, the global economy should be bounce back slowly. However, the continued spreading of the Omicron variant,

- labor shortage and disruption of the global supply chains, interest rate hikes in developed countries due to inflation pressure may pose risks to the economic recovery. Meanwhile, the U.S. Fed announced in November 2021 the end of the unlimited quantitative easing during the pandemic and began the reduction of debt securities purchases. This may lead to turmoil and tension in the financial market. The European Central Bank maintained the three key interest rates at its monetary policy meeting and will gradually slow down asset purchases. China reduced the reserve requirement ratio and continued to lower borrowing costs in order to bolster its economy. Korea, Singapore and New Zealand embarked on interest rate hikes and monetary policy adjustments. The global economy this year remains in a limbo.
- B. The challenge in 2022 for Taiwan is the effects of global inflation. In the second quarter of 2021, many industries in Taiwan benefited from international price increases. Exports rose due to restocking of downstream manufacturers. If demand cannot continue to absorb the inventory, manufacturers may not be able to appropriately transfer the pressure of rising costs. This will affect export competitiveness and performance and hamper the requirement of capacity expansion and change the demand outlook for industrial real estate. To achieve the vision of nuclear-free homes in Taiwan by 2025 and to respond to the emergency of carbon credit and green energy trading around the world, the government continues to develop renewables (e.g., solar and offshore wind). Large farms are clustered in Changhua and its seaward areas. As a result, Changhua Coastal Industrial Park is seeing a variety of forward-looking land demand. This helps land sales.
- C. Construction companies have benefited from increasing payments as government agencies and private companies completed project acceptance at the year end. Land grading and construction commencement were also increasing. Hence, the construction industry enjoyed a recovery in December 2021. Whilst the increasing requirements from government agencies on project reviews and design supervision are slowing down new public projects, the order visibility is improving for private-sector offices and factories. Hence, the outlook for the construction industry is stable over the next six months. The market for pre-owned housing properties has significantly cooled down in December 2021, putting an end to the five-month rally. However, the number of ownership transfers in the six metropolitans in December rose 7.1% from the previous month, due to the high season for home buying and delivery at the year end. The effect of the housing market policy control across cities in December has not been reflected in the number of transactions during the month because it takes one month from purchase to ownership transfer. Going forward, both the positive factors and the negative factors will continue at work in the domestic housing market. This is likely to cause fluctuations at a high level, with no downturns in the near term. That said, a surge in both pricing and quantity is increasingly difficult.
- D. Vietnam: The U.S.-China trade war have disrupted and reshuffled the global supply chain. Orders are moving to Vietnam to avoid risks, high wages and labor shortage. The continued growth in exports and strengths in the domestic are driving the steady growth of Vietnam's economy. Vietnam suffered a decline in its economy due to COVID-19 and slow recovery of the external demand. The real GDP growth in 2020 and 2021 was down to 2.91% and 2.20%, respectively. The central government election was completed in May 2021, to pave way for a five-year period of political stability. Real economic growth is expected to rebound quickly and continuously. Continued economic momentum is expected for 2022, with better visibility going forward. Myanmar is one of the Asian countries with best growth dynamics. The Thilawa Special Economic Zone invested by Japan helps the operational outreach of Yangon as the business hub. The rapid development of the telecommunications industry also enhances the effectiveness of other industries. Large projects invested by foreigners will continue to benefit the economic growth, particularly with infrastructure, manufacturing and energy sectors. The military coup in February 2021 was a setback to the democracy and development of Myanmar. Political disability and the sanctions from Europe and the U.S. are expelling or holding back foreign investors. The significant reduction in the number and the



value investments from the pre-coup period has stalled social and economic developments. The circulation of the Myanmar kyat has dropped tremendously. The demand for the U.S. dollars has surged. Withdrawals from banks and AMT machines are often limited or simply impossible.

- (5) The U.S. Fed said at the March 2022 meeting that it will reduce the position of debt securities at the maximum speed of US\$95 billion per month, in order to slow down the highest inflation over the past 40 years. In response to the aggressive interest rate hikes, reduction in debt securities holdings and quantitative tightening in the U.S., the central bank in Taiwan also increased interest rates. The rising cost of capital will increase the borrowing interest rates and may affect operational profits. COVID-19 is still impacting the global economy and industries. Inflation may prompt the U.S. Fed to increase interest rates by three to four marks. This will bump up the funding cost for land purchases by manufacturers. To help banks reduce lending risks, the central bank and the Financial Supervisory Commission have been implementing selective credit control measures since December 2021. The purpose is to strength the credit resource management of banks and to avoid hoarding of housing properties and land due to excess liquidity. The policy control on financial institutions is tightening the real estate mortgage market. This is not conducive to property development and marketing.

Vietnam is considered a currency manipulator. The Vietnamese dong is relatively stable. The exchange rate for one US dollar was 22,810 in 2012 and 22,840 in 2021, only depreciating by 1.07% over the decade. The base interest rates for banks have been gradually lowering from the peaked of 15% in 2008 to about 4% today. The Myanmar kyat reached the high point of 1,624 to one US dollars in 2019 and gradually dropped to as low as 1,274 in 2020. After the military coup in February 2021, the demand for the U.S. dollars has been soaring. The black market once reached the exchange rate of 2,000 Myanmar kyats to 1 U.S. dollar (largest depreciation at 57% from 2020-2021) and the chatters about the government's issuance of new banknotes has never stopped. The current official rate is about 1,700 to 1,800 (higher rates on the black market). The policy interest rates in Myanmar peaked at 12.5% in 1996, stayed at 12% in 2008-2013 and have been around 10% over recent years. The actual deposit interest rates offered by banks in Myanmar are in the range of 8% to 12%. The loan ranges are between 15% and 18%.

- (6) The political tension among oil-producing nations has caused turmoil in the international crude oil prices. Despite the Taiwan government's intervention by lowering the gasoline tax and demanding a price-freeze from CPC Corporation during the traditional new year, the international oil prices remain high and a further rise in the long run looks inevitable. This has increased production costs for manufacturers.

- (7) Due to a lack of natural resources in Taiwan and the growing emphasis on clean energy in the international community, new energy development has become an imperative. During recent years, the government has been promoting the installation of solar and offshore wind in Changhua Coastal Industrial Park, to attract new energy companies. In addition, international corporations have been asking the supply chain to gradually reduce carbon emissions and the trading of green electricity has emerged. However, there are risks to investments and expansions associated with the weather and supply uncertainty.

### 3. Future countermeasures:

- (1) Countermeasures for market environment competition risk:

#### A. Introduction of the turnkey model:

The traditional item-sub-contracting structure can no longer satisfy the needs of the clients. The comprehensive engineering service company's capabilities and characteristics can provide the comprehensive and holistic professional engineering services responding to market demands. With increasing disputes and time pressures of new construction projects, the engineering industry actively thinks about introducing the new "outsourcing strategy" to resolve these issues. Therefore, the "turn-key" model that has been adopted in foreign countries for many years is introduced to Taiwan, aiming to mitigate the impacts from the

streamlining of governmental staff to the public construction projects, to proceed on time with quality.

B. Contracted Constructions become internationalized and larger:

After Taiwan joined the World Trade Organization, the domestic market has been opened to the foreign construction companies to enter for fair competition. To respond to this trend, the domestic players will also strengthen the company by cooperating with foreign companies in Taiwan or exploring international markets and foreign local players in response to this trend. Competitiveness. In response to the increase in global demand, the supply volume needs to be relatively increased. In view of the economies of scale, various engineering companies are also vying to upgrade their technology for large-scale projects.

C. Emphasis on research and development

As the construction industry develops toward to the large scale, under the fierce market competition, technology research and development work is bound to be gradually valued. The Company develops new work methods, new materials, and provide customers with multiple added value, while providing design ideas to reduce costs, in order to improve their competitiveness in the market, and establish the differentiated direction of efforts for each engineering company.

D. Establish an exclusive construction brand

Establishing dialogues between people, art and the environment, as well as the brand value of the Company is not only the demands of purchasers for quality improvements regarding the living environment including the building design, internal layout, building materials, equipment and public facilities, but also the safety demands of consumers for their home. The Company stays true to the concept of human-oriented and the environmental, while upgrading the demands of consumers, for the product planning, the new products are launched according to "artistic," "innovative," "practical" and "humanity" to meet market demands; the after-sales service is also strengthened to establish the brand awareness in the minds of consumers.

E. Global position for the international market

With the boundary-less internet, the international global village era comes; the planning and design of architectural product follow the trend of the world, and is no longer confined to specific regions. The cross-border real estate transactions have become more convenient, and the Taiwanese real estate market will also step forward to the international open market, and thus further promotes the formation of a common circulation platform for the real estate market in the Asia-Pacific region and four markets crossed the straight. Therefore, the company will be globally deployed to the international market and launch real estate products.

(2) Countermeasures for the risks of financial allocation:

A. For real estate developers, under the current circumstance that lands are not easy to obtain, actively looking for urban renewal and joint construction is the most beneficial way for mitigating and covering for investment losses.

B. For the purpose of strengthening the cost control and avoiding the vicious low-price bidding in the industry, the Company actively engages in urban renewal and the development of MRT stations, to enhance the Company's profit; meanwhile, we bid the tenders with technical requirements, special construction methods and specific qualifications to improve the chances of winning.

C. The Company continues to implement the streamlining plan for health of the Company, and restructures the reinvested companies with poor operational performance or no obvious profit.

(3) Countermeasures for government policies:

A. Continued development of projects in Changhua Coastal Industrial Park and reduce significant capital outlays by recovering advances on a rolling basis. Strive for land incentives by helping manufacturers to communicate with government agencies, in order to

accelerate land sales Attracting relaxations on land use restrictions

- B. Participating in major joint developments and government-led urban regeneration, in order to expand the Company's project pipeline. With the application of technologies (5G and IoT), we endeavor to transform the construction industry with technology and establish a new brand and image of innovation (friendly product planning), professionalism (smart product design), quality (construction quality statistics) and services (systematic services over the platform).
- C. Undertaking (where appropriate) high-quality public construction projects
- D. Continued bidding for profitable projects and development of mid-to-large land projects, in alignment with the Vietnamese government's policy Currently, there are political, social and economic uncertainties regarding the military government in Myanmar. The situation is far from stable. It is also highly uncertain whether the subsequent government will works with the military regime. Hence, it may be necessary to observe and assess how to deal with the government.

(4) Countermeasures for the economic environment:

- A. Attraction of domestic and overseas industry players, particularly in foreign investors in renewables, to Changhua Coastal Industrial Park given its large hinterland and in support of the government's policy for nuclear-free homes by 2025 Offering of a diversity of products and services to address the land use requirements of customers For example, Lunwei East District (coastal) serves as the solar farm area, Lunwei West District (phase 2) for production activities of SMEs (small and medium enterprises). The metal surface treatment area in Lunwei is available for local electroplating processors who are clustered in Changhua County and whose factories were not registered. Staying on top of the global economy, keeping abreast of government policies (from the Industrial Development Bureau, Ministry of Economic Affairs and Changhua County) in relation to industrial land and visits to manufacturers to understand requirements, so as to plan for product features and selling methods going forward.
- B. Expansion and development of a diversity of construction products as a responding strategy Development efforts are centered on construction cost control, with the proactive adoption of modules to save building material costs and the development or purchase of smart equipment to resolve the labor shortage problem.
- C. Introduction of modularization and machinery-based techniques and reduction of labor-intensive projects.
- D. We will take one step at a time for the development in Vietnam, by looking out for and carefully screening and evaluating quality land parcels. The priority goal is to build a presence, brand, reputation and profits. In Myanmar, the development is towards the private sectors. We will continue to look for investable projects or land lots.

(5) Countermeasures for changes in interest rates:

The Company continues to negotiate lower interest rates from banks, activate capital flows, and continue to repay borrowings. In order to reduce the burdens of land purchases, the company continues to consult all major banks, for better interest rates coping with the preferential lending mechanism of the industrial areas. To address eco-unfriendliness of development projects, the Company will adhere to policies formulated by the central government (by participating in joint developments and occupant recruitments) and local governments (government-led urban regeneration and occupant recruitments). To achieve the Company's sustainable operation, the strategic focus is on urban regeneration projects (not affected by the crackdown on property speculation).

(6) Countermeasures for changes in oil prices:

High oil prices increase the production costs for companies. It is hence necessary to advocate the development of transportation systems in the surrounding areas to encourage investments in facilities.

(7) Countermeasures for movement in water and power supply:

The water supply project for Fu-Ma Canal in Changhua Coastal Industrial Park was completed at the end of 2021 and is expected to handover to the Industrial Development Bureau in 2022. Going forward, the industrial water supply to Lunwei District, Changhua Coastal Industrial Park, should be stabilizing. Given the water shortage throughout Taiwan, this will encourage companies to purchase land for factories here.

(V) The impact of technological and industrial changes on the Company's finance and business and the countermeasures:

The company is mainly engaged in contracted constructions for the civil engineering and construction, investment in the construction of real estates, and the agency of the government planning industrial zone development, to create revenue and profit. To responding the technological and industrial changes, the Company constantly grasp market movements, and actively obtains industry information through various means to expand the business. In order to accurately grasp the pulse of industrial information, in recent years, it has also been committed to digitization, for the purpose of improving working efficiency and enhancing competitiveness. Currently, the Company has no impact to finance and business resulted from the technological changes or industrial changes.

(VI) The impact of corporate image changes on corporate crisis management and countermeasures:

The Company aims to improve the quality of constructions, serve the society and promote prosperity, in order to establish a good corporate image.

(VII) The expected effects and possible risks of mergers and acquisitions and countermeasures: In order to simplify the organizational structure, the Company and BES Machinery Co., Ltd. carried out a simple merger to achieve the benefits of saving operating costs and improving operating efficiency. BES Machinery Co., Ltd. is a 99.35% subsidiary of the Company, so there is no share exchange ratio or issue of new shares, which will not affect the rights and interests of the Company's shareholders.

(VIII) The expected effects and possible risks of the expanding plants and countermeasures: None

(IX) Risks and countermeasures for concentration of purchase or sales of goods:

Due to the industrial characteristics, the items and standards of purchased or sold goods are subject to different requirements of the clients, so there is no risk of concentration.

(X) The impacts of material share transferred or changed by directors, supervisors or major shareholders holding more than 10% of the shares on the Company, risks, and countermeasures: None

(XI) Impact of changes in operating rights on the Company and risks: None

## (XII) litigation or non-litigation

Item	1
Name of case:	Payment of construction for library and research building in Central Taiwan University of Science and Technology
Involved Parties	Plaintiff: the Company Defendant: Central Taiwan University of Science and Technology
Summary:	The client claimed the Company has not completed the constructions, and not fix the defects, and thus refused to make the payment of construction and the reserved payment with the excuse of delay.
Subject or amount	142,096,460 NTD
Date starting the lawsuit	2010/11/02
Current status	The judgment of the first instance described that the defendant shall pay 34,531,312 NTD to the Company; for other claims, the Company failed. The Company has appealed for 72,656,685 NTD. 2019.12.30 The third trial was remanded for the first re-trial.
Item	2
Name of case:	Dispute over contract performance for National Expressway 2 H42 tender
Involved Parties	Plaintiff: the Company Defendant: Taiwan Area National Expressway Engineering Bureau, Ministry of Transportation and Communication
Summary:	The disputes over the water drainage holes and earthwork in the items to be performed, and the additions to the contract was claimed.
Subject or amount	NT\$ 18,316,940
Date starting the lawsuit	2013/11/14
Current status	The Company was defeated in the first and second instance, partial judgments were overruled and remanded in the third instance. The trail was transferred to the first instance for retrial.
Item	3
Name of case:	Dispute over the quantity of steel structures for the expansion of Taoyuan Airport
Involved Parties	Plaintiff: the Company Defendant: Civil Aeronautics Administration
Summary:	The quantity of steel structures for the expansion of Taoyuan Airport was insufficient, and thus the claim is made.
Subject or amount	NT\$102,034,038
Date starting the lawsuit	2014/10/16
Current status	For the first instance judgement, the defendant shall pay the Company for 66,162,900 NTD; both parties appealed for detriments for the second instance. The second instance judgment described that the administration should pay extra NT\$24,369,283. Both parties appeal to the third instance.
Item	4
Name of case:	Lawsuit for Chunghwa Telecom
Involved Parties	Plaintiff: the Company Defendant: North District of Chunghwa Telecom
Summary:	The contract was terminated by breach and thus claim the damages.
Subject or amount	Principle claim: 38,936,235 NTD; counterclaim: 36,602,159

	NTD
Date starting the lawsuit	2019/02/14
Current status	Pending for the first instance

Item	5
Name of case:	Mediation for Dispute of Gong Guan Contract Performance
Involved Parties	Applicant: the Company The Other Party: ROC Air Force Combatant Command
Summary:	To claim the extension of works and the indirect expenses resulting from the period of extension.
Subject or amount	27,191,968 NTD
Date starting the lawsuit	2020/02/27
Current status	Mediation suggests that the client extends the period to 101 days, and the company waives the indirect expenses resulting from the period of extension.

Item	6
Name of case:	Construction Payment of the Telecom Building, Taichung
Involved Parties	Plaintiff: the Company Defendant: Taichung City Government
Summary:	Regarding the construction payment of the Telecom Building, Taichung, the Company has assigned Xiang-Chi Corporation to work and now claimed the construction payment for design changes from the Taichung City Government.
Subject or amount	340,707,789 NTD
Date starting the lawsuit	2013/07/11
Current status	The first trial ordered the landlord to pay 12,080,000 NTD; The second trial upheld the first trial verdict; the third trial is pending.

Item	7
Name of case:	Revocation of arbitration by ADE Technology
Involved Parties	Plaintiff: ADE Technology Inc. Defendant: the Company
Summary:	ADE Technology Inc. applied for revoking arbitration 108 Chong-Sheng No. 063 with the Company.
Subject or amount	NT\$113,063,351
Date starting the lawsuit	2020.08.25
Current status	ADE Technology Inc. applied for revoking arbitration to the court. The application was overruled in the first instance. The request was rejected in the trial of second instance, and Ade Technology Inc. refused to accept it and appealed to a court of third instance.

Item	8
Name of case:	Arbitration on the compensation for damage from ADE Technology Inc.
Involved Parties	Petitioner: the Company Opposite party: ADE Technology Inc.
Summary:	ADE Technology Inc. terminated the contract due to breach of contract, which caused damages of the Company.
Subject or amount	NT\$50,797,176
Date starting the lawsuit	2020.11.17
Current status	The procedure of arbitration has ended. The principal claim: Ade Technology Inc. should pay the Company NT\$5,148,571; the counterclaim: The Company should pay Ade Technology Inc. NT\$42,443,594.

Item	9
Name of case:	Litigation for the non-existence of claims of ADE Technology Inc.

Involved Parties	Plaintiff: the Company Defendant: ADE Technology Inc.
Summary:	ADE Technology Inc. claims that it has the claim of NT\$96,631,789 of the Company. As the term is about to expire, ADE Technology Inc. proceeds to file a petition for a declaratory judgment .
Subject or amount	NT\$96,631,789
Date starting the lawsuit	2020.11.13
Current status	Pending for the first instance

Item	10
Name of case:	Ade Technology Inc.'s compensation arbitration withdrawn case
Involved Parties	Plaintiff: the Company Defendant: Ade Technology Inc.
Summary:	Ade Technology Inc. applied for withdrawing the arbitration 109 Chong-Sheng No. 080 with the Company.
Subject or amount	NT\$47,592,165
Date starting the lawsuit	2021.11.25
Current status	The Company filed a request to the court to withdraw the arbitration judgment, which is being tried in the court of first instance.

Item	11
Name of case:	CF650 Under run dispute over soil excavation support system mediation case
Involved Parties	Applicant: the Company Counterparty: First District Project Office Department of Rapid Transit Systems
Summary:	As per the audit department's opinion, the unit price analysis table of the soil excavation support system in the project contract for Y11, Y12, Y13, and Y14 stations clearly defines the size, length, and unit price of king posts installed by the contractor. However, the material specifications and the actual quantity are lower than that in the unit price analysis table specified in the contract, and it should be run under. The Company claimed that this act clearly violated the pricing rules specified in the contract.
Subject or amount	NT\$24,773,740
Date starting the lawsuit	2021.7.15
Current status	An agreement was reached. The client should pay NT\$11,309,751 to the applicant. Case closed.

Item	12
Name of case:	CF650 Traffic warden payment fee dispute mediation
Involved Parties	Applicant: the Company Counterparty: First District Project Office Department of Rapid Transit Systems
Summary:	Due to the extension of the construction period and the business owner's instruction to increase the cost of traffic warden on duty, the business owner refused to pay for the additional cost of traffic warden on duty on the grounds that the contract price is fixed.
Subject or amount	NT\$170,612,151
Date starting the lawsuit	2021.11.3
Current status	Under mediation

Item	13
Name of case:	CF650 Request for payment for the difference in the construction amount arising from direct bid awarding

Involved Parties	Plaintiff: the Company Defendant: First District Project Office Department of Rapid Transit Systems
Summary:	Both parties failed to reach an agreement on a price for changes in the contract, but the business owner awarded the bid directly and the difference from the project price arose due to the bid awarded.
Subject or amount	NT\$107,489,135
Date starting the lawsuit	2021.9.27
Current status	Pending in the first instance

Item	14
Name of case:	CF650 Request for payment for increased direct engineering costs due to extension of the construction period
Involved Parties	Plaintiff: the Company Defendant: First District Project Office Department of Rapid Transit Systems
Summary:	We requested for payment for the increased direct engineering costs, including construction surveying, safety and health management fees, and quality management fees, due to the extension of the construction period.
Subject or amount	NT\$143,176,661
Date starting the lawsuit	2021.11.1
Current status	Pending in the first instance

Item	15
Name of case:	CL311 Management and sales fee mediation case
Involved Parties	Applicant: the Company Counterparty: Railway Reconstruction Bureau, Ministry of Transportation and Communication
Summary:	We requested for an extension of management and sales fees
Subject or amount	NT\$293,495,512
Date starting the lawsuit	2020.9.29
Current status	Under mediation

(XIII) Other material risks and countermeasures: None

## **VII. Other Important Matters: None**

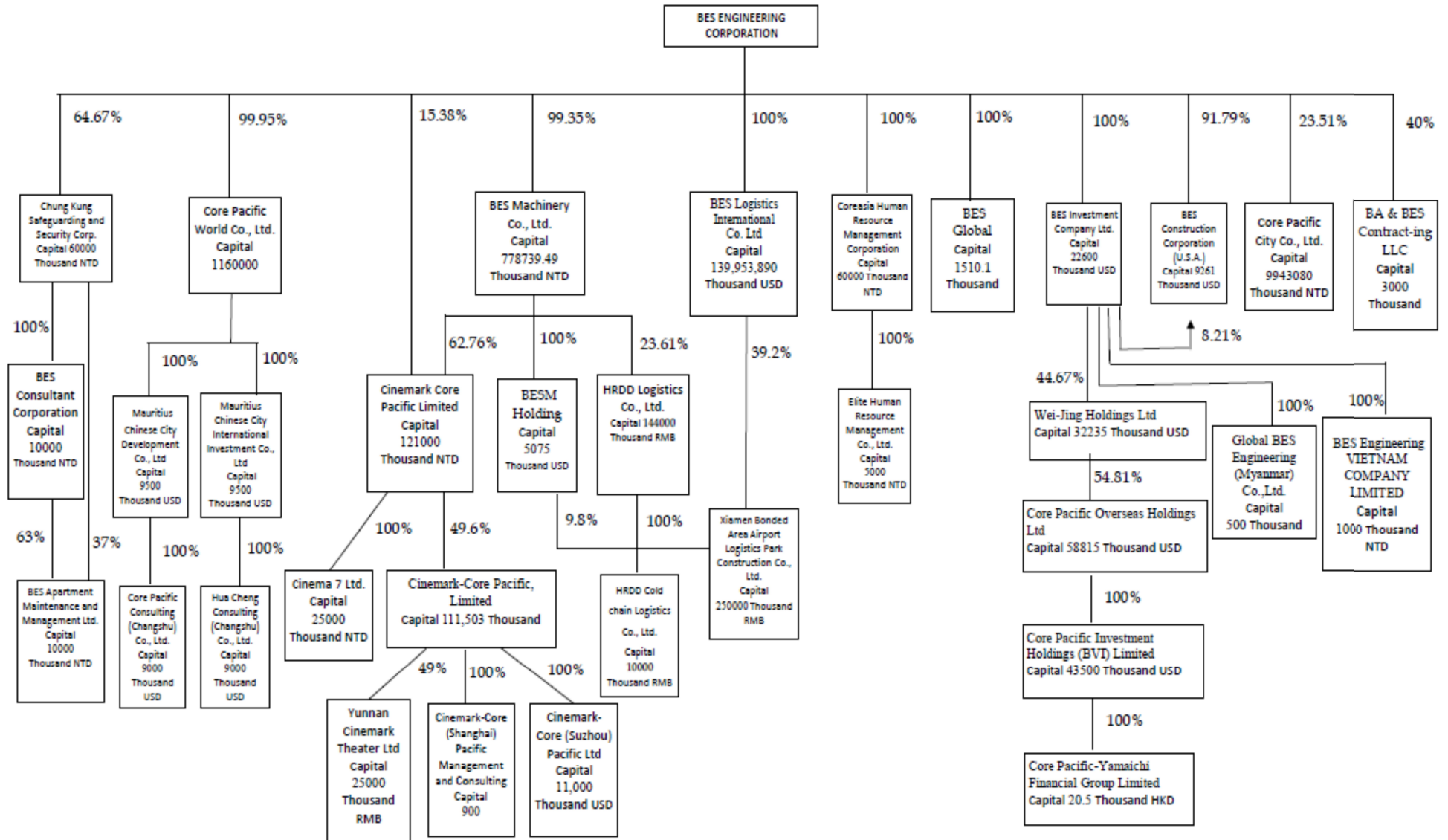


# Eight. Special notes and matters

## I. Information of Affiliates

### (I) Organizational Chart of Affiliates

### BES ENGINEERING



## (II) Consolidated Business Report

## 1. Basic information of Affiliates

Unit: unless otherwise specified, Thousand NT\$

Name of Enterprise	Date of establishment	Address	Paid-up Capital	Major business or products
Core Pacific World Co., Ltd.	1997.12.15	6F, No. 12, Dongxing Rd., Taipei City	1,160,000	Investment
BES Machinery Co., Ltd.	1996.11.22	11F-2, No. 80, Siwei 3rd Rd., Linya District, Kaohsiung	778,739	Mainly contracted for: production, manufacturing and operation of ready-mixed cement; leasing of the construction heavy machines, transportation equipment, and construction devices.
Mauritius Chinese City International Investment Co., Ltd	2003.01.23	Republic of Mauritius	USD 9,500,000	Consultancy
Mauritius Chinese City Development Co., Ltd	2003.01.23	Republic of Mauritius	USD 9,500,000	Consultancy
Hua Cheng Consulting (Changshu) Co., Ltd.	2003.11.04	707, Building A, Changshu World Trade Center Plaza, Changshu City, Jiangsu Province, China	USD 9,000,000	Engineering and design consultancy
Core Pacific Consulting (Changshu) Co., Ltd.	2003.11.04	707, Building A, Changshu World Trade Center Plaza, Changshu City, Jiangsu Province, China	USD 9,000,000	Engineering and design consultancy
Chung Kung Safeguarding and Security Corp.	1995.08.04	2F, No. 12, Dongxing Rd., Taipei City	60,000	Security business
BES Consultant Corporation	1999.04.02	2F, No. 12, Dongxing Rd., Taipei City	10,000	Operation of parking lots and business management consultancy
BES Apartment Maintenance and Management Ltd.	2000.06.29	2F, No. 12, Dongxing Rd., Taipei City	10,000	Management service of apartment buildings
Coreasia Human Resource Management Corporation	1999.05.18	2F, No. 12, Dongxing Rd., Taipei City	60,000	Business management consultancy and investment advices
BES Global Investment Co.	1995.01.17	4F, Ellen Skelton Building 3076 Sir Francis Drake Highway, Tortola, British Virgin Islands	USD1,510,000	Overseas operations of construction, machine and electrical equipment
BES Investment Company Ltd.	1996.08.06	Suite C, 21st Floor, Lee & Man Commercial Center 169 Electric Road, North Point, Hong Kong	USD 49,600,000	Overseas operations of construction, machine and electrical equipment
BESM Holding Co., Ltd.	2005.10.18	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 5,075,000	Investment Holding
BES Construction Corporation (U.S.A.)	1987.04.06	141 Bennington Court McDonough, Georgia 30253, U.S.A.	USD 9,261,000	Land development and investment
Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	2004.04.15	Rm. 301, Wan Xiang International Commerce Center, Building No. 2, North Building No. 1692 Gangzhong Rd., Xiamen City	RMB 250,000,000	Logistics, warehouse, and international trading
Elite Human Resource	2001.10.23	2F, No. 12, Dongxing Rd., Taipei City	5,000	Manpower Services

Name of Enterprise	Date of establishment	Address	Paid-up Capital	Major business or products
Management Co., Ltd.				
Cinemark Core Pacific Limited	1999.03.15	4F, No. 102, Kuanfu S. Rd, Taipei City	121,000	Domestic and overseas movie playing
Core Pacific City Co., Ltd.	1996.09.07	16F, No. 12, Dongxing Rd., Taipei City	9,943,080	Department Store
Hongkong Cinemark Core Pacific Limited	2011.09.27	FLATB 3/F WING CHBONG COMMERCIAL BUILDING 19-25 JERVOIS STREET SHEVNG WAN HK	HKD 111,503,000	Investment Holding
BA & BES Contracting (L.L.C.)	2007.02.13	Post Box 92237, Dubai-United Arab Emirates	3,000,000(AED)	Contracting Construction
BES Logistics International Co., Ltd.	2007.03.23	Republic of Mauritius	USD 13,995,000	Investment
Cinema 7 Ltd.	2003.05.14	8-11F, No. 52, Hang-Zhong Street, Taipei City	25,000	Domestic and overseas movie playing
Cinemark-Core (Shanghai) Pacific Management and Consulting	2011.09.27	Rm. 307, No. 655, Fengzhou Rd., Ma Lu Township, Jiading District, Shanghai City	USD 900,000	Management of movie theaters; consultancy for procurement and management
Yunnan Cinemark Theater Ltd	2013.02.20	No. 1079, Beijing Rd., Kunming City	RMB 25,000,000	Movie playing; consultancy for procurement and management
Cinemark-Core (Suzhou) Pacific Ltd	2015.07.16	Rm B4, No. 128, Dong Huang Rd., Industrial Park, Suzhou	USD 11,000,000	Movie playing; consultancy for procurement and management
HRDD Logistics Co., Ltd.	2014.09.16	No. 966, Chongqing Ave, Tianjin Free Trading Area (Dong Jiang Bonded Port Area)	RMB 144,000,000	General warehousing industry , frozen warehousing industry and automobile freight industry
Global BES Engineering (Myanmar) Co., Ltd.	2016.05.15	NO.153/,KA,Kyun Shwe Myaing Lane(2),23 Ward,(Thuwanna),Thingangyun Township, Yangon, Myanmar	USD 500,000	Contracting Construction
BES Engineering Vietnam CO., Ltd.	2020.02.06	P 12 . 15, Toa Nha Golden King, So 15 Duong Nguyen Luong Bang, P. Tan Phu, Quan 7, Tp. Ho Chi Minh, Viet Nam.	USD 26,000,000	Contracting Construction

2. Information on the same shareholders of those who are presumed to have control and affiliation: None

### 3. Information of Directors, Supervisors, and General Managers of Each Affiliates.

Unit: Thousands NTD unless specified otherwise; share

Name of Enterprise	Position title	Name or Representative	Holding shares	
			Number of shares	Percentage of Holding
Core Pacific World Co., Ltd.	Director	BES ENGINEERING CORPORATION Representatives: Shen, Ching-Jing; Chu Hui-Lan; Chen, Yu-Kuan	115,936,200	99.95
BES Machinery Co., Ltd.	Director Supervisor	BES ENGINEERING CORPORATION Representatives: Shen, Ching-Kuan; Chu Hui-Lan; Yang, Mei-Yuan; Cheng, Mao-Shu; Wang, Ting-Ze; Shen, Tsui-Ting; and Liao Shu-Liang Supervisor representative: Chen, Kuo-Hsien	77,319,999	99.29
	General manager	Yang, Mei-yuan	—	—
Chung Kung Safeguarding and Security Corp.	Director	BES ENGINEERING CORPORATION Representatives: Chu, Ya-Hu; Chu Hui-Lan; Chen, Kuo-Hsien; Guo, Hong-Jheng	3,880,000	64.67
	General manager	Wang, Hsing-Chien	—	—
BES Consultant Corporation	Director	Chung Kung Safeguarding and Security Corp. Representative: Chu, Ya-Hu	10,000 (Capital Contribution)	100
BES Apartment Maintenance and Management Ltd.	Director	BES Consultant Corporation Representative: Chu, Ya-Hu	6,300 (Capital Contribution)	63
Coreasia Human Resource Management Corporation	Director and Supervisor	BES ENGINEERING CORPORATION Representatives: Chiang, Hung-Chiao; Chu Hui-Lan; Yang, Mei-yuan Representative of Supervisors: Wang, Ting-ze	6,000,000	100
	General manager	Wang, Ying-Chuan	—	—
BES Global Investment Co.	Director	BES ENGINEERING CORPORATION Representative: Shen, Ching-Jing	1,510,100	100.00
BES Construction Corporation (U.S.A.)	Director	BES ENGINEERING CORPORATION Representatives: Shen, Ching-Jing; Chu Hui-Lan; Chen, Lo, Chun-Fu	8,509	91.79
BESM Holding Co., Ltd.	Director	BES Machinery Co., Ltd. Representative: Chu Hui-Lan	5,075,000	100.00
Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	Director	BESM Holding Co., Ltd. and BES Logistics International Co., Ltd Representatives: Wang, Ting-ze; Chu Hui-Lan; Guo, Hong-Jheng Supervisor representative: Wang, Ying-Juan	RMB 122,500,000 (Capital Contribution)	49.00
BES Investment Company Ltd.	Director	BES ENGINEERING CORPORATION Representatives: Shen, Ching-Jing; Chen, Kuo-Hsien	49,600,000	100.00
Core Pacific Consulting (Changshu) Co., Ltd.	Director	Mauritius Chinese City Development Co., Ltd Representatives: Shang, Du-Wu; Chen, Yu-Kuan; Hu, Wen-Kuo	USD 9,000,000 (Capital Contribution)	100.00
Hua Cheng Consulting (Changshu) Co., Ltd.	Director	Mauritius Chinese City International Investment Co., Ltd Representatives: Shang, Du-Wu; Chen, Yu-Kuan; Hu,	USD 9,000,000 (Capital Contribution)	100.00

Name of Enterprise	Position title	Name or Representative	Holding shares	
			Number of shares	Percentage of Holding
		Wen-Kuo		
Elite Human Resource Management Co., Ltd.	Directors concurrent Supervisors	Coreasia Human Resource Management Corporation Representatives: Lin, Yu-Bin ; Chiang, Shu-Yi; Hsu, Chia-Lin Representative of Supervisors: Huang, Shi-Shun	500,000	100.00
	General manager	Lin, Yu-Bin	—	—
Cinemark Core Pacific Limited	Supervisor	BES Machinery Co., Ltd. Representatives of Supervisors: Chen, Kuo-Hsien; LI, Ren	7,593,680	62.76
Core Pacific City Co., Ltd.	Director	BES ENGINEERING CORPORATION Representatives: Bai, Jun-Nan; Chu Hui-Lan	233,749,600	23.51
Mauritius Chinese City Development Co., Ltd	Director	Shen, Ching-Jing; Shen, Huei-Ting	9,500,000	100.00
Mauritius Chinese City International Investment Co., Ltd	Director	Shen, Ching-Jing; Shen, Huei-Ting	9,500,000	100.00
BES Logistics International Co., Ltd.	Director	BES ENGINEERING CORPORATION Representatives: Shen, Ching-Jing; Shen, Ching-Kuan	13,995,389	100.00
Hongkong Cinemark Core Pacific Limited	Director	Shen, Ching-Jing; Shen, Yao-Ting	61,503,000	49.60
Cinema 7 Ltd.	Director and Supervisor	Cinemark Core Pacific Limited Representatives: Shen, Ching-Jing; Chu, Ya-Hu; Chen, Yi-Shang Representative of Supervisors: Chen, Kuo-Hsien, Chang, Chia-wen	25,000	100.00
Cinemark (Shanghai) Investment and Management Consultancy Ltd.	Director and Supervisor	Hongkong Cinemark Core Pacific Limited Representatives: Shen, Ching-Jing; Shen, Huei-Ting; Chen, Yi-Shang Representative of Supervisors: Shen, Yao-Ting	USD 900,000 (Capital Contribution)	100.00
Yunnan Cinemark Theater Ltd	Director and Supervisor	Hongkong Cinemark Core Pacific Limited Representatives: Chiu, Wen-Yi; Shen, Huei-Ting Representative of Supervisors: Chen, Yi-Shang	RMB 12,250,000 (Capital Contribution)	49.00
Suzhou Cinemark Theatres Management and Consultancy Ltd.	Director and Supervisor	Hongkong Cinemark Core Pacific Limited Representatives: Shen, Ching-Jing; Shen, Huei-Ting; Chiu, Wen-Yi Representative of Supervisors: Shi-Xiang	USD 5,000,000 (Capital Contribution)	100.00
HRDD Logistics Co., Ltd.	Director and Supervisor	BES Machinery Co., Ltd. Representatives of Supervisors: Shen Cui-Ting; Wang, Ying-Chuan Representative of Supervisors: Cai, Zheng-feng;	RMB 34,000,000 (Capital Contribution)	23.61
Global BES Engineering (Myanmar) Co., Ltd.	Director	BES Investment Company Ltd. Representatives: Chu Hui-Lan, Chu, Ya-Hu	USD 500,000 (Capital Contribution)	100.00
BES Engineering Vietnam Company Limited	Director	BES Investment Company Ltd. Representative: Chu Hui-Lan	USD 26,000,000 (Capital Contribution)	100.00

#### 4. Overview of the Operations of Each Affiliates, 2021

Unit: unless otherwise specified, Thousand NTS

Name of Enterprise	Amount of capital	Total value of assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit (loss)	Profit/Loss of the Term (Before tax)	Profit/Loss of the Term (After tax)
Core Pacific World Co., Ltd.	1,160,000	1,493,191	61,623	1,431,568	0	(4,630)	17,058	16,022
BES Machinery Co., Ltd.	778,739	1,544,591	667,079	877,512	308,591	81,563	31,504	19,573
Chung Kung Safeguarding and Security Corp.	60,000	128,239	50,257	77,982	285,381	2,754	2,131	1,235
BES Consultant Corporation	10,000	30,947	18,104	12,843	21,487	(2,187)	(1,853)	(1,208)
Chung Kung Management and Maintenance of Apartment Co., Ltd.	10,000	36,152	23,422	12,730	97,081	1,550	1,345	1,076
Coreasia Human Resource Management Corporation	60,000	115,119	21,952	93,167	684,514	1,239	5,773	5,313
BES Global Investment Co.	12,746,301 (RMB)	3,907,542 (RMB)	8,057 (RMB)	3,899,485 (RMB)	0 (RMB)	(19,818) (RMB)	37,122 (RMB)	37,122 (RMB)
BES Investment Company Ltd.	386,198,465 (HKD)	362,265,618 (HKD)	43,000 (HKD)	362,222,618 (HKD)	0 (HKD)	(64,525) (HKD)	248,240 (HKD)	248,240 (HKD)
BES Construction Corporation (U.S.A.)	5,000,000 (USD)	1,256,639 (USD)	289,075 (USD)	967,564 (USD)	0 (USD)	(16,968) (USD)	(13,719) (USD)	(13,719) (USD)
Elite Human Resource Management Co., Ltd.	5,000	15,953	3,966	11,987	119,802	4,042	4,340	3,472
Cinemark Core Pacific Limited	121,000	372,064	101,007	271,057	101,304	(32,684)	(73,414)	(69,322)
Mauritius Chinese City International Investment Co., Ltd	78,631,500 (RMB)	111,194,636 (RMB)	52,808 (RMB)	111,141,828 (RMB)	0 (RMB)	(128,277) (RMB)	1,396,999 (RMB)	1,396,999 (RMB)
Mauritius Chinese City Development Co., Ltd	78,631,500 (RMB)	110,129,239 (RMB)	52,808 (RMB)	110,076,431 (RMB)	0 (RMB)	(128,441) (RMB)	1,348,760 (RMB)	1,348,760 (RMB)
Hua Cheng Consulting (Changshu) Co., Ltd.	74,490,300 (RMB)	120,357,347 (RMB)	11,213,809 (RMB)	109,143,538 (RMB)	1,923,752 (RMB)	(39,824) (RMB)	2,096,439 (RMB)	1,574,035 (RMB)
Core Pacific Consulting (Changshu) Co., Ltd.	74,490,300 (RMB)	119,258,892 (RMB)	11,163,518 (RMB)	108,095,374 (RMB)	1,762,537 (RMB)	(110,426) (RMB)	2,039,656 (RMB)	1,525,566 (RMB)
BESM Holding Co., Ltd.	31,977,068 (RMB)	58,638,977 (RMB)	715,456 (RMB)	57,923,521 (RMB)	0 (RMB)	(19,159) (RMB)	934,141 (RMB)	934,141 (RMB)
Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	250,000,000 (RMB)	679,608,519 (RMB)	256,990,592 (RMB)	422,617,927 (RMB)	100,176,767 (RMB)	(1,594,310) (RMB)	13,812,187 (RMB)	9,705,552 (RMB)
BA & BES Contracting (L.L.C.)	3,000,000 (AED)	0	0	0	0	0	0	0
BES Logistics International Co., Ltd.	99,443,035 (RMB)	166,662,886 (RMB)	10,359 (RMB)	166,652,527 (RMB)	0 (RMB)	(81,142) (RMB)	3,698,908 (RMB)	3,698,908 (RMB)
Hongkong Cinemark Core Pacific Limited	89,636,565 (RMB)	48,045,559 (RMB)	55,722 (RMB)	47,989,837 (RMB)	0 (RMB)	(14,035) (RMB)	(8,674,459) (RMB)	(8,674,459) (RMB)
Cinemark (Shanghai) Investment and Management Consultancy Ltd.	5,685,600 (RMB)	756,871 (RMB)	977,716 (RMB)	(220,845) (RMB)	0 (RMB)	(500) (RMB)	(868) (RMB)	(868) (RMB)
Yunnan Cinemark Theater Ltd	25,000,000 (RMB)	35,124,452 (RMB)	3,655,513 (RMB)	31,468,939 (RMB)	9,974,399 (RMB)	(2,014,481) (RMB)	(1,238,087) (RMB)	(1,238,087) (RMB)
Cinema 7 Ltd.	25,000	195,198	210,494	(15,296)	55,423	(26,776)	(26,412)	(26,411)
Suzhou Cinemark Theatres Management and Consultancy Ltd.	73,124,130 (RMB)	106,266,681 (RMB)	79,093,418 (RMB)	27,173,263 (RMB)	2,647,522 (RMB)	(6,362,849) (RMB)	(8,216,577) (RMB)	(8,216,577) (RMB)
HRDD Logistics Co., Ltd.	144,000,000 (RMB)	240,773,104 (RMB)	174,445,988 (RMB)	66,327,116 (RMB)	33,058,241 (RMB)	(26,270,795) (RMB)	(25,277,785) (RMB)	(25,277,785) (RMB)
Global BES Engineering (Myanmar) Co., Ltd.	748,635,000 (MMK)	741,685,315 (MMK)	11,380,286 (MMK)	730,305,029 (MMK)	36,212,320 (MMK)	(31,173,515) (MMK)	152,631,199 (MMK)	144,474,165 (MMK)
BES Engineering Vietnam CO., Ltd.	23,160,000 (Thousand VND)	615,219,699 (Thousand VND)	25,464,007 (Thousand VND)	589,755,692 (Thousand VND)	0 (Thousand VND)	(4,559,566) (Thousand VND)	3,498,556 (Thousand VND)	2,964,928 (Thousand VND)

Note: The overview of each affiliate is based on the financial statement of them.

#### 5. Information of derivative trading: The Company has not conducted any derivative trading

## **REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of the Company (from January 1, 2021 to December 31 2021), under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the IFRS No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, BES Engineering Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby statement

Name of Company: BES Engineering Corporation

Representative: Chu Hui-Lan

March 15, 2022

1. Overview of the relationship between the subordinating companies and the controlling company: None
2. Transaction of purchases and sales of goods: None
3. Transaction of properties: None
4. Asset Leasing: None
5. Financing:

**BES Engineering Corporation and Subsidiaries**  
**Loaning of funds**  
**January 1, 2021 to December 31, 2021**

Unit: NT NTD in thousands

No.	Fund loaner	Fund borrower	Item for transaction	Related party or not	Maximum balance of the year (Note1)	Balance at the end of year (Note1)	Amount actually drafted	Interest rate Range	Nature of Loaning of funds (Note3)	Business relationship Amount	Reason for short-term financing	Amount to be provided for bad loans	Collateral		Limit of loaning of funds to one single counterparty	Nature of Total Limit	Note
													Name	Value			
0	BES Engineering Corporation	BES Engineering Vietnam Co., Ltd.	Other receivables	Yes	29,291	29,291	29,291	5	2	—	Operating Turnover	—	—	—	913,421 (4% of BES Engineering Corporation)	9,134,209 (40% of BES Engineering Corporation)	Note2
1	Chung Kung Safeguarding and Security Corp.	BES Consultant Corporation	Payables from related party	Yes	16,000	15,000	—	—	2	—	Operating Turnover	—	—	—	31,193 (40% of BES Safeguarding and Security Corporation)	31,193 (40% of BES Safeguarding and Security Corporation)	
1	Chung Kung Safeguarding and Security Corp.	Chung Kung Management and Maintenance of Apartment Co., Ltd.	Payables from related party	Yes	16,000	15,000	—	—	2	—	Operating Turnover	—	—	—	31,193 (40% of BES Safeguarding and Security Corporation)	31,193 (40% of BES Safeguarding and Security Corporation)	
2	Coreasia Human Resource Management Corporation	Elite Human Resource Management Co., Ltd.	Payables from related party	Yes	10,000	—	—	—	2	—	Operating Turnover	—	—	—	18,633 (20% of Coreasia Human Resource Management Corporation.)	37,267 (40% of Coreasia Human Resource Management Corporation)	
3	BES Machinery Co., Ltd.	HRDD Logistics Co., Ltd.	Payables from related party	Yes	21,550	21,550	21,550	5	2	—	Operating Turnover	—	—	—	35,101 (4% of BES Machinery Co., Ltd.)	351,005 (40% of BES Machinery Co., Ltd.)	Note2
4	Cinemark Core Pacific Limited	Cinema7 Theater Co., Ltd.	Payables from related party	Yes	20,000	20,000	—	4	2	—	Operating Turnover	—	—	—	108,423 (40% of Cinemark Core Pacific Limited.)	108,423 (40% of Cinemark Core Pacific Limited.)	

Note1: The limit of loaning of funds passed by the Board of Directors of the Company and subsidiaries.

Note2: In the preparation of the consolidated financial statements, except for the receivables due from related parties from China Industrial Machinery Co., Ltd. to Huarui All Ridge Logistics Co., Ltd., all of them have been written off.

Note3: The description of the loan and its nature is as follows: 1. Those who do business; 2. Those who need short-term financing.



Endorsements and guarantees for others

provided by BES Engineering Corporation and subsidiaries  
January 1, 2021 to December 31, 2021

Unit: NT NTD in thousands

	Endorsements and guarantees provider Name of the Company	Counterparty of endorsements and guarantees		Limit of endorsements and guarantees to one single enterprise	Maximum balance of endorsements and guarantees for the period	Endorsements and guarantees at the end of the period	Amount actually drafted	Amount of endorsements and guarantees with property as collateral(s)	Ratio of accumulated amount of endorsements and guarantees to the net value in the latest financial statement.	Maximum limit of endorsements and guarantees	Endorsements and guarantees from the Company to subsidiaries	Endorsements and guarantees from subsidiaries to the Company	Endorsements and guarantees in Mainland China	Note
		Company Name	Relationship											
0	BES Engineering Corporation	Asia Pacific Industry and Commerce Union Co., Ltd.	Peer guarantor for each other by the contract based on the requirement of contracting constructions	\$ 57,088,807 (Note1)	\$ 8,200,000	\$ -	\$ -	\$ -	-	\$ 68,506,569 (Note2)	-	-	-	
1	Cinemark Core Pacific Limited	Cinema7 Theater Co., Ltd.	Companies to which the Company holding more than 50% voting rights directly or indirectly	271,057 (Note4)	74,300	74,300	56,018	43,530	27.41%	813,171 (Note4)	Y	-	-	
1	Cinemark Core Pacific Limited	Xian Cinemark Theater Ltd.	Company with business relationship	132,353 (Note5)	59,813	-	-	-	-	132,353	-	-	Y	Note 3
2	Hua Cheng Consulting (Changshu) Co., Ltd.	BES Engineering Corporation	The parent company holding more than 50% common shares directly or through a subsidiary indirectly	474,120 (Note6)	289,118	289,118	260,000	289,118	60.98%	948,240 (Note10)	-	Y	-	
3	Core Pacific Consulting (Changshu) Co., Ltd.	BES Engineering Corporation	The parent company holding more than 50% common shares directly or through a subsidiary indirectly	469,566 (Note7)	289,118	289,118	260,000	289,118	61.57%	939,132 (Note11)	-	Y	-	
4	Chung Kung Safeguarding and Security Corp.	BES Consultant Corporation	Companies to which the Company holding more than 50% voting rights directly or indirectly	194,956 (Note8)	25,000	25,000	3,409	-	32.06%	233,946 (Note12)	Y	-	-	
4	Chung Kung Safeguarding and Security Corp.	Chung Kung Management and Maintenance of Apartment Co., Ltd.	Companies to which the Company holding more than 50% voting rights directly or indirectly	194,956 (Note8)	25,000	25,000	1,500	-	32.06%	233,946 (Note12)	Y	-	-	

Note 1: The limit is 250% of the net value of BES Engineering Corporation in the latest financial statement.

Note 2: The limit is 300% of the net value of BES Engineering Corporation in the latest financial statement.

Note 3: Indicate "Y" if the endorsement and guarantee is given in Mainland China.

Note 4: The limit is 100% of the net value of Cinemark Core Pacific Ltd in the latest financial statement.

Note 5: Based on the business contract between Cinemark Core Pacific Ltd. with the company.

Note 6: The limit is 100% of the net value of Hua Cheng Consulting (Changshu) Co., Ltd. in the latest financial statement.

Note 7: The limit is 100% of the net value of Core Pacific Consulting (Changshu) Co., Ltd. in the latest financial statement.

Note 8: The limit is 250% of the net value of BES Safeguarding and Security Corporation in the latest financial statement.

Note 9: The limit is 300% of the net value of Cinemark Core Pacific Ltd in the latest financial statement.

Note 10: The limit is 200% of the net value of Hua Cheng Consulting (Changshu) Co., Ltd. in the latest financial statement.

Note 11: The limit is 200% of the net value of Core Pacific Consulting (Changshu) Co., Ltd. in the latest financial statement.

Note 12: The limit is 300% of the net value of BES Safeguarding and Security Corporation in the latest financial statement.

**II. For the current year up to the publication date of the annual report, the private placement of securities: N/A**

**III. For the current year up to the publication date of the annual report, the disposal of the Company's share by any subsidiary: N/A**

**IV. Other necessary supplementary matters: N/A**

**Nine. For the current year up to the publication date of the annual report, any matter having material impact to the shareholders' equity or price of securities specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities Exchange Act.**

**BES ENGINEERING CORPORATION**

**Principal : Chu Hui-Lan**