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# **BES ENGINEERING CORPORATION**

**ANNUAL REPORT 2020**

Date of publication: May 27, 2021

**I. Name, position title, contact number and email address of the spokesperson of the company:**

Spokesperson: Cheng An-Tzu

Title: Assistant general manager

Phone number: (02) 8787-1273

Email address: vivian.cheng@bes.com.tw

Acting spokesperson: Su Yu-Min

Title: Manager

Phone number: (02) 8787-6295

Email address: yumin.su@bes.com.tw

**II. Address and telephone number of the head office, branch office and factory:**

Head Office: 6th Floor, No. 12, Tunghsing Road, Songshan District, Taipei City, Taiwan  
ROC.

Phone number: (02) 8787-6687 (main line) Fax number: (02) 8787-6987

**III. Name, address, website and telephone number of the stock transfer agent:**

Name: Stock Affairs Department of the President Securities Corp.

Address: B1 No. 8 Tunghsing Road, Songshan District, Taipei City

Website: <https://www.pscnet.com.tw> Phone: (02) 2746-3797

**IV. Name, accountancy firm, address, website and the telephone number of the certified public accountants of the latest annual financial report:**

Name: Tung-Feng Lee and Yao-Lin Huang

Accountancy firm: Deloitte & Touche

Address: 20th Floor, No. 100, Songren Road, Xinyi District, Taipei City  
(110)

Website: <http://www.deloitte.com.tw> Phone: (02) 2725-9988

**V. Overseas Securities: None**

**VI. Company website: <https://www.bes.com.tw>**

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## One. Letter to Shareholders

Dear Shareholders,

Last year, the global economics continued to be under the influence of China-US trade war and Covid-19 pandemic. Taiwan's economic development is less affected compared to other, but they still have impact on the real estate development market. Based on the principle of seeking growth in the tough time, all employees of BSE strived for more construction projects, which boosted the consolidated operating revenue in 2020 to NT\$13.471 billion, with the profit after tax at NT\$599 million.

Construction tender won in 2020 included: The pipe construction project with Solar photovoltaic connected to the E/S substation of Taipower in Changhua Coastal Industrial Park and Turnkey project for renovation of the First Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market. The total annual tender amount is NT\$12.685 billion.

For the civil engineering part in the public construction project, we will work hard to have the Government release the following projects in 2021: port and marine construction, such as the land claiming project of the Hsieh-ho Power Plant LNG 4, the 7th Container Pier of Kaohsiung Port. The track construction under the Forward Looking Infrastructure, including the extension project of the underground rail project in Taoyuan; land replotting development project: Hsing Tai Wen Zai Jun Zone 2 land replotting project in New Taipei City, land replotting project in aerotropolis in Taoyuan. For the public construction, the focus is on the public housing, including the new construction of Jin-Hua public housing, and reconstruction project of Fu Min public housing in Wan Hua District.

For the urban renewal, phase II "BES Yuncui" of the Min Sheng Community urban renewal project has been under construction in Q3 of 2017 and the pre-sale was carried out in Q4 of the same year. User license was acquired in Q2 of 2021. The urban renewal deliberation procedure for phase III "BES Biyenge" of the Min Sheng Community urban renewal project was completed in Q1 of 2019, and the construction permit was acquired in Q2 of the same year. The relocation was initiated in Q4 of 2019, and the construction started in Q4 of 2020. It is expected to conduct house sale in Q3 of 2021. The urban renewal deliberation procedure for phase IV "Yanshou Zone J" was completed in Q1 of 2020. At present, the urban renewal and integration projects include the urban renewal project of residential area in the Chongyang Road of the Nangang District. It is in the verification stage of the urban renewal plan, and in the Q4 of 2020, the review of business plan was approved. It is expected to be submit the contingency plan in Q2 of 2021. The urban renewal deliberation procedure for self-owned land for the Tucheng Industrial Park urban renewal development project was completed in the Q4 of 2019. The construction permit was obtained in February 2020, and the construction started in Q4 of 2020.

For the development of industrial park, the company contacted the potential customers for Phase 2, Chang-Bin-Lun-Wei West and the the metal surface treatment zone Phase 2, including those companies having no lands, and assisting illegal factory to register. It is expected to be beneficial for the merchant attraction and fund recovery. For the client needing spacious lands, the adaption of development planning and working will be applied. Except for the roads and common facility constructions for Phase 1 of District 1, Chang-Bin-Lun-Wei West,

and the land of booster/bucking station for the offshore wind power generators, the focus of the Company is to accommodate the necessary construction for leasing/sale of lands, and the construction with urgency or safety maintenance. These projects funded with proceeds from leasing/sale or from the landlords are the first priority.

As for the financial structure and solvency, its debt-to-asset ratio is 51.52% and the long-term capital accounted for 803.26% of the real estate plant and equipment; the analysis of solvency: the current ratio is 208.02%, the quick ratio is 105.31% and the interest guarantee is 5.07 times; analysis of profitability: the net profit rate is 4.45% and the return on assets is 1.73%. Based on the above financial ratio information, the financial structure and repayment capability are stable.

For the reinvestment, apart from seeking for the opportunity to expand the overseas business territory, the company established a subsidiary in Vietnam with the increased capital in 2020. The company actively seeks for the business opportunities and pays attention to the New Southbound Policy, aiming at expanding the overseas business territory and increase the growth and profits for the company in the future.

We promote the appointment system of managers in human resources and organizational culture of proactivity, to accelerate the department rotations of talents for rapid learning, and enhance the development of talents as well as the competitiveness of the company. In active response to the government's New Southbound Policy, with a focus in overseas and the company actively recruits professionals for rapid expanding the development of overseas lands, real estate, infrastructure and construction projects, so to prepare the company for the long-term overseas market.

For the overseas business, short-term one-year plan: establish Hanoi Office, strive for the land development right of the large land development project by leading the project. The company only needs to invest planning costs at the beginning. Relocation can be done in phases, and the company's experience may be used for controlling the infrastructure costs in order to reduce the costs. 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. Mid-term 3-year plan: Apart from acquiring the right to the large land development project, the company also pays attention to the government tender and selects worthy tender. Long-term 5-year plan: Strive for the right to the large land development project by coping with the policy of the local government where the laws and regulations allow, develop real estate in a rolling an phasing approach and for small pieces of land after land demerger in order to attract funds, talents and collaborator, create our own team, cultivate relationship with local government, realize the autonomous and rolling financial growth, and create the operation ability for local branding.

For the long-term operation, apart from continue to acquire the most advantageous tenders of the public engineering and the tenders of Forward Looking Infrastructure, and green energy construction projects, the company also enhances land development business, constructs high quality building to establish the construction branding, develops

and registered construction related intellectual property rights, and develops and cultivate overseas markets.

By replicating the establishment of Tucheng AI Intellectual Park, and the abundant experience of domestic engineering management, operation, and engineering technologies, the Company aggressively develop the vertical integrated overseas business including large-scale lands and real estates, factory building, and industrial park development in Vietnam and Myanmar, to establish the local partners and engineering teams for the purpose of local rooting. Except creating the large-scale land and real estate development, the Company also cultivate both domestic and overseas reserved talents, and extends the recruitment in Vietnam and Myanmar, so that the management of HR, finance, and business may complete each other. 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,

Wish you all the best!

Chairman 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.**

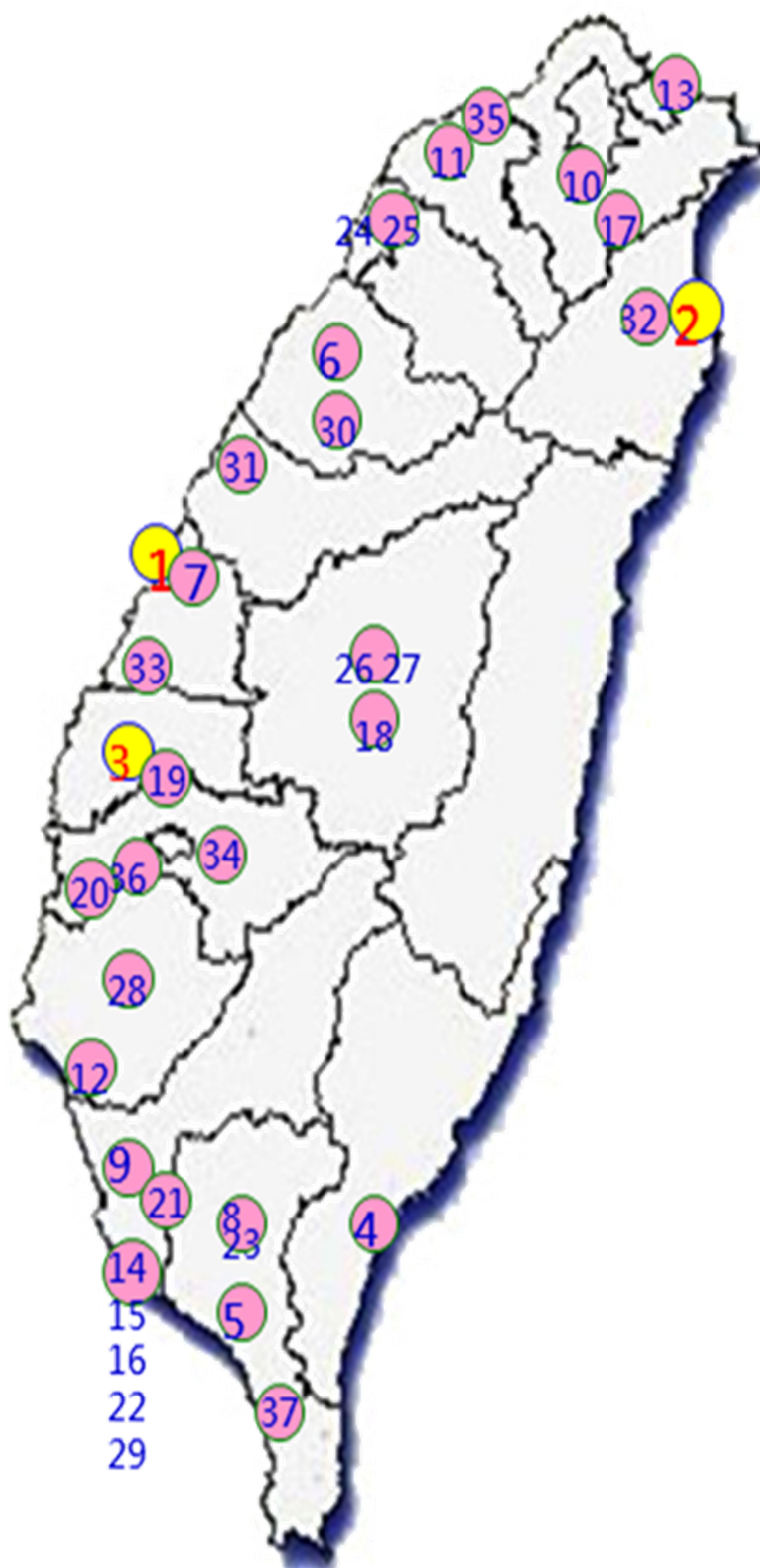
**VII. The information from previous years that has a significant impact on the company's development: None.**

**VIII. Major projects in progress in year 2019:**

- (I) Taoyuan Airport MRT A14 station (terminal 3) and extension section to Zhongli Railway Station's E&M system project (tender ME06A)
- (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 new construction of main line of West Coast Expressway WH10-C 64K+005~69K+600
- (VI) The construction of parking apron, taxiway and apron facilities in terminal III of Taiwan Taoyuan International Airport
- (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) China Petrochemical Development Corporation's Stage 1 geological improvement project of the liquid ammonia and phenol storage and transportation project in the intercontinental phase II wharf of Kaohsiung Harbor and the Stage 2 PC driven pile project
- (XV) Hua-Nan Information Technology Building and new construction in Hua-Nan

- DingPo Science and Technology Building
- (XVI) The public housing turnkey project on the Hebing High School Base in Neihu District of Taipei City
  - (XVII) Main Structure of New Construction Project in Yulong Town Commercial District (Phase 1)
  - (XVIII) The new construction project of the pumping machine room #7, 8 and 9 and water inlet/outlet underdrain in Taitan Power Plant
  - (XIX) 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
  - (XX) Niaozeitan Artificial Lake Project, Wu River- Construction of Lake Area
  - (XXI) The project of dewatering machine room and the storage field of sludge cake in the sewage treatment plant of Letzer Industrial Park, Yilan
  - (XXII) Public facilities and plant maintenance project in Changhua Coastal Industrial Park (Xianxi, Lunwei District)
  - (XXIII) Changhua Coastal Industrial Park - Lunwei West District 1 (phase 1) (Road and Public Pipeline Project)
  - (XXIV) Seawall and parapet heighten and water control road project in Changhua Coastal Industrial Park - Lunwei District (phase 1)
  - (XXV) Changhua Coastal Industrial Park development engineering project - Connection road No.2 improvement project
  - (XXVI) Public Facilities Project Yunlin Science and Technology Industrial Park (Dabeixi Area)
  - (XXVII) "Tao Zhu Yin Yuan" carbon-absorbing and energy-saving vertical residential building
  - (XXVIII) Yanshou Zone K (BES Yuncui)
  - (XXIX) Yanshou Zone I (BES Biyenge)
  - (XXX) Yanshou Zone J
  - (XXXI) Chongyang Road in Nangang
  - (XXXII) Tu Cheng AI Intellectual Park

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



### ■ 1980~2015 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

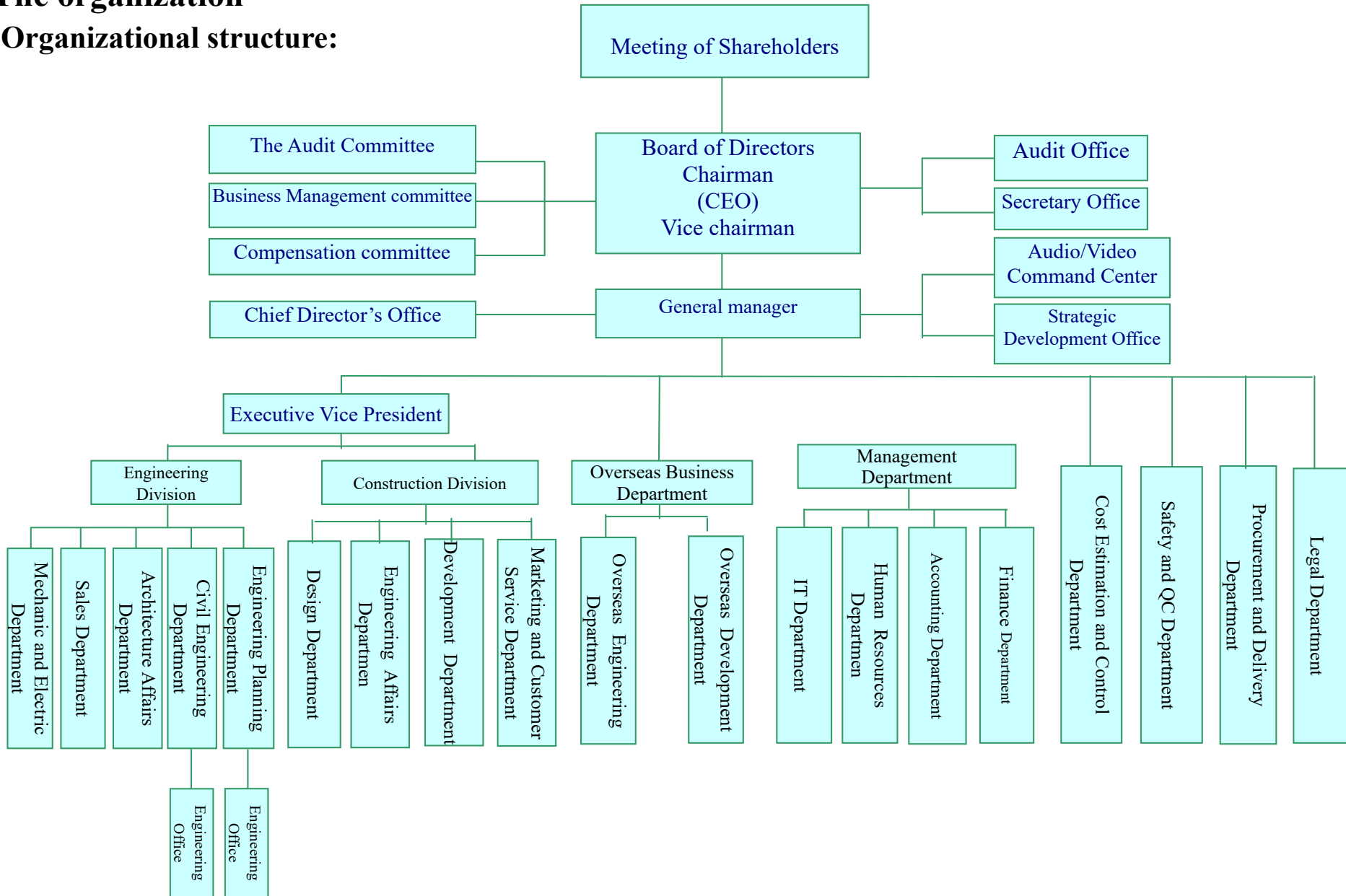
### ■ 1970~1980 Development of Industrial Park

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:

Title (Note 1)	Nationality and place of registration	Name	Gender	Elected Date	Term	Date of first elected (Note 2)	Shares held when elected		Shares currently holding		Shares held by spouse and minors		Shares held in the name of others		Experience (Education) (Note 3)	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 4)
							Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %			Title	Name	Relationship	
Chairman (26th)	Republic of China	Yang Jen Industrial Co., Ltd Representative: CHU, HUI-LAN (June 23,2020 Elect Chairman)	Female	June 23,2020	3years	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 and Agent General Manager	None	None	None	detailed Note4
Chairman (25th)	Republic of China	Shen Chunchi Culture and Education Foundation Representative: SHEN,HUA-YANG (June 23,2020 resignation)	Male	June.21.2017	3years	June.18.2002	12,793,179	0.8357%	12,793,179	0.8357%	None	None	None	None	BES Engineering Corporation Chairperson and General Manager	Also serves concurrently as: None	None	None	None	
Vice Chairman (25th)	Republic of China	Shen Chunchi Culture and Education Foundation Representative: CHU, HUI-LAN	Female	June.21.2017	3years	June.18.2002	12,793,179	0.8357%	12,793,179	0.8357%	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 and Agent General Manager	None	None	None	
Director (25&26th)	Republic of China	Formostar Factory Co., Ltd. Representative: TSAI, CHAO-LUN	Male	June 23,2020	3years	June.18.2002	327,991	0.0241%	263,991	0.0172%	None	None	None	None	Chairman of Formostar Garment Co. Ltd	Also serves concurrently as: None · hairman of Formostar Garment Co. Ltd	None	None	None	
Director (25&26th)	Republic of China	Changli Co., Ltd. Representative: LIOU, LIANG-HAI	Male	June 23,2020	3years	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	
Director (25&26th)	Republic of China	China Petrochemical Development Corporation Representative: CHEN RUI-LONG (25th: May 08,2020 Reassign Take office)	Male	June 23,2020	3years	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 (25th)	Republic of China	China Petrochemical Development Corporation Representative: LIN, KE-MING (May 08,2020 Reassign Dismissal)	Male	June.21.2017	3years	June.18.2002	149,243,449	9.7487%	164,348,449	10.7354%	None	None	None	None	B.B.A., Dept. of International Business, National Chengchi University (NCCU),Taiwan Chairperson of China Petrochemical Development Corporation (CPDC)	Also serves concurrently as: None	None	None	None	

Title (Note 1)	Nationality and place of registration	Name	Gender	Elected Date	Term	Date of first elected (Note 2)	Shares held when elected		Shares currently holding		Shares held by spouse and minors		Shares held in the name of others		Experience (Education) (Note 3)	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 4)
							Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %			Title	Name	Relationship	
Director (25&26th)	Republic of China	Tianjing Investment Co., Ltd. Representative: CHEN, WEN-KE	Male	June 23	3years	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 (26th)	Republic of China	Tianjing Investment Co., Ltd. Representative: BAI JUN-NAN July.30.2020 Reassign Take office)	Male	July.30.2020	3years	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	
Director (26th)	Republic of China	Tianjing Investment Co., Ltd. Representative: SHEN,HUA-YANG (June 23,2020 resignation)	Male	June 23,2020	3years	June.02.2011	12,179,632	0.7956%	12,179,632	0.0013%	None	None	None	None	BES Engineering Corporation Chairperson and General Manager	Also serves concurrently as: None	None	None	None	
Independent director(25& 26th)	Republic of China	LU, HAN-YI	Male	June 23,2020	3years	June.17.2014	30,000	0.0020%	30,000	0.0020%					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	
Independent director(25& 26th)	Republic of China	KO, SHU-JEN	Male	June 23,2020	3years	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(25& 26th)	Republic of China	CHANG, FAN	Male	June 23,2020	3years	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: Any disruption of duty as a director or supervisor, after the date the individual is elected, shall be specified in a separate note.

Note 3: 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 4: 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 of 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.

Note 5: The appointment of the 26th directors and independent directors will take place after the general re-election of directors and independent directors in the general meeting of shareholders on June 23, 2020. Therefore, the information of the 26th directors and independent directors is from June 23, 2020 on the appointment date to April 18, 2021, when the transfer of shares is closed. In addition, the information of the 25th directors and independent directors is from June 21, 2017 until June 23, 2020 when he resigns.

Note 6: As of April 18, 2021, the stock transfer date of this regular meeting of shareholders, the total issued shares are: 1,530,899,922; thus, the percentage of shares held, is counted according to the number of issued shares.

# Form I: Major shareholders of a juridical person shareholder

April 18, 2021

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 JunZun-fu 20.00%; Fan Fang-Ming 20.00%
Formostar Garment Co. Ltd	Tsai Chao Lun 28.98%, Tsai Mei-Tzu 15.07%, 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	HSBC in Custody of Core Pacific-Yamaichi (HK) Securities Ltd 1.41%; Core Pacific Development and Investment Co. 1.39%; JP Morgan Chase Bank N. A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds 1.25%; BES Engineering Inc. 1.24%; JP Morgan Chase Bank N. A. Taipei Branch in Custody for Vanguard Emerging Market Stock Index Fund, a Series of Vanguard Equity Index Funds 1.21%; Chen, Cui-E 1.12%; China Trust Bank in custody for China Petrochemical Development Corporation (CPDC) Employee Shareholding Trusted Property Account 0.85%; Core Pacific World Co., Ltd. 0.83%; Citibank Custodian Yuanta Securities (Hong Kong) Corporate Account 0.76%; Qiu, Fu-De 0.63%
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%

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.

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

April 18, 2021

Name of Juridical Person Shareholder (Note 1)	Major shareholder of a Juridical Shareholder (Note 2)
BES ENGINEERING CORPORATION	China Petrochemical Development Corporation (CPDC) 10.735%; Core Pacific Co., Ltd 2.237%; Lin, Wen-Yang 1.552%; 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%; Lin Shi-Zhong 1.058%; Sheen Chuen-Chi Culture & Educational Foundation 0.835%; Standard Chartered in Custody of Emerging Market ETF Fund 0.803
Core Pacific Co., Ltd	Hsu Rue-Ping 13.30%; 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. 6.81%; Wu Chun-Feng 6.67%; Hong Yi Construction Co., Ltd. 6.67%; Chang Tung-An 5.56%;
Ching Ding Technology Co., Ltd.	Tong Development Industrial Co., Ltd. 18.08%; Chen Chi Enterprise Co., Ltd. 14.67%; 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%;
Kuo Ching Investment Co., Ltd.	Hsing Jung Co. 27.17%; Jinghua Rental Inc. 15.58%; Jingdu Construction Development Co., Ltd. 14.44%; Chang Po Enterprise Co. 10.68%; Ching Ding Technology Co., Ltd. 10.03%; Hong Yi Construction Co., Ltd. 7.78%
Hung Yi Construction Co., Ltd	Jingdu Construction Development Co., Ltd. 24.17%; Tien Jing Investment Co., Ltd. 17.42%; Ching Ding Technology Co., Ltd. 15.15%; Cheng Chih Enterprise Co. 15.15%; Jinghua Department Store Co., Ltd 5.05%
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%
Frieman (Cayman)Co., Ltd, British West Indies Company	Stuart Wang 100%
Core Pacific World Co., Ltd.	BES Engineering Corporation 99.95%

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.

## Information of Directors and Supervisors (2)

April 18, 2021

Name (Note 1)	Qualifications	With 5 or more years of work experience or complies with the following professional qualification	Judges, prosecutors, lawyers, CPAs or other professional and technical personnel possessing certification/license after passing a national examination.	With working experience in the fields of business, law, finance, accounting or that is required by the company's business	Independence Criteria (Note 2)												Number of other companies served concurrently as an independent director	
					1	2	3	4	5	6	7	8	9	10	11	12		
Chu Hui-Lan Yang Jen Industrial Co., Ltd.				✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tsai Chao-Lun Formostar Garment Co. Ltd				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Liou Liang-Hai Chang-Li Co., Ltd.				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen Rui-Long China Petrochemical Development Corporation (CPDC)				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Bai Jun-Nan Tian-Jing Investment Corporation				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen Wen-Ke Tian-Jing Investment Corporation			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Liu He-Yi Independent Director	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ge Shu-Ren Independent Director	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chang Fang Independent Director		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: Number of fields can be adjusted as required.

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

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not the Company's or its affiliate's director or supervisor. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (3) Not a natural-person shareholder holds shares together with his or her spouse, minor children or holding shares under the name of others in an aggregate amount of more than 1% of the issued shares of the company or ranks among the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the managers specified in (1), or spouses, or second-degree of kinship of the persons specified in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) If the chairperson, general manager or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, to the said company or institution holding 20% or more and no more than 50% of the total number of issued shares of the public company, and the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding 500,000 NTD or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not the spouse or within the 2<sup>nd</sup> degree of kinship of the other directors.
- (11) Not a person of any conditions defined by the provision of Article 30 of the Company Act.
- (12) Not a government agency, a juridical person or their authorized representatives as defined by the provision of Article 27 of the Company Act.



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

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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 Deputy manager) (Note4)	Republic of China	SHEN,HUA-YANG	Male	2017.11.28	39,610	-	-	-	-	-	Chairman and general manager of the company Master of Water Resources Engineering, Asian Institute of Technology	Director of Overseas Investment & Development Corp. Supervisor of HRDD	None	None	None	-
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, Master of Leisure Business Management, Chaoyang University of Science and Technology	Director of Zhongqin Human Resource Management Consulting Co., Ltd. Director of BES Machinery Co., Ltd. Director of Xiaman Wonxian Logistics Management Co., Ltd. Director of Core Pacific World Co., Ltd. Director of Chung Kung Safeguarding and Security Corp. Director of BES Construction Corporation (U.S.A.) Director of Global BES Engineering(Myanmar)Co., Ltd. Director of BES Engineering Vietnam Co., Ltd.	None	None	None	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 BES Machinery Co., Ltd. Director of Zhongqin Human Resource Management Consulting Co., Ltd.	None	None	None	-
Assistant deputy general manager (Note4)	Republic of China	LIN,CHUN-YAO	Male	2018.01.01	-	-	-	-	-	-	Assistant deputy general manager and associate manager of the company Deputy General Manager of Jiangling Construction Co., Ltd. Master of Business Administration, Tamkang	None	None	None	None	-

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	
											University					
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	Director of BES Machinery Co., Ltd.	None	None	None	-
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 Chengchi University	None	None	None	None	-
Deputy general manager	Republic of China	WANG,TING-TSE	Male	2021.01.01	-	-	-	-	-	-	Associate manager, Deputy director and manager of the company Department of Water Resources and Environmental Engineering, Tamkang University	Director of BES Machinery Co., Ltd.	None	None	None	-
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	None	None	None	-
Special Assistant (Note4)	Republic of China	ZHANG, HUA-JIA	Male	2019.03.27	-	-	-	-	-	-	Special Assistant of the Company MBA, Fu-Jen Catholic University	None	None	None	None	-
Deputy director (Note5)	Republic of China	TSENG,FAN-MING	Male	2018.01.01	-	-	-	-	-	-	Director and manager of the company Manager of Huang Xiang Construction Ltd. company Department of Architecture, Chung Yuan Christian University	None	None	None	None	-
Deputy manager	Republic of China	CHIU,YUNG-TSAI	Male	2018.01.01	20,000	-	-	-	-	-	Manager of the company Department of Civil Engineering, Tamkang University	None	None	None	None	-
Deputy	Republic of	LI,	Male	2017.06.2	422	-	-	-	-	-	Manager of the company	None	None	None	None	-

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	China	CHEN-MING		2							Master of Economics, Chinese Culture University					
Deputy 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 BES Machinery Co., Ltd. Supervisor of Cinemark Core Pacific Limited Supervisor of Cinema 7 Ltd.	None	None	None	-
Deputy 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	None	None	None	-
Deputy manager	Republic of China	KUO, HUNG-CHENG	Male	2019.01.14	-	-	-	-	-	-	Manager of the company Department of Information Technology Management, National Taiwan University of Science and Technology	Director of CKS Guard Director of Xiaman Wonxian Logistics Management Co., Ltd.	None	None	None	-
Deputy manager (Note4)	Republic of China	CHENG, SHAO-CHUN	Female	2016.12.21	-	-	-	-	-	-	Manager of the company Lawyer of Liang and Partners Law Offices Master of Construction Engineering and Management, Department of Civil Engineering, National Taiwan University	None	None	None	None	-
Deputy manager (Note4)	Republic of China	TSENG, CHIUNG-YING	Female	2019.03.01	789	-	-	-	-	-	Manager of the company Department of Civil Engineering, Tamkang University	None	None	None	None	-
Deputy 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	None	None	None	-
Deputy 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	None	None	None	-
Deputy manager	Republic of China	CHUNG, YUN-KUAN G	Male	2019.03.01							Manager and Deputy Director of the Company Mechanical Engineering Certified by the Ministry of Education	None	None	None	None	-
Deputy manager (Note 4)	Republic of China	LU, JIA-JU	Male	2020.07.01	-	-	-	-	-	-	Manager of the company Manager of IEC Corp. Master of Construction Management, National	None	None	None	None	-

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	
											Central University					
Deputy 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	None	None	None	-
Deputy manager (Note 5)	Republic of China	ZHANG, SHI-WEN	Female	2014.12.16	-	-	-	-	-	-	Manager of the company Master of Civil Engineering, National Central University	None	None	None	None	-
Deputy manager	Republic of China	XU, XUE-PING	Male	2020.07.01	9,284	-	-	-	-	-	Manager of the company, senior director Civil Engineering Department, Taipei Institute of Technology	None	None	None	None	-
Director (Note 4)	Republic of China	CHEN, TZU-HSING	Male	2019.01.01	11,704	-	-	-	-	-	Director and manager of the company Electronic Engineering, Xipu Institute of Technology	None	None	None	None	-
Deputy 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	None	None	None	-
Deputy manager	Republic of China	CHEN, KUAN-YEN	Male	2018.10.08	-	-	-	-	-	-	Manager of the company Master of Civil Engineering, National Taiwan University	None	None	None	None	-
Deputy manager (Note 4)	Republic of China	He, Chao-Chung	Male	2019.08.19	-	-	-	-	-	-	Manager of the company Doctor, Division of Information, Institute of Industrial Management, National Taiwan University of Science and Technology	None	None	None	None	-
Deputy manager	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	None	None	None	-
Deputy manager	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	None	None	None	-
Deputy	Republic of	CHEN,	Male	2020.02.1	4,472	-	-	-	-	-	Manager, Director and	None	None	None	None	-

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 (Note 5)	China	DONG-JU		9							Senior Director of the Company Master of Agriculture Engineering, National Taiwan University					
Deputy manager (Note 5)	Republic of China	CENG, QIU-JIN	Male	2020.05.01	15,016	-	-	-	-	-	Manager, Director and Senior Director of the Company Master of Agriculture Engineering, National Taiwan University	None	None	None	None	-
Associate Manager	Republic of China	MA, ZHEN-ZHOU	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	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: SHEN,HUA-YANG retired with the resolution of the Board of Directors on 2020.06.23; LIN,CHUN-YAO and CHEN, TZU-HSING were discharged with the resolution of the Board of Directors on on 2020.01.21; CENG, ZENG-YING retired on 2020.04.30; CHENG, SHAO-CHUN resigned on 2020.06.30; He, Chao-Chung resigned on 2020.11.30; LU, JIA-JU resigned on 2020.09.18; ZHANG, HUA-JIA resigned on 2020.03.31; TU, CHIN-TE resigned on 2021.03.19;

Note 5: ZHANG, SHI-WEN was transferred to non-department chief position on 2020.07.01; CHEN, DONG-JU was transferred to the Engineering Office on 2020.07.01; TSENG,FAN-MING was transferred to non-department chief position on 2021.01.01; CENG, QIU-JIN was transferred to the Engineering Office on 2021.04.01.

### 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)	The company	in the financial report all companies (Note 7)		The company	All companies included in the financial report (Note 7)																					
Chairman (25th)	Shen Chunchi Culture and Education Foundation SHEN,HUA-YANG	5,094	5,524	0	0	1,292	1,292	50	117	1.04%	1.12%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0					
Director (25th)	Shen Chunchi Culture and Education Foundation CHU, HUI-LAN	2,628	2,628	0	0	1,292	1,292	50	50	0.64%	0.64%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Director (25th)	China Petrochemical Development Corporation LIN, KE-MING	0	0	0	0	1,292	1,292	10	10	0.21%	0.21%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Director (25th)	China Petrochemical Development Corporation CHEN RUI-LONG (5.8.2020, Reassign)	0	0	0	0	0	0	30	30	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Director (25th)	Formostar Factory Co., Ltd. TSAI, CHAO-LUN	0	0	0	0	1,292	1,292	160	160	0.23%	0.23%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Director (25th)	Changli Co., Ltd. LIOU, LIANG -HAI	0	0	0	0	1,292	1,292	170	170	0.24%	0.24%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Director (25th)	Tianjing Investment Co., Ltd. CHEN, WEN-KE	0	0	0	0	1,292	1,292	170	170	0.24%	0.24%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Independent director (25th,26th)	LU, HAN-YI	1,440	1,440	0	0	0	0	145	145	0.26%	0.26%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Independent director (25th,26th)	KO, SHU-JEN	1,440	1,440	0	0	0	0	145	145	0.26%	0.26%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Independent director (25th,26th)	CHANG, FAN	1,200	1,200	0	0	0	0	110	110	0.21%	0.21%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Chairman (26 <sup>th</sup> )	Yang Jen Industrial Co., Ltd. CHU, HUI-LAN (6.23.2020, Take over)	3,169	3,296	0	0	1,425	1,425	30	65	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Director (26th)	China Petrochemical Development Corporation CHEN RUI-LONG	0	0	0	0	1,425	1,425	20	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	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	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)
Director (26th)	Tianjing Investment Co., Ltd. BAI JUN-NAN (7.30.2020, Reassign)	1,323	1,323	0	0	1,425	1,425	30	30	0	0	0	0	0	0	0	0	0	0	0	0	0
Director (26th)	Formostar Factory Co., Ltd. TSAI, CHAO-LUN	0	0	0	0	1,425	1,425	150	150	0	0	0	0	0	0	0	0	0	0	0	0	0
Director (26th)	Changli Co., Ltd. LIOU, LIANG-HAI	0	0	0	0	1,425	1,425	130	130	0	0	0	0	0	0	0	0	0	0	0	0	0
Director (26th)	Tianjing Investment Co., Ltd. CHEN, WEN-KE	0	0	0	0	1,425	1,425	150	150	0	0	0	0	0	0	0	0	0	0	0	0	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 director2s 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 ◦

(III) The general manager and deputy general manager's remuneration (summary of remuneration levels with name disclosure)

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 (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Deputy general manager	YANG, MEI-YUAN	2,249	2,249	0	0	745	745	365	0	365	0	0.54	0.54	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		
1,000,000 dollars (included) ~ 2,000,000 dollars (not included)		
2,000,000 dollars (included) ~ 3,500,000 dollars (not included)	YANG, MEI-YUAN	YANG, MEI-YUAN
3,500,000 dollars (included) ~ 5,000,000 dollars (not included)		
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		
Total		

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.

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

April 18, 2021

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	Deputy general manager	YANG,MEI-YUAN	0	2,484	2,484	0.40%
	Associate manager	SU, HUI-CHIU				
	Associate manager	LIAO,SHU-LIANG				
	Deputy general manager	WANG,TING-TSE				
	Associate manager	CHENG,AN-TZU				
	Deputy Director	TSENG,FAN-MING				
	Deputy manager	CHEN, KUAN-YEN				
	Deputy manager	HUANG, NAN-YING				
	Deputy manager	CHANG, TA-CHUN				
	Deputy manager	XU, XUE-PING				
	Deputy manager	CHIU,YUNG-TSAI				
	Deputy manager	WANG, GUO-XI				
	Deputy manager	LI, CHEN-MING				
	Deputy manager	KUO, HUNG-CHENG				
	Deputy manager	CENG, QIU-JIN				
	Deputy manager	CHEN, KUO-HSIEN				
	Deputy manager	SU,YU-MIN				
	Deputy manager	YU, CHEN-ERH				
	Deputy manager	TU, CHIN-TE				
	Associate manager	CHEN, TZU-HSING				

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 2019: 9.07% (28,386 NTD in thousands /312,886 NTD in thousands)

Year 2020: 6.09% (37,505 NTD in thousands /618,959 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 2019: 9.16% (28,672 NTD in thousands /312,886 NTD in thousands)

Year 2020: 6.17% (38,164 NTD in thousands /618,959 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 Board of Directors has held 8 meetings in 2020 ( (The 25th session of 4 meetings(A), the 26th session of 4 meetings(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	8	0	100%	Inaugurated on June 23,2020.
Director	Representative of Sheen Chuen-Chi Culture & Educational Foundation: Shen, Hua-Yang	5	0	100%	Resigned on June 23,2020; actual expected attendances: 5
Director	Tian-Jing Investment Corporation Representative: Bai, Jun-Nan	3	0	100%	Inaugurated on 2020.07.30; actual expected attendances: 3
Director	China Petrochemical Development Corporation Representative: Lin, Ke-Ming	0	2	100%	Abdicated on May 8,2020 of the 25th Board of Directors, actual expected attendances: 2
Director	China Petrochemical Development Corporation Representative: Chen Rui-Long	5	1	100%	Inaugurated as the Director of the 25th Board of Directors on May 8,2020.
Director	Formostar Garment Co. Ltd Representative: Tsai, Chao-Lun	8	0	100%	
Director	Tian-Jing Investment Corporation Representative: Chen, Wen-Ke	8	0	100%	
Director	Chang-Li Co. Ltd Representative: Liou, Liang-Hai	6	2	75%	
Independent director	LU, Han-Yi	8	0	100%	
Independent director	Ko, Shu-Jen	8	0	100%	
Independent director	Chang, Fan	8	0	100%	

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: March 27, 2020 Period: 25th Term, 22nd Meeting

Proposal Content: Proposal for continuing to retain the Deloitte Taiwan to review the 2020 Finance Report and perform tax compliance audit, as the original letter of appointment has expired on December 31, 2019, the appointment for the year 2020 will be arranged.

Resolutions: Approval by all attending directors.

2. Date of Board meeting: March 27, 2020 Period: 25th Term, 22nd Meeting

Proposal Content: Due to the internal CPA rotation of Deloitte Taiwan, the original CPA from Deloitte Taiwan has changed from Mr. Li, Dong-Feng CPA and Mr. Yang, Ching-Cheng, CPA to Mr. Li, Dong-Feng CPA and Mr. Huang, Yao-Lin CPA starting from Q1 of 2020.

Resolutions: Approval by all attending directors.

3. Date of Board meeting: March 27, 2020 Period: 25th Term, 22nd Meeting

Proposal Content: Amendments to some of the provisions in the "Managerial Procedure for Loaning Funds to Others and Endorsement/Guarantee"

Resolutions: Approval by all attending directors.

4. Date of Board meeting: March 27, 2020 Period: 25th Term, 22nd Meeting

Proposal Content: Propose the Company's 2019 statement of internal control system.

Resolutions: Approval by all attending directors.

5. Date of Board meeting: March 27, 2020 Period: 25th Term, 22nd Meeting

Proposal Content: Reviewing 2019 Proposal of Remuneration Distributions to Employees and Directors.

Resolution: Approval by all attending directors, and would be reported in the 2020 general meeting.

6. Date of Board meeting: March 27, 2020 Period: 25th Term, 22nd Meeting

Proposal Content: Proposal of the profit distribution of Year 2019 (January 1 to December 31, 2019).

Resolution: Approval by all attending directors. The profit distribution of Year 2019 shall contribute the legal reserve of 31,288,605 NTD.

Title	Name (Note 1)	Frequency of actual attendance B	Frequency of proxy attendance	Rate of actual attendance (B/A) (Note 2)	Note
and dividends to shareholders of 307,710,865 NTD (about 0.201 NTD per share), and will be acknowledged in in the 2020 general meeting.					
7. Date of Board meeting: March 27, 2020 Period: 25th Term, 22nd Meeting					
Proposal Content: Proposal of the 2019 business report and 2019 consolidated financial report. Please approve and make public announcement after approval.					
Resolutions: Approval by all attending directors.					
8. Date of Board meeting: March 27, 2020 Period: 25th Term, 22nd Meeting					
Proposal Content: Election: electing the directors and independent directors for the 26th term					
Resolutions: Approval by all attending directors.					
9. Date of Board meeting: March 27, 2020 Period: 25th Term, 22nd Meeting					
Proposal Content: Nominate and review the candidate List of the Directors and Independent Directors					
Resolutions: Approval by all attending directors.					
10. Date of Board meeting: March 27, 2020 Period: 25th Term, 23rd Meeting					
Proposal Content: Plan to lift the provision of non-competition provision of the 26th term of the Board of Directors.					
Resolution: Approval by all attending directors, and would be discussed in the 2020 general meeting.					
11. Date of Board meeting: June 18, 2020 Period: 25th Term, 24th Meeting					
Proposal Content: Vice Chairman Chu, Huei-Lan to act as the President of the company.					
Resolutions: Approval by all attending directors.					
12. Date of Board meeting: June 18, 2020 Period: 25th Term, 24th Meeting					
Proposal Content: Selection of the Chairman and Vice Chairperson of the Company					
Resolutions: Director Sheng, Hua-Yang elects Director Chu, Huei-Lan as the Chairman candidate, and all attending directors approve that Director Chu, Huei-Lan take the Chairman office and that no Vice Chairman will be elected as the moment.					
13. Date of Board meeting: August 12, 2020 Period: 26th Term, 2nd Meeting					
Proposal Content: Determination on the ex-dividend base date and the distribution date of 2020 Cash dividends of the company.					
Resolutions: Approval by all attending directors.					
14. Date of Board meeting: December 23, 2020 Period: 26th Term, 4th Meeting					
Proposal Content: Review the Company's "2021 Business Plan and Financial Budget Explanation."					
Resolutions: Approval by all attending directors.					
15. Date of Board meeting: December 23, 2020 Period: 26th Term, 4th Meeting					
Proposal Content: The Company's evaluation on the independence of the appointed independent auditor for the year of 2020.					
Resolutions: Approval by all attending directors.					
16. Date of Board meeting: December 23, 2020 Period: 26th Term, 4th Meeting					
Proposal Content: The deadline extension of mortgage cancellation for 4 households and 30 parking spaces agreed by both parties in Article 5 of the 4th Supplementary contract of the main joint construction contract between Asia Pacific Commerce and "Tao Zhu Yin Yuan" of the company to June 30, 2021.					
Resolutions: Approval by all attending directors.					
17. Date of Board meeting: December 23, 2020 Period: 26th Term, 4th Meeting					
Proposal Content: Apply for the syndicated loan of NTD 16 billion for the development project in Tu Cheng AI Intellectual Park.					
Resolutions: Approval by all attending directors.					
18. Date of Board meeting: December 23, 2020 Period: 26th Term, 4th Meeting					
Proposal Content: Establish the Company's "2021 Audit Plan."					
Resolutions: Approval by all attending directors.					
19. Date of Board meeting: December 23, 2020 Period: 26th Term, 4th Meeting					
Proposal Content: Amendments to some provisions of the "Remuneration Committee Charter," "Audit Committee Charter" and "Rules of Procedure for Board of Directors Meetings"					
Resolutions: Approval by all attending directors.					
20. Date of Board meeting: December 23, 2020 Period: 26th Term, 4th Meeting					
Proposal Content: Formulate the company's "Integrity Management Operating Procedures and Behavior Guidelines".					
Resolutions: Approval by all attending directors.					
21. Date of Board meeting: December 23, 2020 Period: 26th Term, 4th Meeting					
Proposal Content: Formulate the company's "risk management policies and procedures".					
Resolutions: Approval 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 Board meeting: January 21, 2020 Period: 25th Term, 21st Meeting					
Proposal Content: Review on the Company's Management Level Performance Rewards for the Chairman, Chairman Office Supervisor, Senior Consultant and Appointed Managers for the year of 2019, for approval.					
Resolutions: Since this case involves with conflict of interest recusal, Chairman Sheng, Hua-Yang who concurrently acts as the President and Vice Chairman Chu are related parties and recuse themselves from the case, Director Lin, Ke-Min is designated as the chair pf the meeting. Since the attended managers are the target of discussion of the case, all of them left the meeting prior to the resolution is reached. This case was passed by the Remuneration Committee of the 3rd term, 17th meeting and was reported to the Board of directors for approval. This case is approved by the remaining attending directors.					
2. Date of Board meeting: August 12, 2020 Period: 26th Term, 2nd Meeting					
Proposal Content: Nominate Lu, Han-Yi, Ko, Shu-Jen, and Huang, Chao Sung to serve as the member of the "Remuneration Committee" of the 4th term of the company, and the term of office is the same as the term of office of the Board of Directors of the 26th term of the company.					

Title	Name (Note 1)	Frequency of actual attendance B	Frequency of proxy attendance	Rate of actual attendance (B/A) (Note 2)	Note
<p>Resolutions: Due to the conflict of interests, Independent Director Lu and Independent Director Ko recuse themselves from this case for being the stakeholder. This case is approved by the remaining attending directors.</p> <p>3. Date of Board meeting: November 11, 2020 Period: 26th Term, 3rd Meeting            Proposal Content: Remuneration to the Chairman, Chu, Hui-Lan who concurrently serves as the President.            Resolutions: the proposal has been approved by the 4th term of the first Meeting of the Remuneration Committee and submitted to the Board for re-approval. The proposal involved interest recusal, Chairman, Chu, Hui-Lan recused as the stakeholder and designated Director Bai, Jun-Nan as the Chair of the meeting; approved by other remaining attending directors.</p> <p>4. Date of Board meeting: November 11, 2020 Period: 26th Term, 3rd Meeting            Proposal Content: 2019 remuneration to employees distributed by the appointed manager in accordance with the "Guidelines Governing Remuneration to Employees."            Resolutions: the proposal has been approved by the 4th term of the second Meeting of the Remuneration Committee and submitted to the Board for re-approval. The proposal involved interest recusal, Chairman, Chu, Hui-Lan who concurrently serves as the President recused as the stakeholder and designated Director Tsai, Chao-Lun as the Chair of the meeting; approved by other remaining attending directors.</p> <p>III. TWSE/GTSM Listed Companies shall disclose evaluation cycles, evaluation periods, scope and method of evaluation of the self (or peer) evaluation of board of directors, and fill in the attached form two (2) Implementation of Board of Director Evaluation: based on the No. 5, Item 3 of the Announcement of TWSE on December 27, 2018, the Company has reported to the 20th Term of 25th Meeting of Board of Directors on December 25, 2019, and passed the "BES Engineering Co., Ltd. Board of Directors Performance Evaluation Method.", the 2020 Board of Directors Performance Evaluation was completed on December 23, 2020, and it was reported to the 5th meeting of the Board of Directors of the 26th term on January 22, 2021 for making public announcement on Market Observation Post System and on the company's official website.</p> <p>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.</p>					

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	November 1, 2019 to November 1, 2020	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 January 1, 2019 to December 31, 2019

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 2020 conducted six 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	6	0	100%	
Independent director	Ko, Shu-Jen	6	0	100%	
Independent director	Chang, Pan	6	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 Board meeting: November 11, 2020 Term: 3rd Meeting of the 26th Term

Proposal Content: Propose to stipulate "Ethical Corporate Management Best Practice Principles" as the reference for all units in order to establish the corporate culture of ethical management and sound development.

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 Board meeting: November 11, 2020 Term: 3rd Meeting of the 26th Term

Proposal Content: Propose to stipulate "Corporate Governance Best Practice Principles" as the reference for all units in order to enhance the corporate governance system, assist the Board in performing duties, and improve the efficiency of the Board.

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 Board meeting: December 23, 2020 Term: 4th Meeting of the 26th Term

Proposal Content: Amendments to some provisions of the "Remuneration Committee Charter," "Audit Committee Charter" and "Rules of Procedure for Board of Directors Meetings." For approval by the Board.

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 Board meeting: December 23, 2020 Term: 4th Meeting of the 26th Term

Proposal Content: Propose to stipulate "BES Procedures for Ethical Management and Guidelines for Conduct" as the reference of all unit in order to comply with the provisions of TWES and implement the ethical management.

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 Board meeting: December 23, 2020 Term: 4th Meeting of the 26th Term

Proposal Content: Propose to stipulate "Risk Management Policy and Procedures" as the reference of all units in order to establish sound risk management procedures that comply with the provision of the Financial Supervisory Commission.

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 Board meeting: March 27, 2020 Term: 22nd Meeting of the 25th Term

Proposal Content: Propose the Company's 2019 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 Board meeting: December 23, 2020 Term: 4th Meeting of the 26th Term

Proposal Content: Propose the Company's 2021 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:

(1) Date of Board meeting: March 27, 2020 Term: 22nd Meeting of the 25th Term

Proposal Content: Proposal of amending some clauses of "Measures for the Administration of Fund Loans and Endorsement Guarantees" Please review and resolve.

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

5. Major capital or derivatives transactions:

Date of Board meeting: March 27, 2020 Term: 22nd Meeting of the 25th Term

Proposal Content: The disposition of vessel Chong-Gon I and Chong-Gon III. Please authorize the Chairman to sell the said vessels with the price no lower than the purchase costs of NTD 400 million.

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 loan, guarantee or endorsements:  
 Date of Board meeting: December 23, 2020 Term: 4th Meeting of the 26th Term  
 Proposal Content: Propose the extension of loan tenure for the NTD 8.5 billion syndicated loan of the Entie Commercial Bank to December 28, 2021, the change of surety, and the amendments to the contract of the syndicated loan.  
 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 Board meeting: March 27, 2020 Term: 22nd Meeting of the 25th Term  
 Proposal Content: Proposal for continuing to retain the Deloitte Taiwan to review the 2020 Finance Report and perform tax compliance audit, as the original letter of appointment has expired on December 31, 2019, the appointment for the year 2020 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: None of such situations.
10. Annual and semi-annual financial statements:  
 (1) Date of Board meeting: March 27, 2020 Term: 22nd Meeting of the 25th Term  
 Proposal Content: Proposal to review the Company's 2019 Parent Company Only Business Report and 2019 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 Board meeting: March 27, 2020 Term: 22nd Meeting of the 25th Term  
 Proposal Content: Propose to review the Company's 2019 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 Board meeting: May 13, 2019 Term: 23rd Meeting of the 25th Term  
 Proposal Content: Propose to review the Company's 2020 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 Board meeting: August 12, 2020 Period: 26th Term, 2nd Meeting  
 Proposal Content: Propose to review the Company's 2020 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 Board meeting: November 11, 2020 Term: 3rd Meeting of the 26th Term  
 Proposal Content: Propose to review the Company's 2020 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 Board meeting: March 27, 2020 Term: 22nd Meeting of the 25th Term  
 Proposal Content: Due to the internal CPA rotation of Deloitte Taiwan, Deloitte Taiwan contacted the company with an official letter on March 10, 2020 indicating that the original CPA from Deloitte Taiwan has changed from Mr. Li, Dong-Feng CPA and Mr. Yang, Ching-Cheng, CPA to Mr. Li, Dong-Feng CPA and Mr. Huang, Yao-Lin CPA starting from Q1 of 2020.  
 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 Board meeting: March 27, 2020 Term: 22nd Meeting of the 25th Term  
 Proposal Content: Propose to review the construction project of the employee recreational center of the company.  
 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 Board meeting: May 13, 2020 Term: 23th Meeting of the 25th Term  
 Proposal Content: Propose to lift the provision of non-competition provision of the 26th term of the Board of Directors.  
 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 Board meeting: November 11, 2020 Term: 3rd Meeting of the 26th Term  
 Proposal Content: Propose the overseas land development projects and process for "Insein Road 2.4ac in Yangon, Myanmar" and "SayarSan Rd 0.5ac in Yangon, Myanmar."  
 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 Board meeting: December 23, 2020 Term: 4th Meeting of the 26th Term  
 Proposal Content: Review of the Company's "2021 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.



- (6) Date of Board meeting: December 23, 2020 Term: 4th Meeting of the 26th Term  
 Proposal Content: The Company's assessment of the independence of the appointed independent auditor for the year of 2020.  
 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 Board meeting: December 23, 2020 Term: 4th Meeting of the 26th Term  
 Proposal Content: The deadline extension of mortgage cancellation for 4 households and 30 parking spaces agreed by both parties in Article 5 of the 4th Supplementary contract of the main joint construction contract between Asia Pacific Commerce and "Tao Zhu Yin Yuan" of the company to June 30, 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.
- (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 2020 fiscal year is as below:
    - (a) March 25, 2020, 2019 Financial Report audit explanation, 2018 results for key audit matters.
    - (b) May 12, 2020, Quarter 1 of 2020 Financial Statement review communications.
    - (c) August 7, 2020, Quarter 2 of 2020 Financial Statement review communications.
    - (d) November 12, 2020, Quarter 3 of 2020 Financial Statement review communications, communications for the 2020 results for key audit matters.

Note:

- \* 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.
- \* 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 Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?		V	(I) The company has made diverse policies, which are disclosed 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 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%. When selecting Directors (including Independent Directors),	None.

Items for Evaluation	Operation status (Note1)			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		diversity is also a key element apart from the professional background.	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>(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> <p>(III) The “Regulations Governing the Board of Directors Performance Evaluation of BES ENGINEERING CORPORATION” were approved by the Board of Directors of the 25th Term, 20th Meeting on December 25, 2019, and these Regulations were disclosed on the official website of the company and on Market Observation Post System. 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 2020 performance evaluation on Directors and functional committees were completed on December 23, 2020 and reported to the Board of Directors of the 26th term, 5th meeting on January 22, 2021. The evaluation result is as follows:</p> <p>1. The average score for self-evaluation on the Board of Director’s performance is 93.4 (out of 100). It shows that the Board of Directors indeed fulfill the responsibility of directing and supervising company strategy, major business and risk management. The overall operation is excellent that meets the requirement of corporate governance. However, few scores of 3-5 evaluation items in the aspect of “Participation on the company operation” are lower, including “The Board of Directors firmly supervises the company on compliance and practice principles,” “All Directors of the company make solid contributions to the Board,” “Directors are able to firmly evaluate and supervise the existing and potential risks of the company and have discussion on the implementation and tracking of internal control system,” and “The Board of Directors can fully and timely acquire the operation performance report and quickly grasp the negative trend.” These items require enhancement.</p> <p>2. The average score for the self-evaluation on individual Directors (9 Directors, including Independent Directors) is 93.2 (out of 100). Few scores of evaluation items in the aspects of “Participation on the company operation” and “Internal relationship building and communication” are lower, including “Directors make solid contribution to the Board, such as provide solid suggestions to proposals”, “Directors have excellent communication with each other,” and “Directors are able</p>	None.

Items for Evaluation	Operation status (Note1)			Discrepancies and reasons
	Yes	No	Brief summary	
(IV)Has the Company evaluate the independence of the independent auditor on a regular basis?	V		<p>to firmly evaluate and supervise the existing and potential risks of the company and have discussion on the implementation and tracking of internal control system.” These items require enhancement.</p> <p>3.As for the self-evaluation result of functional committees, the average for the Audit Committee is 99.3 (out of 100) with the evaluation grade of “Excellent,” and the average score for the Remuneration Committee is 100 (out of 100) with the evaluation grade of “Excellent” as well. The performance evaluation results are disclosed on the 2020 Shareholder Meeting Annual Report and the official website of the company, which will serve as the reference of the remuneration and nomination for another term of the Director.</p> <p>(IV)The Company will conduct an evaluation on the independence, competency and professionalism of the independent auditor 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 will report to the Board of Directors. (The appointment and remuneration of 2020 financial and tax CPA has been approved by the Board of Directors of the 26th term, 4th meeting). The Company will also provide the following to the Board of Directors for discussion about the independence of the accountants during internal rotation: CVs and “statement of independence” by each accountant. Please refer to Note 2 for the evaluation table.</p>	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>(1)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 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</li> </ol>	None.

Items for Evaluation	Operation status (Note1)			Discrepancies and reasons															
	Yes	No	Brief summary																
			<p>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>7 Board of Directors meeting and 5 Audit Committee meetings were summoned in 2020.</li> <li>annual shareholders' meeting was summoned in 2020.</li> <li>All directors completed at least 6 credits of educational trainings.</li> <li>The company insured Directors and important staff with liability insurance and reported to the Board of Directors after the policies are renewed.</li> <li>Completed the performance evaluation of the Board of Directors and functional committee.</li> <li>Corporate Governance Officer acquired 12 hours of educational training in 2020, and it was declared on the Market Operation Post System.</li> </ol> <p>(III) The educational trainings for the Corporate Governance Officer in 2020 were as follows:</p> <table border="1"> <thead> <tr> <th>Transaction</th> <th>Training Course</th> <th>Credit</th> </tr> </thead> <tbody> <tr> <td>09/04</td> <td>The responsibilities of Directors and Supervisors on enterprise merger</td> <td>3</td> </tr> <tr> <td>09/30</td> <td>Seminar on prevention on insider-trading and insider equity trading in 2020</td> <td>3</td> </tr> <tr> <td>11/20</td> <td>Trend and risk management on digital technology and AI</td> <td>3</td> </tr> <tr> <td>12/17</td> <td>Analysis and case review on abnormal transactions of Directors and Supervisors</td> <td>3</td> </tr> </tbody> </table>	Transaction	Training Course	Credit	09/04	The responsibilities of Directors and Supervisors on enterprise merger	3	09/30	Seminar on prevention on insider-trading and insider equity trading in 2020	3	11/20	Trend and risk management on digital technology and AI	3	12/17	Analysis and case review on abnormal transactions of Directors and Supervisors	3	
Transaction	Training Course	Credit																	
09/04	The responsibilities of Directors and Supervisors on enterprise merger	3																	
09/30	Seminar on prevention on insider-trading and insider equity trading in 2020	3																	
11/20	Trend and risk management on digital technology and AI	3																	
12/17	Analysis and case review on abnormal transactions of Directors and Supervisors	3																	
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	V		(I) The company has set up an external network with website address: www.bes.com.tw and has set up a stakeholder area to respond to interested parties.	None.															

Items for Evaluation	Operation status (Note1)			Discrepancies and reasons
	Yes	No	Brief summary	
Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?			(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, social media G+ and responses to meeting communications on a non-regular basis. (III) The Company has already identified its stakeholders and major issues in the Corporate Social Responsibility Report. There are already 8 types of stakeholder groups being identified, namely, employees, business owners, shareholders, suppliers, authorities, communities, non-profit organizations, and media, and has made responses to the issues of major concern by these stakeholders. The issues are, for example, corporate governance, operations status, EHS management, sustainable development, environmental pollution prevention, energy management, environmental laws compliance, employees benefits and remuneration, employees' development and educational trainings, construction quality management, green building mark, health and safety.	
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 governance? (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 spokespersons system, webcasting investors conference and so on)? (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?	V  V	  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. (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. (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.	None.  None.  The Company conducts such pursuant to the Securities and Exchange Act
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	V		(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	None.

Items for Evaluation	Operation status (Note1)			Discrepancies and reasons
	Yes	No	Brief summary	
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>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) Educational trainings for Directors: Director Chu, Huei-Lan, Chen, Ruei-Long, Bai, Jun-Nan, Tsai, Chao-Lun, Liu, Liang-Hai, Cheng, Wen-Ke, Independent Director Ko-Shu-Jen, Lu, Ho-Yi, and Chang, Fang participated in the training course of "The responsibilities of Directors and Supervisors on enterprise merger" and "Trend and risk management on digital technology and AI" held by the Taiwan Corporate Governance Association on September 4, 2020 and November 20, 2020, respectively. In addition, Director Chen, Ruei-Long also participated in the training courses held by the Taiwan Corporate Governance Association in May, August, and November of 2020. To comply with the training hours stipulated in Paragraph 2, Article 3 of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" amended and promulgated by TWSE on August 8, 2019, it is advisable for a newly appointed person to complete a minimum of 12 CPE hours in the year the person is appointed, and a minimum of 6 hours per year in each following year</p> <p>(IV) The situation of insurance purchase for the directors by the Company: the Company has at the Annual General Meeting on June 20<sup>th</sup>, 2006, established in the Articles of Incorporation, the rule to purchase insurance for the directors. Insured by Fubon Insurance Co., Ltd. from January 2nd, 2020 to January 2nd, 2021 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</p>	None.

Items for Evaluation	Operation status (Note1)			Discrepancies and reasons
	Yes	No	Brief summary	
			<p>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 “Regulations Governing the Board of Directors Performance Evaluation of BES ENGINEERING CORPORATION” was stipulated in 2019. Through the evaluation items of the control over the company goal and mission, responsibility recognition, participation in the operation, internal relationship building and communication, professional ability and training, internal control and the statement of solid opinions, the company may confirm the Board of Directors is operating effectively, and the Director performance evaluation also serves as the reference for director election and nomination in the future.</p> <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.</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.</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</p>	



Items for Evaluation	Operation status (Note1)			Discrepancies and reasons
	Yes	No	Brief summary	
			culture and practice of operational management.	
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</p> <ol style="list-style-type: none"> <li>1. Personnel management</li> <li>2. Information security monitoring</li> <li>3. Process management</li> <li>4. Internal control management</li> <li>5. External Audit</li> <li>6. Regular reports</li> </ol> <p>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> <p>Please visit the official website: <a href="https://www.bes.com.tw/portal_129.php">https://www.bes.com.tw/portal_129.php</a></p>	None.
XI. Whether the company stipulates intellectual property management plan connected to the operation goals?			<p>Intellectual property management plan</p> <p>I. Protection measure</p> <ol style="list-style-type: none"> <li>1. Patent management</li> </ol> <p>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</p>	None.

Items for Evaluation	Operation status (Note1)			Discrepancies and reasons
	Yes	No	Brief summary	
			<p>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 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:</p> <p>1. The summary of the major implementations of intellectual property management of the company is as follows:</p> <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</p> <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</p> <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:</p> <ul style="list-style-type: none"> <li>• Enhance basic acknowledgement and knowledge management</li> <li>• Enhance patent layout</li> </ul>	

Items for Evaluation	Operation status (Note1)			Discrepancies and reasons
	Yes	No	Brief summary	
			<ul style="list-style-type: none"> <li>• Trademarks monitoring</li> <li>• Firmly implement the intellectual property management system</li> </ul> Please visit the official website: <a href="https://www.bes.com.tw/portal_l28.php">https://www.bes.com.tw/portal_l28.php</a>	
XII. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange. (Those who are not in the list to be evaluated do not have to fill out)				

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

**2020**

**CPA independence evaluation (note 2)**

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 2: CPA independence evaluation

(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	Does the person possess more than 5 years of work experience And the professional qualifications as listed below			Independence Criteria (Note 2)										Number of other public offering companies where the member services as a part-time remuneration committee member	Note	
		At least lecturers in a department of public or private colleges and universities, and specialized in business, law, finance, accounting or from departments of related subjects as demanded by the company's business	Judges, prosecutors, lawyers, CPAs or other professional and technical personnel possessing certification/license after passing a national examination.	Possessed work experience in business, legal, finance, accounting or corporate business	1	2	3	4	5	6	7	8	9	10			
Independent director	LU, HAN-YI			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Ko, Shu-Jen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Others	Huang Chao Sung	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

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

Note 2: For each member, during the two years before being elected and during the term of office, who meet the following conditions, please tick the appropriate corresponding boxes:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (3) Not a natural-person shareholder holds shares together with his or her spouse, minor children or holding shares under the name of others in an aggregate amount of more than 1% of the issued shares of the company or ranks among the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the managers specified in (1), or spouses, or second-degree of kinship of the persons specified in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) If the chairperson, general manager or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (The same does not apply, however, to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, to the said company or institution holding 20% or more and no more than 50% of the total number of issued shares of the public company, and the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding 500,000 NTD or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a person of any conditions defined by the provision of Article 30 of the Company Act.

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

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

(2) Current term of the 3th committee: June 21, 2017 to June 20, 2020; 2020 Remuneration Committee meet 4 times, Current term of the 4th committee: August 12, 2020 to June 22, 2023; 2020 to 2021 Remuneration Committee meet 5 times.

Committee members' eligibility and attendance are as below:

Title	Name	Actual number of attendance	Frequency of proxy attendance	Rate of actual attendance Note	Note
Convener (3 <sup>rd</sup> Term)	LU, HAN-YI	4	0	100%	
Committee member (3 <sup>rd</sup> Term)	Ko, Shu-Jen	4	0	100%	
Committee member (3 <sup>rd</sup> Term)	Huang Chao Sung	4	0	100%	
Convener (4 <sup>rd</sup> Term)	LU, HAN-YI	5	0	100%	
Committee member (4 <sup>rd</sup> Term)	Ko, Shu-Jen	5	0	100%	
Committee member (4 <sup>rd</sup> Term)	Huang Chao Sung	5	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
3rd term 17th meeting on 2020/01/15	Proposal I. Proposed the remuneration for the appointed managers of the company II. Review on the Company's Management Level Performance Rewards for the Chairman, Chairman Office Supervisor, Senior Consultant and Appointed Managers for the year of 2019.	Approved by all of the committee members	Approval by all attending directors.
3rd term 18th meeting on 2020/03/26	Proposal I. Discussion on the 2019 Proposal of Compensation Distributions to Employees and Directors. II. Proposed the adjustment on the remuneration for the appointed managers of the company III. Proposed the remuneration for the appointed managers of the company	Approved by all of the committee members	Approval by all attending directors.
3rd term 19th meeting 2020/05/06	Proposal I. Proposed the remuneration for the appointed manager of Safety and QC Department the company II. Proposed the remuneration for the appointed manager of Cost Estimation and Control Department of the company	Approved by all of the committee members	Approval by all attending directors.
3rd term 20th meeting 2020/06/11	Proposal I. Proposed the remuneration for the appointed managers of the company	Approved by all of the committee members	Approval by all attending directors.
4th term 1st meeting 2020/09/02	Proposal I. Remuneration distribution to directors, Year 2019 II. Remuneration to the Chairman who concurrently serves as the President.	Approved by all of the committee members	Approval by all attending directors.
4th term 2nd meeting	Proposal I. 2019 remuneration to employees distributed by the appointed	Approved by all of the	Approval by all attending directors.

2020/10/21	manager in accordance with the “Guidelines Governing Remuneration to Employees.”	committee members	
4th term 3rd meeting 2020/12/22	Proposal I. To link to the management operation of the Audio/Video Command Center and improve the engineering safety and health and construction quality management demands, the company plans to amend the “Rules Governing Rewards and Punishments on Labor Safety and Health” and “Rules Governing Quality Management Rewards” II. Proposed the amendments to the “Key Points of Management of Remuneration to Employees” III. Proposed the remuneration for the appointed manager of Cost Estimation and Control Department of the company IV. Proposed the remuneration for the appointed manager of Human Resources Department of the company V. Proposed the remuneration for the appointed manager of Procurement and Delivery Department of the company VI. Proposed the adjustment on the remuneration for the appointed managers of the IT Department of the company	Approved by all of the committee members	Approval by all attending directors.
4th term 4th meeting 2021/01/20	Proposal I. Proposed the remuneration for the appointed manager Ma,Chen-Chou of 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. Review on the Company’s Management Level Performance Rewards for the Chairman, Chairman Office Supervisor, Senior Consultant and Appointed Managers for the year of 2020.	Approved by all of the committee members	Approval by all attending directors.
4th term 5th meeting 2021/03/16	Proposal I. Discussion on the 2020 Proposal of Compensation Distributions to Employees and Directors. II. Proposed the amendments to the Rules Governing the Appointment and Resignation of the Appointed Managers of the company	Approved by all of the committee members	Approval by all attending directors.

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) Fulfillment of social responsibility: the company’s system, measures, and implementation status of activities on environmental protection, community participation, contribution to the society, social service, social welfare, consumers’ rights, human rights, safety and health, and other related activities.

Discrepancy between the implementation of social responsibility and the Code of Practice for Corporate Social Responsibility of Listed Company and the reasons.

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 (note 2)	
I. 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 3)	V		<p>1. The risk management policy and procedure of the company has been approved by the Board of directors of the 26th term in the 4th meeting. Risks are defined in accordance with the overall operation principles of the company, 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 of the company. Please refer to the official website for the complete policy: <a href="https://www.bes.com.tw/portal_15.php">https://www.bes.com.tw/portal_15.php</a>(Risk management policy and procedure) °</p> <p>2. The company conducts risk evaluation and operation on environmental, social, and corporate governance related issues that are related to company operation based on the principle of materiality. The operation of the risk management is closed on the official website: <a href="https://www.bes.com.tw/portal_15.php">https://www.bes.com.tw/portal_15.php</a>(Operation of the risk management team)</p>	None.
II. Does the company set up a full-time (part-time) unit to promote corporate social responsibility, with high-level managerial personnel authorized by the Board of Directors to be in-charge and to report back to the Board on the progress of implementation?	V		The general manager's office of the Company will plan and promote corporate social responsibility, and take charge of preparing reports and other related matters.	None.
III. Environmental Issues (I) Does the Company establish a suitable environmental management system based on the characteristics of the	V		(I) The company belongs to the construction industry and has established the safety, health, and environment	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 (note 2)	
<p>industry where it is?</p> <p>(II) Does the Company strive to enhance the efficiency of each resources' utilization, and use the recycled materials with low environmental impact?</p>	V		<p>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. 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. The Company has established the Office of Safety and Health Quality 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." The purpose is for the employees to realize the importance of the safety of construction. The effects are regularly recorded and inspected. BES ENGINEERING CORPORATION implements CSR and changes the image of construction sites being dirty and dangerous among the publics, and shape a safe and comfortable working place together. Please visit the official website: <a href="https://www.bes.com.tw/portal_120.php">https://www.bes.com.tw/portal_120.php</a></p> <p>(II) To enhance the efficiency of resources use, the "Guidelines for Management of Domestic Materials" and the "Operating Manual for Material Management in Engineering Office," as the basis of procurement, allotment, and treatment of idle and waste of materials.</p>	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 (note 2)	
(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		<p>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 efficiency of each resource's utilization and promoting the employees to engage environmental works.</p> <p>(III) The operations of the Company mainly focus on the public construction contracts. In recent years, the Company has also been actively engaged in urban renewal development; for the urban renewal development, the Company has set the objective as obtaining the silver grade or above of the "Green Building Label." For instance, the joint construction with Asia Pacific Industry and Commerce Union Co., Ltd. "Tao-Chu Hiding Garden" has obtained the golden grade candidate certificate of the Green Building Label from the Ministry of Internal Affairs, as well as the LEED green building certification, USGBC The Yen-Shao M Zone (Chung-Kung Chang Tsui) has also obtained the silver grade candidate certificate of the Green Building Label, from the Ministry of Internal Affairs. All the urban renewal development projects in the future will do the same.</p>	None.
(IV) Does the Company have the statistics regarding the greenhouse gas emission, water usage, and the total weight of the waste for the past two years and established the managing policies for energy-saving and carbon-reduction, greenhouse gas reduction, water and other waste reduction?	V		<p>(IV) 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 the water consumed by construction and preventing pollutions, preventing of air pollutions and preventing of noise pollutions. We have urged all the engineering offices to work together, reducing consumption of water, power, and fuel, to contribute to the mitigation of global warming, as well as energy saving and carbon reduction. The Company was awarded the "Excellency" award of "Voluntary Energy Saving in HQ of Enterprises, 2019" sponsored by the Bureau of Energy, MOEA.</p>	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 (note 2)	
			<p>We also monitor the consumed quantity of tap water, power, natural gas, gasoline and diesel. When the values for parameters are accumulated, we expect such parameters will be the reference for monthly usage. An improvement plan will be required if the parameter is exceeded. The annual CSR reports disclose the energy saving and carbon reduction actions on the construction sites. (Note 4)</p> <p>Please visit the official website  <a href="https://www.bes.com.tw/portal_120.php">https://www.bes.com.tw/portal_120.php</a></p>	
<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. In addition, the Chairman of the company has signed the human rights policy and published it on the official website:  <a href="https://www.bes.com.tw/portal_15.php">https://www.bes.com.tw/portal_15.php</a>                      BES pays attention to the following human rights issues and proposes corresponding policies to implement the emphasis on human rights.</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> <li>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.</li> </ol>	None.
<p>(II) Has the Company established a grievance mechanism and channels and dealt with the grievance properly?</p>	V		<p>(II) The principle of overall remuneration of employees is to balance internal fairness and external competitiveness, including fixed and floating remuneration, and bonuses</p>	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 (note 2)	
(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		<p>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.</p> <p>(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.</p> <p>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)</p>	None.
(IV) Has the Company created an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills?	V		<p>(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/portal_115.php">https://www.bes.com.tw/portal_115.php</a> (sustainable development report).</p>	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 (note 2)	
(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' 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.
(VI) Has the Company establish the supplier management policies, to require suppliers to comply with the related regulations in the regards of environment, occupational safety and health, and human rights of labors? Please describe the implementation.	V		(VI) The Company operates in the construction industry, where the operating environment is complicated and always evolving. Based on the principle that everyone is responsible for occupational safety and environmental protection, managerial policies are established for the team to take future actions, and thus the hazards of occupational safety and environment may be prevented before occurring, and the safety of personnel and the environment is ensured. Before the vendors commence work, the onsite manager of the Company 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	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 (note 2)	
			Requirements of Health, Safety, and Environmental Protection by Vendors of BES Engineering Corporation”, and they are subject to the “Penalties for Vendors of the Company’s Site Office and Development Offices Breaching the Occupational Safety/Environmental Requirements”. Please visit the official website: <a href="https://www.bes.com.tw/portal_120.php">https://www.bes.com.tw/portal_120.php</a>	
V. Does the Company prepare the non-financial information reports such as Corporate Social Responsibilities 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?	V		The CSR report of the Company is prepared by referring to GRI standards, but without assurance from a third party certifying institution.	In the future, we will discuss and invite a third-party verification unit to verify the report.
VI. Shall the Company establish its own CSR codes according to the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies,” please elaborate on the deviations between the operations and the established codes: The Company conducts such pursuant to the Code of Practice for Corporate Social Responsibility of Listed Company.				
VII. Other key information helpful for understanding the CSR operations: The company gives back to the neighborhood and society and continues to maintain good relationship with the neighborhood. For example, sponsoring the neighborhood events in three major holidays, and the work station sponsoring the scholarship of junior high schools and elementary schools around the construction area. Please visit the official website: <a href="https://www.bes.com.tw/userfiles/files/%E6%9C%AC%E5%85%AC%E5%8F%B8%E8%90%BD%E5%AF%A6%E7%A4%BE%E6%9C%83%E5%85%AC%E7%9B%8A.pdf">https://www.bes.com.tw/userfiles/files/%E6%9C%AC%E5%85%AC%E5%8F%B8%E8%90%BD%E5%AF%A6%E7%A4%BE%E6%9C%83%E5%85%AC%E7%9B%8A.pdf</a>				

Note 1: If “Yes” is selected for the operation, please elaborate the key policies, strategies and measures taken and the implementation; if “No” is selected, please elaborate the reasons, and the future plan to take the related policies, strategies and measures.

Note 2: Shall the Company prepare the CSR report, for the operation, it may indicate to refer the CSR reports and the index pages.

Note 3: the principle of materiality refers to the ESG issues that significantly affects the investors and other stakeholders of the company.

Note 4: The water and carbon emission volume of the previous 2 years

2020 tap water emission (kg-CO2e)	2019 tap water emission (kg-CO2e)	2018 tap water emission (kg-CO2e)	2017 tap water emission (kg-CO2e)
214715.9	17269.02	2497.13	34018.35

2019 carbon emission (kg-CO2e)	2018 carbon emission (kg-CO2e)	2017 carbon emission (kg-CO2e)
1833748.46	1711768.70	395925.16

(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	
<p>I. Establishment of the Ethical Corporate Management Policy and Program</p> <p>(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?</p>	V		(I) The “Ethical Corporate Management Best Practice Principles” stipulated by the company has been approved by the Board of Directors on November 11, 2020 and promulgated and reported pursuant to related provision. The “BES Procedures for Ethical Management and Guidelines for Conduct” approved by the Board of Directors of the 26th term, 4th meeting concretely specify the matters to be attend for directors, managers, and all employees when perform their duties. They should firmly implement and follow the ethical management policy.	None.
<p>(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?”</p>	V		<p>(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.</p> <p>The prevention measures against the following conducts are included in the prevention plan:</p> <ol style="list-style-type: none"> <li>I. Bribery</li> <li>II. Providing illegal political donations.</li> <li>III. Improper charity donation expense or sponsors</li> <li>IV. Providing or accepting inappropriate gifts, hospitalities, or other tangible or intangible improper interests.</li> <li>V. Substantial controller infringes trade secret, trademark, patent, copyright, and other intellectual property rights.</li> <li>VI. Engaging in unfair competition activities. Other than</li> </ol>	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		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.  (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.	None.
II.Implementation of Ethical Corporate Management (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	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		(phone, fax and e-mailbox of the Audit Office) are provided. (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 prevention measures against unethical behaviors, or delegate accountants to audit?	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 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.	None.
				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	
(V) Has the Company provided internal and external ethical conduct training programs on a regular basis?	V		(V) The company holds educational trainings on a regular basis to enhance the principle of ethical corporate management of employees.	
<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> <p>(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?</p> <p>(III) Has the Company taken measures to prevent the whistle-blower from ill treatment due to the whistle-blowing?</p>	V		(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, 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.	None.
	V		(II) The Company has the SOPs for the investigation of complaints and related confidentiality mechanism in place. All the whistle blowers are protected.	None.
	V		(III) The Company always treats the information of whistle-blowers as confidential.	None.
<p>IV. Enhancing Disclosure</p> <p>Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and MOPS?</p>	V		On the official website ( <a href="http://www.bes.com.tw/">http://www.bes.com.tw/</a> ), other than the scope of business, records of projects, benefit systems, a tab for investors is in place (including the organization, charters related to corporate governance, monthly revenues, financial reports, minutes for the shareholders’ meetings and BOD’s meetings, announcement of material information, the CSR reports, among other things) for inquiry. The “Hotline for Complaining Bribes” is also provided to report illegal behavior.	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	
V. If the company has established its ethical management codes of practice according to “Ethical Corporate Management Best Practice 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: (e.g., review the company’s corporate conduct and ethics policy) In addition to the above-mentioned various management mechanisms, in order to demonstrate the principles of ethical management, the Company has posted promotion materials of prohibiting improper interest, as well as the hotline for whistle-blowing prominently at all construction sites. When announcing the tender winners, the outsourcing units distribute the card indicating the “Hotline for Whistle Blowing Improper Interests.” The official website also has the “Hotline for Complaining Bribes,” to demonstrate the commitment of the Company to eliminate the unlawful conducts and abide by the ethical management.				

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/portal\\_15.php](https://www.bes.com.tw/portal_15.php))

(VIII) Other information to further the understanding of the corporate governance may be disclosed altogether: The Shimen Reservoir Sluicing Tunnel project (Phase 1) - Amouping Sluicing Tunnel project of the company was awarded “5 Star Award of “Occupational Safety and Health Excellent Unit of 2020 and the 14th Excellent Engineering Golden Award.”

(IX) Execution of Internal Control System

1. Statement of the Internal Control System

**BES ENGINEERING CORPORATION**  
Statement of the Internal Control System

Date: March 17, 2021

For the Internal Control System of 2020, 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, 2020, 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 17, 2021. 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 17, 2021. 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                      Signature/Seals  
General Manger: Chu Hui-Lan          Signature/Seals

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 2020

Date	Type of Meeting	Key Resolutions
2020.1.21	25-21 Board of Directors	1. Approved the Company's Management Level Performance Rewards for the Chairman, Chairman Office Supervisor, Senior Consultant and Appointed Managers for the year of 2019.
2020.3.27	25-22 Board of Directors	1. Passed the amendments to some provisions in the "Managerial Procedure for Loaning Funds to Others and Endorsement/Guarantee". 2. Passed the 2019 Proposal of Compensation Distributions to Employees and Directors. 3. Passed the 2019 Parent Company Only Financial Report. 4. Passed the 2019 Proposal of Profit Distribution. 5. Passed the 2019 Business Report and the Consolidated Financial Report. 6. Elected the Directors and Independent Directors for the 26th term 7. Passed the nomination and reviewed the candidate List of the Directors and Independent Directors 8. Passed to present the 2019 Statement of Internal Control System. 9. Passed to draft the date, time, venue, agenda, and major proposal for the 2020 AGM.
2020.05.13	25-23 Board of Directors	1. Passed the Q1 2020 Consolidated Financial Report. 2. Passed to lift the provision of non-competition provision of the 26th term of the Board of Directors.
2020.06.18	25-24 Board of Directors	1. Passed the resignation of President Shen, Hua-Yang due to health issue starting from June 23, 2020. 2. Passed the proposal of Vice Chairman Chu, Huei-Lan to act as the President of the company.
2020.06.23	Shareholders' Meeting	1. Ratified the 2019 Business Report, the Consolidated Financial Report, and the Proposal of Profit Distribution. 2. Amended the "Managerial Procedure for Loaning Funds to Others and Endorsement" 3. Elected the Directors and Independent Directors for the 26th term 4. Lifted the provision of non-competition provision of the company.
2020.06.23	26-1 Board of Directors	1. Election of the Chairman and Vice Chairperson of the Company
2020.08.12	26-2 Board of Directors	1. Passed the ex-dividend base date and the distribution date of 2020 Cash dividends of the company. 2. Passed the Q2 2020 Consolidated Financial Report.
2020.11.11	26-3 Board of Directors	1. Passed the Q3 2020 Consolidated Financial Report. 2. Passed the Directors' remuneration. 3. Passed the adjustment optimization on the organizational

Date	Type of Meeting	Key Resolutions
		structure of the company.
2020.12.23	26-4 Board of Directors	<ol style="list-style-type: none"> <li>1. Passed the “Description of the Business Plan and Operating Budgets for 2021.”</li> <li>2. Passed the “Proposal of Assessment for the Independence of the hired CPA, 2020”.</li> <li>3. Passed the “2021 Annual Audit Plan”.</li> <li>4. Passed the deadline extension of mortgage cancellation for 4 households and 30 parking spaces agreed by both parties in Article 5 of the 4th Supplementary contract of the main joint construction contract between Asia Pacific Commerce and “Tao Zhu Yin Yuan” of the company .</li> <li>5. Passed the application for the syndicated loan of NTD 16 billion for the development project in Tu Cheng AI Intellectual Park.</li> <li>6. Passed the amendments to some provisions of the “Remuneration Committee Charter,” “Audit Committee Charter” and “Rules of Procedure for Board of Directors Meetings”</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 (2020) up to the date of publication of the annual report (up to April 2021), a summary of resignations and dismissals of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor and principal research and development officer:

Title	Name	Date of Assuming of Duties	Date of Discharge	Reason of Resignation or Discharge
Chairman and General Manager	Shen, Hua-Yang	2017/11/28	2020/6/23	Resigned

(XIV) Review of the Implementation of the Resolutions of 2020 AGM:

1. Ratified the business report and the financial statements of 2019

Status of Implementation: resolved to pass

2. Ratified the profit distribution for 2019.

Status of Implementation: resolved to pass The base date of distribution was determined as October 29, 2020; the released date was November 22, 2020 (cash dividends NT\$0.201 per share).

3. Amendments to some provisions in the “Managerial Procedure for Loaning Funds to Others and Endorsement/Guarantee”.

Status of Implementation: Implemented pursuant to the amended clauses.

4. Elected the Directors and Independent Directors for the 26th term.

5. Lifted the provision of non-competition provision of the company.

## V. Information of CPA's Service Fee

Table of CPA's Service Fee Range

Name of the Accounting Firm	Name of CPAs		Period of Audit	Remarks
Deloitte Taiwan	Tung-Feng Lee	Yao-Lin Huang	Full Year of 2020	

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

Unit: Thousand NT\$

Range of Amount	Item of Service Fee	Service Fee of Audit	Non-Audit Service Fee	Total
1	Lower than NT\$2,000,000		900	900
2	NT\$2,000,000 to NT\$3,999,999			
3	NT\$4,000,000 to NT\$5,999,999			
4	NT\$6,000,000 to NT\$7,999,999			
5	NT\$8,000,000 to NT\$9,999,999	8,150		8,150
6	NT\$10,000,000 and more			

(I) When non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid to them, the amounts of both audit and non-audit fees and the details of the non-audit services shall be disclosed.

Information of CPAs' Service Fee

Table 1

Unit: Thousand NT\$

Name of Accounting Firm	Name of Name	Service Fee for Audit	Non-Audit Service Fee					Sub-total	Name of Period of Audit	Remarks
			System Design	Industrial and Commercial Registration	Human Resources	Others (Note 2)				
Deloitte Taiwan	Tung-Feng Lee	8,150				900	900	Full Year of 2020	Annual report reading fee NTD 200,000, professional consultant service fee NTD 600,000, and Sign English financial report NTD 100,000	
	Yao-Lin Huang									

Note 1: 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 by order

Note 2: Please list the non-audit service fee item by item; shall the "other" service under the non-audit service fee is 25% of the total of the non-audit service fee, such services shall be described in the remarks.

(II) 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

(III) 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) 2019: N/A

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

#### 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	Name of	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 the Successor CPA

Name of the Firm	Deloitte Taiwan
Name of CPAs	Mr. Yao-Lin Huang. CPA
Date of Delegation	March, 2020
Prior to the formal engagement, the consultations and the consultation results regarding the accounting treatment of 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 CPAs	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 certified accountant is due to Deloitte Taiwan's internal work scheduling and arrangements, so it is not applicable.

**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 2019		The year up to April 30	
		Increased (decreased) shares held	Increased (decreased) shares pledged	Increased (decreased) shares held	Increased (decreased) shares pledged
Chairman (26th <sup>b</sup> ) (Note3)	Yang Jen Industrial Co., Ltd Representative: CHU, HUI-LAN	0	0	0	0
Chairman (25th) (Note3)	Shen Chunchi Culture and Education Foundation Representative: SHEN,HUA-YANG	0	0	0	0
Vice Chairman (25th) (Note3)	Shen Chunchi Culture and Education Foundation Representative: CHU, HUI-LAN	0	0	0	0
Director (26th) (Note3)	China Petrochemical Development Corporation Representative: CHEN RUI-LONG	15,105,000	33,045,000	0	0
Director (25th) (Note3)	China Petrochemical Development Corporation Representative: LIN, KE-MING	15,105,000	33,045,000	0	0
Director (25&26th) (Note3)	Formostar Factory Co., Ltd. Representative: TSAI, CHAO-LUN	(64,000)	0	0	0
Director (25&26th) (Note3)	Tianjing Investment Co., Ltd. Representative: CHEN, WEN-KE	0	0	0	0
Director (26th) (Note3)	Tianjing Investment Co., Ltd. Representative: BAIJUN-NAN (Note3)	0	0	0	0
Director (25&26th) (Note3)	Changli Co., Ltd. Representative: LIOU, LIANG -HAI	0	0	0	0
Independent director(25&26th) (Note3)	LU, HAN-YI	0	0	0	0
Independent director(25&26th) (Note3)	KO, SHU-JEN	0	0	0	0
Independent director(25&26th) (Note3)	CHANG, FAN	0	0	0	0
(Agent)General manager(Note4)	CHU, HUI-LAN	0	0	0	0
General manager (Note4)	SHEN,HUA-YANG	0	0	0	0
Deputy General Manager	YANG,MEI-YUAN	0	0	0	0
Deputy General Manager (Note5)	WANG,TING-TSE	0	0	0	0
Assistant Deputy General Manager (Note6)	LIN, JUN-YAO	0	0	0	0
Associate manager	LIAO,SHU-LIANG	0	0	0	0
Associate manager	CHENG,AN-TZU	0	0	0	0
Associate manager (Note5)	SU, HUI-CHIU	0	0	0	0
Associate manager (Note5)	MA, ZHEN-ZHOU	0	0	0	0
Associate manager (Note6)	CHEN, TZU-HSING	0	0	0	0
Associate manager (Note6)	ZHANG, HUA-JIA	0	0	0	0
Deputy director (Note7)	TEENG,FAN-MING	0	0	0	0
Deputy manager	CHIU,YUNG-TSAI	0	0	0	0
Deputy manager	LI, CHEN-MING	0	0	0	0
Deputy manager	KUO, HUNG-CHENG	0	0	0	0
Deputy manager	YU, CHEN-ERH	0	0	0	0
Deputy manager (Note5)	WANG, GUO-XI	0	0	0	0
Deputy manager (Note5)	XU, XUE-PING	0	0	0	0
Deputy manager	CHANG, TA-CHUN	0	0	0	0
Deputy manager	CHEN, KUAN-YEN	0	0	0	0
Deputy manager (Note5)	HUANG, NAN-YING	0	0	0	0
Deputy manager (Note5)	LIU, PEI-YU	0	0	0	0
Deputy manager (Note5、7)	CHEN, DONG-JU	0	0	0	0
Deputy manager (Note5)	CENG, QIU-JIN	0	0	0	0
Deputy manager (Note7)	ZHANG, SHI-WEN	0	0	0	0
Deputy manager (Note6)	CENG, ZENG-YING	0	0	0	0
Deputy manager (Note5、6)	LU, JIA-JU	0	0	0	0
Deputy manager (Note6)	HE, ZHAO-ZHONG	0	0	0	0
Deputy manager (Note6)	TU, CHIN-TE	0	0	0	0
Deputy manager (Audit Supervisor)	ZHONG, YUN-GUANG	0	0	0	0
Deputy manager (Financial Supervisor)	CHEN, KUO-HSIEN	0	0	0	0
Deputy manager (Accounting Supervisor)	SU, YU-MIN	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 : 06.23, 2020. The term of the 25th director (independent director) expires and is dismissed , 06.23, 2020, The 26th directors were re-elected and appointed as directors (independent directors), and 07.30, 2020, The legal representative was re-appointed as Bai Jun-nan .

Note 4 : 06.23,2020 Approved by the board of directors SHEN,HUA-YANG retirement , 06.23,2020 Approved by the board of directors CHU, HUI-LAN Acting General Manager .

Note 5 : 02.01,2020 SU, HUI-CHIU Take office , 02.19,2020 CHEN, DONG-JU Take office , 03.01,2020 HUANG, NAN-YING Take office , 05.13,2020 CENG, QIU-JIN Take office , 07.01,2020 LU, JIA-JU Take office , 07.01,2020 WANG, GUO-XI Take office , 10.01,2020 XU, XUE-PING Take office , 10.28,2020 LIU PEI YU Take office , 12.01,2020 MA, ZHEN-ZHOU Take office , 01.01,2021 WANG,TING-TSE Promotion .

Note 6 : 01.21,2020 LIN, JUN-YAO & CHEN, TZU-HSING Dismissal , 03.31 ZHANG, HUA-JI Aresignation , 04.30,2020 CENG, ZENG-YIN Gretirement , 09.18,2020 LU, JIA-JU resignation , 11.30,2020 HE, ZHAO-ZHON Gresignation , 03.19,2021 TU, CHIN-TE resignation .

### 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

April 18, 2021

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%	-	-	-	-	Zhen Qi Enterprise Co., Ltd. Jinghua Investment Co., Ltd. Qingding Technology Co., Ltd. Hongyi Construction Co., Ltd.	Actual Related Party	
Lin, Wen-Yang	23,768,000	1.552%	-	-	-	-	None	None	
Tony Development Industrials Co., Ltd Representative: YANG JING JUAN	21,300,917	1.391%	-	-	-	-	Fanyu Industrial Co., Ltd.	Actual Related Party	
Kuo-Ching Investment Co., Ltd. Representative: RUAN, HENG-YUANG	20,961,521	1.369%	-	-	-	-	Jindu Construction and Development Corp Chang Bo Enterprise Co., Ltd. Qingding Technology Co., Ltd. Hongyi Construction Co., Ltd.	Actual Related Party	
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	
LIN SHI-ZHONG	16,200,000	1.058%	-	-	-	-	None	None	
Sheen Chuen-Chi Culture & Educational Foundation Representative: SHEN CHEN JING	12,793,179	0.835%	-	-	-	-	None	None	
Standard Chartered in Custody of Emerging Market ETF Fund Representative: Not applicable to fund accounts	12,301,000	0.803%	-	-	-	-	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 (Note)	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%
Core Pacific City Co., Ltd.	233,749,600	23.51%	74,760,000	7.52%	308,509,600	31.03%

Note: the long-term investment by the Equity Method

## Four. Status of Fundraising

### I. Capital and Share

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

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		330,000	3,300,000	330,000	3,300,000	-	-	
1995		500,000	5,000,000	480,000	4,800,000	Capital increased by cash	-	
1996		800,000	,000,000	648,000	6,480,000	Capital increased by profit and capital reserve	-	
1997		1,200,000	12,000,000	937,600	9,376,000	Capital increased by cash, profit and capital reserve	-	
1998		1,200,000	12,000,000	1,125,120	11,251,200	Capital increased by profit and capital reserve	-	
1999		1,200,000	12,000,000	1,192,627	11,926,272	Capital increased capital reserve	-	
2000		1,800,000	18,000,000	1,276,111	12,761,111	Capital increased by profit	-	
2002/September		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 Taitsaichengyi Zhi No. 0910144405)	-	
2003/September		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 Taitsaichengyi Zhi No. 0920135497)	-	
2004/September		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		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		3,000,000	30,000,000	1,525,017	15,250,175	Conversion of convertible corporate bonds	-	
2015/December		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.

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	

Information about shelf registration: the Company does not apply offer and issue securities by shelf registration.

## (II) Structure of Shareholders

April 18, 2021

Quantity \ Structure of Shareholders	Governmental Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Foreigners	Total
Number	0	0	193	123,494	173	123,860
Shares held	0	0	293,219,650	1,075,206,658	162,473,514	1,530,899,822
Percentage of Holding	0	0	19.15	70.24	10.61	100

## (III) Distribution of Equity Interests

(Face value NT\$10 per share)

April 18, 2021

Grading of Shareholding	Number of Shareholders	Shares Held	Percentage of Shareholding
1 to 999	48,997	8,174,573	0.534
1,000 to 5,000	45,931	110,277,970	7.204
5,001 to 10,000	13,037	105,849,880	6.914
10,001 to 15,000	4,457	55,453,671	3.622
15,001 to 20,000	3,506	65,650,580	4.289
20,001 to 30,000	2,713	69,720,119	4.554
30,001 to 40,000	1,330	47,781,748	3.121
40,001 to 50,000	968	45,864,430	2.996
50,001 to 100,000	1,603	118,054,737	7.711
100,001 to 200,000	740	105,303,429	6.879
200,001 to 400,000	315	89,026,225	5.815
400,001 to 600,000	87	43,797,529	2.861
600,001 to 800,000	51	34,827,775	2.275
800,001 至 1,000,000	27	24,571,730	1.605
1,000,001 and above	98	606,545,426	39.620
Total	123,860	1,530,899,822	100.00

Note: Preferred shares: N/A

## (IV) List of Major Shareholders:

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		23,768,000	1.552%
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%
PGIA Comprehensive International Stock Index Fund Dedicated Account, managed by PGIA, under custody of JP Morgan, Taipei Branch.		18,071,754	1.180%
LIN,SHI-ZHONG		16,200,000	1.058%
Sheen Chuen-Chi Culture & Educational Foundation		12,793,179	0.835%
Standard Chartered Custody of ISHARES Emerging Markets ETF		12,301,000	0.803%

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

Unite: NT\$

Item		Year	Year 2019	Year 2020	The current year up to March 31, 2021 (Note 8)
Market Value Per Share (Note 1)	Highest		8.65	10.50	10.50
	Lowest		6.94	5.00	8.25
	Average		7.80	7.47	9.22
Net Value Per Share (Note 2)	Before Distribution		13.00	13.27	-
	After Distribution		12.80	13.03	-
EPS	Weighted Average Shares		1,530,899,000 Shares	1,530,899,000 Shares	1,530,899,000 Shares
	EPS (Note 3)		0.20	0.40	-
Market Value Dividend	Cash Dividend		0.201	0.233	-
	Share grants	-	-	-	-
		-	-	-	-
	Accumulated unpaid dividends (Note 4)		-	-	-
Analysis of return on investment	Price to Earnings Ratio (Note 5)		39.00	18.68	-
	Price to Dividends Ratio (Note 6)		38.81	32.06	-
	Yield of Cash Dividends (Note 7)		0.03	0.03	-

\* 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: Using the number of the outstanding issued shares at year end as the basis to calculate the respective net worth per share (shareholder's equity) before and after the distribution.

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 dividends distribution for 2020 has been resolved, the resolutions of the 6th meeting of the 26th board of directors of the company on March 17, 2021 are as follows:

Unite: NT\$

Item	Amount	
	Subtotal	Total
<b>Unallocated balance at the beginning of the period</b>		<b>1,224,696,655</b>
Net profit after tax for the current period	618,958,532	
Actuarial income (loss) listed in the retained earnings (Note 1)	(4,009,033)	
Acquired part of the equities of the subsidiary	(30,150)	
<b>The net profit after tax for the current period plus items other than the net profit for the current period are included in the amount of undistributed surplus for the current year</b>		<b>614,919,349</b>
Withdraw 10% of the statutory surplus reserve		(61,491,934)
<b>Distributable surplus for the current period</b>		<b>1,778,124,070</b>
Dividends to shareholders.	(356,699,659)	
<b>Undistributed profit at the end of period</b>		<b>1,421,424,411</b>
<p>Note1 : The re-measurement of defined benefit program.</p> <p>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.</p> <p>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.</p> <p>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.</p>		

(2)All the dividends are intended to be paid in cash only, for NT\$ 0.233 per share.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution: The BOD resolved to pay the dividends in cash only, thus this 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 17, 2021, 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\$16,301,756 and NT\$16,301,755, 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)

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

- (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, directors, and supervisors in the previous year:

	Resolution of the Board of Directors March 29, 2019 Amount (NT\$)	Actual paid amount (NT\$)
Compensations to directors (cash)	8,440,960	8,440,960
Compensations to employees (cash)	8,440,961	8,440,961
Total	16,881,921	16,881,921

(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	57.87 %
Construction engineering	24.52 %
Mechanical and Electrical engineering	1.17 %
Development engineering project	4.48 %
Sales of real estate	0.26 %
Others	11.70 %

## 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 new construction of main line of West Coast Expressway WH10-C 64K+005~69K+600
- (6) The construction of parking apron, taxiway and apron facilities in terminal III of Taiwan Taoyuan International Airport
- (7) The earthwork and infrastructure in terminal III of Taiwan Taoyuan International Airport
- (8) Shimen Reservoir Anti-silt Tunnel Project (Phase 1) –Amuping Anti-silt Tunnel Project
- (9) Fuxing Military Base building renovation primary contract project
- (10) CDPC Kaohsiung Port Zhouji dock (phase 2) liquid ammonia and phenol storage and transportation basic design, detailed design, procurement and construction project
- (11) TTIA airside facility improvement works
- (12) Jiankang Building construction works
- (13) Taoyuan MRT Green Line's E&M system primary contract project (tender GM01)
- (14) China Petrochemical Development Corporation's Stage 1 geological improvement project of the liquid ammonia and phenol storage and transportation project in the intercontinental phase II wharf of Kaohsiung Harbor and the Stage 2 PC driven pile project
- (15) Huanan Information Building and Huanan Dingpu Technology Building construction works
- (16) The public housing turnkey project on the Hebing High School Base in Neihu District of Taipei City
- (17) Main Structure of New Construction Project in Yulong Town Commercial District (Phase 1)
- (18) The new construction project of the pumping machine room #7, 8 and 9 and water inlet/outlet underdrain in Taitan Power Plant
- (19) 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
- (20) Wuxi Niazuitan artificial lake project-lake district construction works
- (21) The project of dewatering machine room and the storage field of sludge cake in the sewage treatment plant of Letzer Industrial Park, Yilan
- (22) Public facilities and plant maintenance project in Changhua Coastal Industrial Park (Xianxi, Lunwei District)
- (23) Road and Public Pipeline Project in Changhua Coastal Industrial Park - Lunwei West District 1 (phase 1)
- (24) Seawall and parapet heighten and water control road project in Changhua Coastal Industrial Park - Lunwei District (phase 1)
- (25) Changhua Coastal Industrial Park development engineering project - Connection road No.2 improvement project

- (26)Public Facilities Project Yunlin Science and Technology Industrial Park (Dabeixi Area)
- (27)Yanshou Zone K (BES Yuncui )
- (28)Yanshou Zone I (BES Biyenge )
- (29)Yanshou Zone J residential renewal project
- (30)Urban renewal project of Chongyang Road in Nangang
- (31)Tu Cheng AI Intellectual Park

## (II)Industry overview

### Engineering projects:

As for the public engineering project contracts, the total budget of 2021 includes NTD132.4 billion for public construction projects, a decrease of NTD 25.1 billion or around 15.9% compared to the previous year. The decrease is mainly caused by the delisting of NTD 27.6 billion of the last year of the rural rejuvenation funds. The total budget above is NTD 132.4 billion plus the NTD 104.1 billion of infrastructure foresight project and NTD 297.5 billion of operation and non-operation special funds, the sum is NTD 534 billion, an increase of NTD 96.2 billion or around 22%.

The government's infrastructure foresight project in 2021 and 2022 prepares NTD 124.1 billion and NTD 105.9 billion respectively, including NTD 40.2 billion for track construction projects, NTD 52.4 billion for water environment construction, NTD 7.9 billion for green construction, NTD 44.4 billion for digital construction, and NTD74.1 billion for rural-urban construction.

By the department, the descriptions are as the following:

- (I) Traffic construction budget is NTD 196.4 billion, which mainly includes NTD 168.68 billion for the urban metro system, highway, freeway and bridge construction and improvement constructions, railway grade separation and rapid transit systematization, Taiwan Railway train cabin purchase and elimination, railway safety improvement, constructions for aviation, ports, and national scenic areas, and parking issue improvement project from Ministry of Transport, Taiwan Railways Administration, MOTC, and Taoyuan Airport; NTD10.72 billion are for life cycle road traffic construction (roads in the city) and road quality construction projects from the Ministry of Internal Affairs; NTD 7.56 billion are for sea cruiser development project, harbor deepening and pier renovation project on Taiping Island of Nansha Islands from Ocean Affairs Council.
- (II) Environment resources budget is NTD 69.8 billion, which mainly includes NTD 44.17 billion for the overall improvement and adjustment projects of rivers administered by the central government, overall improvement projects for areal draining and rivers administered by cities and counties, Tseng Wen Nan Hua Leveling Pipe Turnkey Project, Wuxi Niaozeitian artificial lake project, water supply improvement project in areas without tap water, reduction of leakage rate, Wuxi Niaozeitian artificial lake downstream tap water supply project from the Ministry of Economic Affairs and Taiwan Water Corporation; NTD 18.34 billion are for sewage construction project, public sewage treatment plant reclaimed water promotion project from the Ministry of Economic Affairs.
- (III) Economic constructions budget is NTD 17.92 billion, which mainly includes NTD 94.65 billion for the gas-steam combined cycle power unit in Taitan Power Plant, 7th power transmission and transformation, gas turbines renewal and alternation in Hsinta Power Plant, and new gas turbines in Taichung Power Plant from Taipower Company; NTD 37.44 billion are for the pilot project of national cycle zone and application for the establishment of new material cycle industrial area, development of local industrial area, and building Taoyuan Convention and Exhibition Center from the Ministry of Economic Affairs; NTD 24.45 billion for investment on the 3rd liquid natural gas reception station of LNG Project Construction Division, Kaohsiung Harbor Continental Container Phase II Da Lin Petroleum Storage Center from CPC Corporation; NTD 15.59 for the construction project in Hsinchu Science Park from the Ministry of Science and Technology; NTD 4.07 billion for the establishment of postal logistics area (Airport metro A7 station), and the post office purchase and construction project from Chunghwa Post.

- (IV) City and area development budget is NTD 7.6 billion, which mainly includes NTD 4.41 billion for city and innovation eco environment building, reinforcement and rebuilding dangerous public buildings, and new town development projects from the Ministry of Internal Affairs; NTD 840 million for national archive and service construction projects from National Development Council.

#### Construction business:

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

The global economics has been under the influence of China-US trade war and Covid-19 pandemic. Taiwan's economic development is less affected compared to other, but they still have impact on the real estate development market. Since many Taiwanese companies of the traditional industry return to Taiwan with handful of capitals, it leads to the increase in the demand of luxury houses, business offices, and industrial lands. In addition, the pandemic only has short-term influence on the housing market, it shows that real estate has the feature of high stress resistance and practical value of living with investment benefits.

To cope with the real estate development trend, the 2021 land development and operation strategy for the Construction Division will focus mainly on the Tu Cheng Industrial area in the first half of the year while taking other housing development projects as the supplementary projects. In the bottom half of 2021, the division will adjust the development strategy based on the market trend to cope with the market development direction.

##### 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. Expected to complete the project in Q2 of 2021.

###### (3) "Yanshou Zone I" residential renewal project:

It completed the review process in the fourth quarter of 2018, and the residential renewal project is officially approved. The construction permit was obtained in the second quarter of 2019, and the move started in the fourth quarter. Expected to initiate the demolish project in Q2 of 2020 and construction project in Q4.

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

It submitted a review of the rights change plan in the fourth quarter of 2018; the review was passed in the fourth quarter of 2019. It acquired the approval on the business project in the Q4 of 2020 and it is expected to submit a review of the rights change plan in the Q2 of 2021.

###### (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.

###### (6) "Tu Cheng AI Intellectual Park" residential renewal project:

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.

#### Development of industrial zone:

##### 1. Current industrial status and development of the industry

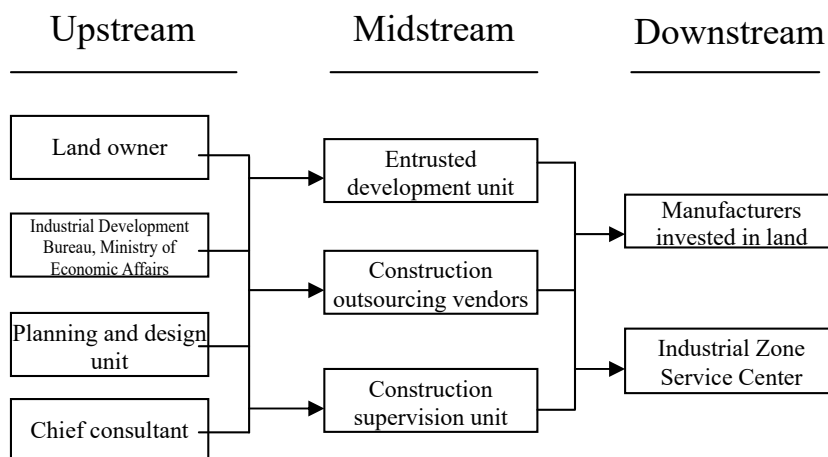
The global economic is not optimistic in 2020. Apart from the continuing China-US trade war, the Covid-19 has been a pandemic in the world. According to the global economic outlook report by the United Nation, the global GDP growth declined by 4.3% due to the Covid-19 pandemic in 2020. The pandemic has led to the social distancing measures adopted by the

governments, which delays the economic reactivation and encumbers the economics in 2021. Japan and countries in Europe and America that have weak economic unforeseeable will also impact the global economic development and slowdown the growth momentum of economy; although the Southeast Asian countries actively welcome foreign investment, but the effect is not significant due to the cultural and linguistic differences, thus China will be still retain its dominant position in the short period of time. However, under the influence of the outbreak, it is unclear if China can hold this position. Despite the vaccines has been introduced by the end of 2020 and the shots have been taken gradually, the actual effect and social confidence are still to be evaluated, and the result will have impact on the economic recovery level. The global economic in the post-Covid-19 pandemic era is still bumping.

In Taiwan, the domestic economics has been affected by the Covid-19 pandemic and international circumstances in the first half of 2020. However, the advantage of excellent pandemic prevention and increase in domestic demand under the circumstances of China-US trade war and Covid-19 pandemic attracts Taiwanese company who used to have factories in China for their production to return to Taiwan. In addition, the large vehicle parts factories are temporarily close that leads to the decrease in production. The orders are thus transferred to domestic companies, who urgently need increase production line. The company should grasp this opportunity and enhance the sales of land.

From the policy aspect, the industrial land policy actively prevents the land speculation in the industrial area, legalizes the illegal factories, and encourages overseas Taiwanese companies to return and invest in Taiwan, which is beneficial in pressing the illegal factories to move out, encouraging overseas Taiwanese companies to return to Taiwan, and factory expansion in Taiwan. In addition, to continue to the “no-nuclear home” policy, the government actively develop renewable energies (offshore wind power, solar power generation), and the locations mostly concentrate in Changhua area. The land sales in Chang Hua Coastal Industrial Park is expecting to experience another trend of renewable energy application. The company should continue to marketing the land sales with the policy advantage.

## 2. Industrial upstream, midstream and downstream relations



## 3. Trend of product development and competition situation

During the Covid-19 pandemic, many Taiwanese factories in the epidemic areas in China are forced to shut down the factory or dramatically decrease the production capacity temporarily, and many of them still focus on pandemic prevention in factories in China. In addition, some companies who scheduled to expand factories in Taiwan have less demand in lands as the production capacity has decreased. Therefore, the investment in factories has been pending for overseas Taiwanese companies returning to Taiwan or local companies expanding the factories,

which contributes to the slowdown of land purchase in the first half of the year. However, in the bottom half of the year, overseas Taiwanese companies tend to return to Taiwan and build their factories due to the fact that the epidemic prevention in Taiwan has been effective, the China-US trade war continues, and the labor cost in China increases. However, the land purchase will need to cope with the factory withdrawal schedule of Taiwanese companies in China. It is expected to 2-4 years, and we adopts pre-registration for land purchase in the industrial park.

### (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 2021 As of 3.31	Year 2020	Year 2019	Year 2018
<b>Amount</b>	4,742	24,849	21,592	22,399

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

Serial number	Research project	Research results
1	"Construction Knowledge Management and Research" and create the E-Learning System	All of the collected or produced important results and experience are important assets of the company. Appropriate storage management and supply of quick query applications or training materials for enhancing the overall competitiveness of the company.
2	The function and process to optimize the construction management system	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.
3	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. The creation of the education and training platforms for mutual communication, coordination and fast learning of new knowledge, to significantly save costs of the company.
4	Introduction of the official document system	1. Introduce the official document system for electronic document delivery and receipt, to reduce the time of document delivery. 2. Offer template of standard documents, to reduce errors in the official documents and assist in the process of documentation work. 3. Provide a comprehensive document control and archive mechanism to facilitate the maintenance and access of official documents.
5	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

Serial number	Research project	Research results
		the system, to save traffic time and improve the work efficiency.
6	Establishment of the highly available network system integration framework	<ol style="list-style-type: none"> <li>1. By planning a multi-circuit core network framework, the highly available network system integration framework is established. This not only enhances the performance of the Company's IT system network, but also ensures the Company's network will not to be interrupted due to a dysfunctional single switch node.</li> <li>2. Through controlling the mainframe to switch to the base stations providing the best signals by the wireless network, the roaming wireless network in HQ is established. The colleagues may switch to the best signal seamlessly when moving around different floors, and mobile work is achieved.</li> </ol>
7	Multi-angle AI identifications and forecast applications	<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. Based on the historical price movement of reinforcing steel every two to five years, the reinforcing steel price movements in the future three to six months are forecast via the AI algorithm learning, as the reference of reinforcing steel procurement.</li> </ol>
8	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>
9	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>

3. The goals of research development plans and research condition in year 2021:

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.</li> <li>3. 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</li> </ol>



Project items	Actual research condition
	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.
Establish textualized stakes interconnection system	1. Establish interconnection warning system on the basis of textualized interconnection procedure. The changes of people, matters, times, locations, and things will trigger the warning KPI, and the system will send a push warning message to the corresponding unit for responding measures. 2. Continue to optimize the KPI precision of textualized interconnection warning and the corresponding units to ensure that every interconnection for any changes in the future can be rapidly responded by the corresponding units and that the company operation interconnects closely.
Establish internet context searching overseas information collection system	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. 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.

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	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. 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. 3. It is estimated that one more manpower and a budget of NT\$2 million are required.
Optimization of the smart site management mechanism	1. Consider and research the new AI&IoT construction monitoring mechanism in the aspects of eliminating industrial accidents, monitoring the construction quality and speed up the construction process. 2. Provide the instant update and feedback to ensure that all conditions in progress can be immediately responded and controlled. 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. 4. It is estimated that one more integrated manpower and a budget of NT\$7.5 million are required.
Create an integrated monitoring platform for the command center.	1. Automatically collect all monitoring information via the IoT to instantly identify problems and provide solutions. 2. The collected information will be used for big data research, so to create predictive model to prevent problems from recurring. 3. It is estimated that one more manpower and a budget of NT\$3 million are required.
Establish textualized stakes interconnection management system	1. When using the system to present text, numbers, and the integration and articulation with ithe corresponding departments, all departments may clearly understand the overall interconnection framework of the company operation, and the new employees may get in the swing of work faster. 2. Different KPI values are set for different people, matters, times, locations, and things, and the system will send a push warning message to the corresponding unit for responding measures to improve the operation efficiency. 3. It is estimated that two more integrated manpower and a budget of NT\$4.5 million are required.

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
- The expected investment of R&D for the next year is NT\$17 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) Diversify the sources for obtaining lands or develop various “joint construction” and “joint

venture” model to facilitate the development in the construction business.

- (3)The company is expected to be continuously dedicated in its core expertise of construction business projects and the external construction project, and we are looking toward to be more professional and exquisite, with higher quality innovation.
- (4)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.
- (5)Reinforce the customer service team and enhance the concept, practices and scopes of after-sales service.
- (6)The government is actively promoting the new energy policy. The conflicts between illegal factories and neighboring households, the return of Taiwanese companies from overseas spurred by the Covid-19 pandemic, and the increase demand of factory expansion from domestic companies increase the demand of legal lands for factories, which will bring the benefits to the domestic industrial lands. With the outlook of multiple benefits, the company is holding 400 hectares of semi-completed lands in the Chang Hua Coastal Industrial Park that can be sold with little processing, which is an advantage.

In the future business, in addition to improving the development of the industry and reducing the risk of advances in the industrial zone, the establishment of a three-in-one development model of investment, development and finance to shorten the rolling development cycle, rejuvenation of the organization and strong independent development capabilities are all development priorities.

## 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)As for the short-term construction cases (the peer construction companies), we will implement them in a project-based manner and combine with the team’s extensive experience in the construction industry to actively expand the services with peer construction companies.
- (4)Work with the architects and electromechanical manufacturers to integrate and expand the business in new plants of various industries.
- (5)In terms of internal management, we implement business operation reforms, reinforce the operation management, reduce construction costs, and undertake the public construction projects and maintain the growth in the construction industry with the company’s excellent reputation and advantage of large-scale engineering construction technology and professional engineering talents.
- (6)As for the short-term business, it is expected to reinforce the promotion of the development and lease of the pond land in the district three of the west coast, the first phase in the west district of Lunwei, the second phase of the industrial land, and the metal surface treatment industry in the west district of Lunwei, by drafting the sales strategies according to the current situations of each region; the land products are adjusted flexibly to meet the needs of potential customers with the requirement of large-scale land, customization of the demand for land usage, offering small-area land for small and medium-sized enterprises to construction their factories and assisting in the communication between the manufacturers and the Industrial Bureau to attract customers and increase their willingness of land purchase.

## 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 2020, the private construction projects accounted for about 4.8% 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
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
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 2021 is NTD 132.4 billion, a decrease of NTD 25.1 billion or around 15.9% compared to 2020; plus the special project of NTD104.1 billion for infrastructure foresight project phase III. The total budget is NTD 236.5 billion, a decrease of NTD21.5 billion or around 8,3%. The government's infrastructure foresight project in 2021 and 2022 prepares NTD 124.1 billion and NTD 105.9 billion respectively, including NTD 40.2 billion for track construction projects, NTD 52.4 billion for water environment construction, NTD 7.9 billion for green construction, NTD 44.4 billion for digital construction, and NRD74.1 billion for rural-urban construction. The Company will continue obtaining contracts from the major infrastructure projects released from the government. (I) Marine construction of ports and bays: such as the sea reclamation construction for Xie-He Power Plant LNG-4, and the 7th Container Pier of Kaohsiung. (II) The infrastructure foresight project - railway project: Railway underground project in Taoyuan. (III) Land replotting development project: Hsing Tai Wen Zai Jun Zone 2 land replotting project in New Taipei City, land replotting project in aerotropolis in Taoyuan, and etc.

In nutshell, the outlook of the holistic quota of public construction of 2021 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 government began to adopt the small project contracts, so that the local construction vendors can also join the bidding process, thus the large engineering companies are less competitive for small projects.</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 industry and increase its costs and construction duration, and it is expected to reduce the profit margins.</li> </ol>
Economy	<ol style="list-style-type: none"> <li>1. The price of bulk raw materials has shown an upward tendency and the related material</li> </ol>	<ol style="list-style-type: none"> <li>1. The financial system is still very conserved in its policy for the construction industry.</li> </ol>

Item	Favorable factor	Unfavorable factors
	costs have been increased. 2. The government promotes the 006688 preferential program of the industrial zone. 3. Interest rates are decreasing year by year and it lower the burden of interest.	2. Although the government has released a large number of construction projects, but the required production equipment is not sufficient.
Technology	1. The construction plants and companies will merge and found large-scale construction groups to enter the international engineering market in the future. 2. By contracting with foreign companies, we will have the opportunity to learn the advanced foreign construction methods and techniques.	1. After joining the WTO, the foreign companies joined the domestic large-scale engineering construction market with their advanced construction methods and equipment which impacts the domestic construction companies. 2. The new construction method has not been introduced and the technical level has not been enhanced. 3. Most of the domestic construction companies do not have sufficient management capabilities.

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

Item	Advantage	Disadvantage
Manpower	1. The support and integration of manpower in the group. 2. Employee rotation system for cultivating comprehensive professional talents.	1. High employee turnover rates and increase the learning costs. 2. The basic level professional manpower and basic level labors are insufficient.
Financial ability	1. The problem of advance payment of funds in the industrial zone has been valued by the government. 2. The increase in rental income in the industrial zone will help in the fund recovery. 3. Interest rates are decreasing year by year and it lower the burden of interest.	1. The banking industry is still very conserved in its policy for the construction industry. 2. The issue of advance payment of funds in the industrial zone has not been resolved, which impacts the usage of funds.
Operation management	1. Implementation of management reforms to be in the construction industry. 2. Introduction of information technology system to the company to improve the efficiency of business management.	1. The cost still cannot be significantly reduced and operating costs are still high. 2. Cooperate with suppliers to share risks and reduce operating costs.
Technology R & D	1. Experience in large-scale engineering projects and special engineering methods. 2. Experience in building large shopping malls and high-rise buildings.	1. Lack of patented construction technique. 2. Lack of factory and high-rise hotel building experience.
Competitiveness	1. The extensive qualifications for undertaking the large public construction projects. 2. Maintain quality construction and technique, and recognized by the proprietor. 3. Good reputation in the industry that yields benefits to the business development for the public and private sectors. 4. The company has a solid financial status.	1. The foreign companies are taking over the construction market with their advanced engineering methods. 2. Some local construction vendors actively participate in large-scale public construction projects with their advantage of management costs. 3. Winning less Golden Safety Awards and Golden Quality Awards is the disadvantage for tendering the projects adopting most advantageous tender.

#### 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

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 stablish 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, CTCL, 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 2016			Year 2017			Year 2018			Year 2019			Year 2020							
	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)	571,436,378	13,210 NTD/T	BES	764,812,900	15,150 NTD/T	Donghe Fengxing Higuan Hantai Evergreen	1,860,828,800	18,505 NTD/T	Donghe Fengxing Higuan Luodong	643,730,600	16,925 NTD/T	Donghe Fengxing Higuan Luodong	873,258,750	15,431 NTD/T	Donghe Fengxing Higuan Luodong				
	Medium tension (280)	103,777,254	12,871 NTD/T	Machinery	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					
	Others																			
	Total	675,213,632		BES Machinery Donghe Fengxing Higuan Hantai Evergreen Luodong	877,033,500			2,006,503,900			653,845,500			936,813,250						
Cement	Type I cement	322,600	154 NTD/Bag	Youni Sengli Songchi	338,022	171 NTD/Bag	Youni Yiqing Taiwan PonJi	1,355,990	152 NTD/Bag	Youni Chengzhou Yiqing Taiwan PonJi	1,043,716	157 NTD/Bag	Youni, Shuncheng Songchi, Sengli Lianxin, Heshun Jueyao Jinyuanxin	3,924,800	163 NTD/Bag	Songchi, Shuncheng Jueyao				
	Type II cement	650,760	174 NTD/Bag					1,161,000	180 NTD/Bag		1,161,000	180 NTD/Bag								
	Others (high-early-strength concrete)				58,500	900 NTD/Bag		367,500	1,050 NTD/Bag											
	Total	973,360			396,522			2,884,490			2,204,716			3,924,800						
Sandstone	Ingredients			Wenlian, WenJou Xinglong, Yougang	113,400		WenJou Yongzheng	252,150,475		Yongzheng Chengzhou Jinsa										
	rocks, pebbles	19,556,190			658,895															
	Fine aggregate																			
	Thick aggregate																			
	Construction sand							254,400												
	Total	19,556,190			772,295			252,404,875												
Concrete	Pre-mixed concrete	842,932,641		BES Machinery Shintadin GinCheng, Lihong ShiAn, Gouchen Universal, Qinghuang Yongxie, Yadong Superior	1,538,214,665		BES Machinery Shintadin GinCheng, Lihong National and domestic Xinyi, YuNan	1,230,509,748		Shintadin WuXiong, Gouchen Ronggong, Dashen Xinyi, Guoshun Guopu, Hexing Yichang, GinCheng Lihung, Yungcheng	2,560,854,468	280 kgf/cm2 Northern: 2,057 NTD/m3 Central: 1,720 NTD/m3	2,233,230,720	280kgf/cm2 (1) Northern 2,129 NTD/m3 (2) Southern: 2,100 NTD/m3	Changlu and Guopu Dashen, Gouchen GinCheng, Hexing Ronggong, Guoshun YuNan, Xinyi Wushung Xinsanya					
	Asphalt concrete	75,270,674		BaiSong, ZhongLu Lushan, Guorui Chunchen, Shunxin ShiXun, DongBai	1,280,791,641		ChengHong, YongYong ZhongLu, CaiShi Guorui, KangHong	90,716,566		ChengHong, YongYong Guowui, Liron Zhonglu	243,756,154		Yongzheng Shengkung Kanghung	336,613,612	(1) Dense-graded asphalt concrete: 4,230 NTD/m3 (2) Renewed asphalt concrete (Dense-graded asphalt concrete with 30% of renewable materials): 3,449 NTD/m3	Liron, Longshin Changyu, Sanhsia ShiXun, Jingfeng Shengkung, Linruei Jiangfeng, Yongzheng Wancheng, Hsinyu Jifeng, Changcheng Changmao, Chouyi				

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/cm2 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.

- Suppliers accounting for 10 percent or more of the Company's total procurement amount in either of the 2 most recent fiscal years:

Information of the main suppliers in the recent two years

Unit: NT\$ thousands

Item	Year 2019				Year 2020				2021 up to March 31			
	Name Note	Amount	Percentage of the net amount for the full year procurement (%)	Relationship with the issuer	Name Note	Amount	Percentage of the net amount for the full year procurement (%)	Relationship with the issuer	Name Note	Amount	Percentage of the net amount for the full year procurement (%)	Relationship with the issuer
	Others	11,381,823	100%		Others	12,524,915	100%		Others	3,577,237	100%	
	Net amount of procurement	11,381,823	100%		Net amount of procurement	12,524,915	100%		Net amount of procurement	3,577,237	100%	

Note: There have been no supplier accounting for 10 percent or more of the Company's total procurement in the recent two years



2. Clients accounting for 10 percent or more of the Company's total sales amount in either of the 2 most recent fiscal years:

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

Unit: NT\$ thousands

Item	Year 2019				Year 2020				2021 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	Taoyuan International Airport Corporation	1,816,652	14.43	None	Water Resources Agency, Ministry of Economic Affairs	2,563,881	19.03	None	Water Resources Agency, Ministry of Economic Affairs	823,754	21.44	None
2	Directorate General of Highways, MOTC	1,410,401	11.20	None	Taoyuan International Airport Corporation	1,825,097	13.55	None	Taoyuan International Airport Corporation	434,779	11.31	None
	Others	9,363,700	74.37		Others	9,081,984	67.42		Others	2,584,164	67.25	
	Net Sales	12,590,753	100.00		Net Sales	13,470,962	100.00		Net Sales	3,842,697	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 2020		Year 2019	
	Amount	%	Amount	%
Civil engineering	7,183,973	57.36	6,999,996	61.50
Construction engineering	3,195,211	25.51	1,836,427	16.13
Electromechanical engineering	146,869	1.17	210,380	1.85
Development engineering project	577,591	4.61	561,932	4.94
Sales of real estate	31,669	0.25	0	0
Other operating costs	1,389,603	11.10	1,773,088	15.58
Total	12,524,915	100.00	11,381,823	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 2020		Year 2019	
	Amount	%	Amount	%
Civil engineering	7,795,388	57.87	7,472,813	59.35
Construction engineering	3,303,123	24.52	1,926,958	15.30
Electromechanical engineering	158,163	1.17	223,551	1.78
Development engineering project	603,384	4.48	585,723	4.65
Sales of real estate	35,091	0.26	0	0
Other operating income	1,575,813	11.70	2,381,708	18.92
Total	13,470,962	100.00	12,590,753	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 2019	Year 2020	As of the date March.31.2021 (Note)
The member of employees	General staff	202	217	207
	Technical staff	587	612	609
	Total	789	829	816
Average age		42.2	42.04	42.27
Average of service years		7.19	6.99	7.10
Ratio of academic background of employees	PHD.	0.63%	0.48%	0.49%
	Master	19.26%	18.58%	18.14%
	College	70.72%	72.86%	73.16%
	High school	6.46%	6.76%	6.86%
	Under high school	2.92%	1.33%	1.35%

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:

Period Content	Year 2021 (as of the end of March)	Year 2020	Year 2019	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 2 instance	total of 4 instances	total of 20 instances	26 instances
	Fine 33,000 dollars	Fine 9,000 dollars	Fine 1936,600 dollars	235,600 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

Year Content	Year 2021	Year 2022	Year 2023
The proposed purchase of pollution prevention equipment or expenditure	A. Include a budget for safety, health and environmental maintenance for each project. B. It is mainly used for vehicle washes, water pools, rental sprinklers, purchasing car wash equipment, sewage treatment equipment, environmental measuring instruments and reducing noise, measures of sound insulation, etc.	Same as the left	Same as the left
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

Year Content	Year 2021	Year 2022	Year 2023
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.

## 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.The Company has created the "Employees' Welfare Committee of BES Engineering Corporation" according to the "Employee benefits regulations" and the following are stipulated: "Donation regulations for the Employees' Welfare Committee of BES Engineering Corporation," "Work Rules of the Employees' Welfare Committee of BES Engineering Corporation," "key points of rewarding construction materials for the Employees' Welfare Committee of BES Engineering Corporation," Scholarship application for the Employees' Welfare Committee of BES Engineering Corporation" and the "Key points for the implementation of employees' recreation activities for the Employees' Welfare Committee of BES Engineering Corporation." The Staff Welfare Committee conducts various welfare and recreational measures for the employees of the Company. The company's employees will be rewarded with NT\$3,000 to 8,000 (including the Chinese Year Festival, Dragon Boat Festival, Mid-Autumn Festival) each year. The Staff Welfare Committee awarded a total of scholarships NT\$786,000 in 2019. 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 shareholders' meeting of year 2020 approved the employee bonus of 8,440,961 NTD surplus distribution for the year 2019. The allocated amount of employees' bonus is between 1,000 NTD and 500,000 NTD for the year 2019. The top ten employees receiving remunerations are: Chiu, Yung-Tsai, Manager; Sheng, Chin-Jing, Supreme Consultant; Yang, Mei-Yuan, Vice President; Liao, Shu-Liang, Associate Manager; Chen, Tzu-Hsing, Department Director; Chu, Hwei-Lan, Vice Chairman; Wang, Ting-Tze, Associate Manager; Cheng, An-Tzu, Associate Manager, Kuo, Hong-Cheng, Manager and Tseng,Fan-Ming, Department Director, for total 2,551,200 NTD.

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 year 2020, the company had self-organized 125 trainings and 222 external trainings, with a total of training expenses NT 3,514,164 dollars.

5. The company's main self-organized and outsourced general knowledge and professional training courses in 2020 are as follows:

- (1) In March, April and August of 2020, a "new employees training course" was created to enable new employees to learn more about the company
- (2) In March and April of 2020, "Multi-rotor drone operation training class" was held to cope with the goal of AI construction management.
- (3) In September 2020, in order to enhance the overall working atmosphere of the company, we organized 1 level of "Building a Gender-Friendly Workplace-Supervisor Version" course and 1 level of "Building a Gender-Friendly Workplace-Staff Version" course.
- (4) In January, March, May, June, July, October, November, and December 2020, in order to enhance the awareness of labor safety, the "Occupational Security Course" was arranged.

6. The main external professional training courses participated by the company's professionals in 2020 include the following:

- (1) "220 hours training of site supervisor in the construction industry " for 6 training person counts, the professional training institutions include the following: the ROC National Construction Industry Site Association, Kaohsiung City Occupational Safety First Association of corporate legal person, ROC Productivity Center and Zhengxiu University of Science and Technology, etc.
- (2) The "quality management personnel training for the public construction projects" for 35 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, etc.
- (3) The "labor safety and health management training courses" for 116 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 2020, the internal audit personnel assigned to the following professional trainings: Chung, Yun-Kuang, Manager of Audit Office participated in the course "Legal risks of corporate operation management and response methods of the internal audit personnel" and "Seminar on how to detect hidden fraud signs and case study" held by the Institute of Internal Auditors-Chinese Taiwan; Su, Chih-Hsun, audit personnel participated in the course "Internal audit guidelines for compliance" and "Seminar on how to detect hidden fraud signs and case study" held by the Institute of Internal Auditors-Chinese Taiwan; Hsieh, Ju-Ying, audit personnel participated in the course "Business contract management and audit practice" and "Seminar on audit practice of enterprise costs and value creation" held by the Institute of Internal Auditors-Chinese Taiwan; Chou, Yun, audit personnel participated in the course "Seminar on how to detect hidden fraud signs and case study" and "How to utilize robotic process automation (RPA) to improve internal control effectiveness" 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 14<sup>th</sup> to November 15<sup>th</sup> in 2020, 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 2020, there are 7 people retired and 2 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. Important contracts

Unit: NT NTD in thousands

Nature of the contract	Business owner	Project contents and contract amount	Starting date	Restrictions
Contract of the engineering construction	Southern District Engineering Office of Taipei City Government MRT Engineering Bureau	CR580C Eastward Section Project of Xinyi Section in the Taipei MRT System: 3,900,511 NTD in thousands	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: 3,104,968 NTD in thousands	May, 2017~ September, 2023	None
Contract of the engineering construction	Taoyuan International Airport Corporation	The earthwork and infrastructure in terminal III of Taiwan Taoyuan International Airport: 3,586,674NTD in thousands	June, 2017~ March, 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~ June, 2021	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~ December, 2021	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: 3,362,000 NTD in thousands	November, 2017~ May, 2022	None
Contract of the engineering construction	China Petrochemical Development Corporation	China Petrochemical Development Corporation's Stage 1 geological improvement project of the liquid ammonia and phenol storage and transportation project in the intercontinental phase II wharf of Kaohsiung Harbor and the Stage 2 PC driven pile project :162,750 NTD in thousands	July, 2018~ July, 2021	None
Contract of the engineering construction	Taipei City Government Urban Development Bureau	The public housing turnkey project on the Hebing High School Base in Neihu District of Taipei City: 2,460,938 NTD in thousands	November, 2018~ July, 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: 3,546,601 NTD in thousands	October, 2018~ June, 2022	None
Contract of the engineering construction	National Taiwan University Hospital	The new construction project of the Health Building in National Taiwan University Hospital: 2,038,000 NTD in thousands	October, 2018~ March 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~ October, 2021	None



Nature of the contract	Business owner	Project contents and contract amount	Starting date	Restrictions
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~ December, 2020	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): 904,143 NTD in thousands	March, 2019~ July 2021	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 ~ August 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 : 3,820,000 NTD in thousands	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: 12,517,171 NTD in thousands	February 2020 ~ November 2027	None
Contract of the engineering construction	Land Administration Bureau of New Taipei City Government	The rezoning and development project of the second district of New Taipei City and Taiyuan Zhaizhen District: 4,548,116 NTD in thousands	The owner informs that construction will start within 15 days from the next day~1385 calendar days	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
Materials procurement	Kuo Tung International Co., Ltd.	Niaozueitan Artificial Lake Project, Wu River- Construction of Lake Area- Procurement of DIP pipes and SP steel pipes for aqueduct and raw water aqueduct	223,500,000	2020/1/2	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
Subcontracted projects	Longxin Construction Co., Ltd.	Changhua Coastal Industrial Park Development Project-Changhua Industrial Park Power Plant of Taipower (including area for offshore wind power substation) connection road and pipeline project) -road work, draining, and sewage open air digging projects	330,120,000	2020/1/3	None
Subcontracted projects	Ji Diing Engineering Company Limited	Changhua Coastal Industrial Park Development Project-Changhua Industrial Park Power Plant of Taipower (including area for offshore wind power substation) connection road and pipeline project) -sewage pumping, industrial water, tap water and lighting projects	163,800,000	2020/1/3	None
Subcontracted projects	Ji Diing Engineering Company Limited	Changhua Coastal Industrial Park development engineering project connection road No.2 improvement project 0K+500~1K+000	64,575,000	2020/1/3	None
Subcontracted projects	Zhangmao Construction Co., Ltd.	Changhua Coastal Industrial Park development engineering project connection road No.2 improvement project 1K+000~1K+500	54,070,000	2020/2/6	None
Subcontracted projects	Jiangfeng Construction Co., Ltd.	Niaozueitan Artificial Lake Project, Wu River-Construction of Lake Area-aqueduct and raw water aqueduct pipes laying project	58,800,000	2020/2/6	None
Subcontracted projects	Longxin Construction Co., Ltd.	Changhua Coastal Industrial Park development engineering project connection road No.2 improvement project 0K+000~0K+500	66,990,000	2020/2/6	None
Subcontracted projects	Jing Feng Construction Co., Ltd.	Changhua Coastal Industrial Park development engineering project connection road No.2 improvement project 1K+500~1K+913	55,545,000	2020/2/6	None
Subcontracted projects	Yi Hsin Engineering Co., Ltd.	Dormitory Reconstruction Turnkey Project in Fuxing Camp Area: masonry construction (building B)	59,522,726	2020/2/18	None
Subcontracted projects	Ching She Engineering Co., Ltd.	Dormitory Reconstruction Turnkey Project in Fuxing Camp Area: masonry construction (building A and D)	60,055,469	2020/2/18	None
Design service	CECI Engineering Consultants, Inc. Taiwan	Turnkey project for renovation of the First Vegetable and Fruit Market (in-embankment relay) and	215,000,000	2020/2/24	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
		Wan-Da Wholesale Market-preliminary design, detailed design subcontracting contract			
Subcontracted projects	Seng Yeh Construction Co., Ltd.	GM01 electromechanical system turnkey engineering project of the Taoyuan MRT Green Line: Railway construction	1,612,009,707	2020/2/26	None
Materials procurement	Seng Yeh Construction Co., Ltd.	GM01 electromechanical system turnkey engineering project of the Taoyuan MRT Green Line: Railway material procurement	1,296,490,293	2020/2/26	None
Subcontracted projects	Hsin An Engineering Co., Ltd.	The public housing turnkey project on the Hebing High School Base in Neihu District of Taipei City – masonry construction (building A with landscape works)	62,835,570	2020/2/27	None
Subcontracted projects	Guan Ting Engineering Co.	The public housing turnkey project on the Hebing High School Base in Neihu District of Taipei City – masonry construction (building B including basement)	62,398,151	2020/2/27	None
Subcontracted projects	Mao Sheng Construction Co., Ltd.	Turnkey project for renovation of the First Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market-demolish and earthwork construction	356,430,669	2020/2/29	None
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 G03 station	65,799,999	2020/3/2	None
Subcontracted projects	Yuan Bang Interior Design Decoration Co.,Ltd.	Tao Zhu Yin Yuan-B1F public facilities decoration construction phase II	115,200,000	2020/3/3	None
Subcontracted projects	Ze Fang Interior Design Decoration Co.,Ltd.	Tao Zhu Yin Yuan-B2F-B4F public facilities decoration construction phase II	72,200,000	2020/3/3	None
Subcontracted projects	Dong Tai Refrigerating Co.	Turnkey project for renovation of the First Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market - air conditioning construction and refrigerating compartment construction for the interim stalls in the First Vegetable and Fruit Market	52,513,015	2020/3/13	None
Subcontracted projects	King Polytechnic	Turnkey project for renovation of the First	1,162,500,000	2020/3/13	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
	Engineering Co., Ltd.	Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market-high and low voltage electricals and air conditioning construction			
Materials procurement	Koupu Concrete Industrial Co., Ltd.	The comprehensive facility reinforcement project in Taoyuan International Airport - 4th supplementary contract for pre-mixed concrete procurement	309,008,700	2020/3/13	None
Subcontracted projects	Pao Chuang Technology Co.	Turnkey project for renovation of the First Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market-light-current, water supply and draining, and fire-fighting construction	1,345,000,000	2020/3/13	None
Subcontracted projects	Chang Yu Construction Co., Ltd.	Joint project of solar power in Changpin Industrial Park connecting to Taipower, E/S substation conduit construction: pipe construction	110,000,000	2020/3/17	None
Materials procurement	Kuo Tung International Co., Ltd.	Tseng Wen Nan Hua Leveling Pipe Turnkey Project A1 - Procurement of Pipes	1,429,000,000	2020/3/17	None
Subcontracted projects	Li Rong Enterprise Co.	Niaozueitan Artificial Lake Project, Wu River - Construction of Lake Area - asphalt concrete laying construction	171,999,295	2020/3/24	None
Subcontracted projects	Su-Chen-Shin Construction Co., Ltd.	Tseng Wen Nan Hua Leveling Pipe Turnkey Project A1 - Tunnel, Shafts and Ventilation Inclined Shaft	305,000,000	2020/3/25	None
Subcontracted projects	Lung Chun Engineering Co., Ltd.	Shimen Reservoir Anti-silt Tunnel Project (Phase 1) – Amuping Anti-silt Tunnel Project: embankment construction	63,999,999	2020/3/31	None
Materials procurement	BES Machinery 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	139,967,562	2020/3/31	None
Subcontracted projects	Sheng He Construction Co., Ltd.	Tseng Wen Nan Hua Leveling Pipe Turnkey Project A1 - open air digging construction	279,000,000	2020/4/1	None
Subcontracted projects	Sung Wang Engineering Co., Ltd.	Niaozueitan Artificial Lake Project, Wu River- Construction of Lake Area - electricity engineering and road lighting system construction	118,200,000	2020/4/16	None
Subcontracted	Bai Hong	GC02 civil engineering and	113,025,028	2020/4/16	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
projects	Construction Co., Ltd.	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 VS5 and VS6 station			
Subcontracted projects	Su-Chen-Shin Construction Co., Ltd.	Tseng Wen Nan Hua Leveling Pipe Turnkey Project A1 - jacking (including working shaft) construction	374,998,514	2020/4/16	None
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)	316,000,000	2020/4/16	None
Materials procurement	Ming Guan Machine Corporation	Tseng Wen Nan Hua Leveling Pipe Turnkey Project A1 - Procurement of Water Engineering Machines	54,500,000	2020/4/24	None
Design service	United Geotech, Inc.	Tseng Wen Nan Hua Leveling Pipe Turnkey Project A1 - Detailed Design Service Contract	78,000,000	2020/4/24	None
Subcontracted projects	Mao Sheng Construction Co., Ltd.	Biyenge construction project - earthwork construction	68,000,000	2020/5/4	None
Subcontracted projects	Kuan Cheng Construction Co., Ltd.	Biyenge construction project - diaphragm wall construction	68,500,000	2020/5/11	None
Materials procurement	Yu Nan Concrete Industrial Co., Ltd.	Tseng Wen Nan Hua Leveling Pipe Turnkey Project A1 - Procurement of pre-mixed concrete	112,330,050	2020/5/27	None
Subcontracted projects	Yo Jin Engineering Co., Ltd.	Shimen Reservoir Anti-silt Tunnel Project (Phase 1) – Amuping Anti-silt Tunnel Project: mud pipe construction	88,000,000	2020/5/27	None
Design service	Sea-Ia Architects	Land and buildings of the Pei Po section of Tucheng District - Building design supervision contract (1st supplementary contract)	55,800,000	2020/6/4	None
Subcontracted projects	Xin Yi Chiang 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 - earthwork construction (I) between G04 and G07 station	178,999,637	2020/6/5	None
Subcontracted projects	Taiwan enterprise	GC02 civil engineering and construction turnkey project	73,179,769	2020/6/5	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
	Asset Investment Development Co., Ltd	of the underground section between the daylighting section to G07 Station (exclusive) of the Taoyuan MRT Green Line - earthwork construction (II)			
Materials procurement	Goldsun Building Materials Co., Ltd.	Biyenge construction project - Procurement of pre-mixed concrete	142,753,800	2020/6/5	None
Subcontracted projects	Da Kang Interior Design Decoration Co.,Ltd.	Tao Zhu Yin Yuan - interior decoration project of 9F, No. 66 of Tao Zhu Yin Yuan	72,000,000	2020/6/5	None
Materials procurement	Da Lun Steel Industry 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 - Procurement of compound metro desk	62,480,000	2020/6/29	None
Subcontracted projects	Hung Chi Enterprise	The public housing turnkey project on the Hebing High School Base in Neihu District of Taipei City – RS Assembly and Bonding	61,424,664	2020/7/2	None
Materials procurement	San Hsin system Integration Co., Ltd	GM01 electromechanical system turnkey engineering project of the Taoyuan MRT Green Line: Procurement of elastomeric bearing pad for the floating slab track	1,340,426,408	2020/7/20	None
Materials procurement	Tung Ho Steel Enterprise Corp.	The earthwork and infrastructure in terminal III of Taiwan Taoyuan International Airport - purchase of reinforcing steel (XXII)	50,064,000	2020/7/23	None
Subcontracted projects	Mu He Landscape Engineering Co., Ltd.	Tao Zhu Yin Yuan - Landscape and plantation optimization engineering in SUN KEN zone	52,500,000	2020/8/18	None
Subcontracted projects	De Wo Enterprise Co.	Turnkey project for renovation of the First Vegetable and Fruit Market (in-embankment relay) and Wan-Da Wholesale Market-Metal rooftop and compound wall construction of agriculture relay market	50,999,904	2020/8/31	None
Subcontracted projects	Zhenli Construction Co., Ltd.	Shimen Reservoir Anti-silt Tunnel Project (Phase 1) – Amuping Anti-silt Tunnel Project: mud sorting equipment and plant construction	51,300,000	2020/9/18	None
Subcontracted projects	Ze Fang Interior Design Decoration Co.,Ltd.	Tao Zhu Yin Yuan-B2F-B4F public facilities decoration construction phase II (1st supplementary contract)	60,200,000	2020/10/5	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
Subcontracted projects	Yi Chun Engineering Co.	CR580C Eastward Section Project of Xinyi Section in the Taipei MRT System - Structural reinforcing steel processing and composition construction for R03 station (including A and C entrance) of CR285 tender	70,838,040	2020/10/6	None
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 G04 station (including pocket track)	508,000,000	2020/10/6	None
Subcontracted projects	Chang Yu 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 G03 and VS6 station	99,600,000	2020/10/20	None
Subcontracted projects	Yixing Development Engineering Co., Ltd.	CR580C Eastward Section Project of Xinyi Section in the Taipei MRT System: CR285 earthwork construction (II)	168,827,983	2020/10/20	None
Subcontracted projects	Yi Yo Engineering Co., Ltd.	Tucheng AI Industrial Park construction project (Area A) - Earthwork construction (Area A and B)	94,250,000	2020/10/20	None
Materials procurement	Tatung Co., Ltd	GM01 electromechanical system turnkey engineering project of the MRT Green Line GM01 - Procurement of 161KV main transformer and related equipment	177,999,999	2020/10/20	None
Subcontracted projects	Chun Yuan Steel Industry Co., Ltd.	Biyenge construction project - steel structure construction	258,000,000	2020/11/19	None
Materials procurement	Goldsun Building Materials Co., Ltd.	Tucheng AI Industrial Park construction project (Area A) - Concrete procurement for assumption, and diaphragm wall construction	88,320,645	2020/11/19	None
Materials procurement	Siemens Energy AG	GM01 electromechanical system turnkey engineering project of the MRT Green Line GM01 - Procurement of 161KV gas insulated switch (GIS) and related equipment	124,087,154	2020/11/20	None
Subcontracted projects	Zhangmao Construction Co., Ltd.	Seawall and parapet heighten and water control road project in Changhua Coastal Industrial Park - Lunwei	507,360,000	2020/12/1	None

Nature of contract	Vendor Name	Contract name	Contract amount	Date of bid	Limitations Terms
		District (phase 1)			
Subcontracted projects	Fu Gang Engineering 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 - Mid peg all casing construction	109,000,000	2020/12/1	None
Subcontracted projects	Yong Ching Enterprise	The public housing turnkey project on the Hebing High School Base in Neihu District of Taipei City – agent electromechanical engineering (II)	60,637,500	2020/12/2	None
Subcontracted projects	Tung Feng Construction Co., Ltd.	Tucheng AI Industrial Park construction project (Area A) -diaphragm wall construction (Area A and B)	140,000,000	2020/12/2	None
Materials procurement	Yu Nan Concrete Industrial Co., Ltd.	Tseng Wen Nan Hua Leveling Pipe Turnkey Project A1 - Procurement of pre-mixed concrete (1st supplementary contract)	65,395,050	2020/12/15	None
Materials procurement	Chung-Hsin Electric & Machinery Co., Ltd.	GM01 electromechanical system turnkey engineering project of the MRT Green Line GM01 - Procurement of diesel engine generator set and related equipment	66,720,000	2020/12/15	None
Subcontracted projects	Jiangfeng Construction Co., Ltd.	Niaozueitan Artificial Lake Project, Wu River-Construction of Lake Area - earthwork and retaining support construction (5th supplementary contract)	70,099,982	2020/12/23	None

Unit: NT 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	New residential construction in Tu-Cheng AI Intellectual Park	From the Plan for review date on May 8, 2015 to the settlement date after the completion and handover of the house	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, 2021 Financial Information (Note 1)
		Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	
Current Assets		29,752,698	28,942,303	30,416,617	35,382,398	33,789,293	33,291,700
Property, Plant, and Equipment		3,537,919	3,435,858	3,419,553	3,312,312	3,220,082	3,209,945
Intangible Assets		115,191	115,191	101,673	43,997	0	0
Other Assets		5,763,266	5,535,938	5,852,961	4,485,467	5,099,342	5,033,618
Total Assets		39,169,074	38,029,290	39,790,804	43,224,174	42,108,717	41,535,263
Current Liabilities	Before Distribution	14,777,534	13,674,729	14,126,037	16,565,080	16,243,125	18,419,841
	After Distribution	15,074,529	13,961,007	14,427,624	16,872,791	(Note 2)	-
Non-current Liabilities		4,602,186	4,328,203	5,670,448	6,634,536	5,450,050	2,672,823
Total Liabilities	Before Distribution	19,379,720	18,002,932	19,796,485	23,199,616	21,693,175	21,092,664
	After Distribution	19,676,715	18,289,210	20,098,072	23,507,327	(Note 2)	-
Equity Attributed to the Owners of Parent Company		19,624,444	19,852,800	19,854,375	19,897,187	20,307,824	20,337,881
Capital Share		15,308,998	15,308,998	15,308,998	15,308,998	15,308,998	15,308,998
Capital Reserves		69,688	69,688	69,688	73,782	73,833	73,871
Retained Earnings	Before Distribution	4,971,818	4,935,084	5,034,451	5,080,690	5,387,899	5,475,240
	After Distribution	4,674,823	4,648,806	4,732,864	4,772,979	(Note 2)	-
Other Equity		(726,060)	(460,970)	(558,762)	(566,283)	(462,906)	(520,228)
Treasury Shares		-	-	-	-	-	-
Non-controlling Equity		164,910	173,558	139,944	127,371	107,718	104,718
Total Equity	Before Distribution	19,789,354	20,026,358	19,994,319	20,024,558	20,415,542	20,442,599
	After Distribution	19,492,359	19,740,080	19,692,732	19,716,847	(Note 2)	-

Note 1: The financial information of Q1 2021 has been audited by the CPAs

Note 2: The profit distribution for 2020 proposal is to be resolved by the AGM

## 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, 2021 Financial Information (Note 1)
	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	
Operating Revenue	9,504,094	9,782,245	11,062,421	12,590,753	13,470,962	3,842,697
Gross Operating Profit	1,032,927	1,146,711	1,054,299	1,208,930	946,047	265,460
Net Operating Profit	241,051	386,605	352,537	512,266	375,047	143,725
Non-operating Revenue and Expenses	158,622	(18,760)	(127,658)	(94,583)	418,185	(35,050)
Net Profit Before Tax	399,673	367,845	224,879	417,683	793,232	108,675
Net Profit of the Period for the Continuing Operations	271,887	270,357	356,435	307,844	598,847	84,429
Losses from the Discontinued Operations	-	-	-	-	-	-
Net Income (Loss) of the Period	271,887	270,357	356,435	307,844	598,847	84,429
Other Comprehensive Income of the Period (Net Amount after Tax)	(32,983)	265,232	(79,225)	38,630	100,314	(57,410)
Total Comprehensive Incomes and Losses	238,904	535,589	277,210	346,474	699,161	27,019
Net Profit Attributed to the Owners of Parent Company	267,185	264,086	363,334	312,886	618,959	87,341
Net Profit Attributed to the Non-Controlling Equity	4,702	6,271	(6,899)	(5,042)	(20,112)	(2,912)
Comprehensive Income Attributed to the Owners of Parent Company	235,717	525,351	287,853	352,340	718,327	30,019
Comprehensive Income Attributed to the Non-Controlling Equity	3,187	10,238	(10,643)	(5,866)	(19,166)	(3,000)
EPS	0.17	0.17	0.24	0.20	0.40	0.06

Note 1: The financial information of Q1 2020 has been audited by the CPAs

## 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, 2021 Financial Information (Note 1)
		Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	
Current Assets		27,642,174	27,289,668	29,466,032	33,161,121	32,277,718	-
Property, Plant, and Equipment		2,856,846	2,803,431	2,559,056	2,518,085	2,433,886	-
Intangible Assets		-	-	-	-	-	-
Other Assets		6,718,794	6,535,982	6,453,107	6,093,544	6,102,200	-
Total Assets		37,217,814	36,629,081	38,478,195	41,772,750	40,813,804	-
Current Liabilities	Before Distribution	13,368,595	12,813,169	13,282,769	15,703,068	15,549,129	-
	After Distribution	13,665,590	13,099,447	13,584,356	16,010,779	(Note 2)	-
Non-current Liabilities		4,224,775	3,963,112	5,341,051	6,172,495	4,956,851	-
Total Liabilities	Before Distribution	17,593,370	16,776,281	18,623,820	21,875,563	20,505,980	-
	After Distribution	17,890,365	17,062,559	18,925,407	22,183,274	(Note 2)	-
Equity Attributed to the Owners of Parent Company		19,624,444	19,852,800	19,854,375	19,897,187	20,307,824	-
Capital Share		15,308,998	15,308,998	15,308,998	15,308,998	15,308,998	-
Capital Reserves		69,688	69,688	69,688	73,782	73,833	-
Retained Earnings	Before Distribution	4,971,818	4,935,084	5,034,451	5,080,690	5,387,899	-
	After Distribution	4,674,823	4,648,806	4,732,864	4,772,979	(Note 2)	-
Other Equity		(726,060)	(460,970)	(558,762)	(566,283)	(462,906)	-
Treasury Shares		-	-	-	-	-	-
Non-controlling Equity		-	-	-	-	-	-
Total Equity	Before Distribution	19,624,444	19,852,800	19,854,375	19,897,187	20,307,824	-
	After Distribution	19,327,449	19,566,522	19,552,788	19,679,476	(Note 2)	-

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

Note 2: The profit distribution for 2020 proposal is to be resolved by the AGM

## 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, 2021 Financial Information (Note 1)
		Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	
Operating Revenue		6,933,926	7,011,956	8,813,523	10,538,452	11,996,627	-
Gross Operating Profit		499,995	616,882	630,450	799,248	701,469	-
Net Operating Profit		207,224	288,100	344,320	476,365	372,383	-
Non-operating Revenue and Expenses		153,684	33,885	(110,388)	(71,199)	410,101	-
Net Profit Before Tax		360,908	321,985	233,932	405,166	782,484	-
Net Profit of the Period for the Continuing Operations		267,185	264,086	363,334	312,886	618,959	-
Losses from the Discontinued Operations		-	-	-	-	-	-
Net Income (Loss) of the Period		267,185	264,086	363,334	312,886	618,959	-
Other Comprehensive Income of the Period (Net Amount after Tax)		(31,468)	261,265	(75,481)	39,454	99,368	-
Total Comprehensive Incomes and Losses		235,717	525,351	287,853	352,340	718,327	-
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	0.17	0.24	0.20	0.40	-

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

(II) After Applying IFRS, Name of the CPAs and the Opinions for the Recent Five Years up to the Publication Date of the Annual Report

	Name of CPAs	Audit Opinions of CPAs
Year 2016	Chang, Ching-Ren and Tung-Feng Lee	Unqualified opinion
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
Q1, Year 2021	Tung-Feng Lee and Yao-Lin. Huang	Reserved audit report

(III) Application of the Financial and Accounting Standards of Taiwan: N/A

(IV) BEFORE APPLYING IFRS, NAME OF THE CPAS AND THE OPINIONS FOR THE RECENT FIVE YEARS UP TO THE PUBLICATION DATE OF ANNUAL REPORT : N/A.

## 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, 2021 (Note 1)
		Year 2016	Year 2017	Year 2018	Year 2019	Year 2020		
Financial Structure (%)	Ratio of Liabilities to Assets	49.48	47.34	49.75	53.67	51.52	50.78	
	Long-term Capital to Property, Plant, & Equipment	689.43	708.83	750.53	804.85	803.26	720.12	
Solvency %	Current Ratio	201.34	211.65	215.32	213.60	208.02	180.74	
	Quick Ratio	146.27	149.98	143.9	119.03	105.31	93.18	
	Interest Protection Multiples	3.44	2.55	1.43	2.93	5.07	3.59	
Operating Capability	Turnover Rate of Receivables (Times)	2.93	3.57	4.9	3.72	4.08	4.29	
	Average Days of Receiving Cash	124.57	102.24	74.48	98.12	89.46	85.08	
	Turnover Rate of Inventory (Times)	1.14	1.06	1.11	0.92	0.81	0.90	
	Turnover Rate of Payables (Times)	3.11	3.66	4.28	3.48	2.92	3.42	
	Average Days of Sales	320.18	344.34	328.83	396.74	450.62	405.56	
	Turnover Rate of Property, Plant, and Equipment (Times)	2.69	2.85	3.24	3.80	4.18	4.79	
	Total Turnover Rate of Assets (Times)	0.24	0.26	0.28	0.29	0.32	0.37	
Profitability	Return on Assets (%)	0.84	0.84	1.04	1.04	1.73	0.27	
	Return on Equity (%)	1.37	1.36	1.78	1.54	2.96	0.41	
	Ratio of Pre-Tax Net Income to Paid-up Capital %	2.61	2.4	1.47	2.73	5.18	0.71	
	Net Margin (%)	2.86	2.76	3.22	2.45	4.45	2.20	
	Earnings Per Share (NT\$)	0.17	0.17	0.24	0.20	0.40	0.06	
Cash Flow	Cash flow ratio (%)	0.22	-	-	0.57	3.37	-	
	Cash flow adequacy ratio (%)	41.33	40.41	38.04	4.22	7.45	-	
	Cash re-investment ratio (%)	-1.11	-	-	-	0.89	-	
Leverage	Operating Leverage	1.78	1.37	1.36	1.35	1.44	1.27	
	Financial Leverage	1.36	1.23	1.2	1.66	1.84	1.31	

The increase and decrease of each financial ratio in the recent two years for more than 20%. The reasons are described as the followings:

1. The increase of interest protection multiples resulted from the increase of pre-tax income of 2020.
2. The increase of the ratio of pre-tax net income to paid-up capital resulted from the increase of pre-tax income of 2020. 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.
3. The increase of Cash flow ratio and Cash flow adequacy ratio from the increase of the operating actives Cash flow of 2020.
4. The ratios related to cash flows are not calculated when the net cash flows from the operating actives are negative.

Note 1: The financial information of Q1 2021 has been audited by the CPAs

## Parent Company Only Financial Analysis- IFRS applied

Analysis Items (Note 2)		Year	Financial Analysis for the Recent Five Years (Note 1)					The current year up to March 31, 2021 (Note 1)
		Year 2016	Year 2017	Year 2018	Year 2019	Year 2020		
Financial Structure (%)	Ratio of Liabilities to Assets	47.27	45.80	48.40	52.37	50.24	(Not Applicable)	
	Long-term Capital to Property, Plant, & Equipment	834.81	849.53	984.56	1,035.30	1,038.04		
Solvency %	Current Ratio	206.77	212.98	221.84	211.18	207.59		
	Quick Ratio	153.78	147.20	146.37	111.96	100.78		
	Interest Protection Multiples	3.45	2.43	1.52	3.08	5.44		
Operating	Turnover Rate of Receivables (Times)	2.28	2.74	4.16	6.59	3.74		
	Average Days of Receiving Cash	160.09	133.21	87.74	55.39	97.59		
	Turnover Rate of Inventory (Times)	1.02	0.84	0.91	0.79	0.73		
	Turnover Rate of Payables (Times)	2.60	2.87	3.57	3.01	2.65		
	Average Days of Sales	357.84	434.52	401.10	462.03	500.00		
	Turnover Rate of Property, Plant and Equipment (Times)	2.43	2.50	3.44	4.19	4.93		
	Total Turnover Rate of Assets (Times)	0.19	0.19	0.23	0.26	0.29		
Profitability	Return on Assets (%)	0.85	0.84	1.05	1.14	1.79		
	Return on Equity (%)	1.36	1.34	1.83	1.57	3.08		
	Profit Before Tax to Paid-up Capital (%) (Note 7)	2.36	2.10	1.53	2.65	5.11		
	Net Margin (%)	3.85	3.77	4.12	2.97	5.16		
	Earnings Per Share (NT\$)	0.17	0.17	0.24	0.20	0.40		
Cash Flow	Cash flow ratio (%)	1.41	-	-	-	2.73		
	Cash flow adequacy ratio (%)	57.31	48.39	30.04	5.51	7.09		
	Cash re-investment ratio (%)	-0.51	-	-	-	0.46		
Leverage	Operating Leverage	1.38	1.26	1.20	1.19	1.21		
	Financial Leverage	1.30	1.24	1.13	1.62	1.69		

The increase and decrease of each financial ratio in the recent two years for more than 20%. The reasons are described as the followings:

1. The increase of interest protection multiples resulted from the increase of pre-tax income of 2020.
2. The increase of the ratio of pre-tax net income to paid-up capital resulted from the increase of pre-tax income of 2020. 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.
3. The increase of Cash flow ratio and Cash flow adequacy ratio from the increase of the operating actives Cash flow of 2020.
4. The ratios related to cash flows are not calculated when the net cash flows from the operating actives are negative.

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.

## (II) Application of the Financial and Accounting Standards of Taiwan: N/A

### **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 25, 2021

## 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, the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 audit of the consolidated financial statements for the year ended December 31, 2020 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. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, 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, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters for the Group's consolidated financial statements for the year ended December 31, 2020 are described 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, 2020 is material, hence, the accuracy of the recognition of construction revenue has been deemed as a key audit matter for the year ended December 31, 2020. 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 evaluated whether the accounting policies on the estimation of the percentage of completion were consistently applied.
2. We performed tests of the details of incomplete construction projects at the end of the year to confirm the accuracy of construction revenue recognized.
3. 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, 2020 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, 2020. 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.

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

The engagement partners on the audits resulting in this independent auditors' report are Tung-Feng Lee and Yao-Lin Huang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2021

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 16)	\$ 2,447,681	6	\$ 2,675,471	6
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 36)	23,682	-	413,619	1
Financial assets at fair value through other comprehensive income - current (Notes 4, 8, 36 and 38)	964,350	2	804,356	2
Financial assets at amortized cost - current (Notes 4, 9, 27 and 38)	2,992,106	7	4,159,764	10
Notes receivable and trade receivables (Notes 4, 10, 29 and 37)	84,635	-	84,243	-
Construction receivables (Notes 4, 10, 16, 27, 29 and 37)	1,254,817	3	1,535,335	4
Contract assets - current (Notes 16, 27, 29 and Table 1)	3,273,890	8	3,036,294	7
Accounts receivable on the development of industrial districts (Notes 4, 11, 27 and 38)	6,995,042	17	7,866,660	18
Inventories	12,145	-	11,678	-
Buildings and land held for sale, net (Notes 4, 5, 12, 27 and 38)	11,402,858	27	12,679,251	29
Construction in progress (Notes 13, 27 and 38)	3,088,754	7	933,215	2
Refundable deposits on construction contracts (Notes 27 and 37)	124,075	-	141,630	-
Other current assets (Notes 16 and 37)	1,125,258	3	1,040,882	3
Total current assets	<u>33,789,293</u>	<u>80</u>	<u>35,382,398</u>	<u>82</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8, 36 and 38)	727,361	2	640,637	1
Financial assets at amortized cost - non-current (Notes 4, 9 and 38)	644,768	1	5,347	-
Investments accounted for using the equity method (Notes 4, 15 and 37)	1,962,920	5	2,070,821	5
Property, plant and equipment (Notes 4, 17 and 38)	3,220,082	8	3,312,312	8
Right-of-use assets (Notes 4, 18 and 37)	270,369	1	273,773	1
Investment properties (Notes 4, 19 and 38)	828,637	2	833,366	2
Goodwill (Notes 4 and 20)	-	-	43,997	-
Deferred tax assets (Notes 4 and 31)	364,876	1	539,080	1
Refundable deposits (Notes 16 and 37)	60,424	-	70,036	-
Other noncurrent assets	239,987	-	52,407	-
Total non-current assets	<u>8,319,424</u>	<u>20</u>	<u>7,841,776</u>	<u>18</u>
<b>TOTAL</b>	<u>\$ 42,108,717</u>	<u>100</u>	<u>\$ 43,224,174</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 21 and 38)	\$ 2,540,134	6	\$ 3,411,180	8
Short-term bills payable (Notes 21 and 38)	2,331,245	6	1,434,225	3
Notes payable (Note 27)	2,277	-	2,771	-
Trade payables (Notes 16, 23 and 27)	4,347,815	10	4,220,191	10
Contract liabilities - current (Notes 16, 27, 29, 37 and Table 1)	2,248,921	5	2,086,102	5
Lease liabilities - current (Notes 4, 18 and 37)	70,179	-	68,088	-
Accrued expenses (Notes 16 and 37)	386,795	1	388,273	1
Accounts payable for the development of industrial districts (Notes 4, 24 and 27)	1,943,027	5	1,935,924	4
Current tax liabilities (Note 4)	24,380	-	9,803	-
Provisions - current (Notes 4, 25 and 27)	468,177	1	588,865	1
Guarantee deposits on construction contracts - current (Note 27)	421,482	1	354,199	1
Long-term borrowings due within a year (Notes 21, 36 and 38)	1,130,591	3	1,719,228	4
Other current liabilities (Notes 16 and 37)	328,102	1	346,231	1
Total current liabilities	<u>16,243,125</u>	<u>39</u>	<u>16,565,080</u>	<u>38</u>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Notes 4, 18 and 37)	207,971	-	209,586	1
Long-term borrowings (Notes 21, 36 and 38)	3,607,218	9	4,450,435	10
Deferred tax liabilities (Notes 4 and 31)	1,110,055	3	1,108,846	3
Provisions - noncurrent (Notes 4 and 25)	365,748	1	669,921	2
Accrued pension liabilities (Notes 4 and 26)	110,446	-	125,863	-
Guarantee deposits received	48,612	-	69,435	-
Other noncurrent liabilities	-	-	450	-
Total non-current liabilities	<u>5,450,050</u>	<u>13</u>	<u>6,634,536</u>	<u>16</u>
Total liabilities	<u>21,693,175</u>	<u>52</u>	<u>23,199,616</u>	<u>54</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION</b>				
Ordinary shares	<u>15,308,998</u>	<u>36</u>	<u>15,308,998</u>	<u>35</u>
Capital surplus	<u>73,833</u>	<u>-</u>	<u>73,782</u>	<u>-</u>
Retained earnings				
Legal reserve	759,714	2	728,425	2
Special reserve	2,788,570	7	2,788,570	6
Unappropriated earnings	1,839,615	4	1,563,695	4
Total retained earnings	<u>5,387,899</u>	<u>13</u>	<u>5,080,690</u>	<u>12</u>
Other equity	(462,906)	(1)	(566,283)	(1)
Total equity attributable to owners of the Corporation	20,307,824	48	19,897,187	46
<b>NON-CONTROLLING INTERESTS</b>	<u>107,718</u>	<u>-</u>	<u>127,371</u>	<u>-</u>
Total equity	<u>20,415,542</u>	<u>48</u>	<u>20,024,558</u>	<u>46</u>
<b>TOTAL</b>	<u>\$ 42,108,717</u>	<u>100</u>	<u>\$ 43,224,174</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, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 16, 29, 37 and 42)				
Construction revenue	\$ 11,860,058	88	\$ 10,209,045	81
Other operating revenue	<u>1,610,904</u>	<u>12</u>	<u>2,381,708</u>	<u>19</u>
Total operating revenue	<u>13,470,962</u>	<u>100</u>	<u>12,590,753</u>	<u>100</u>
OPERATING COSTS (Notes 4, 16, 26, 30 and 37)				
Construction costs	11,103,643	82	9,608,735	76
Other operating costs	<u>1,421,272</u>	<u>11</u>	<u>1,773,088</u>	<u>14</u>
Total operating costs	<u>12,524,915</u>	<u>93</u>	<u>11,381,823</u>	<u>90</u>
GROSS PROFIT	<u>946,047</u>	<u>7</u>	<u>1,208,930</u>	<u>10</u>
OPERATING EXPENSES (Notes 26, 30 and 37)				
Selling and marketing expenses	88,621	1	114,659	1
General and administrative expenses	457,392	3	562,955	5
Research and development expenses	24,849	-	21,592	-
Expected credit loss (gain) (Note 10)	<u>138</u>	<u>-</u>	<u>(2,542)</u>	<u>-</u>
Total operating expenses	<u>571,000</u>	<u>4</u>	<u>696,664</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>375,047</u>	<u>3</u>	<u>512,266</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4, 16, 30 and 37)	106,746	1	145,088	1
Other income (Notes 4, 26, 30, 33 and 37)	104,233	1	218,474	2
Other gains and losses (Notes 15, 22 and 30)	509,376	4	133,888	1
Finance costs (Notes 4, 13, 30 and 37)	(170,908)	(2)	(202,855)	(1)
Share of the loss of associates (Notes 4 and 15)	<u>(131,262)</u>	<u>(1)</u>	<u>(389,178)</u>	<u>(3)</u>
Total non-operating income and expenses	<u>418,185</u>	<u>3</u>	<u>(94,583)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	793,232	6	417,683	4
INCOME TAX EXPENSE (Notes 4 and 31)	<u>194,385</u>	<u>2</u>	<u>109,839</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>598,847</u>	<u>4</u>	<u>307,844</u>	<u>3</u>

(Continued)



# BES ENGINEERING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 26, 28 and 31)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (4,815)	-	\$ (15,063)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	68,130	1	149,081	1
Share of the other comprehensive income (loss) of associates accounted for using the equity method	16,599	-	(4,990)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	964	-	3,013	-
	<u>80,878</u>	<u>1</u>	<u>132,041</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	12,674	-	4,832	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	6,762	-	(98,243)	(1)
	<u>19,436</u>	<u>-</u>	<u>(93,411)</u>	<u>(1)</u>
Other comprehensive income for the year, net of income tax	<u>100,314</u>	<u>1</u>	<u>38,630</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 699,161</u>	<u>5</u>	<u>\$ 346,474</u>	<u>3</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 618,959	4	\$ 312,886	2
Non-controlling interests	<u>(20,112)</u>	<u>-</u>	<u>(5,042)</u>	<u>-</u>
	<u>\$ 598,847</u>	<u>4</u>	<u>\$ 307,844</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 718,327	5	\$ 352,340	3
Non-controlling interests	<u>(19,166)</u>	<u>-</u>	<u>(5,866)</u>	<u>-</u>
	<u>\$ 699,161</u>	<u>5</u>	<u>\$ 346,474</u>	<u>3</u>

(Continued)

# BES ENGINEERING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2020		2019	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 32)				
Basic	<u>\$0.40</u>		<u>\$0.20</u>	
Diluted	<u>\$0.40</u>		<u>\$0.20</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, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Corporation (Note 28)							Other Equity			Non-controlling Interests (Notes 28 and 33)	Total Equity	
	Share Capital Issued and Outstanding		Capital Surplus	Retained Earnings				Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity			Total
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
BALANCE, JANUARY 1, 2019	1,530,899	\$ 15,308,998	\$ 69,688	\$ 692,092	\$ 2,801,480	\$ 1,540,879	\$ 5,034,451	\$ (230,373)	\$ (328,389)	\$ (558,762)	\$ 19,854,375	\$ 139,944	\$ 19,994,319
Reversal of special reserve	-	-	-	-	(12,910)	12,910	-	-	-	-	-	-	-
Appropriation of the 2018 earnings													
Legal reserve	-	-	-	36,333	-	(36,333)	-	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(301,587)	(301,587)	-	-	-	(301,587)	-	(301,587)
	-	-	-	36,333	-	(337,920)	(301,587)	-	-	-	(301,587)	-	(301,587)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	4,094	-	-	-	-	-	-	-	4,094	29	4,123
Net profit for the year ended December 31, 2019	-	-	-	-	-	312,886	312,886	-	-	-	312,886	(5,042)	307,844
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(12,296)	(12,296)	(92,163)	143,913	51,750	39,454	(824)	38,630
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	300,590	300,590	(92,163)	143,913	51,750	352,340	(5,866)	346,474
Acquisition of interests in subsidiaries	-	-	-	-	-	(309)	(309)	-	-	-	(309)	(3,493)	(3,802)
Disposal of investments accounted for using the equity method	-	-	-	-	-	47,545	47,545	-	(59,271)	(59,271)	(11,726)	-	(11,726)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3,243)	(3,243)
BALANCE, DECEMBER 31, 2019	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 for the year ended December 31, 2020	-	-	-	-	-	618,959	618,959	-	-	-	618,959	(20,112)	598,847
Other comprehensive income 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 for the year ended December 31, 2020	-	-	-	-	-	614,950	614,950	18,967	84,410	103,377	718,327	(19,166)	699,161
Acquisition of interests in subsidiaries	-	-	-	-	-	(30)	(30)	-	-	-	(30)	(487)	(517)
Donations from share	-	-	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

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 793,232	\$ 417,683
Adjustments for:		
Depreciation expenses	164,116	180,684
Expected credit loss recognized (reversed) on trade receivables	138	(2,542)
Net gain on fair value changes of financial assets at fair value through profit or loss	(8,820)	(349,261)
Finance costs	170,908	202,855
Interest income	(106,746)	(145,088)
Dividend income	(38,741)	(57,836)
Share of loss of associates	131,262	389,178
(Gain) loss on disposal of property, plant and equipment	(314,064)	29,481
Loss on disposal of investments accounted for using the equity method	-	11,423
Impairment loss of goodwill	43,997	57,676
Reversal of write-downs of buildings and land held for sale	(10,648)	-
Compensation loss (reversal)	(310,860)	15,496
Changes in operating assets and liabilities		
Notes receivable	(240)	1,137
Trade receivables	(290)	21,309
Contract assets	(237,596)	(349,507)
Construction receivables	280,518	127,719
Accounts receivable on the development of industrial districts	871,618	1,196,398
Inventories	(1,370)	3,290
Construction in progress	(891,567)	(2,582,229)
Buildings and land held for sale	42,317	-
Prepaid expenses	(171,519)	(258,499)
Other current assets	86,601	(514,572)
Notes payable	(494)	(165,489)
Contract liabilities	162,819	(417,077)
Trade payables	127,624	2,071,007
Amounts due to customers for construction contracts	-	(54,359)
Accrued expenses	(1,478)	61,113
Accounts payable for the development of industrial districts	7,103	37,504
Provisions	(114,001)	259,322
Accrued pension liabilities	(20,232)	(5,035)
Other current liabilities	(12,293)	(1,716)
Cash generated from operations	641,294	180,065
Interest received	106,739	153,853
Interest paid	(196,082)	(205,743)
Income tax paid	(4,717)	(33,661)
Net cash generated from operating activities	<u>547,234</u>	<u>94,514</u>

(Continued)

# BES ENGINEERING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit and loss	\$ (277,808)	\$ (42,775)
Proceeds from sale of financial assets at fair value through profit and loss	676,565	137,675
Purchase of financial assets at fair value through other comprehensive income	(206,184)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	27,596	23,185
Purchase of financial assets at amortized cost	(639,421)	(756,633)
Disposal of financial assets at amortized cost	1,167,658	833,847
Net cash inflow on disposal of associates	-	215,600
Payments for property, plant and equipment	(57,773)	(31,493)
Proceeds from the disposal of property, plant and equipment	387,237	3,419
Decrease in refundable deposits	27,167	184,799
Increase in other non-current assets	(187,580)	(22,808)
Dividends received from associates	<u>38,741</u>	<u>57,836</u>
Net cash generated from investing activities	<u>956,198</u>	<u>602,652</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayment of) proceeds from short-term borrowings	(871,046)	139,016
Repayments of bond payable	-	(32,900)
Proceeds from (repayments of) short-term bills payable	897,020	(392,237)
(Repayment of) proceeds from long-term borrowings	(1,431,854)	1,889,059
Increase (decrease) in guarantee deposits received	46,460	(3,955)
Repayment of the principal portion of lease liabilities	(74,948)	(60,851)
Decrease in other non-current liabilities	(450)	(1,431)
Acquisition of interest in subsidiaries	(517)	(3,802)
Dividends paid to owners of the Corporation	(307,711)	(301,587)
Changes in non-controlling interests	-	(3,243)
Donations from shareholders	<u>51</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>(1,742,995)</u>	<u>1,228,069</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>11,773</u>	<u>7,401</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(227,790)	1,932,636
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,675,471</u>	<u>742,835</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 2,447,681</u>	<u>\$ 2,675,471</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, 2020 AND 2019 (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 and authorized for issue on March 17, 2021.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies:

- 1) Amendments to IFRS 3 “Definition of a Business”

The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To determine whether an acquired process is substantive, different criteria apply, depending on whether there are outputs at the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

- 2) Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold of materiality has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

3) Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment 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.

The Group applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

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.

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)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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 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 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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 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 3: 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 4: 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 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 7: 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.

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 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).

The Group will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of initial application.

4) 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.

8) 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.

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 6 and 8 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 Group'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 functional currencies of the Group's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries or those that use currencies that are different from the Corporation's functional currency) 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.

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 the 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. 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.

h. 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.

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. 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.

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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.

### 1. Impairment of property, plant and equipment, right-of-use assets, 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 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.

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 36.

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 as income and expenses, 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.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

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 rereasurement) 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 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 about 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>2020</b>	<b>2019</b>
Cash on hand	\$ 6,478	\$ 7,670
Checking accounts and demand deposits	2,424,069	2,667,801
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	<u>17,134</u>	<u>-</u>
	<u>\$ 2,477,681</u>	<u>\$ 2,675,471</u>

The market rate intervals of bank deposits at the end of the reporting period were as follows:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Bank deposits	0.005%-0.350%	0.005%-0.350%

## 7. FINANCIAL INSTRUMENTS AT FVTPL

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets - current</u>		
Financial assets designated as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	\$ 8,960	\$ 93,896
Domestic unlisted shares	14,722	314,722
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>-</u>	<u>5,001</u>
	<u>\$ 23,682</u>	<u>\$ 413,619</u>

## 8. FINANCIAL ASSETS AT FVTOCI

### Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Domestic listed shares	<u>\$ 964,350</u>	<u>\$ 804,356</u>
<u>Non-current</u>		
Domestic listed shares	\$ 627,050	\$ 527,476
Domestic and foreign unlisted shares	<u>100,311</u>	<u>113,161</u>
	<u>\$ 727,361</u>	<u>\$ 640,637</u>

These investments in Taiwan Business Bank, China Petrochemical Development Corporation, 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.

Refer to Note 38 for information relating to investments in equity instruments at FVTOCI pledged as security.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 1,329,560	\$ 1,357,298
Others (b)	<u>1,662,546</u>	<u>2,802,466</u>
	<u>\$ 2,992,106</u>	<u>\$ 4,159,764</u>
<u>Non-current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 642,553	\$ 2,787
Others (b)	<u>2,215</u>	<u>2,560</u>
	<u>\$ 644,768</u>	<u>\$ 5,347</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, 2020 and 2019.

b. Restricted deposits and reserve account for trusts.

Refer to Note 38 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>2020</u>	<u>2019</u>
<u>Notes receivable</u>		
Notes receivable	\$ <u>801</u>	\$ <u>561</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 96,663	\$ 96,373
Less: Allowance for impairment loss	<u>(12,829)</u>	<u>(12,691)</u>
	<u>\$ 83,834</u>	<u>\$ 83,682</u>
Construction receivables	<u>\$ 1,254,817</u>	<u>\$ 1,535,335</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>2020</b>	<b>2019</b>
Not past due	\$ 1,323,403	\$ 1,608,182
Less than 60 days	13,740	9,702
61-90 days	707	1,133
90-120 days	83	-
Past due over 120 days	<u>718</u>	<u>-</u>
	<u>\$ 1,338,651</u>	<u>\$ 1,619,017</u>

The movements of the loss allowance of trade receivables were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 12,691	\$ 15,233
Add: Net remeasurement of loss allowance	138	-
Less: Net remeasurement of loss allowance	<u>-</u>	<u>(2,542)</u>
Balance at December 31	<u>\$ 12,829</u>	<u>\$ 12,691</u>

Increase in loss allowance was mainly due to the variations from accounts receivable balance of different risk levels.

## 11. ACCOUNTS RECEIVABLE ON THE DEVELOPMENT OF INDUSTRIAL DISTRICTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Chung Hua Coastal Industrial Park	\$ 5,028,791	\$ 5,882,643
Other industrial districts	<u>1,996,251</u>	<u>1,984,017</u>
	<u>\$ 6,995,042</u>	<u>\$ 7,866,660</u>

The Corporation's development costs (including interest) amounted to \$924,064 thousand in 2020 and \$1,171,829 thousand in 2019, and the amounts collected were \$1,795,682 thousand in 2020 and \$2,368,227 thousand in 2019.

The Group's receivables from industrial zone agents 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 development funds from industrial zone agents 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.

## 12. BUILDINGS AND LAND HELD FOR SALE, NET

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
3 <sup>rd</sup> Subsection, Xinyi Section, Xinyi District, Taipei City	\$ 10,923,432	\$ 10,923,432
Litzer Industrial District	267,436	267,436
Linyi Section 3, Zhongzheng District, Taipei City	67,655	99,324
Building and land in Danshui Township	72,519	72,519
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	855	900
Henry County in the U.S. State of Georgia	854	899
Peibo Section in Tucheng District	<u>-</u>	<u>1,244,634</u>
	<u>\$ 11,402,858</u>	<u>\$ 12,679,251</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 and \$49,893 thousand as of December 31, 2020 and 2019, respectively. The operating costs for 2020 included the gain on the sale of buildings held for sale which amounted to \$10,648.

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 38 for information about buildings and land held for sale, net.

### 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, 2020</u>			
Peibo Section in Tucheng District	\$ 1,244,634	\$ 218,258	\$ 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	<u>-</u>	<u>5,850</u>	<u>5,850</u>
	<u>\$ 1,349,351</u>	<u>\$ 1,739,403</u>	<u>\$ 3,088,754</u>
<u>December 31, 2019</u>			
Land in Baoqing Sec., Taipei City	\$ 21,475	\$ 882,682	\$ 904,157
Land in Zhengyi Sec., Taipei City	25,236	-	25,236
Land in Nangang Sec., Taipei City	<u>-</u>	<u>3,822</u>	<u>3,822</u>
	<u>\$ 46,711</u>	<u>\$ 886,504</u>	<u>\$ 933,215</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.

The Group signed a joint venture agreement with Agora Garden Co., Ltd. in March 2010 to construct a residential building in the 3<sup>rd</sup> subsection of Xinyi Section, Taipei City. On April 3, 2019, the joint-construction and allocation of housing units was completed and on April 22, 2019, the procedures for the transfer of the building were carried out and transfer of ownership was registered; and the residential building was reclassified to buildings and land held for sale, net. Refer to Note 12 for the related information.

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. As of the end of 2020, related constructions of the interior partition walls and hydroelectric arrangements were in progress.

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 2020, related constructions of the diaphragm wall and foundation piles 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. As of the end of 2020, the Group was still negotiating with the 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. As of the end of 2020, the house selection was in progress.

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. As of the end of 2020, the road construction was in progress.

As of December 31, 2020 and 2019, the interest expense before capitalization was \$190,246 thousand and \$211,667 thousand, respectively; the capitalized construction interest was \$19,338 thousand and \$8,812 thousand, respectively; the capitalization rates per annum were 1.956%-2.028% and 2.292%, respectively.

## 14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main Business	% of Ownership		Remark
			2020	2019	
BES Engineering Corporation	Core Pacific World Co., Limited. BES Machinery Co., Ltd.	Makes investments	99.95	99.95	Note 1
		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	99.29	Notes 1 and 2
	BES Investment Company Ltd.	Overseas construction and equipment sale	100.00	100.00	Note 1
	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
Core Pacific World Co., Limited	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
	Zhong Hua Cheng Development Co., Ltd.	Consulting	100.00	100.00	Note 1
BES Machinery Co., Ltd.	Chinese City International Investment Co., Ltd.	Consulting	100.00	100.00	Note 1
	BESM Holding Co., Ltd.	Holds investments	100.00	100.00	Note 1
Cinemark-Core Pacific, Ltd.	Cinemark-Core Pacific, Ltd.	Movie broadcasting and related businesses	62.76	62.76	Note 1
	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
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
Chinese City International Investment Co., Ltd. Zhong Hua Cheng Development Co., Ltd.	BES Engineering Vietnam Co., Ltd.	Engineering and construction	100.00	-	Notes 1 and 3
	Hua Cheng Consulting (Changshu) Co., Ltd.	Provides engineering consulting services.	100.00	100.00	Note 1
	Core Pacific Consulting (Changshu) Co., Ltd.	Provides engineering consulting services	100.00	100.00	Note 1

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 0.23%, 0.13%, 0.06% and 0.06% of the shares of BES Machinery Co., Ltd. separately in January 2019, April 2019, July 2019 and October 2020, respectively. Refer to Note 34 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.

## 15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Associates that are not individually material	<u>\$ 1,962,920</u>	<u>\$ 2,070,821</u>
Aggregate information of joint ventures that are not individually material		
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
The Group's share of:		
Loss for the year	\$ (131,262)	\$ (389,178)
Other comprehensive income (loss)	<u>23,361</u>	<u>(103,233)</u>
Total comprehensive income (loss) for the year	<u>\$ (107,901)</u>	<u>\$ (492,411)</u>

Core Pacific City Co., Ltd. is one of the Corporation's associates for using the equity method and sustained continuous losses. In October 2019, Core Pacific City Co., Ltd. signed the real estate sale contract with the related party, Ding Yue Development Co., Ltd. (the "Ding Yue Development"). On November 11, 2019, the proposal the total price of \$37,200,010 thousand was approved by in shareholders' meeting. Originally, the freehold land in Xisong Section, Songshan District, Taipei City was transferred to Ding Yue Development after paying land value increment tax in October 2020. Because the demolition work was delayed arising from the industrial accident and the syndicated loan schedule was postponed due to the cooperation between Ding Yue Development and financial institutions, Core Pacific City Co., Ltd. held shareholders' meetings on October 22, 2020 and February 26, 2021 to pass and signed the first and second supplemental agreement of the real estate sale contract on the same day, which extended the expiry date to June 30, 2021. The Corporation's management assessed that the recoverable amount was not lower than the carrying amount and hence did not recognize an impairment loss.

In January 2019, the Group did not subscribe for BES Twin Towers Development Co., Ltd.'s issuance of common stock for cash based on its existing shareholding proportion, causing its shareholding proportion to decrease from 9.09% to 5.99%. On February 27, 2019, the proposal to dispose of all of the shares of BES Twin Towers Development Co., Ltd. to China Petrochemical Development Corporation was approved by in the board of directors' meeting, and the disposal and transfer of shares were completed in March 2019. The loss on the disposal of \$11,423 thousand was recognized in other gains and losses and the disposal price of \$215,600 thousand has been fully received.

The Group did not subscribe for HRDD Logistics Co., Ltd.'s issuance of common stock for cash based on its existing shareholding proportion, causing its shareholding proportion to decrease from 28.33% to 23.61% in 2019.

Except for BA & BES Contracting (L.L.C.), investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of BA & BES Contracting (L.L.C.) which have not been audited.

## 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. 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, 2020, 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 \$70,716 thousand.

### b. 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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Assets</u>		
Cash and cash equivalents	\$ 47,748	\$ 26,819
Construction receivables	71,182	34,387
Contract assets - current	44,588	12,494
Other current assets	658	1,020
Refundable deposits	<u>629</u>	<u>629</u>
	<u>\$ 164,805</u>	<u>\$ 75,349</u>

(Continued)





	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Liabilities</u>		
Trade payables	\$ 4,710	\$ 15,839
Accrued expenses	2,438	3,318
Contract liabilities-current	118,952	-
Other current liabilities	<u>3,570</u>	<u>66</u>
	<u>\$ 129,670</u>	<u>\$ 19,223</u>
		(Concluded)
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Construction revenue	<u>\$ 491,372</u>	<u>\$ 129,927</u>
Construction cost	<u>\$ 490,358</u>	<u>\$ 106,254</u>
Interest revenue	<u>\$ 15</u>	<u>\$ 13</u>

## 17. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 2,766,404	\$ 646,613	\$ 1,436,444	\$ 345,788	\$ -	\$ 5,195,249
Additions	-	276	26,278	3,482	1,457	31,493
Disposals	-	-	(281,123)	(6,332)	-	(287,455)
Transferred from prepayments for equipment	-	-	1,990	-	-	1,990
Transferred to investment properties	-	(375)	-	-	-	(375)
Effect of foreign currency exchange differences	-	-	(79)	-	-	(79)
Balance at December 31, 2019	<u>\$ 2,766,404</u>	<u>\$ 646,514</u>	<u>\$ 1,183,510</u>	<u>\$ 342,938</u>	<u>\$ 1,457</u>	<u>\$ 4,940,823</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	\$ 3,004	\$ 349,068	\$ 1,130,532	\$ 293,092	\$ -	\$ 1,775,696
Depreciation expense	-	26,393	75,643	5,428	-	107,464
Disposals	-	-	(248,686)	(5,869)	-	(254,555)
Transferred to investment properties	-	(15)	-	-	-	(15)
Effect of foreign currency exchange differences	-	-	(79)	-	-	(79)
Balance at December 31, 2019	<u>\$ 3,004</u>	<u>\$ 375,446</u>	<u>\$ 957,410</u>	<u>\$ 292,651</u>	<u>\$ -</u>	<u>\$ 1,628,511</u>
Balance at December 31, 2019, net	<u>\$ 2,763,400</u>	<u>\$ 271,068</u>	<u>\$ 226,100</u>	<u>\$ 50,287</u>	<u>\$ 1,457</u>	<u>\$ 3,312,312</u>
<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)

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Property under Construction	Total
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>
<b>Accumulated depreciation and impairment</b>						
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>

(Concluded)

No impairment assessment was performed for the years ended December 31, 2020 and 2019 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

Refer to Note 38 for information about the amount of property, plant and equipment pledged by the Group as collateral for borrowings.

## 18. LEASE ARRANGEMENTS

### a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amount</u>		
Land	\$ 53,410	\$ 40,319
Buildings	187,094	208,776
Machinery	448	1,500
Transportation equipment	29,417	23,161
Other equipment	-	17
	<u>\$ 270,369</u>	<u>\$ 273,773</u>

**For the Year Ended December 31**

	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 75,984</u>	<u>\$ 73,441</u>
Decrease in right-of-use assets	<u>\$ 560</u>	<u>\$ 3,612</u>
Depreciation charge for right-of-use assets		
Land	\$ 11,287	\$ 5,297
Buildings	50,247	43,579
Machinery	1,051	1,236
Transportation equipment	16,227	14,612
Other equipment	<u>16</u>	<u>28</u>
	<u>\$ 78,828</u>	<u>\$ 64,752</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amount</u>		
Current	<u>\$ 70,179</u>	<u>\$ 68,088</u>
Non-current	<u>\$ 207,971</u>	<u>\$ 209,586</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	2.40%-2.80%	2.72%-2.80%
Buildings	2.00%-4.75%	2.00%-4.75%
Machinery	2.80%	2.72%-2.80%
Transportation Equipment	2.00%-2.90%	2.00%-2.78%
Other equipment	-	2.00%

c. Material leasing activities and terms

Due to the severe impact of COVID-19 on the market economy in 2020, Chung Kung Management and Maintenance of Apartment Co., Ltd. negotiated with the lessor for rent concessions for its lease of land. The lessor agreed to provide unconditional 20% rent reductions from January to December 2020. Cinema 7 Theater Co., Ltd. also negotiated with the lessor for rent concessions for its lease of land. The lessor agreed to provide unconditional 20% rent reductions from July to September 2020. The Group recognized in profit or loss the impact of rent concessions of \$2,152 thousand for the year ended December 31, 2020.

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, 2020</b>
Year 1	\$ 1,688
Year 2	1,178
Year 3	<u>360</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>2020</b>	<b>2019</b>
Expenses relating to short-term leases	<u>\$ 2,118</u>	<u>\$ 8,254</u>
Expenses relating to low-value asset leases	<u>\$ 1,559</u>	<u>\$ 7,214</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 19,131</u>	<u>\$ 60,144</u>
Total cash outflow for leases	<u>\$ (105,161)</u>	<u>\$ (143,000)</u>

## 19. INVESTMENT PROPERTIES

	<b>Completed Investment Properties</b>
<u>Cost</u>	
Balance at January 1, 2019	\$ 1,034,832
Transferred from property, plant and equipment	375
Effect of foreign currency exchange differences	<u>(3,789)</u>
Balance at December 31, 2019	<u>\$ 1,031,418</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ 190,833
Depreciation expense	8,468
Transferred from property, plant and equipment	15
Effect of foreign currency exchange differences	<u>(1,264)</u>
Balance at December 31, 2019	<u>\$ 198,052</u>
Balance at December 31, 2019, net	<u>\$ 833,366</u>

(Continued)

**Completed  
Investment  
Properties**

Cost

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>

Accumulated depreciation and impairment

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>
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Balance at December 31, 2020, net	<u>\$ 828,637</u> (Concluded)
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No impairment assessment was performed for the years ended December 31, 2020 and 2019 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, 2020 and 2019, respectively, were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Not later than 1 year	\$ 77,498	\$ 83,065
Later than 1 year and not later than 5 years	44,002	63,583
Later than 5 years	<u>-</u>	<u>134</u>
	<u>\$ 121,500</u>	<u>\$ 146,782</u>

The fair values of investment properties were arrived at on the basis of valuations carried out as of December 2020 and 2019 by independent and qualified professional appraiser. The fair values are shown below:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Fair value	<u>\$ 4,438,134</u>	<u>\$ 4,182,849</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 38.

## 20. GOODWILL

	<u>For the Year Ended December 31</u>	
	2020	2019
<u>Cost</u>		
Balance at January 1	\$ 43,997	\$ 101,673
Impairment losses recognized	<u>(43,997)</u>	<u>(57,676)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 43,997</u>

The subsidiary Cinemark Core Pacific, Ltd acquired 100% of the equity of Cinema 7 Theater Co., Ltd. in August 2014, and the difference between the cost of investment and total net asset value belonging to goodwill was \$115,191 thousand. Since the goodwill relates solely to Cinema 7 Theater Co., Ltd. as a single cash generating unit, the goodwill is assessed for impairment by calculating the recoverable amount of Cinema 7 Theater Co., Ltd. and the carrying amount of its net assets.

The Group assessed the recoverable amount of goodwill in 2020 and 2019, and recognized impairment losses related to Cinema 7 Theater Co., Ltd. of \$43,997 thousand and \$57,676 thousand for the years ended December 31, 2020 and 2019, respectively. The impairment loss mainly resulted from the lower-than-expected number of customers.

## 21. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	2020	2019
<u>Secured borrowings</u>		
Bank loans	\$ 2,001,964	\$ 3,386,016
Bank overdrafts	<u>-</u>	<u>-</u>
	2,001,964	3,386,016
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>538,170</u>	<u>25,164</u>
	<u>\$ 2,540,134</u>	<u>\$ 3,411,180</u>

The short-term borrowings were pledged by some of the Group's bank deposits, shares, buildings and land held for sale, accounts receivable (recognized as accounts receivable on the development of industrial districts), freehold land, buildings, time deposits and certificates of deposit (Refer to Note 38 for related information).

The range of weighted average effective interest rate on bank loans was 1.745%-2.600% and 1.870%-3.000% per annum at December 31, 2020 and 2019, respectively.

b. Short-term bills payable

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Commercial paper	\$ 2,335,000	\$ 1,437,000
Less: Unamortized discounts on bills payable	<u>(3,755)</u>	<u>(2,775)</u>
	<u>\$ 2,331,245</u>	<u>\$ 1,434,225</u>

Outstanding short-term bills payable were as follows:

December 31, 2020

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Value</b>	<b>Interest Rate</b>	<b>Collateral</b>	<b>Carrying Value of Collateral</b>
<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 38,755 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.

December 31, 2019

Promissory Institution	Nominal Amount	Discount Amount	Carrying Value	Interest Rate	Collateral	Carrying Value of Collateral
<u>Commercial paper</u>						
Mega Bills Finance	\$ 450,000	\$ 905	\$ 449,095	2.000%	Land and building	\$ 504,876
Shanghai Commercial & Savings Bank, Ltd. - Tien Mou Branch	450,000	445	449,555	2.200%	Land and building	815,731
Taiwan Finance Corporation	254,500	770	253,730	2.262%	Note 1	Note 1
Taiwan Finance Corporation	165,500	500	165,000	2.262%	Note 1	Note 1
Taiwan Finance Corporation	40,000	17	39,983	1.862%	Note 2	Note 2
Ta Ching Bills Finance Corporation	40,000	94	39,906	1.988%	Note 3	Note 3
International Bills Finance Corporation	<u>37,000</u>	<u>44</u>	<u>36,956</u>	2.950%	-	-
	<u>\$ 1,437,000</u>	<u>\$ 2,775</u>	<u>\$ 1,434,225</u>			

Note 1: The loan is collateralized by land and buildings with a total book value of \$861,464 thousand.

Note 2: A total of 5,207 thousand shares of Taipei Business Bank with a total book value of \$65,608 thousand have been pledged as collateral.

Note 3: A total of 2,000 thousand shares of China Petrochemical Development Corporation with a total book value of \$19,600 thousand have been pledged as collateral.

The short-term bills payable were pledged by listed stocks, repurchase agreements collateralized by bonds, receivables which are recognized in accounts receivable on the development of industrial districts, freehold land, buildings and financial assets available for sale. (Refer to Note 38 for related information.)

c. Long-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Secured borrowings</u>		
Bank loans	\$ 4,188,187	\$ 4,409,149
<u>Unsecured borrowings</u>		
Bank loans	<u>549,622</u>	<u>1,760,514</u>
	4,737,809	6,169,663
Less: Current portion	<u>(1,130,591)</u>	<u>(1,719,228)</u>
Long-term borrowings	<u>\$ 3,607,218</u>	<u>\$ 4,450,435</u>

The above-mentioned bank loans were secured by the Group's freehold land, buildings, certificates of deposit and time deposits (see Note 38). As of December 31, 2020 and 2019, the effective annual interest rate ranges were 1.490%-2.950% and 1.700%-2.737%, respectively.



## 22. BONDS PAYABLE

On February 25, 2014, the Corporation issued 5 thousand unsecured, 0%, New Taiwan dollar-denominated convertible bonds in Taiwan, with an aggregate principal of \$500,000 thousand.

Each bond entitles the holder to convert the bond into the Corporation's ordinary share at a conversion price of NT\$8.7. As of February 15, 2019, the conversion price was adjusted to NT\$7.6 per share. The conversion may occur at any time between March 26, 2014 and February 15, 2019. If the bonds are not converted by the end of the maturity period, they will be redeemed at book value.

The bondholders will have the right, at such holder's option, to redeem the bonds held by such holder on the date three years from the issuance date. The bondholders who want to require the Corporation to recall the convertible bonds at the rate of 104.568% of par value may inform the agent for stock affairs in writing 30 days before the date the holders will have the option to redeem the bonds.

In March 2017, parts of the shareholders performed their put options to redeem the bonds at face value totaling \$417,000 thousand with an interest compensation of \$19,052 thousand. As a result, a \$16,363 thousand loss on bonds payable was recognized under other gains and losses. The requirements of the second issuance of unsecured convertible bonds stipulate a book value of \$50,000 thousand; the bonds have been converted into 5,882 thousand shares of the Corporation's ordinary shares.

The unsecured convertible bonds issued by the Corporation were due on February 25, 2019. The face value of the bonds of \$32,900 thousand was fully paid in March 2019.

## 23. TRADE PAYABLES

	<u>December 31</u>	
	2020	2019
<u>Trade payables</u>		
Operating	<u>\$ 4,347,815</u>	<u>\$ 4,220,191</u>

Accounts payable classified as construction retainage received was \$1,529,087 thousand as of December 31, 2020 and \$1,176,886 thousand as of December 31, 2019. 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.

## 24. ACCOUNTS PAYABLE FOR THE DEVELOPMENT OF INDUSTRIAL DISTRICTS

	<u>December 31</u>	
	2020	2019
Litser Industrial District	\$ 1,069,047	\$ 1,081,562
Yunlin Technology-based Industrial Park	858,017	838,399
Other Industrial Districts	<u>15,963</u>	<u>15,963</u>
	<u>\$ 1,943,027</u>	<u>\$ 1,935,924</u>

Accounts payable (receivable) for the development of industrial districts amounted to \$54,914 thousand in 2020 and \$57,149 thousand in 2019. The input costs were \$47,811 thousand in 2020 and \$19,645 thousand in 2019.

## 25. PROVISIONS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Warranties	\$ 445,573	\$ 516,433
Onerous contracts	<u>22,604</u>	<u>72,432</u>
	<u>\$ 468,177</u>	<u>\$ 588,865</u>
<u>Non-current</u>		
Long-term provision for the judgment of legal procedures	<u>\$ 365,748</u>	<u>\$ 669,921</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 had been made on the basis of historical warranty trends.

The provision for onerous lease contracts comes from the Group under non-cancellable onerous contracts, the provision amounts are measured using the difference of the present value of future lease payment obligations less the revenue expected to be earned from the leases.

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.

## 26. 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 2020 and 2019, 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 Group has only the obligations to provide a specific amount which is operated by the government.

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., Limited., 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 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.) of the Group adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributed at specific rate of salaries (the following rates are presented for 2020 and 2019; the Corporation's rate were 7% and 5.4%, respectively; other subsidiaries were 2.00%) 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>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 352,692	\$ 358,472
Fair value of plan assets	<u>(242,246)</u>	<u>(232,609)</u>
Net defined benefit liabilities	<u>\$ 110,446</u>	<u>\$ 125,863</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, 2019	<u>\$ 354,672</u>	<u>\$ (238,837)</u>	<u>\$ 115,835</u>
Service cost			
Current service cost	8,269	-	8,269
Net interest expense (income)	2,560	(264)	2,296
Return on plan assets	-	(1,462)	(1,462)
Recognized in profit or loss	<u>10,829</u>	<u>(1,726)</u>	<u>9,103</u>
Remeasurement			
Actuarial (gain) loss - changes in financial assumptions	14,980	(9,203)	5,777
Actuarial (gain) loss - experience assumptions	<u>9,286</u>	<u>-</u>	<u>9,286</u>
Recognized in other comprehensive income	<u>24,266</u>	<u>(9,203)</u>	<u>15,063</u>
Contributions from the employer	-	(10,704)	(10,704)
Benefits paid	<u>(31,295)</u>	<u>27,861</u>	<u>(3,434)</u>
Balance at December 31, 2019	<u>\$ 358,472</u>	<u>\$ (232,609)</u>	<u>\$ 125,863</u>

(Continued)

	<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)	2,410	(249)	2,161
Returns on plan assets	<u>-</u>	<u>(1,323)</u>	<u>(1,323)</u>
Recognized in profit or loss	<u>9,816</u>	<u>(1,572)</u>	<u>8,244</u>
Remeasurement			
Actuarial (gain) loss - changes in financial assumptions	10,551	(8,313)	2,238
Actuarial (gain) loss - 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> (Concluded)

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>2020</b>	<b>2019</b>
Operating costs	\$ 2,915	\$ 7,573
Selling and market expenses	8	-
General and administrative expenses	5,379	1,535
Research and development expenses	19	70
Other income	<u>(77)</u>	<u>(75)</u>
	<u>\$ 8,244</u>	<u>\$ 9,103</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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)	0.19%-0.30%	0.50%-0.70%
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 will decrease or increase 0.25% as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (6,956)</u>	<u>\$ (7,471)</u>
0.25% decrease	<u>\$ 7,174</u>	<u>\$ 7,715</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 7,041</u>	<u>\$ 7,603</u>
0.25% decrease	<u>\$ (6,862)</u>	<u>\$ (7,400)</u>

The above sensitivity analysis 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 will occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected contributions to the plans for the next year	<u>\$ 8,677</u>	<u>\$ 9,259</u>
Average duration of the defined benefit obligation	4-10 years	4-8 years

## 27. 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, 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
			(Continued)



	<b>December 31, 2020</b>		
	<b>Due Within One Year</b>	<b>Due After One Year</b>	<b>Total</b>
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>

Liabilities

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)

	<b>December 31, 2019</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	\$ 477,612	\$ 515,071	\$ 992,683
Construction receivables	1,313,079	222,256	1,535,335
Contract assets	1,427,201	1,609,093	3,036,294
Accounts receivable on the development of industrial districts	-	7,866,660	7,866,660
Buildings and land held for sale, net	1,009,611	11,669,640	12,679,251
Construction in progress	-	933,215	933,215
Refundable deposits on construction contracts	<u>42,150</u>	<u>99,480</u>	<u>141,630</u>
	<u>\$ 4,269,653</u>	<u>\$ 22,915,415</u>	<u>\$ 27,185,068</u>

Liabilities

Notes payable	\$ 150	\$ -	\$ 150
Trade payables	2,696,775	1,470,852	4,167,627
Contract liabilities	808,649	1,257,762	2,066,411
Accounts payable for the development of industrial districts	-	1,935,924	1,935,924
Provisions - current	196,344	392,521	588,865
Guarantee deposits on construction contracts - current	<u>131,054</u>	<u>223,145</u>	<u>354,199</u>
	<u>\$ 3,832,972</u>	<u>\$ 5,280,204</u>	<u>\$ 9,113,176</u>

## 28. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
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 and fully paid	<u>\$ 15,308,998</u>	<u>\$ 15,308,998</u>

### b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Shares issued in excess of par	\$ 11,501	\$ 11,501
Treasury share transactions	1,757	1,757
Changes in net equity of associates accounted for using the equity method	4,094	4,094
Donations	51	-
<u>May only be used to offset a deficit (2)</u>		
Other	<u>56,430</u>	<u>56,430</u>
	<u>\$ 73,833</u>	<u>\$ 73,782</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 30 (h) employee benefits expense.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. 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.

Items referred to under Rule No. 101002865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2019 and 2018, which had been approved in the Corporation's shareholders' meetings on June 23, 2020 and June 21, 2019, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	<u>\$ 31,289</u>	<u>\$ 36,333</u>
Cash dividends	<u>\$ 307,711</u>	<u>\$ 301,587</u>
Cash dividends per share (NT\$)	<u>\$ 0.201</u>	<u>\$ 0.197</u>

The appropriations of earnings for 2020, which had been proposed by the Corporation's board of directors on March 17, 2021, were as follows:

	<b>For the Year</b>
	<b>Ended</b>
	<b>December 31,</b>
	<b>2020</b>
Legal reserve	<u>\$ 61,492</u>
Cash dividends	<u>\$ 356,700</u>
Cash dividends per share (NT\$)	<u>\$ 0.233</u>

The appropriations of earnings for 2020 will be resolved by the shareholders in the meeting to be held on June 16, 2021.

d. Special reserve

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 2,788,570	\$ 2,801,480
Reversal:		
Depreciation of property, plant and equipment	<u>                  -</u>	<u>          (12,910)</u>
Balance at December 31	<u>\$ 2,788,570</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>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (322,536)	\$ (230,373)
Exchange differences on the translation of the financial statements of foreign operations	12,205	6,080
Share of exchange differences of associates accounted for using the equity method	<u>          6,762</u>	<u>          (98,243)</u>
Balance at December 31	<u>\$ (303,569)</u>	<u>\$ (322,536)</u>

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (243,747)	\$ (328,389)
Recognized for the year		
Unrealized gain (loss) - equity instruments	67,822	148,912
Share from associates accounted for using the equity method	16,588	(4,999)
Reclassification adjustments		
Share from the disposal of associates accounted for using the equity method	<u>                  -</u>	<u>          (59,271)</u>
Balance at December 31	<u>\$ (159,337)</u>	<u>\$ (243,747)</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 127,371	\$ 139,944
Attributable to non-controlling interests:		
Share in profit for the year	(20,112)	(5,042)
Subsidiaries' cash dividend	-	(3,243)
Exchange differences on translating the financial statements of foreign entities	469	(1,248)
Remeasurement of defined benefit plans	211	319
Income tax related to actuarial gains (losses)	(42)	(64)
Adjustments relating to changes in capital surplus of associates accounted for using the equity method	-	29
Unrealized gain (loss) on financial assets at FVTOCI	308	169
Acquisition of non-controlling interests in subsidiaries (Note 34)	<u>(487)</u>	<u>(3,493)</u>
Balance at December 31	<u>\$ 107,718</u>	<u>\$ 127,371</u>

**29. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers		
Construction contract revenue	\$ 11,860,058	\$ 10,209,045
Revenue from the rendering of services	1,340,327	1,611,135
Revenue from sell of properties	35,091	-
Other operating revenue	<u>235,486</u>	<u>770,573</u>
	<u>\$ 13,470,962</u>	<u>\$ 12,590,753</u>

**Contract Balances**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Trade receivables (Note 10)	<u>\$ 83,834</u>	<u>\$ 83,682</u>	<u>\$ 102,449</u>
Construction receivables (Note 10)	<u>\$ 1,254,817</u>	<u>\$ 1,535,335</u>	<u>\$ 1,663,054</u>
Contract assets			
Deposits under construction contracts for construction receivables	\$ 1,944,868	\$ 1,673,802	\$ 1,677,783
Amounts due from customers for construction contracts	<u>1,329,022</u>	<u>1,362,492</u>	<u>1,009,004</u>
	<u>\$ 3,273,890</u>	<u>\$ 3,036,294</u>	<u>\$ 2,686,787</u>
Contract liabilities			
Amounts due to customers for construction contracts	\$ 1,874,194	\$ 1,821,670	\$ 2,334,395
Pre-construction sale	351,018	244,741	145,971
Advance payment for the rendering of services	<u>23,709</u>	<u>19,691</u>	<u>22,813</u>
	<u>\$ 2,248,921</u>	<u>\$ 2,086,102</u>	<u>\$ 2,503,179</u>

The credit risk management of contract assets is the same as trade receivables, related information is shown in Note 10.

### 30. NET PROFIT

a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Bank deposits	\$ 11,537	\$ 5,003
Financial assets at amortized cost	19,805	25,667
Others	<u>75,404</u>	<u>114,418</u>
	<u>\$ 106,746</u>	<u>\$ 145,088</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Rental income	\$ 55,787	\$ 38,161
Dividends	38,741	57,836
Others	9,705	46,000
Lease termination compensation	<u>-</u>	<u>76,477</u>
	<u>\$ 104,233</u>	<u>\$ 218,474</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Loan application fee	\$ (108,272)	\$ (121,005)
Loss on disposal of associates	-	(11,423)
Net gain on fair value changes of financial assets and liabilities at FVTPL	8,820	349,261
Impairment loss of goodwill	(43,997)	(57,676)
Gain (loss) on disposal of property, plant and equipment	314,064	(29,481)
Gain (loss) on compensation (reversal)	310,860	(15,496)
Others	<u>27,901</u>	<u>19,708</u>
	<u>\$ 509,376</u>	<u>\$ 133,888</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank overdrafts and loans	\$ 164,801	\$ 194,694
Interest on lease liabilities	5,943	5,860
Interest expense incurred on contracts with customers	164	2,156
Interest on convertible bonds measured at amortized cost	<u>-</u>	<u>145</u>
	<u>\$ 170,908</u>	<u>\$ 202,855</u>

Refer to Note 13 for information about capitalized interest.

e. Depreciation

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
An analysis of amortization by function		
Operating costs	\$ 73,343	\$ 82,853
Operating expenses	<u>82,594</u>	<u>89,363</u>
	<u>\$ 155,937</u>	<u>\$ 172,216</u>

The depreciation of investment properties, which was recognized in other income - rental income, was \$8,179 and \$8,468 thousand in 2020 and 2019, respectively.

f. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Direct operating expenses of investment properties generating rental income	<u>\$ 3,176</u>	<u>\$ 3,604</u>

g. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term benefits	<u>\$ 1,796,372</u>	<u>\$ 2,061,520</u>
Post-employment benefits		
Defined contribution plan	82,954	92,691
Defined benefit plans	<u>8,321</u>	<u>9,178</u>
	91,275	101,869
Other employee benefits	<u>143,610</u>	<u>166,001</u>
Total employee benefits expense	<u>\$ 2,031,257</u>	<u>\$ 2,329,390</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,761,592	\$ 2,039,891
Operating expenses	<u>269,665</u>	<u>289,499</u>
	<u>\$ 2,031,257</u>	<u>\$ 2,329,390</u>

h. Compensation of employees and remuneration of directors and supervisors

According to the Corporation's Articles, the Corporation accrued 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, 2020 and 2019, which were approved by the Corporation's board of directors on March 17, 2021 and March 27, 2020, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Compensation of employees	2%	2%
Remuneration of directors and supervisors	2%	2%

Amount

	<u>For the Year Ended December 31</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Cash</u>	<u>Shares</u>	<u>Cash</u>	<u>Shares</u>
Compensation of employees	\$ 16,302	\$ -	\$ 8,441	\$ -
Remuneration of directors and supervisors	16,302	-	8,441	-

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 and adjusted in the accounts in the following year.

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, 2019 and 2018.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

### 31. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Current tax		
In respect of the current year	\$ 17,794	\$ 29,013
Income tax on unappropriated earnings	4,084	2,386
Land value increment tax	118	-
Adjustments for prior year	<u>(3,988)</u>	<u>(1,076)</u>
	<u>18,008</u>	<u>30,323</u>

(Continued)



	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Deferred tax		
In respect of the current year	\$ 173,698	\$ 71,096
Adjustments for prior year	<u>2,679</u>	<u>8,420</u>
	<u>176,377</u>	<u>79,516</u>
Income tax expense recognized in profit or loss	<u>\$ 194,385</u>	<u>\$ 109,839</u> (Concluded)

A reconciliation of accounting profit and current income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Income tax expense calculated at the statutory rate	\$ 145,740	\$ 161,368
Nondeductible expenses in determining taxable income	68,465	8,863
Tax-exempt income	(9,608)	(10,607)
Unrecognized loss on impairment of assets	(2,130)	-
Unrealized valuation gain on financial assets at FVTOCI	-	(60,000)
Income tax on unappropriated earnings	4,084	2,386
Land value increment tax	118	-
Unrecognized deductible temporary differences	(10,975)	485
Adjustments for prior years' tax	<u>(1,309)</u>	<u>7,344</u>
Income tax expense recognized in profit or loss	<u>\$ 194,385</u>	<u>\$ 109,839</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year - remeasurement of defined benefit plans	<u>\$ 964</u>	<u>\$ 3,013</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, 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>

<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	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>

For the year ended December 31, 2019

<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	\$ 98,598	\$ 16,750	\$ -	\$ 115,348
Provision for warranties	72,746	30,541	-	103,287
Defined benefit plans	28,344	(663)	3,013	30,694
Others	22,099	18,846	-	40,945
Loss carryforwards	<u>385,399</u>	<u>(136,593)</u>	<u>-</u>	<u>248,806</u>
	<u>\$ 607,186</u>	<u>\$ (71,119)</u>	<u>\$ 3,013</u>	<u>\$ 539,080</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	95,265	4,684	-	99,949
Others	<u>13,842</u>	<u>3,713</u>	<u>-</u>	<u>17,555</u>
	<u>\$ 1,100,449</u>	<u>\$ 8,397</u>	<u>\$ -</u>	<u>\$ 1,108,846</u>

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Impairment of financial assets	\$ 38,979	\$ 38,979
Unrealized loss on lawsuits	83,310	184,842
Impairment of assets	<u>58,118</u>	<u>68,766</u>
	<u>\$ 180,407</u>	<u>\$ 292,587</u>

- e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2020 comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 680,050	2025 (approved)
<u>133,960</u>	2028 (unapproved)
<u>\$ 814,010</u>	

- f. Income tax assessments

	<b>Last Income Tax Approval Year</b>
BES Engineering Corporation	2018
Core Pacific World Co., Limited.	2018
BES Machinery Co., Ltd.	2018
Cinemark-Core Pacific, Ltd.	2018
Chung Kung Safeguarding & Security Corp.	2019
Chung Kung Management Consultant Co., Ltd.	2019
Chung Kung Management and Maintenance of Apartment Co., Ltd.	2018
Core Asia Human Resources Management Co., Ltd.	2018
Elite Human Resources Management Co., Ltd.	2018
Cinema 7 Theater Co., Ltd.	2018

### 32. 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 Period

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Earnings used in the computation of basic earnings per share	<u>\$ 618,959</u>	<u>\$ 312,886</u>

## Weighted Average Number of Ordinary Shares Outstanding

(In Thousands of Shares)

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</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>1,980</u>	<u>973</u>
Weighted average number of ordinary shares outstanding used in the computation of dilutive earnings per share	<u>1,532,879</u>	<u>1,531,872</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.

If the outstanding convertible bonds issued by the Group were potential ordinary shares, they were anti-dilutive and excluded from the computation of diluted earnings per share. 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 at their meeting.

### 33. GOVERNMENT GRANTS

In 2020, the Group's application for a government grant of \$9,705 thousand from the 'Ministry of Culture Assisting of Regulations Governing Relief and Revitalization for Industries and Business with Operating Difficulties due to the impact of Covid-19 pandemic' was 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, 2020, the government grant revenue was recognized as other revenue. In addition, the Group applied for relief measures for outsourcing parking lot operators with operating difficulties due to the impact of the Covid-19 pandemic, and the royalties were reduced based on monthly revenue. As of December 31, 2020, the effect of the reduction in royalties was \$1,384 thousand.

### 34. 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>

### 35. CAPITAL MANAGEMENT

In response to 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.

### 36. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments measured at fair value on a recurring basis

##### 1) Fair value hierarchy

December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at FVTPL</b>				
Domestic listed shares	\$ 8,960	\$ -	\$ -	\$ 8,960
Domestic and foreign 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>
 <b>Financial assets at FVTOCI</b>				
<b>Investments in equity instruments</b>				
Domestic listed shares	\$ 1,591,400	\$ -	\$ -	\$ 1,591,400
Domestic and foreign 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>

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 93,896	\$ -	\$ -	\$ 93,896
Domestic and foreign unlisted shares	-	314,722	-	314,722
Mutual funds	<u>5,001</u>	<u>-</u>	<u>-</u>	<u>5,001</u>
	<u>\$ 98,897</u>	<u>\$ 314,722</u>	<u>\$ -</u>	<u>\$ 413,619</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 1,331,832	\$ -	\$ -	\$ 1,331,832
Domestic and foreign unlisted shares	<u>-</u>	<u>113,161</u>	<u>-</u>	<u>113,161</u>
	<u>\$ 1,331,832</u>	<u>\$ 113,161</u>	<u>\$ -</u>	<u>\$ 1,444,993</u>

There were no transfers between Levels 1 and 2 in the current and prior year.

2) 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.

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets</u>		
FVTPL		
Designated as at FVTPL	\$ 23,682	\$ 408,618
Mandatorily classified as at FVTPL	-	5,001
Financial assets at amortized cost (Note 1)	7,683,814	8,844,559
<u>Financial liabilities</u>		
Amortized cost (Note 2)	15,263,299	16,920,343

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes 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 payables, 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, 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 40.

Sensitivity analysis

The Group was mainly exposed to the RMB and HKD.

The following table details the Group's sensitivity to a 5% increase 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.

	RMB Impact		HKD Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Equity	\$ 59,128	\$ 58,921	\$ 24,552	\$ 24,121

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:

	<u>December 31</u>	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 1,861,915	\$ 2,023,505
Financial liabilities	2,609,395	1,799,559
Cash flow interest rate risk		
Financial assets	4,158,825	4,742,819
Financial liabilities	7,277,943	9,493,183

The Group was exposed to fair value interest rate risk in relation to fixed-rate certificate of deposit, short-term bills payable and bonds issued.

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 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, 2020 and 2019 would decrease by \$31,191 thousand and \$47,504 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 of the aforementioned investments at the end of the reporting period.

If the equity price of the aforementioned investments had been 5% higher, the Group's pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would have been higher by \$84,586 thousand and \$72,250 thousand, respectively.

## 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, 2020 and 2019, the Group had available unutilized short-term bank loan facilities were shown below:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
The limit of unsecured bank overdrafts (examined annually)		
Utilized amount	\$ 1,087,792	\$ 1,822,634
Unutilized amount	<u>6,688,106</u>	<u>1,650,033</u>
	<u>\$ 7,775,898</u>	<u>\$ 3,472,667</u>
The limit of secured bank overdrafts		
Utilized amount	\$ 8,521,396	\$ 9,192,434
Unutilized amount	<u>19,246,592</u>	<u>4,194,791</u>
	<u>\$ 27,767,988</u>	<u>\$ 13,387,225</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, 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>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 70,319</u>	<u>\$ 156,705</u>	<u>\$ 76,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

	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		\$ 939,968	\$ 878,523	\$ 919,744	\$ 1,468,798	\$ 15,929
Lease liabilities	2.000-4.750	6,081	11,892	50,194	149,240	84,148
Variable interest rate liabilities	1.700-3.000	219,309	986,420	4,008,084	4,487,694	127,211
Fixed interest rate liabilities	1.862-2.950	<u>534,695</u>	<u>925,390</u>	<u>64,575</u>	<u>-</u>	<u>-</u>
		<u>\$ 1,700,053</u>	<u>\$ 2,802,225</u>	<u>\$ 5,042,597</u>	<u>\$ 6,105,732</u>	<u>\$ 227,288</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 68,167</u>	<u>\$ 149,240</u>	<u>\$ 84,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**37. 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. Besides information disclosed elsewhere in Notes 13, 15 and 39, 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 directors of the Corporation and its subsidiaries
Sheen Chuen-Chi Cultural & Educational Foundation	Related parties in substance

(Continued)



<u>Related Party Name</u>	<u>Related Party Categories</u>
Yunheyue Agriculture Co., Ltd.	Related parties in substance
Core Pacific City Co., Ltd.	Associates
HROO Logistics Co., Ltd.	Associates
Agora Garden Co., Ltd.	Related parties of the Corporation
Glory Construction Co., Ltd.	Related parties of the Corporation
Cheng Yao Enterprise Co., Ltd.	Related parties of the Corporation
Jen Huei Enterprise Co., Ltd.	Related parties of the Corporation
Tsou Seen Chemical Industries Corporation	Subsidiaries of legal directors of the Corporation
BES Twin Towers Development Co., Ltd.	Subsidiaries of legal directors of the Corporation
Core Pacific Pioneer (Myanmar) Co., Ltd.	Subsidiaries of legal directors of the Corporation
CPDC Engineering Corp.	Subsidiaries of legal directors of the Corporation
Hui-Lan Chu	Corporation's chairman
Hua-Yang Shen	Related parties in substance (former chairman)
Tony C. J. Sheen	Related parties 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

<u>Line Items</u>	<u>Related Party Categories</u>	<u>December 31</u>	
		<u>2020</u>	<u>2019</u>
Operating revenue	China Petrochemical Development Corporation	\$ 316,993	\$ 740,964
	Subsidiaries of legal directors of the Corporation	9,063	1,072
	Associates	858	24,432
	Related parties of the Corporation	220	210
	Related parties in substance	<u>139</u>	<u>-</u>
		<u>\$ 327,273</u>	<u>\$ 766,678</u>
Operating costs	Related parties of the Corporation	\$ 9,375	\$ 8,733
	Associates	<u>200</u>	<u>-</u>
		<u>\$ 9,575</u>	<u>\$ 8,733</u>
Operating expenses	Related parties of the Corporation	\$ 9,567	\$ 25,345
	Associates	-	6,979
	Subsidiaries of legal directors of the Corporation	-	300
	Legal directors of the Corporation	<u>-</u>	<u>6</u>
		<u>\$ 9,567</u>	<u>\$ 32,630</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	
		2020	2019
Construction receivables	Legal directors of the Corporation	\$ <u>32,554</u>	\$ <u>33,148</u>
Trade receivables	Legal directors of the Corporation	\$ 4,110	\$ 3,715
	Subsidiaries of legal directors of the Corporation	3,173	-
	Associates	-	4,633
	Related parties of the Corporation	<u>-</u>	<u>39</u>
		\$ <u>7,283</u>	\$ <u>8,387</u>
Other receivables (including other current assets)	Related parties of the Corporation	\$ 521	\$ 505
	Legal directors of the Corporation	-	1,107
	Subsidiaries of legal directors of the Corporation	-	72
	Associates	<u>-</u>	<u>9</u>
		\$ <u>521</u>	\$ <u>1,693</u>

Interest income

Related Party Names	For the Year Ended December 31	
	2020	2019
Agora Garden Co., Ltd.	\$ <u>-</u>	\$ <u>1,667</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, 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	
		2020	2019
Trade payables	Related parties of the Corporation	\$ 1,659	\$ 8,562
	Associates	<u>-</u>	<u>44</u>
		\$ <u>1,659</u>	\$ <u>8,606</u>

The outstanding trade payables from related parties are unsecured, and will be settled in cash.

e. Payables to related parties (included in other current assets)

Related Party Categories	December 31	
	2020	2019
Related parties of the Corporation	\$ <u>1,151</u>	\$ <u>8,054</u>

f. Contract liabilities

The contract liabilities as of December 31, 2020 and 2019, respectively, were as follows:

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>

December 31, 2019

<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>\$ 347,810</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>2020</b>	<b>2019</b>
<u>Acquisition of right-of-use assets</u>		
Related parties in substance	\$ 22,646	\$ -
Related parties of the Corporation	<u>12,545</u>	<u>35,513</u>
	<u>\$ 35,191</u>	<u>\$ 35,513</u>

<b>Line Items</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Lease liabilities	Related parties in substance	\$ 22,350	\$ -
	Related parties of the Corporation	<u>16,447</u>	<u>22,017</u>
		<u>\$ 38,797</u>	<u>\$ 22,017</u>

<b>Line Items</b>	<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Interest expenses	Related parties of the Corporation	<u>\$ 907</u>	<u>\$ 550</u>

h. Acquisition of other assets

<b>Related Party Names</b>	<b>Line Items</b>	<b>Purchase Price</b>	
		<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Agora Garden Co., Ltd.	Buildings and land held for sale	<u>\$ -</u>	<u>\$ 9,337,378</u>

It refers to the buildings and land acquired from Agora Garden Co., Ltd. due to the joint-construction distribution deal.

i. Disposal of other assets

Related Party Names	Line Items	Proceeds from Disposal		Loss on Disposal	
		For the Year Ended December 31		For the Year Ended December 31	
		2020	2019	2020	2019
China Petrochemical Development Corporation	Investments accounted for using the equity method	\$ -	\$ 215,600	\$ -	\$ 11,423

j. Loans to related parties

Related Party Categories	December 31	
	2020	2019
Associates	\$ 21,345	\$ -

As of December 31, 2020, the interest receivable of the Group from related parties amounted to \$304 thousand.

Interest revenue

Related Party Categories	For the Year Ended December 31	
	2020	2019
Associates	\$ 304	\$ -

The Group provided with short-term loan at rates comparable to market interest rates. As of December 31, 2020, the annual interest rate was 5.00%.

k. Other transactions with related parties

Rental revenue, other revenue and other gains and losses are as follows:

Related Party Categories/Name	For the Year Ended December 31	
	2020	2019
Related parties of the Corporation	\$ 5,785	\$ 5,922
Legal directors of the Corporation	4,814	19,233
Related parties in substance	3,523	-
Associates	205	103
Agora Garden Co., Ltd.	-	46,000
	<u>\$ 14,327</u>	<u>\$ 71,258</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>2020</b>	<b>2019</b>
Related parties of the Corporation	\$ 1,412	\$ 1,412
Associates	<u>1</u>	<u>1</u>
	<u>\$ 1,413</u>	<u>\$ 1,413</u>

Guarantee deposits received by related parties

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries of legal directors of the Corporation	\$ 7,584	\$ 7,584
Legal directors of the Corporation	<u>7,405</u>	<u>9,859</u>
	<u>\$ 14,989</u>	<u>\$ 17,443</u>

Other payables (included in other current liabilities) given by related parties

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries of legal directors of the Corporation	<u>\$ 28,571</u>	<u>\$ 28,571</u>

1. 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>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 38,164	\$ 28,672
Post-employment benefits	<u>-</u>	<u>-</u>
	<u>\$ 38,164</u>	<u>\$ 28,672</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

m. Guarantees

As of 2020, the Corporation's proportion of bank loans was jointly guaranteed by Hui-Lan Chu, Tony C.J. Sheen and Yu-Kun Chen.

As of 2019, the Corporation's proportion of bank loans was jointly guaranteed by Hua-Yang Shen (former chairman), Tony C.J. Sheen and Ting Wu.

o. Other significant transactions

On March 7, 2010, the Corporation's board of directors decided to cooperate with Agora Garden Co., Ltd. in a joint venture (JV) construction of Agora Garden Hotel and signed an agreement on March 8, 2010. The sales distribution ratio of the Corporation and Agora Garden Co., Ltd. based on the agreement was 23% and 77%, respectively.

In August 2011, a JV case was approved by the first meeting of urban design review in the Taipei City Government. In September 2011, the Corporation signed a syndicated loan with Taishin International Bank, et al. The procedures for the donation of land to the Taipei City Government under the Urban Building Capacity Transfer were completed in December 2011. On April 12, 2012, the Corporation obtained a construction permit; completed the demolition of buildings in September 2012; applied for the construction registration in December 2012; completed a diaphragm wall and foundation piles in April 2013; completed the first stage demolition of the basement and the reinforcement of the backfill area structure in November 2013; completed foundation piles in May 2014; completed the second stage demolition of the basement in October 2014; installed a seismic isolation system in December 2014; completed the basement structure construction in December 2015; completed the steel main erection in November 2016; completed the above ground-level steel work in January 2017; completed successively interior and exterior decoration and installation of electromechanical equipment including the fire safety, waterproof engineering, aluminum window in residential area and balcony, glass railing and stone installation, Interior partition sealing plate, Elevator engineering installation test in September 2017 and obtained the use permit on July 16, 2018.

On April 3, 2019, the Corporation and Agora Garden Co., Ltd. carried out a joint construction and allocation of housing units pursuant to the joint construction deal. In addition to the 8 units of the buildings and 40 parking spaces that the Corporation acquired based on the original distribution ratio, Agora Garden Co., Ltd. also used 4 units of their buildings and 30 parking spaces in the 3<sup>rd</sup> Subsection, Xinyi Section, Xinyi District, Taipei City to compensate the Corporation for the other receivables that should be repaid to the Corporation plus an additional compensation fee, capacity transfer fees and construction fees due to additional purchases. In the event of sale of the housing units, the Corporation calculates the difference between the selling price per unit and the compensation amount plus the costs incurred during the sales period; Agora Garden Co., Ltd should compensate any insufficient amount to the Corporation, while the Corporation should distribute 62.72% of any excess amount to Agora Garden Co., Ltd. Within one year after the registration of transfer of the aforementioned compensated buildings and land, Agora Garden Co., Ltd. should cancel the full amount of the mortgage rights. The registration of transfer of ownership of all the buildings and land had been completed on April 22, 2019, and approval was subsequently obtained in the Corporation's board of directors' meeting on May 10, 2019. As of April 22, 2020, Agora Garden Co., Ltd. had not completed the cancellation of the full amount of the mortgage rights, and on April 23, 2020, the Corporation sent a letter to request Agora Garden Co., Ltd. to make improvements within a three-month period. On June 22, 2020, Agora Garden Co., Ltd. sent a letter to the lead bank of the syndicated loan to apply for the release of the collateral provided by the Corporation. As not all of the banks in the syndicated loan gave their consent for the release of collateral, Agora Garden Co., Ltd. sent a letter to the lead bank of the syndicated loan to apply for an increase in the loan-to-value ratio to cancel the mortgage of the 4 lots of land and the buildings as well as 30 parking spaces on January 5, 2021. The lead bank had issued the letter to all of the participating banks on January 7, 2021. As of March 23, 2021, 67% of the participating banks had passed the proposal for the increase in the loan-to-value ratio, which reached the majority threshold. Therefore, Agora Garden Co., Ltd. will cancel the mortgage of the 4 lots of land and the buildings as well as 30 parking spaces after official notification has been obtained from the banks.



### 38. 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, lawsuits and endorsements and guarantees:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Financial assets at FVTOCI - current	\$ 601,382	\$ 778,768
Financial assets at amortized cost - current	2,909,939	3,618,538
Accounts receivable on the development of industrial districts	5,028,791	-
Buildings and land held for sale, net	11,371,664	12,647,967
Construction in Progress	1,244,634	-
Financial assets at FVTOCI - non-current	475,029	399,595
Financial assets at amortized cost - non-current	590,971	5,347
Property, plant and equipment, net	1,527,011	2,662,316
Investment properties, net	<u>710,913</u>	<u>710,339</u>
	<u>\$ 24,460,334</u>	<u>\$ 20,822,870</u>

### 39. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2020 were as follows:

#### Significant Commitments

On December 6, 2018, the Corporation signed a syndicated loan with EnTie Commercial Bank whereby the Corporation would act as guarantor for the medium to long-term financing provided to Agora Garden Co., Ltd. of credit limit \$8,500,000 thousand. As of December 31, 2020, the actual amount used by Agora Garden Co., Ltd. was \$7,318,162 thousand. In addition to regular rules, the loan contract also stipulates that the Corporation should meet certain financial ratio requirements.

### 40. EXCHANGE RATE INFORMATION OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant financial assets and liabilities denominated in foreign currencies were as follows:

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			
RMB	\$ 270,175	4.377 (RMB:NTD)	\$ 1,182,555
HKD	133,688	3.673 (HKD:NTD)	491,037

December 31, 2019

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Non-monetary items			
RMB	\$ 273,732	4.305 (RMB:NTD)	\$ 1,178,416
HKD	125,335	3.849 (HKD:NTD)	482,413

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gains (losses) were \$403 thousand and \$(2,528) 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.

#### **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. (Non-applicable)
- 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 5)
- 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 6)
- 11) Intercompany relationships and significant intercompany transactions. (Table 7)

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 8)

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 9)

#### 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 information of the Group's revenues and results by segment was as follows:

	Segment Revenue		Segment Profit (Loss)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2020	2019	2020	2019
Construction segment	\$ 11,314,777	\$ 9,912,283	\$ 506,122	\$ 658,782
Construction development segment	665,597	607,429	(122,237)	(144,537)
Other segment	1,490,588	2,071,041	(8,838)	(1,979)
	\$ 13,470,962	\$ 12,590,753	375,047	512,266
Interest revenue			106,746	145,088
Other income			104,233	218,474
Other gains and losses			509,376	133,888
Share of losses of associates accounted for using the equity method			(170,908)	(202,855)
Finance costs			(131,262)	(389,178)
Income before income tax			\$ 793,232	\$ 417,683

Segment revenues were all generated by external customers. No inter-segment sales occurred during 2020 and 2019.

Segment profit represents the profit earned from each segment, and does not include the share of the loss of associates, leasing revenue, interest revenue, dividends revenue, gain or loss on foreign exchange, net, compensation loss, gain on disposal of financial assets, financial assets at fair value through profit (loss), net loss on disposal of property, plant and equipment, administrative expenses, interest expenses, miscellaneous expenses and income tax expense. The main purpose of measuring segment revenue is to provide the chief operating decision maker a basis for distribution of resources and assessment of segment performance.

c. Segment total assets and liabilities

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Segment assets</u>		
Construction segment	\$ 5,111,489	\$ 8,695,608
Construction development segment	18,677,300	17,082,062
Other segment	<u>17,025,015</u>	<u>15,995,080</u>
Total segment assets	40,813,804	41,772,750
Unallocated assets	<u>1,294,913</u>	<u>1,451,424</u>
Consolidated total assets	<u>\$ 42,108,717</u>	<u>\$ 43,224,174</u>
<u>Segment liabilities</u>		
Construction segment	\$ 3,254,973	\$ 7,209,564
Construction development segment	3,048,806	3,167,961
Other segment	<u>14,202,201</u>	<u>11,498,038</u>
Total segment assets	20,505,980	21,875,563
Unallocated assets	<u>1,187,735</u>	<u>1,324,053</u>
Consolidated total liabilities	<u>\$ 21,693,715</u>	<u>\$ 23,199,616</u>

## BES ENGINEERING CORPORATION AND SUBSIDIARIES

CONTRACT ASSETS, CONTRACT LIABILITIES AND AMOUNTS DUE TO CUSTOMERS FOR CONSTRUCTION CONTRACTS  
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
 (In Thousands of New Taiwan Dollars)

## Contract assets - amounts due from customers for construction contracts

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	<u>10,755,238</u>	<u>10,136,110</u>	<u>557,824</u>	5.19	<u>32,108</u>	<u>557,809</u>	<u>15</u>
		<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>

December 31, 2019

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	\$ 13,646,278	\$ 14,898,927	\$ 14,419,134	96.69	\$ (1,254,649)	\$ 13,194,466	\$ 1,224,668
A6B-1	2021	2,747,572	2,658,110	1,080,412	37.46	33,516	1,042,246	38,166
A8B	2029	10,755,238	10,155,238	35,333	0.02	96	1,721	33,612
A7B	2031	13,830,943	13,035,052	256,980	1.66	13,172	223,552	33,428
A5B	2020	557,348	511,958	558,896	97.15	44,095	541,443	17,453
A7E	2023	816,000	662,904	142,421	15.92	24,376	129,927	12,494
A6C	2021	<u>3,201,905</u>	<u>2,997,159</u>	<u>1,088,209</u>	33.90	<u>69,415</u>	<u>1,085,538</u>	<u>2,671</u>
		<u>\$ 45,555,284</u>	<u>\$ 44,919,348</u>	<u>\$ 17,581,385</u>		<u>\$ (1,067,979)</u>	<u>\$ 16,218,893</u>	<u>\$ 1,362,492</u>

(Continued)

Contract liabilities - amounts due to customers for construction contracts

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)

December 31, 2019

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	2020	\$ 1,532,800	\$ 1,484,407	\$ 789,843	93.68, 65.01	\$ 31,946	\$ 1,137,653	\$ 347,810
A7A	2023	1,940,952	1,830,374	333,404	20.01	22,130	588,447	255,043
A5D	2020	4,022,795	4,024,371	3,341,572	87.91	(1,576)	3,546,679	205,107
A6F	2020	1,729,450	1,620,803	758,106	55.16	59,934	957,850	199,744
A6B-2	2022	3,344,800	3,342,851	1,009,980	34.07	664	1,159,897	149,917
A5C	2022	3,738,854	3,744,542	1,111,547	25.76	(5,688)	1,239,379	127,832
A8C	2023	7,747,429	7,317,744	54,334	2.00	8,598	155,033	100,699
83C	2019	9,043,607	8,749,873	8,952,126	100.00	293,734	9,043,607	91,481
A8A	2020	638,095	590,831	386,845	68.62	32,430	463,353	76,508
A6D	2020	2,849,285	2,724,683	683,346	25.62	31,923	736,186	52,840
A7F	2022	3,348,571	3,163,060	687,221	22.09	40,970	739,522	52,301
A7C	2021	1,566,571	1,448,843	299,613	22.14	26,065	346,839	47,226
A6G	2019	965,081	856,042	919,631	100.00	109,039	965,081	45,450
98C-1	2019	3,669,096	3,610,336	3,637,634	100.00	58,760	3,669,095	31,461
A7D	2021	2,343,750	2,214,683	379,313	17.41	22,468	408,000	28,687
A5A	2019	168,519	175,137	158,708	99.85	(6,618)	168,272	9,564
98C-2	2019	252,812	240,708	-	100.00	12,104	-	-
A5E	2019	1,947,637	1,693,523	-	100.00	254,114	-	-
93C	2019	690,775	830,149	673,300	97.47	(139,374)	673,300	-
A3A	2019	1,988,233	1,805,011	-	100.00	183,222	-	-
A4C	2019	755,939	751,512	755,938	100.00	4,427	755,938	-
A5F	2019	302,311	310,247	302,310	100.00	(7,936)	302,310	-
		54,587,362	52,529,730	25,234,771		1,031,336	27,056,441	1,821,670
750		-	-	18,460,350		-	18,460,350	-
		<u>\$ 54,587,362</u>	<u>\$ 52,529,730</u>	<u>\$ 43,695,121</u>		<u>\$ 1,031,336</u>	<u>\$ 45,516,791</u>	<u>\$ 1,821,670</u>

(Continued)

Amounts due to customers for construction contracts

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>

December 31, 2019

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	2019	\$ 2,862,002	\$ 2,592,956	\$ 2,862,002	100.00	\$ 269,046	\$ 2,862,002	\$ -
A4B	2019	117,221	106,399	117,221	100.00	10,822	117,221	-
A0A	2019	<u>934,228</u>	<u>1,229,851</u>	<u>934,228</u>	100.00	<u>(295,623)</u>	<u>934,228</u>	<u>-</u>
		<u>\$ 3,913,451</u>	<u>\$ 3,929,206</u>	<u>\$ 3,913,451</u>		<u>\$ (15,755)</u>	<u>\$ 3,913,451</u>	<u>\$ -</u>

Note 1: For the amount of amounts due from customers for construction contracts, refer to Note 29.

Note 2: For the amount of amounts due to customers for construction contracts, refer to Note 23.

Note 3: The Corporation recognized construction revenue of \$11,860,058 thousand in 2020 and \$10,209,045 thousand in 2019.

(Concluded)



## BES ENGINEERING CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Financing Limit for Each Borrowing Company (Note)	Ending Balance (Note)	Actual Used	Interest Rate	Financing Properties	Financing Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Limit for Each Counter-party	Financing Company's Financing Amount Limits	Note
													Item	Value			
1	Chung Kung Safeguarding & Security Corp.	Chung Kung Management and Maintenance of Apartment Co., Ltd.	Accounts receivable - related party	Y	\$ 16,000	\$ 16,000	\$ -	-	-	\$ -	Business revolving fund	\$ -	-	\$ -	\$30,519 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$30,519 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
		Chung Kung Management Consultant Co., Ltd.	Accounts receivable - related party	Y	16,000	16,000	-	-	-	-	Business revolving fund	-	-	-	\$30,519 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$30,519 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
2	Hua Cheng Consulting (Changshu) Co., Ltd.	Core Pacific Living City Yangzhou CBD	Other accounts receivable - related party	N	47,531	-	-	-	-	-	Business revolving fund	-	-	-	\$94,166 for each counter-party is equal to 20% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$188,333 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	
3	Core Pacific Consulting (Changshu) Co., Ltd.	Core Pacific Living City Yangzhou CBD	Other accounts receivable - related party	N	47,531	-	-	-	-	-	Business revolving fund	-	-	-	\$93,291 for each counter-party is equal to 20% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$186,582 for each counter-party is equal to 40% of the Corporation's net equity as shown in Corporation's latest financial statements.	
4	Cinemark-Core Pacific, Ltd.	Cinemark-Core (Suzhou) Pacific Ltd.	Accounts receivable - related party	Y	68,880	-	-	-	-	-	Business revolving fund	-	-	-	\$136,528 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$136,528 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	
5	Core Pacific World Co., Limited.	Hua Cheng Consulting (Changshu) Co., Ltd.	Other accounts receivable - related party	Y	39,123	-	-	-	-	-	Business revolving fund	-	-	-	\$412,928 for each counter-party is equal to 30% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$550,571 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	
		Core Pacific Consulting (Changshu) Co., Ltd.	Other accounts receivable - related party	Y	43,470	-	-	-	-	-	Business revolving fund	-	-	-	\$412,928 for each counter-party is equal to 30% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$550,571 for each counter-party is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	
6	Core Asia Human Resources Management Co., Ltd.	Elite Human Resources Management Co., Ltd.	Accounts receivable - related party	Y	10,000	10,000	-	-	-	-	Business revolving fund	-	-	-	\$18,763 for each counter-party is equal to 20% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$37,526 for each counter-party is equal to 40% of the Corporation's net equity as shown in Corporation's latest financial statements.	
7	BES Machinery Co., Ltd.	HRDD Logistics Co., Ltd.	Accounts receivable - related party	Y	21,345	21,345	21,345	5	-	-	Business revolving fund	-	-	-	\$33,607 for each counter-party is equal to 4% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$336,072 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: The financing amount of Chung Kung Safeguarding & Security Corp. is limited to 40% of the net equity of the latest financial statement, which is \$30,519 thousand. Therefore, the board of directors approved the revision on February 19, 2021. The financing amount limits to Chung Kung Management and Maintenance of Apartment Co., Ltd. and Chung Kung Management Consultant Co., Ltd. was capped at 15,000 thousand, respectively.

## BES ENGINEERING CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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											
0	BES Engineering Corporation	Agora Garden Co., Ltd.	Contractual	\$ 50,769,560 (Note 1)	\$ 8,200,000	\$ 8,200,000	\$ 7,318,162	\$ -	40.37	\$ 60,923,472 (Note 2)	-	-	-	Note 11
1	Cinemark-Core Pacific, Ltd.	Cinemark-Core (Xi-an) Pacific Ltd.	Related parties	132,353 (Note 4)	59,813	59,813	5,912	-	17.52	132,353	-	-	Y	Note 3
		Cinemark-Core (Suzhou) Pacific Ltd.	Related parties	45,300 (Note 4)	45,300	-	-	-	0.00	45,300	-	-	Y	Note 3
2	Hua Cheng Consulting (Changshu) Co., Ltd.	BES Engineering Corporation		470,832 (Note 5)	298,686	289,118	260,000	289,118	61.41	941,664 (Note 8)	-	Y	-	
3	Core Pacific Consulting (Changshu) Co., Ltd.	BES Engineering Corporation		466,457 (Note 6)	298,686	289,118	260,000	289,118	61.98	932,914 (Note 9)	-	Y	-	
4	Chung Kung Safeguarding & Security Corp.	Chung Kung Management and Maintenance of Apartment Co., Ltd.		190,742 (Note 7)	25,000	25,000	1,500	-	32.77	228,891 (Note 10)	Y	-	-	
		Chung Kung Management Consultant Co., Ltd.		190,742 (Note 7)	25,000	25,000	3,409	-	32.77	228,891 (Note 10)	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 endorsement depends on the financing contract with Cinemark-Core Pacific, Ltd.

Note 5: 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 6: 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 7: 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 8: 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 9: 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 10: 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.

Note 11: The Corporation and Agora Garden Co., Ltd. are joint insurers of each other originally based on the needs of the joint construction contract, in accordance with the contract terms of companies operating in the same industry.

## BES ENGINEERING CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(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, 2020				Note
					Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
0	BES Engineering Corporation	Taiwan Business Bank	-	Financial assets at FVTOCI - current	64,897,560	\$ 631,453	0.87	\$ 631,453	Note 1
		China Petrochemical Development Corporation	Legal directors of the Corporation	Financial assets at FVTOCI - non-current	40,713,750	474,315	1.24	474,315	Note 1
		Century Development Corporation	-	Financial assets at FVTOCI - non-current	10,633,492	78,263	3.03	78,263	
		Overseas Investment & Development Corporation	-	Financial assets at FVTOCI - non-current	2,600,000	22,048	2.89	22,048	
		Zowie Technology Corporation	-	Financial assets at FVTOCI - non-current	6,611	-	0.03	-	
		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	27,322,525	318,308	0.83	318,308	Note 1
		Taiwan Business Bank	-	Financial assets at FVTOCI - current	1,336,630	13,005	0.02	13,005	Note 1
		Core Pacific City Co., Ltd. - class H	-	Financial assets at FVTPL - current	1,472,198	14,722	1.18	14,722	Note 2
2	BES Machinery Co., Ltd.	Chilisin Electronics Corporation	-	Financial assets at FVTPL - current	80,000	8,960	0.03	8,960	Note 1
		China Petrochemical Development Corporation	Legal directors of the Corporation	Financial assets at FVTOCI - non-current	13,110,345	152,735	0.40	152,735	Note 1
3	Chung Kung Safeguarding & Security Corp.	China Petrochemical Development Corporation	Legal directors of the Corporation	Financial assets at FVTOCI - current	52,500	612	-	612	Note 1
		Taiwan Tea Corporation	-	Financial assets at FVTOCI - current	11,000	197	-	197	Note 1
		Yung Construction and Development Co., Ltd.	-	Financial assets at FVTOCI - current	16,000	699	0.01	699	Note 1
		Huang Hsiang Contraction Corporation	-	Financial assets at FVTOCI - current	2,000	76	-	76	Note 1
4	Cinemark-Core Pacific, Ltd.	The investment case of movie - The M Riders	-	Financial assets at FVTOCI - non-current	-	-	-	-	

Note 1: Market values of domestic quoted shares and mutual funds were based on the closing prices and net asset values, respectively, as of December 31, 2020.

Note 2: Preferred shares.

**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, 2020  
(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	\$ (282,426)	(2.35)	-	\$ -	-	Construction receivables \$ 32,554	2.59	-

## BES ENGINEERING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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, 2020			Net Income (Loss) of the Investee	Investment Gain (Loss) Recognized (Note 1)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
BES Engineering Corporation (the "Corporation")	Core Pacific World Co., Limited BES Machinery Corporation	Taipei, Taiwan	Makes investments	\$ 1,530,040	\$ 1,530,040	115,936,200	99.95	\$ 1,375,740	\$ 2,151	\$ 2,150	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	867,216	77,364,999	99.35	834,720	(26,682)	(26,509)	Investee is a subsidiary
	Core Pacific City Co., Ltd. BES Investment Company Ltd.	Taipei, Taiwan	Department store	2,254,760	2,254,760	233,749,600	23.51	289,328	(513,295)	(120,675)	
		Hong Kong	Overseas construction and equipment sale	733,975	733,975	22,600,000	100.00	535,439	(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	713,248	11,346	11,346	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	93,814	5,327	5,327	Investee is a subsidiary
	Chung Kung Safeguarding & Security Corp.	Taipei, Taiwan	Security and related services	38,127	38,127	3,880,000	64.67	49,342	(7,102)	(4,593)	Investee is a subsidiary
	Cinemark-Core Pacific, Ltd.	Taipei, Taiwan	Movie broadcasting and related businesses	23,450	23,450	1,861,500	15.38	52,495	(79,739)	(12,264)	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	25,653	218	200	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	16,905	57	57	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	-	-	-		
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	480,353	13,808	13,808	Investee is a subsidiary
		Republic of Mauritius	Consulting	330,714	330,714	9,500,000	100.00	475,901	13,410	13,410	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	249,443	4,132	4,132	Investee is a subsidiary
		Taipei, Taiwan	Movie broadcasting and related businesses	91,930	91,930	7,593,680	62.76	214,212	(79,739)	(50,044)	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	491,037	6,982	3,119	
		Georgia, U.S.A.	Develops lands for investments	25,724	25,724	761	8.21	2,294	218	18	Investee is a subsidiary
		Yangon, Myanmar	Engineering and construction	15,478	15,478	500,000	100.00	10,814	(1,606)	(1,606)	Investee is a subsidiary
		Ho Chi Minh, Vietnam	Engineering and construction	30,570	-	1,000,000	100.00	26,297	(2,212)	(2,212)	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	12,488	4,415	4,415	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	14,034	(6,385)	(6,385)	Investee is a subsidiary
		Taipei, Taiwan	Manages apartment maintenance and renders related services	3,700	3,700	-	37.00	5,942	4,887	1,808	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	138,570	(26,621)	(13,204)	
		Taipei, Taiwan	Movie broadcasting and retail sale of food products and groceries	150,183	150,183	25,000	100.00	11,115	(18,660)	(18,660)	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	10,117	4,887	3,079	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, 2020 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: Except Core Pacific City Co., Ltd., BA & BES Contracting (L.L.C.), Wei-Jing Holding Ltd., and Cinemark - Core (Hong Kong) Pacific 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, 2020**

**(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.	Note 1	Construction cost	\$ 74,167	No significant difference between non-related party	0.55

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, 2020  
(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					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)	\$ 32,665 (RMB 7,628 thousand)	39.20	\$ 12,805 (RMB 2,990 thousand) b,2)	\$ 759,452 (RMB 173,510 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)	14,469 (RMB 3,379 thousand)	100.00	14,469 (RMB 3,379 thousand) b,2)	466,457 (RMB 106,570 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)	14,871 (RMB 3,473 thousand)	100.00	14,871 (RMB 3,473 thousand) b,2)	470,832 (RMB 107,569 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)	32,665 (RMB 7,628 thousand)	9.80	3,201 (RMB 748 thousand) b,2)	189,863 (RMB 43,377 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)	(194) (RMB (45) thousand)	49.60	(96) (RMB (22) thousand) b,2)	(478) (RMB (109) 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)	(13,459) (RMB (3,143) thousand)	24.30	(3,271) (RMB (764) thousand) b,2)	34,788 (RMB 7,948 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)	(69,920) (RMB (16,328) thousand)	23.61	(16,508) (RMB (3,855) thousand) b,2)	94,670 (RMB 21,629 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)	(20,169) (RMB (4,710) thousand)	49.60	(10,003) (RMB (2,336) thousand) b,2)	76,831 (RMB 17,553 thousand)	

(Continued)

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
BES Engineering Corporation	US\$ 12,103 thousand	US\$ 15,184 thousand	NT\$ 12,184,694
Core Pacific World Co., Limited	US\$ 18,000 thousand	US\$ 19,000 thousand	NT\$ 825,857
BES Machinery Co., Ltd.	RMB 74,900 thousand (US\$ 16,241 thousand)	RMB 79,800 thousand (US\$ 17,038 thousand)	NT\$ 504,109
Cinemark-Core Pacific, Ltd.	US\$ 7,875 thousand	US\$ 7,875 thousand	NT\$ 204,792

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, 2020**

<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
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 preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company 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, 2020 and 2019, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 audit of the financial statements for the year ended December 31, 2020 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. We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, 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, 2020. 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, 2020 are described 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, 2020 is material, hence, the accuracy of recognition of construction revenue has been deemed as a key audit matter for the year ended December 31, 2020. 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 evaluated whether the accounting policies on the estimation of the percentage of completion were consistently applied.
2. We performed tests of the details of incomplete construction projects at the end of the year to confirm the accuracy of construction revenue recognized.
3. 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, 2020 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, 2020. 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, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public

interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Tung-Feng Lee and Yao-Lin Huang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2021

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, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Notes 4, 6 and 15)	\$ 1,635,217	4	\$ 2,053,634	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	5,001	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 34)	631,453	2	778,771	2
Financial assets at amortized cost - current (Notes 4, 9, 25 and 34)	2,859,500	7	3,221,803	8
Construction receivables (Notes 4, 10, 15, 25, 27 and 33)	1,254,817	3	1,535,335	4
Contract assets - current (Notes 15, 25, 27 and Table 1)	3,273,890	8	3,036,294	7
Accounts receivable on the development of industrial districts (Notes 4, 11, 25 and 34)	6,995,042	17	7,866,660	19
Buildings and land held for sale, net (Notes 4, 5, 12, 25 and 34)	11,401,149	28	12,677,452	30
Construction in progress (Notes 4, 13, 25 and 34)	3,088,754	8	933,215	2
Refundable deposits on construction contracts (Notes 25 and 33)	124,075	-	141,630	-
Other current assets (Notes 15 and 33)	1,013,821	2	911,326	2
Total current assets	32,277,718	79	33,161,121	79
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 34)	574,626	1	512,156	1
Financial assets at amortized cost - non-current (Notes 4 and 9)	53,338	-	-	-
Investments accounted for using the equity method (Notes 4, 14 and 33)	3,986,684	10	3,950,522	10
Property, plant and equipment (Notes 4, 16 and 34)	2,433,886	6	2,518,085	6
Right-of-use assets (Notes 4, 17 and 33)	96,885	-	75,614	-
Investment properties (Notes 4, 18 and 34)	1,009,666	3	1,010,005	3
Deferred tax assets (Notes 4 and 29)	309,505	1	469,287	1
Refundable deposits (Notes 15 and 33)	59,247	-	60,408	-
Other non-current assets	12,249	-	15,552	-
Total non-current assets	8,536,086	21	8,611,629	21
<b>TOTAL</b>	<b>\$ 40,813,804</b>	<b>100</b>	<b>\$ 41,772,750</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 19 and 34)	\$ 2,287,800	6	\$ 2,960,846	7
Short-term bills payable (Notes 19 and 34)	2,295,245	6	1,357,363	3
Notes payable	-	-	150	-
Trade payables (Notes 15, 21, 25 and 33)	4,308,320	10	4,201,554	10
Contract liabilities - current (Notes 15, 25, 27, 33 and Table 1)	2,225,212	5	2,066,411	5
Lease liabilities - current (Notes 4, 17 and 33)	32,649	-	31,749	-
Accrued expenses (Notes 15 and 33)	292,748	1	290,512	1
Accounts payable for the development of industrial districts (Notes 4, 22 and 25)	1,943,027	5	1,935,924	5
Provisions - current (Notes 4, 23 and 25)	468,177	1	588,865	1
Guarantee deposits on construction contracts - current (Note 25)	421,482	1	354,199	1
Long-term borrowings due within a year (Notes 19 and 34)	1,057,124	3	1,690,766	4
Other current liabilities (Notes 15 and 33)	217,345	-	224,729	-
Total current liabilities	15,549,129	38	15,703,068	37
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Notes 4, 17 and 33)	65,101	-	44,149	-
Long-term borrowings (Notes 19 and 34)	3,342,498	8	4,277,748	10
Deferred tax liabilities (Notes 4 and 29)	1,032,046	3	1,029,890	3
Provisions - noncurrent (Notes 4 and 23)	365,748	1	669,921	2
Accrued pension liabilities (Notes 4 and 24)	116,370	-	126,784	-
Guarantee deposits received (Note 33)	35,088	-	24,003	-
Total non-current liabilities	4,956,851	12	6,172,495	15
Total liabilities	20,505,980	50	21,875,563	52
<b>EQUITY</b>				
Ordinary shares	15,308,998	38	15,308,998	37
Capital surplus	73,833	-	73,782	-
Retained earnings				
Legal reserve	759,714	2	728,425	2
Special reserve	2,788,570	7	2,788,570	6
Unappropriated earnings	1,839,615	4	1,563,695	4
Total retained earnings	5,387,899	13	5,080,690	12
Other equity	(462,906)	(1)	(566,283)	(1)
Total equity	20,307,824	50	19,897,187	48
<b>TOTAL</b>	<b>\$ 40,813,804</b>	<b>100</b>	<b>\$ 41,772,750</b>	<b>100</b>

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

# BES ENGINEERING CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 15, 27 and 33)				
Construction revenue	\$ 11,860,058	99	\$ 10,209,045	97
Other operating revenue	<u>136,569</u>	<u>1</u>	<u>329,407</u>	<u>3</u>
Total operating revenue	<u>11,996,627</u>	<u>100</u>	<u>10,538,452</u>	<u>100</u>
OPERATING COSTS (Notes 4, 15, 24, 28 and 33)				
Construction costs	11,256,968	94	9,700,425	92
Other operating costs	<u>38,190</u>	<u>-</u>	<u>38,779</u>	<u>-</u>
Total operating costs	<u>11,295,158</u>	<u>94</u>	<u>9,739,204</u>	<u>92</u>
GROSS PROFIT	<u>701,469</u>	<u>6</u>	<u>799,248</u>	<u>8</u>
OPERATING EXPENSES (Notes 24, 28 and 33)				
Selling and marketing expenses	67,226	1	85,823	1
General and administrative expenses	237,011	2	215,468	2
Research and development expenses	<u>24,849</u>	<u>-</u>	<u>21,592</u>	<u>-</u>
Total operating expenses	<u>329,086</u>	<u>3</u>	<u>322,883</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>372,383</u>	<u>3</u>	<u>476,365</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4, 15, 28 and 33)	72,645	-	119,967	1
Other income (Notes 4, 28 and 33)	96,861	1	139,694	1
Other gains and losses (Notes 14, 28 and 33)	538,916	4	(143,799)	(1)
Finance costs (Notes 4, 13, 28 and 33)	(152,465)	(1)	(182,984)	(2)
Share of the loss of subsidiaries and associates (Notes 4 and 14)	<u>(145,856)</u>	<u>(1)</u>	<u>(4,077)</u>	<u>-</u>
Total non-operating income and expenses	<u>410,101</u>	<u>3</u>	<u>(71,199)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	782,484	6	405,166	4
INCOME TAX EXPENSE (Notes 4 and 29)	<u>163,525</u>	<u>1</u>	<u>92,280</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>618,959</u>	<u>5</u>	<u>312,886</u>	<u>3</u>

(Continued)

# BES ENGINEERING CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Notes 4, 24, 26 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (5,955)	-	\$ (14,715)	-
Unrealized (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income	(84,848)	(1)	149,154	1
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	170,013	2	(5,765)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>1,191</u>	<u>-</u>	<u>2,943</u>	<u>-</u>
	80,401	1	131,617	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>18,967</u>	<u>-</u>	<u>(92,163)</u>	<u>(1)</u>
Other comprehensive income for the year, net of income tax	<u>99,368</u>	<u>1</u>	<u>39,454</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 718,327</u>	<u>6</u>	<u>\$ 352,340</u>	<u>3</u>
EARNINGS PER SHARE (Note 30)				
Basic	<u>\$0.40</u>		<u>\$0.20</u>	
Diluted	<u>\$0.40</u>		<u>\$0.20</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, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Share Capital Issued and Outstanding (Notes 20 and 26)		Capital Surplus	Retained Earnings (Note 26)				Other Equity (Notes 4 and 26)			
	Number of Shares (In thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total Equity
BALANCE, JANUARY 1, 2019	1,530,899	\$ 15,308,998	\$ 69,688	\$ 692,092	\$ 2,801,480	\$ 1,540,879	\$ 5,034,451	\$ (230,373)	\$ (328,389)	\$ (558,762)	\$ 19,854,375
Reversal of special reserve	-	-	-	-	(12,910)	12,910	-	-	-	-	-
Appropriation of the 2018 earnings											
Legal reserve	-	-	-	36,333	-	(36,333)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(301,587)	(301,587)	-	-	-	(301,587)
	-	-	-	36,333	-	(337,920)	(301,587)	-	-	-	(301,587)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	4,094	-	-	-	-	-	-	-	4,094
Net profit for the year ended December 31, 2019	-	-	-	-	-	312,886	312,886	-	-	-	312,886
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(12,296)	(12,296)	(92,163)	143,913	51,750	39,454
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	300,590	300,590	(92,163)	143,913	51,750	352,340
Acquisition of interests in subsidiaries	-	-	-	-	-	(309)	(309)	-	-	-	(309)
Disposal of investments accounted for using the equity method	-	-	-	-	-	47,545	47,545	-	(59,271)	(59,271)	(11,726)
BALANCE, DECEMBER 31, 2019	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 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 for the year ended December 31, 2020	-	-	-	-	-	614,950	614,950	18,967	84,410	103,377	718,327
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

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

# BES ENGINEERING CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 782,484	\$ 405,166
Adjustments for:		
Depreciation expenses	79,399	92,610
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	29	(2,946)
Finance costs	152,465	182,984
Interest income	(72,645)	(119,967)
Dividend income	(26,702)	(41,684)
Share of loss of associates and subsidiaries	145,856	4,077
Gain on disposal of property, plant and equipment	(313,218)	(522)
Loss on disposal of associates	-	11,423
Net loss on foreign currency exchange	-	43
Compensation (reversal) loss	(317,633)	15,644
Reversal of write-downs of buildings and land held for sale	(10,648)	-
Changes in operating assets and liabilities		
Construction receivables	280,518	127,719
Contract assets	(237,596)	(349,507)
Accounts receivable on the development of industrial districts	871,618	1,196,398
Construction in progress	(891,567)	(2,582,229)
Buildings and land held for sale	42,317	-
Other current assets	(112,479)	(725,672)
Notes payable	(150)	(165,146)
Trade payables	106,766	2,103,628
Contract liabilities	158,801	(413,955)
Amounts due to customers for construction contracts	-	(54,359)
Accrued expenses	8,072	53,937
Accounts payable for the development of industrial districts	7,103	37,504
Provisions	(107,228)	259,174
Accrued pension liabilities	(16,369)	1,188
Other current liabilities	(7,221)	5,227
Cash generated from operations	521,972	40,735
Interest received	72,638	128,732
Interest paid	(177,639)	(187,219)
Income tax paid	7,289	(5,748)
Net cash generated from (used in) operating activities	<u>424,260</u>	<u>(23,500)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets designated as at fair value through profit or loss	-	(6,008)
Proceeds from sale of financial assets at fair value through profit or loss	4,972	32,089
Proceeds from sale of financial assets at amortized cost	308,965	55,669
Payments for investments accounted for using the equity method	-	(49,221)

(Continued)

# BES ENGINEERING CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Net cash inflow on disposal of associates	\$ -	\$ 215,600
Payments for property, plant and equipment	(30,151)	(20,454)
Proceeds from the disposal of property, plant and equipment	384,980	1,239
Decrease in refundable deposits	18,716	188,018
Decrease (increase) in other non-current assets	3,303	(2,752)
Dividends received from associates	7,500	47,038
Dividends received from others	<u>26,702</u>	<u>41,684</u>
Net cash generated from investing activities	<u>724,987</u>	<u>502,902</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayments of) proceeds from short-term borrowings	(673,046)	130,846
Proceeds from (repayments of) short-term bills payable	937,882	(416,332)
Repayment of bonds payable	-	(32,900)
(Repayments of) proceeds from long-term borrowings	(1,568,892)	1,929,626
Increase in guarantee deposits received	78,368	1,303
Dividends paid to owners of the Corporation	(307,711)	(301,587)
Repayment of the principal portion of lease liabilities	(33,748)	(27,515)
Acquisition of interests in subsidiaries	<u>(517)</u>	<u>(3,802)</u>
Net cash generated from (used in) financing activities	<u>(1,567,664)</u>	<u>1,279,639</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(418,417)</b>	<b>1,759,041</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>2,053,634</u></b>	<b><u>294,593</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 1,635,217</u></b>	<b><u>\$ 2,053,634</u></b>

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, 2020 AND 2019**

**(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 and authorized for issue on March 17, 2021.

### **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 any material impact on the Corporation’s accounting policies:

- 1) Amendments to IFRS 3 “Definition of a Business”

The Corporation applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To determine whether an acquired process is substantive, different criteria apply, depending on whether there are outputs at the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

- 2) Amendments to IAS 1 and IAS 8 “Definition of Material”

The Corporation adopted the amendments starting from January 1, 2020. The threshold of materiality has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the financial statements do not include immaterial information that may obscure material information.

- b. The IFRSs endorsed by the FSC for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

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.

- 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>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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 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 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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 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 3: 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 4: 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 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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.

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 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).

The Corporation will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

#### 4) 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.

#### 8) 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.

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 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 preparation

The 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 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 or those that use currencies 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. 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.

f. 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.

g. 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.

h. 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.

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. 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.

j. Impairment of property, plant and equipment, right-of-use asset, 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 asset 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 asset 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.

k. 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 32.

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.

## 1. 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.

## m. 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.

n. 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.

o. 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.

p. 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. Lease liabilities are presented on a separate line in the balance sheets.

q. 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.

r. 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, 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 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 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.

s. 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 about 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**

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 3,892	\$ 3,872
Checking accounts and demand deposits	<u>1,631,325</u>	<u>2,049,762</u>
	<u>\$ 1,635,217</u>	<u>\$ 2,053,634</u>

The market rate intervals of bank deposits at the end of the reporting period were as follows:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Bank deposits	0.005%-0.050%	0.005%-0.100%

**7. FINANCIAL INSTRUMENTS AT FVTPL**

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ -</u>	<u>\$ 5,001</u>

**8. FINANCIAL ASSETS AT FVTOCI**

Investments in equity instruments at FVTOCI:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Domestic listed shares	<u>\$ 631,453</u>	<u>\$ 778,771</u>
<u>Non-current</u>		
Domestic listed shares	\$ 474,315	\$ 398,995
Domestic and foreign unlisted shares	<u>100,311</u>	<u>113,161</u>
	<u>\$ 574,626</u>	<u>\$ 512,156</u>

These investments in Taiwan Business Bank, China Petrochemical Development Corporation, 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.

Refer to Note 34 for information relating to investments in equity instruments at FVTOCI pledged as security.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2020	2019
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (a)	\$ 1,280,932	\$ 1,305,446
Others (b)	<u>1,578,568</u>	<u>1,916,357</u>
	<u>\$ 2,859,500</u>	<u>\$ 3,221,803</u>
<u>Non-current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (a)	<u>\$ 53,338</u>	<u>\$ -</u>

a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.002%-1.070% and 0.002%-1.065% per annum as of December 31, 2020 and 2019, respectively.

b. Restricted deposits and reserve account of trusts

Refer to Note 34 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. CONSTRUCTION RECEIVABLES

	<u>December 31</u>	
	2020	2019
Construction receivables	<u>\$ 1,254,817</u>	<u>\$ 1,535,335</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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Not past due	<u>\$ 1,254,817</u>	<u>\$ 1,535,335</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**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Chung Hua Coastal Industrial Park	\$ 5,028,791	\$ 5,882,643
Other industrial districts	<u>1,966,251</u>	<u>1,984,017</u>
	<u>\$ 6,995,042</u>	<u>\$ 7,866,660</u>

The Corporation’s investments in development costs amounted to \$924,064 thousand in 2020 and \$1,171,829 thousand in 2019, and the amounts collected were \$1,795,682 thousand in 2020 and \$2,368,227 thousand in 2019.

The Corporation’s receivables from industrial zone agents 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 development funds from industrial zone agents 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.

## 12. BUILDINGS AND LAND HELD FOR SALE, NET

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
3 <sup>rd</sup> Subsection, Xinyi Section, Xinyi District, Taipei City	\$ 10,923,432	\$ 10,923,432
Litzer Industrial District	267,436	267,436
Linyi Section 3, Zhongzheng District, Taipei City	67,655	99,324
Building and land in Danshui Township	72,519	72,519
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
Peibo Section in Tucheng District	<u>-</u>	<u>1,244,634</u>
	<u>\$ 11,401,149</u>	<u>\$ 12,677,452</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 and \$49,893 thousand as of December 31, 2020 and 2019, respectively. The operating costs for 2020 included the gain on the sale of buildings held for sale which amounted to \$10,648.

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 34 for information about buildings and land held for sale, net.



### 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, 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	<u>-</u>	<u>5,850</u>	<u>5,850</u>
	<u>\$ 1,349,351</u>	<u>\$ 1,739,403</u>	<u>\$ 3,088,754</u>
<u>December 31, 2019</u>			
Land in Baoqing Sec., Taipei City	\$ 21,475	\$ 882,682	\$ 904,157
Land in Zhengyi Sec., Taipei City	25,236	-	25,236
Land in Nangang Sec., Taipei City	<u>-</u>	<u>3,822</u>	<u>3,822</u>
	<u>\$ 46,711</u>	<u>\$ 886,504</u>	<u>\$ 933,215</u>

In November 2009, the Corporation acquired lots in the Zhengyi Section in 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.

The Corporation signed a joint venture agreement with Agora Garden Co., Ltd. in March 2010 to construct a residential building in the 3<sup>rd</sup> subsection of Xinyi Section, Taipei City. On April 3, 2019, the joint-construction and allocation of housing units was completed and on April 22, 2019, the procedures for the transfer of the building were carried out and transfer of ownership was registered; and the residential building was reclassified to buildings and land held for sale, net. Refer to Note 12 for the related information.

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 in 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. As of the end of 2020, related constructions of interior partition walls and hydroelectric arrangements were in progress.

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, and the demolition of the buildings was completed in July 2020. As of the end of 2020, related constructions of the diaphragm wall and foundation piles were in progress.

Moreover, the urban renewal business plan for land number 57 of Baoqing Section, Taipei City was completed on 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. As of the end of 2020, the Corporation was still negotiating with residents.

In 2015, the Corporation started to process three urban renewal plans located on the land, plot number 316, in the Nangang Section in 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 on the transfer of ownership rights was held on November 28, 2020. As of the end of 2020, the house selection procedures were in progress.

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 demolition of the buildings was completed in June 2020. As of the end of 2020, the road construction was in progress.

As of December 31, 2020 and 2019, the interest expense before capitalization was \$171,803 thousand and \$191,166 thousand, respectively; the capitalized construction interest was \$19,338 thousand and \$8,182 thousand, respectively; the capitalization rates per annum were 1.956%-2.028% and 2.292%, respectively.

#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

##### a. Investment in subsidiaries

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Unlisted ordinary shares</u>		
Core Pacific World Co., Limited	\$ 1,375,740	\$ 1,229,407
BES Machinery Co., Ltd.	834,720	830,768
BES Investment Company Ltd.	535,439	533,270
BES Logistics International Co., Ltd.	713,248	690,109
Core Asia Human Resource Management Corporation	93,814	95,698
Cinemark-Core Pacific, Ltd.	52,495	64,458
Chung Kung Safeguarding & Security Corp.	49,342	53,449
BES Construction Corporation (U.S.A.)	25,653	26,801
BES Global Investment Co.	<u>16,905</u>	<u>16,570</u>
	<u>\$ 3,697,356</u>	<u>\$ 3,540,530</u>
	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Core Pacific World Co., Limited	99.95%	99.95%
BES Machinery Co., Ltd.	99.35%	99.29%
BES Investment Company Ltd.	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)	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: For the years ended December 31, 2020 and 2019, Cinemark-Core Pacific, Ltd.'s proportion of ownership held by the Corporation and BES Machinery Co., Ltd. was 77.73% and 77.69%, respectively.

For the years ended December 31, 2020 and 2019, the share of profit or loss and other comprehensive income of the investments in subsidiaries accounted for using the equity method was based on the audited financial statements of the subsidiaries for the same years.

b. Investment in associates

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Associates that are not individually material	<u>\$ 289,328</u>	<u>\$ 409,992</u>
Aggregate information of joint ventures that are not individually material:		
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
The Corporation's share of:		
Loss for the year	\$ (120,675)	\$ (397,635)
Other comprehensive income	<u>11</u>	<u>976</u>
Total comprehensive loss for the year	<u>\$ (120,664)</u>	<u>\$ (396,659)</u>

In October 2019, Core Pacific City Co., Ltd., one of the Corporation's associates accounted for using the equity method, signed a contract for the sale of real estate with its related party, Ding Yue Development Co., Ltd. ("Ding Yue Development"), for a total price of \$37,200,010 thousand, which was resolved to take effect in the shareholders' meeting on November 11, 2019. The original plan was to transfer the freehold land in Xisong Section, Songshan District, Taipei City to Ding Yue Development after paying the land value increment tax in October 2020. However, due to the delay in the demolition works as a result of an industrial accident, in line with the syndicated loan procedures for financial institutions, Core Pacific City Co., Ltd. held shareholders' meetings on October 22, 2020 and February 26, 2021, where the first and second supplemental agreements of the real estate sales contract were approved and signed on the respective dates, which extended the expiry date of the contract to June 30, 2021. The Corporation's management assessed that the recoverable amount was not lower than the carrying amount, and hence did not recognize an impairment loss on the disposal.

In January 2019, the Corporation did not subscribe for BES Twin Towers Development Co., Ltd.'s issuance of common stock for cash based on its existing shareholding proportion, causing its shareholding proportion to decrease from 9.09% to 5.99%. On February 27, 2019, the proposal to dispose of all of the shares of BES Twin Towers Development Co., Ltd. to China Petrochemical Development Corporation was approved by in the board of directors' meeting, and the disposal and transfer of shares were completed in March 2019. The loss on the disposal of \$11,423 thousand was recognized in other gains and losses and the disposal price of \$215,600 thousand has been fully received.

Except for BA & BES Contracting (L.L.C.), investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of BA & BES Contracting (L.L.C.) which have not been audited.

## 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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Assets</u>		
Cash	\$ 47,748	\$ 26,819
Construction receivables	71,182	34,387
Contract assets - current	44,588	12,494
Other current assets	658	1,020
Refundable deposits	<u>629</u>	<u>629</u>
	<u>\$ 164,805</u>	<u>\$ 75,349</u>
<u>Liabilities</u>		
Trade payables	\$ 4,710	\$ 15,839
Accrued expenses	2,438	3,318
Contract liabilities - current	118,952	-
Other current liabilities	<u>3,570</u>	<u>66</u>
	<u>\$ 129,670</u>	<u>\$ 19,223</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Construction revenue	<u>\$ 491,372</u>	<u>\$ 129,927</u>
Construction costs	<u>\$ 490,358</u>	<u>\$ 106,254</u>
Interest revenue	<u>\$ 15</u>	<u>\$ 13</u>

## 16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2019	\$ 2,199,234	\$ 553,828	\$ 475,739	\$ 55,041	\$ 3,283,842
Additions	-	-	15,433	5,021	20,454
Disposals	-	-	(4,415)	(1,986)	(6,401)
Balance at December 31, 2019	<u>\$ 2,199,234</u>	<u>\$ 553,828</u>	<u>\$ 486,757</u>	<u>\$ 58,076</u>	<u>\$ 3,297,895</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2019	\$ 3,004	\$ 324,076	\$ 355,122	\$ 42,584	\$ 724,786
Depreciation expense	-	24,381	31,759	4,568	60,708
Disposals	-	-	(3,897)	(1,787)	(5,684)
Balance at December 31, 2019	<u>\$ 3,004</u>	<u>\$ 348,457</u>	<u>\$ 382,984</u>	<u>\$ 45,365</u>	<u>\$ 779,810</u>
Balance at December 31, 2019, net	<u>\$ 2,196,230</u>	<u>\$ 205,371</u>	<u>\$ 103,773</u>	<u>\$ 12,711</u>	<u>\$ 2,518,085</u>
<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
Transfers from other assets	-	-	2,143	-	2,143
Disposals	-	(695)	(364,526)	(1,574)	(366,795)
Transfers to investment properties	-	(6,286)	-	-	(6,286)
Balance at December 31, 2020	<u>\$ 2,199,234</u>	<u>\$ 547,759</u>	<u>\$ 146,964</u>	<u>\$ 63,151</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)
Transfers to investment properties	-	(2,598)	-	-	(2,598)
Balance at December 31, 2020	<u>\$ 3,004</u>	<u>\$ 360,380</u>	<u>\$ 111,442</u>	<u>\$ 48,396</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>\$ 2,433,886</u>

No impairment assessment was performed for the years ended December 31, 2020 and 2019 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

Refer to Note 34 for information about the amount of property, plant and equipment pledged by the Corporation as collateral for borrowings.

## 17. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amount</u>		
Land	\$ 49,701	\$ 31,333
Buildings	22,354	24,535
Machinery	-	637
Transportation equipment	<u>24,830</u>	<u>19,109</u>
	<u>\$ 96,885</u>	<u>\$ 75,614</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 56,160</u>	<u>\$ 55,323</u>
Decrease in right-of-use assets	<u>\$ 560</u>	<u>\$ 983</u>
Depreciation charge for right-of-use assets		
Land	\$ 6,008	\$ 2,132
Buildings	14,784	12,725
Machinery	637	765
Transportation equipment	<u>12,900</u>	<u>12,177</u>
	<u>\$ 34,329</u>	<u>\$ 27,799</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amount</u>		
Current	<u>\$ 32,649</u>	<u>\$ 31,749</u>
Non-current	<u>\$ 65,101</u>	<u>\$ 44,149</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	2.40%-2.72%	2.72%
Buildings	2.40%-2.72%	2.72%
Machinery	-	2.72%
Transportation equipment	2.40%-2.72%	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>	
	2020	2019
Expenses relating to short-term leases	<u>\$ 1,650</u>	<u>\$ 8,254</u>
Expenses relating to low-value asset lease	<u>\$ 1,543</u>	<u>\$ 1,298</u>
Total cash outflow for leases	<u>\$ (39,065)</u>	<u>\$ (38,489)</u>

**18. INVESTMENT PROPERTIES**

	<b>Completed Investment Properties</b>
<u>Balance at December 31, 2019</u>	
Measured at cost	<u>\$ 1,010,005</u>
<u>Balance at December 31, 2020</u>	
Measured at cost	<u>\$ 1,009,666</u>
<u>Cost</u>	
Balance at January 1, 2019	<u>\$ 1,182,746</u>
Balance at December 31, 2019	<u>\$ 1,182,746</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ 168,638
Depreciation expense	<u>4,103</u>
Balance at December 31, 2019	<u>\$ 172,741</u>
Balance at December 31, 2019, net	<u>\$ 1,010,005</u>
<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>

(Continued)

	<b>Completed Investment Properties</b>
<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> (Concluded)

No impairment assessment was performed for the years ended December 31, 2020 and 2019 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, 2020 and 2019 were as follows:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
No later than 1 year	\$ 64,319	\$ 71,332
Later than 1 year and not later than 5 years	<u>26,029</u>	<u>43,150</u>
	<u>\$ 90,348</u>	<u>\$ 114,482</u>

The fair values of investment properties were arrived at on the basis of valuations carried out as of December 2020 and 2019 by independent and qualified professional appraiser. The fair values are shown below:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Fair value	<u>\$ 4,340,012</u>	<u>\$ 4,081,758</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 34.



## 19. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Secured borrowings</u>		
Bank loans	\$ 1,787,800	\$ 2,960,846
<u>Unsecured borrowings</u>		
Bank loans	<u>500,000</u>	<u>-</u>
	<u>\$ 2,287,800</u>	<u>\$ 2,960,846</u>

The short-term borrowings were pledged by freehold land, buildings, and investments accounted for under equity method. Refer to Note 34 for related information.

The range of weighted average effective interest rate on bank loans was 1.745%-2.347% and 1.900%-2.370% per annum at December 31, 2020 and 2019, respectively.

### b. Short-term bills payable

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Commercial paper	\$ 2,299,000	\$ 1,360,000
Less: Unamortized discount on bills payable	<u>(3,755)</u>	<u>(2,637)</u>
	<u>\$ 2,295,245</u>	<u>\$ 1,357,363</u>

Outstanding short-term bills payable were as follows:

#### 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 38,755 thousand shares of China Petrochemical Development Corporation with a total book value of \$451,729 thousand have been pledged as collateral.

December 31, 2019

Promissory Institution	Nominal Amount	Discount Amount	Carrying Value	Interest Rate	Collateral	Carrying Value of Collateral
<u>Commercial paper</u>						
Mega Bills Finance	\$ 450,000	\$ 905	\$ 449,095	2.000%	Land and building	\$ 504,876
Shanghai Commercial & Savings Bank, Ltd. - Tien Mou Branch	450,000	445	449,555	2.200%	Land and building	815,731
Taiwan Finance Corporation	254,500	770	253,730	2.262%	Note 1	Note 1
Taiwan Finance Corporation	165,500	500	165,000	2.262%	Note 1	Note 1
Taiwan Finance Corporation	<u>40,000</u>	<u>17</u>	<u>39,983</u>	1.862%	Note 2	Note 2
	<u>\$ 1,360,000</u>	<u>\$ 2,637</u>	<u>\$ 1,357,363</u>			

Note 1: The loan is collateralized by land and buildings with a total book value of \$861,464 thousand.

Note 2: A total of 5,207 thousand shares of Taipei Business Bank with a total book value of \$65,608 thousand have been pledged as collateral.

The short-term bills payable were pledged by listed stocks, receivables which are recognized in accounts receivable on the development of industrial districts, freehold land and buildings. (Refer to Note 34 for related information.)

c. Long-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Secured borrowings</u>		
Bank loans	\$ 3,850,000	\$ 4,220,000
<u>Unsecured borrowings</u>		
Bank loans	<u>549,622</u>	<u>1,748,514</u>
	4,399,622	5,968,514
Less: Current portion	<u>(1,057,124)</u>	<u>(1,690,766)</u>
Long-term borrowings	<u>\$ 3,342,498</u>	<u>\$ 4,277,748</u>

As of December 31, 2020 and 2019, the weighted average effective interest rate of the bank borrowings secured by the Corporation's freehold land, building, certificate of deposit, and bank account (see Note 34), was 2.047%-2.250% per annum and 2.120%-2.737% per annum, respectively.

## 20. BONDS PAYABLE

On February 25, 2014, the Corporation issued 5 thousand unsecured, 0%, New Taiwan dollar-denominated convertible bonds in Taiwan, with an aggregate principal of \$500,000 thousand.

Each bond entitles the holder to convert the bond into the Corporation's ordinary share at a conversion price of NT\$8.7. As of February 15, 2019, the conversion price was adjusted to NT\$7.6 per share. The conversion may occur at any time between March 26, 2014 and February 15, 2019. If the bonds are not converted by the end of the maturity period, they will be redeemed at book value.

The bondholders will have the right, at such holder's option, to redeem the bonds held by such holder on the date three years from the issuance date. The bondholders who want to require the Corporation to recall the convertible bonds at the rate of 104.568% of par value may inform the agent for stock affairs in writing 30 days before the date the holders will have the option to redeem the bonds.

In March 2017, parts of the shareholders performed their put options to redeem the bonds at face value totaling \$417,000 thousand with an interest compensation of \$19,052 thousand. As a result, a \$16,363 thousand loss on bonds payable was recognized under other gains and losses.

The unsecured domestic convertible bonds issued by the Corporation were due on February 25, 2019. The face value of the bonds of \$32,900 thousand was fully paid in March 2019.

## 21. TRADE PAYABLES

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Trade payables</u>		
Operating	<u>\$ 4,308,320</u>	<u>\$ 4,201,554</u>

Accounts payable classified as retentions payable on construction contracts were \$1,529,758 thousand as of December 31, 2020 and \$1,196,832 thousand as of December 31, 2019, respectively. Retentions payable on construction contracts are not bearing interest, and are expected to be paid at the end of retention periods. The warranty periods are with the normal operating cycle of the Corporation, usually more than one year. Related information on construction contracts is shown in Table 1 following the Notes to Financial Statements.

## 22. ACCOUNTS PAYABLE FOR THE DEVELOPMENT OF INDUSTRIAL DISTRICTS

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Litzer Industrial District	\$ 1,069,047	\$ 1,081,562
Yunlin Technology-based Industrial Park	858,017	838,399
Other Industrial Districts	<u>15,963</u>	<u>15,963</u>
	<u>\$ 1,943,027</u>	<u>\$ 1,935,924</u>

Accounts payable (receivable) for the development of industrial districts amounted to \$54,914 thousand in 2020 and \$57,149 thousand in 2019. The input costs were \$47,811 thousand in 2020 and \$19,645 thousand in 2019.

## 23. PROVISIONS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Warranties	\$ 445,573	\$ 516,433
Onerous contracts	<u>22,604</u>	<u>72,432</u>
	<u>\$ 468,177</u>	<u>\$ 588,865</u>
<u>Non-current</u>		
Long-term provision for the judgment of legal procedures	<u>\$ 365,748</u>	<u>\$ 669,921</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 had 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 obligations to make under non-cancellable onerous operating contracts less the revenue expected to be earned, where applicable.

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.

## 24. 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 plan 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 contributes amounts equal to 7% and 5.4% of total monthly salaries per annum at December 31, 2020 and 2019, 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 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>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 319,503	\$ 319,113
Fair value of plan assets	<u>(203,133)</u>	<u>(192,329)</u>
Net defined benefit liabilities	<u>\$ 116,370</u>	<u>\$ 126,784</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, 2019	\$ 313,819	\$ (202,938)	\$ 110,881
Service cost			
Current service cost	7,572	-	7,572
Net interest expense	<u>2,268</u>	<u>(1,462)</u>	<u>806</u>
Recognized in profit or loss	<u>9,840</u>	<u>(1,462)</u>	<u>8,378</u>
Remeasurement			
Returns on plan assets	-	(7,850)	(7,850)
Actuarial (gain) loss - changes in financial assumptions	14,902	-	14,902
Actuarial (gain) loss - experience adjustments	<u>7,663</u>	<u>-</u>	<u>7,663</u>
Recognized in other comprehensive income	<u>22,565</u>	<u>(7,850)</u>	<u>14,715</u>
Contributions from the employer	-	(6,999)	(6,999)
Benefits paid	<u>(27,111)</u>	<u>26,920</u>	<u>(191)</u>
Balance at December 31, 2019	<u>\$ 319,113</u>	<u>\$ (192,329)</u>	<u>\$ 126,784</u>
Balance at January 1, 2020	\$ 319,113	\$ (192,329)	\$ 126,784
Service cost			
Current service cost	6,762	-	6,762
Net interest expense	<u>2,182</u>	<u>(1,323)</u>	<u>859</u>
Returns on plan assets	<u>8,944</u>	<u>(1,323)</u>	<u>7,621</u>
Remeasurement			
Predicted returns on plan assets	-	(6,938)	(6,938)
Actuarial (gain) loss - changes in financial assumptions	10,319	-	10,319
Actuarial (gain) loss - 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>

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>2020</b>	<b>2019</b>
Operating costs	\$ 2,483	\$ 7,129
Selling and marketing expenses	8	-
General and administrative expenses	5,111	1,179
Research and development expenses	<u>19</u>	<u>70</u>
	<u>\$ 7,621</u>	<u>\$ 8,378</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>2020</b>	<b>2019</b>
Discount rate(s)	0.30%	0.70%
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 decrease or increase as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (6,504)</u>	<u>\$ (6,950)</u>
0.25% decrease	<u>\$ 6,709</u>	<u>\$ 7,179</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 6,579</u>	<u>\$ 7,069</u>
0.25% decrease	<u>\$ (6,413)</u>	<u>\$ (6,880)</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.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected contributions to the plan for the next year	<u>\$ 8,281</u>	<u>\$ 8,015</u>
Average duration of the defined benefit obligation	8 years	8 years

## 25. 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, 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	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>

	<b>December 31, 2019</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	\$ 477,612	\$ 515,071	\$ 992,683
Construction receivables	1,313,079	222,256	1,535,335
Contract assets - current	1,427,201	1,609,093	3,036,294
Accounts receivable on the development of industrial districts	-	7,866,660	7,866,660
Buildings and land held for sale, net	1,009,611	11,667,841	12,677,452
Construction in progress	-	933,215	933,215
Refundable deposits on construction contracts	<u>42,150</u>	<u>99,480</u>	<u>141,630</u>
	<u>\$ 4,269,653</u>	<u>\$ 22,913,616</u>	<u>\$ 27,183,269</u>
<u>Liabilities</u>			
Notes payable	\$ 150	\$ -	\$ 150
Trade payables	2,730,702	1,470,852	4,201,554
Contract liabilities - current	808,649	1,257,762	2,066,411
Accounts payable for the development of industrial districts	-	1,935,924	1,935,924
Provisions - current	196,344	392,521	588,865
Guarantee deposits on construction contracts - current	<u>131,054</u>	<u>223,145</u>	<u>354,199</u>
	<u>\$ 3,866,899</u>	<u>\$ 5,280,204</u>	<u>\$ 9,147,103</u>

## 26. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2020</b>	<b>2019</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>2020</u>	<u>2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Shares issued in excess of par	\$ 11,501	\$ 11,501
Treasury share transactions	1,757	1,757
Changes in net equity of associates accounted for using the equity method	4,094	4,094
Donations	51	-
<u>May only be used to offset a deficit (2)</u>		
Other	<u>56,430</u>	<u>56,430</u>
	<u>\$ 73,833</u>	<u>\$ 73,782</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 28 (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.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2019 and 2018, which had been approved in the Corporation's shareholders' meetings on June 23, 2020 and June 21, 2019, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	<u>\$ 31,289</u>	<u>\$ 36,333</u>
Cash dividends	<u>\$ 307,711</u>	<u>\$ 301,587</u>
Cash dividends per share (NT\$)	<u>\$ 0.201</u>	<u>\$ 0.197</u>

The appropriations of earnings for 2020, which had been proposed by the Corporation's board of directors on March 17, 2021, were as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	<u>\$ 61,492</u>
Cash dividends	<u>\$ 356,700</u>
Cash dividends per share (NT\$)	<u>\$ 0.233</u>

The appropriations of earnings for 2020 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 16, 2021.

d. Special reserve

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 2,788,570	\$ 2,801,480
Reversal:		
Depreciation of property, plant and equipment	_____ -	_____ (12,910)
Balance at December 31	<u>\$ 2,788,570</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>2020</b>	<b>2019</b>
Balance at January 1	\$ (322,536)	\$ (230,373)
Share from associates accounted for using the equity method	<u>18,967</u>	<u>(92,163)</u>
Balance at December 31	<u>\$ (303,569)</u>	<u>\$ (322,536)</u>

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (243,747)	\$ (328,389)
Recognized for the year		
Unrealized gain (loss) - equity instruments	(84,848)	149,154
Share from associates accounted for using the equity method	169,258	(5,241)
Reclassification adjustments		
Share from the disposal of associates accounted for using the equity method	<u>-</u>	<u>(59,271)</u>
Other comprehensive income recognized for the year	<u>84,410</u>	<u>84,642</u>
Balance at December 31	<u>\$ (159,337)</u>	<u>\$ (243,747)</u>

**27. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers		
Construction contract revenue	\$ 11,860,058	\$ 10,209,045
Revenue from the rendering of services	27,122	21,706
Revenue from sell of properties	35,091	-
Other operating revenue	<u>74,356</u>	<u>307,701</u>
	<u>\$ 11,996,627</u>	<u>\$ 10,538,452</u>

## Contract Balances

	December 31, 2020	December 31, 2019	January 1, 2019
Construction receivables	<u>\$ 1,254,817</u>	<u>\$ 1,535,335</u>	<u>\$ 1,663,054</u>
Contract assets			
Deposits under construction contracts for construction receivables	\$ 1,944,868	\$ 1,673,802	\$ 1,677,783
Amounts due from customers for construction contracts	<u>1,329,022</u>	<u>1,362,492</u>	<u>1,009,004</u>
	<u>\$ 3,273,890</u>	<u>\$ 3,036,294</u>	<u>\$ 2,686,787</u>
Contract liabilities			
Amounts due to customers for construction contracts	\$ 1,874,194	\$ 1,821,670	\$ 2,334,395
Pre-construction sale	<u>351,018</u>	<u>244,741</u>	<u>145,971</u>
	<u>\$ 2,225,212</u>	<u>\$ 2,066,411</u>	<u>\$ 2,480,366</u>

The credit risk management of contract assets is the same as trade receivables, related information is shown in Note 10.

## 28. NET PROFIT

### a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Bank deposits	\$ 421	\$ 448
Financial assets at amortized cost	3,160	5,182
Others	<u>69,064</u>	<u>114,337</u>
	<u>\$ 72,645</u>	<u>\$ 119,967</u>

### b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Rental income	\$ 70,159	\$ 52,010
Dividends	26,702	41,684
Others	<u>-</u>	<u>46,000</u>
	<u>\$ 96,861</u>	<u>\$ 139,694</u>

c. Other gains and losses

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Loan application fee	\$ (99,074)	\$ (120,980)
Loss on disposal of associates	-	(11,423)
Net gain (loss) on fair value changes of financial assets and liabilities at FVTPL	(29)	2,946
Gain (loss) on compensation (reversal)	317,633	(15,644)
Gain on disposal of property, plant and equipment	313,218	522
Others	<u>7,168</u>	<u>780</u>
	<u>\$ 538,916</u>	<u>\$ (143,799)</u>

d. Finance costs

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Interest on bank overdrafts and loans	\$ 151,639	\$ 180,377
Interest on lease liabilities	662	451
Interest expense incurred on contracts with customers	<u>164</u>	<u>2,156</u>
	<u>\$ 152,465</u>	<u>\$ 182,984</u>

Refer to Note 13 for information about capitalized interest.

e. Depreciation

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
An analysis of amortization by function		
Operating costs	\$ 44,897	\$ 55,630
Operating expenses	<u>30,475</u>	<u>32,877</u>
	<u>\$ 75,372</u>	<u>\$ 88,507</u>

The depreciation of investment properties, which was recognized in other income - rental income, was \$4,027 thousand and \$4,103 thousand in 2020 and 2019, respectively.

f. Operating expenses directly related to investment properties

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Direct operating expenses from investment properties generating rental income	<u>\$ 4,402</u>	<u>\$ 5,050</u>

g. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term benefits	\$ 721,665	\$ 687,364
Post-employment benefits		
Defined contribution plan	27,610	24,814
Defined benefit plans	<u>7,621</u>	<u>8,378</u>
	<u>35,231</u>	<u>33,192</u>
Other employee benefits	<u>77,812</u>	<u>71,386</u>
Total employee benefits expense	<u>\$ 834,708</u>	<u>\$ 791,942</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 679,901	\$ 654,844
Operating expenses	<u>154,807</u>	<u>137,098</u>
	<u>\$ 834,708</u>	<u>\$ 791,942</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 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 remuneration of directors and supervisors for the years ended December 31, 2020 and 2019, which were approved by the Corporation's board of directors on March 17, 2021 and March 27, 2020, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Compensation of employees	2%	2%
Remuneration of directors and supervisors	2%	2%

Amount

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Cash</b>	<b>Shares</b>	<b>Cash</b>	<b>Shares</b>
Compensation of employees	\$ 16,302	\$ -	\$ 8,441	\$ -
Remuneration of directors and supervisors	16,302	-	8,441	-

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 adjusted in the accounts 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, 2019 and 2018.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 29. INCOME TAXES

### a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ -	\$ 3,523
Land value increment tax	118	-
Income tax on unappropriated earnings	441	2,386
Adjustments for prior year	<u>(163)</u>	<u>-</u>
	<u>\$ 396</u>	<u>\$ 5,909</u>
Deferred tax		
In respect of the current year	\$ 161,100	\$ 79,398
Adjustments for prior year	<u>2,029</u>	<u>6,973</u>
	<u>163,129</u>	<u>86,371</u>
Income tax expense recognized in profit or loss	<u>\$ 163,525</u>	<u>\$ 92,280</u>

A reconciliation of accounting profit and current income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Income tax expense calculated at the statutory rate	\$ 156,497	\$ 81,033
Nondeductible expenses in determining taxable income	32,308	7,462
Tax-exempt income	(5,340)	(8,337)
Unrecognized loss on impairment of assets	(2,129)	-
Land value increment tax	118	-
Income tax on unappropriated earnings	441	2,386
Unrecognized deductible temporary differences	(20,236)	2,763
Adjustments for prior year's tax	<u>1,866</u>	<u>6,973</u>
Income tax expense recognized in profit or loss	<u>\$ 163,525</u>	<u>\$ 92,280</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Corporation only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

b. Income tax recognized in other comprehensive income

**For the Year Ended December 31**  
**2020**                      **2019**

Deferred tax

In respect of the current year - remeasurement of defined benefit plans recognized in other comprehensive income                      \$ 1,191                      \$ 2,943

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, 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	\$ 115,461	\$ (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>

<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	<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>

For the year ended December 31, 2019

<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	\$ 98,598	\$ 16,863	\$ -	\$ 115,461
Provision for warranties	72,746	30,541	-	103,287
Defined benefit plans	25,117	465	2,943	28,525
Unrealized loss in valuation on financial assets	85	(85)	-	-
Loss carryforwards	<u>356,110</u>	<u>(134,096)</u>	<u>-</u>	<u>222,014</u>
	<u>\$ 552,656</u>	<u>\$ (86,312)</u>	<u>\$ 2,943</u>	<u>\$ 469,287</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>38,489</u>	<u>59</u>	<u>-</u>	<u>38,548</u>
	<u>\$ 1,029,831</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 1,029,890</u>

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	<u>December 31</u>	
	2020	2019
Impairment of financial assets	\$ 38,979	\$ 38,979
Unrealized loss on lawsuits	83,310	184,842
Impairment of assets	<u>58,118</u>	<u>68,766</u>
	<u>\$ 180,407</u>	<u>\$ 292,587</u>

- e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2020 comprised:

Unused Amount	Expiry Year
\$ 90,217	2024 (approved)
<u>704,093</u>	2025 (approved)
<u>\$ 794,310</u>	

- f. Income tax assessments

The income tax returns through 2018 have been assessed by the tax authorities.

### 30. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations are as follows:

#### Net Profit for the Period

	<u>For the Year Ended December 31</u>	
	2020	2019
Earnings used in the computation of basic earnings per share	<u>\$ 618,959</u>	<u>\$ 312,886</u>

## Weighted Average Number of Ordinary Shares Outstanding

(In Thousands of Shares)

	<u>For the Year Ended December 31</u>	
	2020	2019
Weighted average number of ordinary shares 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>1,980</u>	<u>973</u>
Weighted average number of ordinary shares outstanding used in the computation of dilutive earnings per share	<u>1,532,879</u>	<u>1,531,872</u>

Since 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.

If the outstanding convertible bonds issued by the Corporation are converted to ordinary shares, they are anti-dilutive and excluded from the computation of diluted earnings per share. 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 at their meeting.

### 31. 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.

### 32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,105,768	\$ -	\$ -	\$ 1,105,768
Domestic 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>

December 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Mutual funds	\$ <u>5,001</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,001</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,177,766	\$ -	\$ -	\$ 1,177,766
Domestic unlisted shares	<u>-</u>	<u>113,161</u>	<u>-</u>	<u>113,161</u>
	<u>\$ 1,177,766</u>	<u>\$ 113,161</u>	<u>\$ -</u>	<u>\$ 1,290,927</u>

There were no transfers between Levels 1 and 2 in the current and prior year.

2) 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 period, 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.

b. Categories of financial instruments

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ -	\$ 5,001
Financial assets at amortized cost (Note 1)	6,036,727	7,177,238
<u>Financial liabilities</u>		
Amortized cost (Note 2)	14,581,482	16,125,415

Note 1: The balances included financial assets measured at amortized cost, which comprise cash, financial assets at amortized cost, construction receivables, refundable deposits on construction contracts, other receivables (including 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 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 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 36.

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.

	<u>RMB Impact</u>		<u>HKD Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Equity	\$ 36,508	\$ 35,334	\$ 26,772	\$ 26,664

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 risk is managed by maintaining an appropriate mix of fixed and floating rate borrowings.

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>	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 1,208,549	\$ 1,179,725
Financial liabilities	2,392,995	1,520,921
Cash flow interest rate risk		
Financial assets	3,295,177	4,041,946
Financial liabilities	6,687,422	8,841,700

The Corporation was exposed to fair value interest rate risk in relation to fixed-rate certificates of deposit and short-term bills payable issued.

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, 2020 and 2019 would decrease by \$33,922 thousand and \$47,997 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, 2020 and 2019 would have increased by \$60,304 thousand and \$64,546 thousand, respectively.

## 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, 2020 and 2019, the Corporation had available unutilized short-term bank loan facilities were shown below:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
The limit of unsecured bank overdrafts (examined annually)		
Amount used	\$ 1,049,622	\$ 1,748,514
Amount unused	<u>6,688,106</u>	<u>1,549,199</u>
	<u>\$ 7,737,728</u>	<u>\$ 3,297,713</u>
The limit of secured bank overdrafts		
Amount used	\$ 7,933,045	\$ 8,538,209
Amount unused	<u>18,845,000</u>	<u>4,111,791</u>
	<u>\$ 26,778,045</u>	<u>\$ 12,650,000</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, 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>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 32,664</u>	<u>\$ 47,953</u>	<u>\$ 26,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

	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		\$ 943,458	\$ 873,492	\$ 913,902	\$ 1,463,574	\$ 7,278
Lease liabilities	2.720	3,108	5,984	22,657	38,967	9,473
Variable interest rate liabilities	1.900-2.737	17,469	895,760	3,816,371	4,408,560	-
Fixed interest rate liabilities	1.862-2.262	<u>497,695</u>	<u>885,390</u>	<u>64,575</u>	<u>-</u>	<u>-</u>
		<u>\$ 1,461,730</u>	<u>\$ 2,660,626</u>	<u>\$ 4,817,505</u>	<u>\$ 5,911,101</u>	<u>\$ 16,751</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 31,749</u>	<u>\$ 38,967</u>	<u>\$ 9,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### 33. TRANSACTIONS WITH RELATED PARTIES

Besides as disclosed elsewhere in Notes 13, 14 and 35, details of transactions between the Corporation and related parties are disclosed below:

a. Related party name and categories

Related Party Name	Related Party Categories
China Petrochemical Development Corporation	Legal directors of the Corporation and its subsidiaries
Core Pacific City Co., Ltd.	Associates
Agora Garden Co., Ltd.	Related parties of the Corporation
Glory Construction Co., Ltd.	Related parties of the Corporation
Cheng Yao Enterprise Co., Ltd.	Related parties of the Corporation
Yunheyue Agriculture Co., Ltd.	Related parties in substance
Sheen Chuen-Chi Cultural & Education Foundation	Related parties in substance
Tsou Seen Chemical Industries Corporation	Subsidiaries of legal directors of the Corporation
BES Twin Towers Development Co., Ltd.	Subsidiaries of legal directors of the Corporation
BES Machinery Co., Ltd.	Subsidiaries
Chung Kung Safeguarding & Security Corp.	Subsidiaries
Chung Kung Management Consultant Co., Ltd.	Subsidiaries
Chung Kung Management and Maintenance of Apartment Co., Ltd.	Subsidiaries
Core Asia Human Resources Management Co., Ltd.	Subsidiaries
Elite Human Resources Management Co., Ltd.	Subsidiaries
Hui-Lan Chu	Corporation's chairman
Hua-Yang Shen	Related parties in substance (former chairman)
Tony C. J. Sheen	Related parties in substance
Yu-Kun Chen	Associates of the Corporation's chairman and legal directors of its subsidiaries

b. Trading transactions and other transactions with related parties

Line Items	Related Party Categories	December 31	
		2020	2019
Operating revenue	Legal directors of the Corporation	\$ 282,426	\$ 669,128
	Subsidiaries	<u>1</u>	<u>1,020</u>
		<u>\$ 282,427</u>	<u>\$ 670,148</u>
Operating costs	Subsidiaries	\$ 152,364	\$ 192,742
	Related parties of the Corporation	2,951	2,485
	Associates	<u>200</u>	<u>-</u>
		<u>\$ 155,515</u>	<u>\$ 195,227</u>
Operating expenses	Subsidiaries	\$ 7,157	\$ 7,276
	Related parties of the Corporation	2,866	3,332
	Associates	-	14
	Legal directors of the Corporation	<u>-</u>	<u>6</u>
		<u>\$ 10,023</u>	<u>\$ 10,628</u>



The prices and terms of the transactions with related parties are determined based on the contracts.

c. Receivables from related parties

Line Items	Related Party Categories	December 31	
		2020	2019
Construction receivables	Legal directors of the Corporation	\$ 32,554	\$ 33,148
Other receivables (including other current assets)	Subsidiaries	\$ 699	\$ 792
	Related parties of the Corporation	505	505
	Legal directors of the Corporation	-	1,707
	Associates	-	9
		<u>\$ 1,204</u>	<u>\$ 2,413</u>

Interest income

Related Party Name	For the Year Ended December 31	
	2020	2019
Agora Garden Co., Ltd.	\$ -	\$ 1,667

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for trade receivables from related parties.

d. Payables to related parties

Line Items	Related Party Categories	December 31	
		2020	2019
Trade payables	Subsidiaries	\$ 10,056	\$ 33,928
Accrued expenses	Subsidiaries	\$ 623	\$ 680
	Related parties of the Corporation	509	509
		<u>\$ 1,132</u>	<u>\$ 1,189</u>

The outstanding trade payables from related parties are unsecured, and will be settled in cash.

e. Prepayments

Related Party Categories	December 31	
	2020	2019
Subsidiaries	\$ -	\$ 1,980

f. Construction liabilities

The contract liabilities as of December 31, 2020 and 2019, respectively, were as follows:

December 31, 2020

Related Party Name	Engineering Code	Total Amount of Construction	Amounts Due to Construction Contracts
China Petrochemical Development Corporation	A6E	\$ <u>1,532,800</u>	\$ <u>239,038</u>

December 31, 2019

Related Party Name	Engineering Code	Total Amount of Construction	Amounts Due to Construction Contracts
China Petrochemical Development Corporation	A6E	\$ <u>1,532,800</u>	\$ <u>347,810</u>

The construction contracts and engineering payment conditions with related parties were made at terms comparable to those with similar unrelated parties.

g. Lease arrangements

Related Party Name	<u>For the Year Ended December 31</u>	
	2020	2019
<u>Acquisition of right-of-use assets</u>		
Yunheyue Agriculture Co., Ltd.	\$ 22,646	\$ -
BES Machinery Co., Ltd.	11,608	9,056
Glory Construction Co., Ltd.	<u>-</u>	<u>16,721</u>
	<u>\$ 34,254</u>	<u>\$ 25,777</u>

Line Items	Related Party Name	<u>December 31</u>	
		2020	2019
Lease liabilities	Yunheyue Agriculture Co., Ltd.	\$ 22,350	\$ -
	BES Machinery Co., Ltd.	10,349	3,934
	Glory Construction Co., Ltd.	<u>8,995</u>	<u>14,479</u>
		<u>\$ 41,694</u>	<u>\$ 18,413</u>

Related Party Categories	<u>For the Year Ended December 31</u>	
	2020	2019
<u>Interest expense</u>		
Related parties of the Corporation	\$ 506	\$ 173
Subsidiaries	<u>67</u>	<u>183</u>
	<u>\$ 573</u>	<u>\$ 356</u>

h. Acquisition of other assets

Related Party Name	Line Items	Purchase Price	
		For the Year Ended December 31	
		2020	2019
Agora Garden Co., Ltd.	Buildings and land held for sale	\$ <u>          -</u>	\$ <u>9,337,378</u>

It refers to the buildings and land acquired from Agora Garden Co., Ltd. due to the joint-construction distribution deal.

i. Disposal of other assets

Related Party Name	Line Items	Proceeds		Loss on Disposal	
		For the Year Ended December 31		For the Year Ended December 31	
		2020	2019	2020	2019
China Petrochemical Development Corporation	Investments accounted for using the equity method	\$ <u>          -</u>	\$ <u>215,600</u>	\$ <u>          -</u>	\$ <u>11,423</u>

j. Other transactions with related parties

Rental and interest income (including in other operating revenue) are as follows:

Related Party Name/Categories	December 31	
	2020	2019
Related parties of the Corporation	\$ 5,776	\$ 5,776
Legal directors of the Corporation	4,814	5,289
Subsidiaries	4,113	4,146
Related parties in substance	3,523	-
Associates	206	103
Agora Garden Co., Ltd.	<u>          -</u>	<u>46,000</u>
	\$ <u>18,432</u>	\$ <u>61,314</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

Related Party Categories	December 31	
	2020	2019
Subsidiaries	\$ 25,000	\$ 36,160
Related parties of the Corporation	<u>637</u>	<u>637</u>
	\$ <u>25,637</u>	\$ <u>36,797</u>

Guarantee deposits received by related parties

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries	\$ <u>52</u>	\$ <u>61</u>

Other payables given by related parties

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</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>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 37,505	\$ 28,386
Post-employment benefits	<u>-</u>	<u>-</u>
	\$ <u>37,505</u>	\$ <u>28,386</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

l. Guarantees

As of 2020, the Corporation's proportion of long-term bank loans was jointly guaranteed by Hui-Lan Chu, Tony C.J. Sheen and Yu-Kun Chen.

As of 2019, the Corporation's proportion of long-term bank loans was jointly guaranteed by Hua-Yang Shen (former chairman), Tony C.J. Sheen and Ting Wu.

m. Other significant transactions

On March 7, 2010, the Corporation's board of directors decided to cooperate with Agora Garden Co., Ltd. in a joint venture (JV) construction of Agora Garden Hotel and signed an agreement on March 8, 2010. The sales distribution ratio of the Corporation and Agora Garden Co., Ltd. based on the agreement was 23% and 77%, respectively.

In August 2011, a JV case was approved by the first meeting of urban design review in the Taipei City Government. In September 2011, the Corporation signed a syndicated loan with Taishin International Bank, et al. The procedures for the donation of land to the Taipei City Government under the Urban Building Capacity Transfer were completed in December 2011. On April 12, 2012, the Corporation obtained a construction permit; completed the demolition of buildings in September 2012; applied for the construction registration in December 2012; completed a diaphragm wall and foundation piles in April 2013; completed the first stage demolition of the basement and the reinforcement of the backfill area structure in November 2013; completed foundation piles in May 2014; completed the second stage demolition of the basement in October 2014; installed a seismic isolation system in December 2014; completed the basement structure construction in December 2015; completed the steel main erection in November 2016; completed the above ground-level steel work in January 2017; completed successively

interior and exterior decoration and installation of electromechanical equipment including the fire safety, waterproof engineering, aluminum window in residential area and balcony, glass railing and stone installation, interior partition sealing plate, elevator engineering installation test in September 2017 and obtained the use permit on July 16, 2018.

On April 3, 2019, the Corporation and Agora Garden Co., Ltd. carried out a joint construction and allocation of housing units pursuant to the joint construction deal. In addition to the 8 units of the buildings and 40 parking spaces that the Corporation acquired based on the original distribution ratio, Agora Garden Co., Ltd. also used 4 units of their buildings and 30 parking spaces in the 3<sup>rd</sup> Subsection, Xinyi Section, Xinyi District, Taipei City to compensate the Corporation for the other receivables that should be repaid to the Corporation plus an additional compensation fee, capacity transfer fees and construction fees due to additional purchases. In the event of sale of the housing units, the Corporation calculates the difference between the selling price per unit and the compensation amount plus the costs incurred during the sales period; Agora Garden Co., Ltd should compensate any insufficient amount to the Corporation, while the Corporation should distribute 62.72% of any excess amount to Agora Garden Co., Ltd. Within one year after the registration of transfer of the aforementioned compensated buildings and land, Agora Garden Co., Ltd. should cancel the full amount of the mortgage rights. The registration of transfer of ownership of all the buildings and land had been completed on April 22, 2019, and approval was subsequently obtained in the Corporation's board of directors' meeting on May 10, 2019. As of April 22, 2020, Agora Garden Co., Ltd. had not completed the cancellation of the full amount of the mortgage rights, and on April 23, 2020, the Corporation sent a letter to request Agora Garden Co., Ltd. to make improvements within a three-month period. On June 22, 2020, Agora Garden Co., Ltd. sent a letter to the lead bank of the syndicated loan to apply for the release of the collateral provided by the Corporation. As not all of the banks in the syndicated loan gave their consent for the release of collateral, Agora Garden Co., Ltd. sent a letter to the lead bank of the syndicated loan to apply for an increase in the loan-to-value ratio to cancel the mortgage of the 4 lots of land and the buildings as well as 30 parking spaces on January 5, 2021. The lead bank had issued the letter to all of the participating banks on January 7, 2021. As of March 23, 2021, 67% of the participating banks had passed the proposal for the increase in the loan-to-value ratio, which reached the majority threshold. Therefore, Agora Garden Co., Ltd. will cancel the mortgage of the 4 lots of land and the buildings as well as 30 parking spaces after official notification has been obtained from the banks.

#### 34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for long- and short-term bank loans, short-term bills payable, performance guarantees, construction warranties, lawsuits and endorsements and guarantees:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Financial assets at FVTOCI - current	\$ 601,382	\$ 778,768
Financial assets at amortized cost - current	2,778,414	2,688,977
Accounts receivable on the development of industrial districts	5,028,791	-
Buildings and land held for sale, net	11,371,664	12,647,967
Construction in Progress	1,244,634	-
Financial assets at FVTOCI - non-current	451,729	379,995
Property, plant and equipment, net	906,803	2,041,542
Investment properties, net	<u>941,812</u>	<u>940,229</u>
	<u>\$ 23,325,229</u>	<u>\$ 19,477,478</u>

### 35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2020 were as follows:

#### Significant Commitments

On December 6, 2018, the Corporation signed a syndicated loan with EnTie Commercial Bank whereby the Corporation would act as guarantor for the medium to long-term financing provided to Agora Garden Co., Ltd. of credit limit \$8,500,000 thousand. As of December 31, 2020, the actual amount used by Agora Garden Co., Ltd. was \$7,318,612 thousand. In addition to regular rules, the loan contract also stipulates that the Corporation should meet certain financial ratio requirements.

### 36. EXCHANGE RATE INFORMATION OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

#### December 31, 2020

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Non-monetary items			
Subsidiaries and associates accounted for using the equity method			
RMB	\$ 166,816	4.377 (RMB:NTD)	\$ 730,153
HKD	145,777	3.673 (HKD:NTD)	535,439

#### December 31, 2019

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Non-monetary items			
Subsidiaries and associates accounted for using the equity method			
RMB	\$ 164,153	4.305 (RMB:NTD)	\$ 706,679
HKD	138,548	3.849 (HKD:NTD)	533,270

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gains (losses) were \$1,169 thousand and \$(1,370) 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.

### 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. (Non-applicable)
- 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 5)
- 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 (Table 6)

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 7)

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 8)

**BES ENGINEERING CORPORATION**

**CONTRACT ASSETS, CONTRACT LIABILITIES AND AMOUNTS DUE TO CUSTOMERS FOR CONSTRUCTION CONTRACTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

Contract assets - amounts due from customers for construction contracts

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	<u>10,755,238</u>	<u>10,136,110</u>	<u>557,824</u>	5.19	<u>32,108</u>	<u>557,809</u>	<u>15</u>
		<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>

December 31, 2019

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	\$ 13,646,278	\$ 14,898,927	\$ 14,419,134	96.69	\$ (1,252,649)	\$ 13,194,466	\$ 1,224,668
A6B-1	2021	2,747,572	2,658,110	1,080,412	37.46	33,516	1,042,246	38,166
A8B	2029	10,755,238	10,155,238	35,333	0.02	96	1,721	33,612
A7B	2031	13,830,943	13,035,052	256,980	1.66	13,172	223,552	33,428
A5B	2020	557,348	511,958	558,896	97.15	44,095	541,443	17,453
A7E	2023	816,000	662,904	142,421	15.92	24,376	129,927	12,494
A6C	2021	<u>3,201,905</u>	<u>2,997,159</u>	<u>1,088,209</u>	33.90	<u>69,415</u>	<u>1,085,538</u>	<u>2,671</u>
		<u>\$ 45,555,284</u>	<u>\$ 44,919,348</u>	<u>\$ 17,581,385</u>		<u>\$ (1,067,979)</u>	<u>\$ 16,218,893</u>	<u>\$ 1,362,492</u>

(Continued)



Contract liabilities - amounts due to customers for construction contracts

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)

December 31, 2019

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	2020	\$ 1,532,800	\$ 1,484,407	\$ 789,843	93.68, 65.01	\$ 31,946	\$ 1,137,653	\$ 347,810
A7A	2023	1,940,952	1,830,374	333,404	20.01	22,130	588,447	255,043
A5D	2020	4,022,795	4,024,371	3,341,572	87.91	(1,576)	3,546,679	205,107
A6F	2020	1,729,450	1,620,803	758,106	55.16	59,934	957,850	199,744
A6B-2	2022	3,344,800	3,342,851	1,009,980	34.07	664	1,159,897	149,917
A5C	2022	3,738,854	3,744,542	1,111,547	25.76	(5,688)	1,239,379	127,832
A8C	2023	7,747,429	7,317,744	54,334	2.00	8,598	155,033	100,699
83C	2019	9,043,607	8,749,873	8,952,126	100.00	293,734	9,043,607	91,481
A8A	2020	638,095	590,831	386,845	68.62	32,430	463,353	76,508
A6D	2020	2,849,285	2,724,683	683,346	25.62	31,923	736,186	52,840
A7F	2022	3,348,571	3,163,060	687,221	22.09	40,970	739,522	52,301
A7C	2021	1,566,571	1,448,843	299,613	22.14	26,065	346,839	47,226
A6G	2019	965,081	856,042	919,631	100.00	109,039	965,081	45,450
98C-1	2019	3,669,096	3,610,336	3,637,634	100.00	58,760	3,669,095	31,461
A7D	2021	2,343,750	2,214,683	379,313	17.41	22,468	408,000	28,687
A5A	2019	168,519	175,137	158,708	99.85	(6,618)	168,272	9,564
98C-2	2019	252,812	240,708	-	100.00	12,104	-	-
A5E	2019	1,947,637	1,693,523	-	100.00	254,114	-	-
93C	2019	690,775	830,149	673,300	97.47	(139,374)	673,300	-
A3A	2019	1,988,233	1,805,011	-	100.00	183,222	-	-
A4C	2019	755,939	751,512	755,938	100.00	4,427	755,938	-
A5F	2019	302,311	310,247	302,310	100.00	(7,936)	302,310	-
		54,587,362	52,529,730	25,234,771		1,031,336	27,056,441	1,821,670
750		-	-	18,460,350		-	18,460,350	-
		<u>\$ 54,587,362</u>	<u>\$ 52,529,730</u>	<u>\$ 43,695,121</u>		<u>\$ 1,031,336</u>	<u>\$ 45,516,791</u>	<u>\$ 1,821,670</u>

(Continued)

Amounts due to customers for construction contracts

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>

December 31, 2019

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	2019	\$ 2,862,002	\$ 2,592,956	\$ 2,862,002	100.00	\$ 269,046	\$ 2,862,002	\$ -
A4B	2019	117,221	106,399	117,221	100.00	10,822	117,221	-
A0A	2019	<u>934,228</u>	<u>1,229,851</u>	<u>934,228</u>	100.00	<u>(295,623)</u>	<u>934,228</u>	<u>-</u>
		<u>\$ 3,913,451</u>	<u>\$ 3,929,206</u>	<u>\$ 3,913,451</u>		<u>\$ (15,755)</u>	<u>\$ 3,913,451</u>	<u>\$ -</u>

Note 1: For the amounts due from customers for construction contracts, refer to Note 27.

Note 2: For the amounts due to customers for construction contracts, refer to Note 21.

Note 3: The Corporation recognized construction revenue of \$11,860,058 thousand in 2020 and \$10,209,045 thousand in 2019.

(Concluded)

## BES ENGINEERING CORPORATION

FINANCING PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Financing Limit for Each Borrowing Company (Note)	Ending Balance (Note)	Actual Used	Interest Rate	Financing Properties	Financing Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Limit for Each Counterparty	Financing Company's Financing Amount Limits	Note
													Item	Value			
1	Chung Kung Safeguarding & Security Corp.	Chung Kung Management and Maintenance of Apartment Co., Ltd.	Accounts receivable - related party	Y	\$ 16,000	\$ 16,000	\$ -	-	-	\$ -	Business revolving fund	\$ -	-	\$ -	\$30,519 for each counterparty is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$30,519 for each counterparty is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	Note 2
		Chung Kung Management Consultant Co., Ltd.	Accounts receivable - related party	Y	16,000	16,000	-	-	-	-	-	Business revolving fund	-	-	-	\$30,519 for each counterparty is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$30,519 for each counterparty is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.
2	Hua Cheng Consulting (Changshu) Co., Ltd.	Core Pacific Living City Yangzhou CBD	Other accounts receivable - related party	N	47,531	-	-	-	-	-	Business revolving fund	-	-	-	\$94,166 for each counterparty is equal to 20% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$188,333 for each counterparty is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	
3	Core Pacific Consulting (Changshu) Co., Ltd.	Core Pacific Living City Yangzhou CBD	Other accounts receivable - related party	N	47,531	-	-	-	-	-	Business revolving fund	-	-	-	\$93,291 for each counterparty is equal to 20% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$186,582 for each counterparty is equal to 40% of the Corporation's net equity as shown in Corporation's latest financial statements.	
4	Cinemark-Core Pacific, Ltd.	Cinemark-Core (Suzhou) Pacific Ltd.	Accounts receivable - related party	Y	68,880	-	-	-	-	-	Business revolving fund	-	-	-	\$136,528 for each counterparty is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$136,528 for each counterparty is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	
5	Core Pacific World Co., Limited.	Hua Cheng Consulting (Changshu) Co., Ltd.	Other accounts receivable - related party	Y	39,123	-	-	-	-	-	Business revolving fund	-	-	-	\$412,928 for each counterparty is equal to 30% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$550,571 for each counterparty is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	
		Core Pacific Consulting (Changshu) Co., Ltd.	Other accounts receivable - related party	Y	43,470	-	-	-	-	-	Business revolving fund	-	-	-	\$412,928 for each counterparty is equal to 30% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$550,571 for each counterparty is equal to 40% of the Corporation's net equity as shown in the Corporation's latest financial statements.	
6	Core Asia Human Resources Management Co., Ltd.	Elite Human Resources Management Co., Ltd.	Accounts receivable - related party	Y	10,000	10,000	-	-	-	-	Business revolving fund	-	-	-	\$18,763 for each counterparty is equal to 20% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$37,526 for each counterparty is equal to 40% of the Corporation's net equity as shown in Corporation's latest financial statements.	
7	BES Machinery Co., Ltd.	HRDD Logistics Co., Ltd.	Accounts receivable - related party	Y	21,345	21,345	21,345	5	-	-	Business revolving fund	-	-	-	\$33,607 for each counterparty is equal to 4% of the Corporation's net equity as shown in the Corporation's latest financial statements.	\$336,072 for each counterparty 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: The aggregate financing limit of Chung Kung Safeguarding & Security Corp. is 40% of its net equity based on the latest financial statements, which is NT\$30,519 thousand. Therefore, on February 19, 2021, the board of directors approved the revision of the financing limits of Chung Kung Management and Maintenance of Apartment Co., Ltd. and Chung Kung Management Consultant Co., Ltd. to \$15,000 thousand for each company.

## BES ENGINEERING CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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											
0	BES Engineering Corporation	Agora Garden Co., Ltd. ("Agora")	Contractual	\$ 50,769,560 (Note 1)	\$ 8,200,000	\$ 8,200,000	\$ 7,318,162	\$ -	40.37	\$ 60,923,472 (Note 2)	-	-	-	Note 11
1	Cinemark-Core Pacific, Ltd.	Cinemark-Core (Xi-an) Pacific Ltd.	Related parties	132,353 (Note 4)	59,813	59,813	5,912	-	17.52	132,353	-	-	Y	Note 3
		Cinemark-Core (Suzhou) Pacific Ltd.	Related parties	45,300 (Note 4)	45,300	-	-	-	-	45,300	-	-	Y	Note 3
2	Hua Cheng Consulting (Changshu) Co., Ltd.	BES Engineering Corporation		470,832 (Note 5)	298,686	289,118	260,000	289,118	61.41	941,664 (Note 8)	-	Y	-	
3	Core Pacific Consulting (Changshu) Co., Ltd.	BES Engineering Corporation		466,457 (Note 6)	298,686	289,118	260,000	289,118	61.98	932,914 (Note 9)	-	Y	-	
4	Chung Kung Safeguarding & Security Corp.	Chung Kung Management and Maintenance of Apartment Co., Ltd.		190,742 (Note 7)	25,000	25,000	1,500	-	32.77	228,891 (Note 10)	Y	-	-	
		Chung Kung Management Consultant Co., Ltd.		190,742 (Note 7)	25,000	25,000	3,409	-	32.77	228,891 (Note 10)	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 endorsement depends on the financing contract with Cinemark-Core Pacific, Ltd.

Note 5: 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 6: 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 7: 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 8: 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 9: 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 10: 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.

Note 11: The Corporation and Agora Garden Co., Ltd are joint insurers of each other originally based on the needs of the joint construction contract, in accordance with the contract terms of companies operating in the same industry.

## BES ENGINEERING CORPORATION

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(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, 2020				Note
					Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
0	BES Engineering Corporation	Taiwan Business Bank	-	Financial assets at FVTOCI - current	64,897,560	\$ 631,453	0.87	\$ 631,453	Note 1
		China Petrochemical Development Corporation	Legal directors of the Corporation	Financial assets at FVTOCI - non-current	40,713,750	474,315	1.24	474,315	Note 1
		Century Development Corporation	-	Financial assets at FVTOCI - non-current	10,633,492	78,263	3.03	78,263	
		Overseas Investment & Development Corporation	-	Financial assets at FVTOCI - non-current	2,600,000	22,048	2.89	22,048	
		Zowie Technology Corporation	-	Financial assets at FVTOCI - non-current	6,611	-	0.03	-	
		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	27,322,525	318,308	0.83	318,308	Note 1
		Taiwan Business Bank	-	Financial assets at FVTOCI - current	1,336,630	13,005	0.02	13,005	Note 1
		Core Pacific City Co., Ltd. - class H	-	Financial assets at FVTPL - current	1,472,198	14,722	1.18	14,722	Note 2
2	BES Machinery Co., Ltd.	Chilisin Electronics Corporation	-	Financial assets at FVTPL - current	80,000	8,960	0.03	8,960	Note 1
		China Petrochemical Development Corporation	Legal directors of the Corporation	Financial assets at FVTOCI - non-current	13,110,345	152,735	0.40	152,735	Note 1
3	Chung Kung Safeguarding & Security Corp.	China Petrochemical Development Corporation	Legal directors of the Corporation	Financial assets at FVTOCI - current	52,500	612	-	612	Note 1
		Taiwan Tea Corporation	-	Financial assets at FVTOCI - current	11,000	197	-	197	Note 1
		Yung Construction and Development Co., Ltd.	-	Financial assets at FVTOCI - current	16,000	699	0.01	699	Note 1
		Huang Hsiang Contraction Corporation	-	Financial assets at FVTOCI - current	2,000	76	-	76	Note 1
4	Cinemark-Core Pacific, Ltd.	The investment case of movie - The M Riders	-	Financial assets at FVTOCI - non-current	-	-	-	-	

Note 1: Market values of domestic quoted shares was based on the closing prices as of December 31, 2020.

Note 2: Preferred shares.

**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, 2020  
(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	\$ (282,426)	(2.35)	-	\$ -	-	Construction receivable \$ 32,554	2.59	

## BES ENGINEERING CORPORATION

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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, 2020			Net Income (Loss) of the Investee	Investment Gain (Loss) Recognized (Note 1)	Note
				December 31, 2020	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Value			
BES Engineering Corporation (the "Corporation")	Core Pacific World Co., Limited BES Machinery Corporation	Taipei, Taiwan	Makes investments	\$ 1,530,040	\$ 1,530,040	115,936,200	99.95	\$ 1,375,740	\$ 2,151	\$ 2,150	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	867,216	77,364,999	99.35	834,720	(26,682)	(26,509)	Investee is a subsidiary
	Core Pacific City Co., Ltd.	Taipei, Taiwan	Department store	2,254,760	2,254,760	233,749,600	23.51	289,328	(513,295)	(120,675)	
	BES Investment Company Ltd.	Hong Kong	Overseas construction and equipment sale	733,975	733,975	22,600,000	100.00	535,439	(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	713,248	11,346	11,346	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	93,814	5,327	5,327	Investee is a subsidiary
	Chung Kung Safeguarding & Security Corp.	Taipei, Taiwan	Security and related services	38,127	38,127	3,880,000	64.67	49,342	(7,102)	(4,593)	Investee is a subsidiary
	Cinemark-Core Pacific, Ltd.	Taipei, Taiwan	Movie broadcasting and related businesses	23,450	23,450	1,861,500	15.38	52,495	(79,739)	(12,264)	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	25,653	218	200	Investee is a subsidiary
	BES Global Investment Co. BA & BES Contracting (L.L.C.)	B.V.I. P.O. Box 92237, Dubai-UAE	Overseas construction and equipment sale Engineering and construction	51,313 10,696	51,313 10,696	1,510,100 1,200,000	100.00 40.00	16,905 -	57 -	57 -	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	480,353	13,808	13,808	Investee is a subsidiary
		Republic of Mauritius	Consulting	330,714	330,714	9,500,000	100.00	475,901	13,410	13,410	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	249,443	4,132	4,132	Investee is a subsidiary
		Taipei, Taiwan	Movie broadcasting and related businesses	91,930	91,930	7,593,680	62.76	214,212	(79,739)	(50,044)	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.	B.V.I.	Holds investments	463,104	463,104	14,400,000	44.67	491,037	6,982	3,119	
		Georgia, U.S.A.	Develops lands for investments	25,724	25,724	761	8.21	2,294	218	18	Investee is a subsidiary
		Yangon, Myanmar	Engineering and construction	15,478	15,478	500,000	100.00	10,814	(1,606)	(1,606)	Investee is a subsidiary
	BES Engineering Vietnam Co., Ltd.	Ho Chi Minh, Vietnam	Engineering and construction	30,570	-	1,000,000	100.00	26,297	(2,212)	(2,212)	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	12,488	4,415	4,415	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	14,034	(6,385)	(6,385)	Investee is a subsidiary
		Taipei, Taiwan	Manages apartment maintenance and renders related services	3,700	3,700	-	37.00	5,942	4,887	1,808	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	138,570	(26,621)	(13,204)	
		Taipei, Taiwan	Movie broadcasting and retail sale of food products and groceries	150,183	150,183	25,000	100.00	11,115	(18,660)	(18,660)	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	10,117	4,887	3,079	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.



## BES ENGINEERING CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	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)	\$ 32,665 (RMB 7,628 thousand)	39.20	\$ 12,805 (RMB 2,990 thousand) b,2)	\$ 759,452 (RMB 173,510 thousand)	\$ 153,108 (US\$ 5,038 thousand)
Core Pacific Consulting (Changshu) Co., Ltd.	Engineering consulting services	305,982 (US\$ 9,000 thousand)	b. (Note 4)	305,982 (US\$ 9,000 thousand)	-	-	305,982 (US\$ 9,000 thousand)	14,469 (RMB 3,379 thousand)	100.00	14,469 (RMB 3,379 thousand) b,2)	466,457 (RMB 106,570 thousand)	
Hua Cheng Consulting (Changshu) Co., Ltd.	Engineering consulting services	305,982 (US\$ 9,000 thousand)	b. (Note 5)	305,982 (US\$ 9,000 thousand)	-	-	305,982 (US\$ 9,000 thousand)	14,871 (RMB 3,473 thousand)	100.00	14,871 (RMB 3,473 thousand) b,2)	470,832 (RMB 107,569 thousand)	
Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	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)	32,665 (RMB 7,628 thousand)	9.80	3,201 (RMB 748 thousand) b,2)	189,863 (RMB 43,377 thousand)	38,277 (US\$ 1,260 thousand)
Cinemark-Core (Shanghai) Pacific Management and Consulting	Theater management, purchasing, and consulting services	27,602 (US\$ 900 thousand)	b. (Note 7)	27,577 (US\$ 900 thousand)	-	-	27,577 (US\$ 900 thousand)	(194) (RMB (45) thousand)	49.60	(96) (RMB (22) thousand) b,2)	(478) (RMB (109) 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)	(13,459) (RMB (3,143) thousand)	24.30	(3,271) (RMB (764) thousand) b,2)	34,788 (RMB 7,948 thousand)	
HRDD Logistics Co., Ltd.	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)	(69,920) (RMB (16,328) thousand)	23.61	(16,508) (RMB (3,855) thousand) b,2)	94,670 (RMB 21,629 thousand)	
Cinemark-Core (Suzhou) Pacific Ltd.	Theater management, purchasing, and consulting services	343,172 (US\$ 11,000 thousand)	b. (Note 7)	161,597 (US\$ 5,000 thousand)	-	-	161,597 (US\$ 5,000 thousand)	(20,169) (RMB (4,710) thousand)	49.60	(10,003) (RMB (2,336) thousand) b,2)	76,831 (RMB 17,553 thousand)	

(Continued)

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
BES Engineering Corporation	US\$ 12,103 thousand	US\$ 15,184 thousand	NT\$ 12,184,694
Core Pacific World Co., Limited	US\$ 18,000 thousand	US\$ 19,000 thousand	NT\$ 825,857
BES Machinery Co., Ltd.	RMB 74,900 thousand (US\$ 16,241 thousand)	RMB 79,800 thousand (US\$ 17,038 thousand)	NT\$ 504,109
Cinemark-Core Pacific, Ltd.	US\$ 7,875 thousand	US\$ 7,875 thousand	NT\$ 204,792

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, 2020**

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 preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company 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 OTHER COMPREHENSIVE INCOME -CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	January 1, 2020		Additions		Decrease		Unrealized Gains (Loss) on Fair Value Through Other Compre- hensive Income Financial Assets	December 31, 2020		Accumulated Impairment	Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount			
Listed shares - ordinary shares Taiwan Business Bank	61,807,200	\$ 778,771	3,090,360	\$ -	-	\$ -	\$ (147,318)	64,897,560	\$ 631,453	Not applicable	Yes	Note

Note: As of the end of 2020, Taiwan Business Bank is pledged for short-term borrowings with a mortgage amount of \$601,382 thousand.

**BES ENGINEERING CORPORATION**

**STATEMENT OF CONSTRUCTION RECEIVABLES, NET**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Name of Owner</b>	<b>Amount</b>
Department of Rapid Transit Systems, Taoyuan City Government	\$ 237,536
Air Force Combatant Command	194,043
Taoyuan International Airport Corporation	176,186
North Construction site of Nuclear Construction Department, Taipower Co.	140,585
Yulon Motor Co., Ltd.	71,182
Department of Urban Development, Taipei City Government	63,388
Others (Note)	<u>371,897</u>
	<u>\$ 1,254,817</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, 2020  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Balance, January 1, 2020			Additions		Decrease		Investment Profit (Loss) Recognized Under Equity Method	Cumulative Translation Adjustment	Balance, December 31, 2020			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	\$ 409,992	-	\$ 11	-	\$ -	\$ (120,675)	\$ -	233,749,600	23.51	\$ 289,328	(Note 2)
Core Pacific World Co., Limited	115,936,200	99.95	1,229,407	-	128,383	-	-	2,150	15,800	115,936,200	99.95	1,375,740	(Note 3)
BES Machinery Co., Ltd.	77,319,999	99.29	830,768	45,000	24,794	-	-	(26,509)	5,667	77,364,999	99.35	834,720	(Notes 2, 3, 4 and 5)
BES Investment Company Ltd.	22,600,000	100.00	533,270	-	16,588	-	-	(895)	(13,524)	22,600,000	100.00	535,439	(Note 3)
BES Logistics International Co., Ltd.	13,995,389	100.00	690,109	-	-	-	-	11,346	11,793	13,995,389	100.00	713,248	
Core Asia Human Resources Management Co., Ltd.	6,000,000	100.00	95,698	-	289	-	7,500	5,327	-	6,000,000	100.00	93,814	(Notes 2 and 6)
Chung Kung Safeguarding & Security Corp.	3,880,000	64.67	53,449	-	486	-	-	(4,593)	-	3,880,000	64.67	49,342	(Notes 2 and 3)
Cinemark - Core Pacific, Ltd.	1,861,500	15.38	64,458	-	-	-	-	(12,264)	301	1,861,500	15.38	52,495	
BES Construction Corporation (U.S.A.)	8,509	91.79	26,801	-	-	-	-	200	(1,348)	8,509	91.79	25,653	
BES Global Investment Co.	1,510,100	100.00	16,570	-	-	-	-	57	278	1,510,100	100.00	16,905	
BA & BES Contracting (L.L.C.)	1,200,000	40.00	-	-	-	-	-	-	-	1,200,000	40.00	-	(Note 1)
			<u>\$ 3,950,522</u>		<u>\$ 170,551</u>		<u>\$ 7,500</u>	<u>\$ (145,856)</u>	<u>\$ 18,967</u>			<u>\$ 3,986,684</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 period is due to accrued defined benefit gain. Among them, there's \$11 thousand from Core Pacific City Co., Ltd., \$148 thousand from BES Machinery Co., Ltd., \$289 thousand from Core Asia Human Resource Management Co., Ltd. and \$307 thousand from Chung Kung Safeguarding & Security Corp.

Note 3: Increase in the current period is due to unrealized gain on financial assets. Among them, there's \$128,383 thousand from Core Pacific World Co., Limited, \$24,108 thousand from BES Machinery Co., Ltd., \$16,588 thousand from BES Investment Co., Ltd. and \$179 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 \$51 thousand from stockholders.

Note 5: Increase in the current period is due to purchase of BES Machinery Co., Ltd.'s share, amounted to \$487 thousand.

Note 6: Decrease in the current period is due to payment of \$7,500 thousand cash dividends from investee companies.

Note 7: As of December 31, 2020, 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, 2020  
 (In Thousands of New Taiwan Dollars)

Name	January 1, 2020		Additions		Decrease		Unrealized Gain (Loss) on Fair Value Through Other Compre- hensive Income Financial Assets	December 31, 2020		Accumulated Impairment	Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount			
Listed shares - ordinary shares												
China Petrochemical Development Corporation	40,713,750	\$ 398,995	-	\$ -	-	\$ -	\$ 75,320	40,713,750	\$ 474,315	Not applicable	Yes	Note
Unlisted shares - ordinary shares												
Century Development Corporation	10,633,492	89,215	-	-	-	-	(10,952)	10,633,492	78,263	Not applicable		
Overseas Investment & Development Corporation	2,600,000	23,946	-	-	-	-	(1,898)	2,600,000	22,048	Not applicable		
Zowie Technology Corporation	6,611	-	-	-	-	-	-	6,611	-	Not applicable		
Fortemedia	4,137	-	-	-	-	-	-	4,137	-	Not applicable		
Unlisted shares - preferred shares												
Fortemedia	62,282	-	-	-	-	-	-	62,282	-	Not applicable		
		<u>113,161</u>		<u>-</u>		<u>-</u>	<u>(12,850)</u>		<u>100,311</u>			
		<u>\$ 512,156</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ 62,470</u>		<u>\$ 574,626</u>			

Note: As of the end of 2020, China Petrochemical Industry Development Corporation is pledged for short-term borrowings with a mortgage amount of \$451,729 thousand.



## BES ENGINEERING CORPORATION

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars)

Item	Land	Buildings	Machinery	Transportation Equipment	Total	Note
<u>Cost</u>						
Balance, January 1, 2020	\$ 33,465	\$ 36,704	\$ 1,402	\$ 31,286	\$ 102,857	
Additions	24,376	12,603	-	19,181	56,160	
Decrease	-	(12,213)	(1,402)	(11,887)	(25,502)	
Balance, December 31, 2020	<u>\$ 57,841</u>	<u>\$ 37,094</u>	<u>\$ -</u>	<u>\$ 38,580</u>	<u>\$ 133,515</u>	
<u>Accumulated depreciation</u>						
Balance, January 1, 2020	\$ 2,132	\$ 12,169	\$ 765	\$ 12,177	\$ 27,243	
Additions	6,008	14,784	637	12,900	34,329	
Decrease	-	(12,213)	(1,402)	(11,327)	(24,942)	
Balance, December 31, 2020	<u>\$ 8,140</u>	<u>\$ 14,740</u>	<u>\$ -</u>	<u>\$ 13,750</u>	<u>\$ 36,630</u>	
Net, December 31, 2020	<u>\$ 49,701</u>	<u>\$ 22,354</u>	<u>\$ -</u>	<u>\$ 24,830</u>	<u>\$ 96,885</u>	

## BES ENGINEERING CORPORATION

## STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Type	Contract Period	Interest Rate (%)	Amount	Loan Commitments	Collateral
Unsecured loans					
Taiwan Business Bank	2020.12.23-2021.06.23	2.000	\$ 500,000	\$ 500,000	
Mortgage loan					
Bank of Taiwan	2020.10.07-2021.04.02	1.880	100,000	2,200,000	Land, building and parking space
EnTie Commercial Bank	2020.04.29-2021.04.29	2.347	702,100	702,100	Receivables
Shin Kong Bank- Cheng Teh Branch	2020.04.29-2021.04.29	2.347	87,700	87,700	Receivables
Bank of East Asia	2020.02.17-2021.02.17	2.153	450,000	450,000	Land and building
Sunny Bank- Min sheng Branch	2020.05.27-2021.04.02	1.845	100,000	550,000	Taiwan Business Bank, Ltd. shares
Sunny Bank- Min sheng Branch	2020.05.27-2021.04.02	1.745	300,000	-	Taiwan Business Bank, Ltd. shares
Shin Kong Bank - Cheng The Branch	2020.09.12-2021.03.08	2.010	48,000	48,000	Land and building
			<u>1,787,800</u>	<u>4,037,800</u>	
Bank overdrafts					
Taiwan Business Bank			-	300,000	Land and building
			<u>\$ 2,287,800</u>	<u>\$ 4,837,800</u>	

Note: As of December 31, 2020, the Company had available unutilized short-term borrowings facilities was \$2,550,000 thousand.

**BES ENGINEERING CORPORATION**

**STATEMENT OF TRADE PAYABLE**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Related parties	
BES Machinery Co., Ltd.	\$ 4,688
Core Asia Human Resources Management Co., Ltd.	3,084
Chung Kung Safeguarding & Security Corp.	<u>2,284</u>
	10,056
Unrelated parties	
Others (Note)	<u>4,298,264</u>
	<u>\$ 4,308,320</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, 2020

(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 Cooperative Bank - Dong Taipei Branch	From November 15, 2019 to August 12, 2023, 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.	2.140	\$ -	\$ 53,729	\$ 53,729	
Shanghai Commercial & Savings Bank, Ltd. - Tien Mou Branch	From December 19, 2019 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	-	178,769	178,769	
Hua Nan Bank - Chungshiao East Road Branch	From September 28, 2020 to April 30, 2021, the principal is written off by 45% 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.	2.170	171,124	-	171,124	
Taiwan Business Bank Department of Business	From October 4, 2018 to June 3 2021, the interest is paid monthly and the remaining principal is repaid once at maturity.	2.250	<u>146,000</u>	<u>-</u>	<u>146,000</u>	
			<u>317,124</u>	<u>232,498</u>	<u>549,622</u>	
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.	2.047	-	520,000	520,000	Letter of Credit
Bank of Taiwan Department of Business	Note 2	2.205	429,800	1,496,071	1,925,871	Land
Bank of Taiwan Department of Business	Note 2	2.205	170,200	603,929	774,129	Land
Bank Taiwan Life Insurance Co., Ltd.	Note 2	2.205	100,000	350,000	450,000	Land
Agricultural Bank of Taiwan	Note 2	2.205	<u>40,000</u>	<u>140,000</u>	<u>180,000</u>	Land
			<u>740,000</u>	<u>3,110,000</u>	<u>3,850,000</u>	
			<u>\$ 1,057,124</u>	<u>\$ 3,342,498</u>	<u>\$ 4,399,622</u>	

Note 1: As of December 31, 2020, the Corporation had available unutilized long-term borrowings facilities was \$22,718,106 thousand.

Note 2: In the case of the syndicated loan from the Bank of Taiwan of \$3.7 billion, repayment starts from September 14, 2020 and will be made in seven installments with each installment period lasting three months. For the first 6 installment periods, 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.

## BES ENGINEERING CORPORATION

STATEMENT OF CONSTRUCTION CONTRACT REVENUE AND  
CONSTRUCTION CONTRACT COST  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Code	Construction Contract Revenue	Construction Contract Cost	Construction Contract Gross Profit (Loss)
1. Engineering station			
A5D	\$ 518,377	\$ 402,655	\$ 115,722
A8A	374,302	280,319	93,983
A8C	1,473,599	1,388,891	84,708
83C	-	(68,815)	68,815
A7F	874,136	823,855	50,281
A6G	8,916	(39,759)	48,675
A6C	800,232	750,513	49,719
A7D	833,327	785,487	47,840
A6D	915,789	873,302	42,487
A6F	317,179	284,671	32,508
A8B	556,088	524,076	32,012
A7C	616,141	585,493	30,648
A8F	290,050	273,389	16,661
A7A	270,438	254,358	16,080
A6B-1	384,508	370,862	13,646
97H	9,273	(2,233)	11,506
A7B	158,163	146,869	11,294
A6E	282,426	271,858	10,568
A9A	152,487	142,061	10,426
A6B-2	1,123,410	1,114,991	8,419
A7E	491,372	486,676	4,696
A5C	375,758	372,943	2,815
A0A	-	(323)	323
98C	8,757	8,691	66
A5A	1,294	1,260	34
A5F	-	3,387	(3,387)
A4C	784	20,272	(19,488)
A5B	21,491	43,237	(21,746)
A0B	<u>398,377</u>	<u>580,391</u>	<u>(182,014)</u>
	11,256,674	10,679,377	577,297
2. Development station			
750	<u>603,384</u>	<u>577,591</u>	<u>25,793</u>
	<u>\$ 11,860,058</u>	<u>\$ 11,256,968</u>	<u>\$ 603,090</u>

**BES ENGINEERING CORPORATION****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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)	\$ 21,521	\$ 113,201	\$ 10,596	\$ 145,318
Professional fees	1,761	17,913	8,366	28,040
Other (Note 2)	<u>43,944</u>	<u>105,897</u>	<u>5,887</u>	<u>155,728</u>
	<u>\$ 67,226</u>	<u>\$ 237,011</u>	<u>\$ 24,849</u>	<u>\$ 329,086</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, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

Item	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employees benefits expense						
Salaries expenses	\$ 585,350	\$ 109,023	\$ 694,373	\$ 564,189	\$ 105,737	\$ 669,926
Labor and health expenses	50,191	8,048	58,239	47,054	7,175	54,229
Pension expenses	26,228	9,003	35,231	28,186	5,006	33,192
Director's emoluments	-	27,292	27,292	-	17,438	17,438
Other employee benefits	<u>18,132</u>	<u>1,441</u>	<u>19,573</u>	<u>15,415</u>	<u>1,742</u>	<u>17,157</u>
	<u>\$ 679,901</u>	<u>\$ 154,807</u>	<u>\$ 834,708</u>	<u>\$ 654,844</u>	<u>\$ 137,098</u>	<u>\$ 791,942</u>
Depreciation expense	<u>\$ 48,924</u>	<u>\$ 30,475</u>	<u>\$ 79,399</u>	<u>\$ 59,733</u>	<u>\$ 32,877</u>	<u>\$ 92,610</u>

Note 1: As of December 31, 2020 and 2019, the Corporation had 824 and 763 employees, respectively, of which 8 directors were not concurrently serving as employees for both years.

Note 2. The average employee benefits expenses were \$989 thousand and \$1,026 thousand in 2020 and 2019, respectively.

Note 3. The average employees' salary expenses were \$851 thousand and \$887 thousand in 2020 and 2019, respectively.

Note 4. The change in the average employees' salary expenses was (4.1%).

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 2019	Year 2020	Deviance	
				Amount	%
Current Assets		35,382,398	33,789,293	(1,593,105)	(4.50)
Investments by the Equity Method		2,070,821	1,962,920	(107,901)	(5.21)
Property, Plant and Equipment		3,312,312	3,220,082	(92,230)	(2.78)
Other Non-Current Assets		2,458,643	3,136,422	677,779	27.57
Total Assets		43,224,174	42,108,717	(1,115,457)	(2.58)
Current Liabilities		16,565,080	16,243,125	(321,955)	(1.94)
Non-current Liabilities		6,634,536	5,450,050	(1,184,486)	(17.85)
Total Liabilities		23,199,616	21,693,175	(1,506,441)	(6.49)
Share Capital		15,308,998	15,308,998	0	0.00
Capital Reserves		73,782	73,833	51	0.07
Retained Earnings		5,080,690	5,387,899	307,209	6.05
Other Equity		(566,283)	(462,906)	103,377	(18.26)
Equity Attributed to the Owners of the Parent Company		19,897,187	20,307,824	410,637	2.06
Non-controlling Equity		127,371	107,718	(19,653)	(15.43)
Total of Shareholders' Equity		20,024,558	20,415,542	390,984	1.95
Main reasons of increase/decrease, the impact and the future countermeasures: Other non-current assets decreased, mainly because the financial assets measured by amortized non-current costs decreased.					

### II. Financial Performance

#### (I) Comparison and analysis of operating results.

Unit: NT NTD in thousands

Item	Year 2019	Year 2020	Changes from Increase (Decrease)	
			Amount	(%)
Operating Revenue	12,590,753	13,470,962	880,209	6.99
Operating Costs	11,381,823	12,524,915	1,143,092	10.04
Gross Operating Profit	1,208,930	946,047	(262,883)	(21.75)
Operating Expenses	696,664	571,000	(125,664)	(18.04)
Operating Income (Loss)	512,266	375,047	(137,219)	(26.79)
Non-operating Revenue and Expenses	(94,583)	418,185	512,768	(542.14)
Pre-tax Net Profit of Continuing Operations	417,683	793,232	375,549	89.91
Income Tax Expenses (Incomes)	109,839	194,385	84,546	76.97
Net Income	307,844	598,847	291,003	94.53
Other Comprehensive Incomes and Losses	38,630	100,314	61,684	159.68
Total Comprehensive Incomes and Losses	346,474	699,161	352,687	101.79
1. Increase in income tax incomes: Mainly due to the 300 million yuan disposal of assets in 2020.				
2. Increase in other comprehensive losses: Mainly due to the increase in the share of other comprehensive gains and losses in the recognition of affiliated companies and joint ventures using the equity method.				

(II) Analysis of Changes in Gross Operating Profit:

Year	Year 2019	Year 2020	Percentage of Increase (Decrease) (%)
Item			
Operating Margin (%)	9.60	7.02	(26.86)
Analysis and explanation for the changes of increase/decrease percentage: Mainly due to the decrease in business and other operating income benefits in 2020.			

### III. Cash Flow

(I) Analysis for the Liquidity of the Recent Two Years

Year	Year 2019	Year 2020	Percentage of Increase (Decrease) (%)
Item			
Cash flow ratio (%)	0.57	3.37	491.23
Cash flow adequacy ratio (%)	4.22	7.45	76.54
Cash re-investment ratio (%)	-	0.89	-
Analysis and explanation for the changes in increase/decrease percentage: Mainly due to the 300 million yuan disposal of assets in 2020.			

(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
2,447,681	524,000	1,535,634	1,436,047		

(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.	1,375,740	Diversified operation	The Company has started to earn profit from 2020	—	—
BES Machinery Co., Ltd.	834,720	Vertical integration	The company has started to lose money since 2020	—	—
Core Asia Human Resources Management Co., Ltd.	93,814	Diversified operation	The Company has started to earn profit from 2020	—	—
Chung Kung Safeguarding & Security Corp.	49,342	Diversified operation	The company has started to lose money since 2020	—	—

## **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. As the Central Bank creates a stable policy for domestic rates, the interest rates for borrowing are stable, too. In the future, the Company will closely observe the changes of interest rates and the trends of 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: On the resolution of the 7<sup>th</sup> meeting, the Board of Directors of 25<sup>th</sup> Round, on March 29, 2018, based on the joint construction of Agora Garden, the Company and Asia Pacific Industry and Commerce Union Co., Ltd. jointly received a syndicated loan of NT\$ 8,500,000,000 led by Entie Commercial Bank, and thus became the joint-debtors for each other; such endorsement and guarantee was NT\$ 8,200,000,000. On December 23, 2020, the board of directors approved the change of the credit period of the aforementioned bank joint credit proposal to December 28, 2021. As of December 31, 2020, the total highest amount of external endorsement and guarantee was NT\$8,200,000; the actual drafted amount is NT\$7,318,162,000. The meeting of the Board of Director in October 2015 passed that the subsidiary, Cinemark Core-PacificTheatres Co., Ltd, has applied a project loan from Suzhou Branch, Taiwan Cooperative Bank for Xian Cinemark Theatres Ltd. due to the business of both parties; the amount of loan is 23,500,000 RMB, and Cinemark Theatres Co., Ltd is the joint-guarantor. The amount of guarantee is 11,750,000 RMB, under the amount of their business. As of December 31, 2020, the actual drafted amount is NT\$ 5,912,000. The meeting of the Board of Director in December 2020 passed that the subsidiaries, Core Pacific Consulting (Changshu) Co., Ltd. and Hua Cheng Consulting (Changshu) Co., Ltd. applied NT\$ 550,000,000 from Taipei Branch, the Bank of East Asia, Limited, for their business needs. The subsidiaries provided the RMB certificate of deposit, as a collateral for the financing facility of the Company from Suzhou Branch, the Bank of East Asia (China), Limited for a standby L/C of the amount of 134,000,000 RMB for two years. The

guaranteed amount complies with the Guidelines of Loaning of Funds and Making of Endorsements/ Guarantees. As of December 31, 2020, the actual drafted amount by both companies is NT\$520,000,000. The meeting of the Board of Director in June 2020 passed that the subsidiary, Chung Kung Safeguarding & Security Corporation to be the joint guarantor for the companies it has directly and indirectly held more than 50% of voting rights, BES Consultant Corporation and BES Apartment Maintenance and Management, for the joint financing facility of NT\$ 50,000,000. The amount of the guarantee is in compliance with the regulations of its fund loan and endorsement guarantee management measures. As of December 31, 2020, the two companies had endorsed and guaranteed that the actual expenditures were NT\$ 3,409,000 for BES Consultant Corporation and NT\$ 1,500,000 for BES Apartment Maintenance and Management respectively.

3.Loaning funds to others: As of December 31, 2020, the Company has not loaned of funds to others. As of December 31, 2020, the subsidiary had a total of 3 companies with loans to others: The foreign capital loan and balance of Chung Kung Safeguarding and Security Corp. are NT\$32,000,000, the balances for the capital loan and BES Consultant Corporation and NT\$16,000,000, for the capital loan and BES Apartment Maintenance and Management Ltd.; As of December 31, 2020, there is no actual expenditure amount. Coreasia Human Resource Management Corporation has a capital loan balance of NT\$10,000,000 to Elite Human Resource Management Co., Ltd., and there is no actual expenditure amount as of December 31, 2020. The balance of the capital loan of BES Machinery Co., Ltd. to HRDD Logistics Co., Ltd. was NT\$21,345,000, and the actual amount of expenditure as of December 31, 2020 was NT\$21,345,000.

(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. The expected investment of R&D for the next year is NT\$17 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) Due to policy factors such as the government's hoarding of house taxes, limiting the number of loans, promoting the integration of real estate and land taxation, social housing and other policy factors, as well as the continuous expansion of the new coronavirus (COVID-19) epidemic, the impact has spread to the real world, which has a significant impact on the global supply chain. Make an impact. The global economy is facing many challenges, and major forecasting agencies revise the global economic and trade growth rate, which will greatly affect Taiwan's exports and make it difficult to maintain growth performance. In terms of price and monetary policy, it is expected that domestic prices will be difficult to maintain stable due to fluctuations in international raw material prices and currency exchange rates. People are conservative and wait-and-see on the housing market.
- (2) The government promotes the "Innovative Program for Industrial Land Policy" with the aim of curbing soaring land prices, reducing the development of new industrial zones, and forcing landlords with unused land to release that land so that those demanding land for plants may acquire the land to realize land justice policies and facilitate the economic development of Taiwan. The government has continued its economic policies from the past, and focused on high value-added industries. Its aims are to further open and free Taiwan's economics to attract more attentions from international manufacturers. The government continues to promote the "Forward-Looking Program" and strives to respond to the key demands from both domestic and overseas new industries, new technologies, and new life trends to promote the overall development of local areas and balance among all areas.
- (3) The governmental policies, macro-economic environment, interest rates, oil prices and water and power supply impact the company's incomes.
- (4) A large number of construction projects were released, more than affordable to the current

domestic machinery and manpower. The government began to apply small-size contracting to outsource, to enable local construction companies to bid tenders, which in turn make the large construction companies less competitive for small projects.

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. The Ministry of the Interior passed the "Regulations on Non-Urban Land Use Control" on March 19, 2020, in order to implement the "Industrial Zone Renewal and Three-Dimensional Plan" and effectively increase the volume of incentives for the three-dimensional green energy system in the industrial zone. Those who install energy systems The volume award is increased to 2%, and the solar power generation equipment occupies more than half of the roof, and the volume award is increased to 3%.

B. In order to encourage Taiwanese businessmen to return to Taiwan to invest, the government adopted a three-dimensional industrial zone plan to increase the area available to manufacturers in 108 years, and encouraged the establishment of energy-saving projects with increased volume incentives. In February 2020, the Construction and Development Agency revised the "Urban Planning Law Taiwan Province Implementation Rules" to deal with the three-dimensional plan for the urban industrial area. This time the Ministry of the Interior revised Article 9-1 of the "Non-Urban Land Use Control Rules" to grant non-urban land use control rules. The basis of the three-dimensional law source of the urban land industrial zone. In the original regulations, three projects including the installation of energy management systems, rooftop solar panels, and installation of building-integrated photovoltaic power generation equipment were given volume rewards. However, considering the difficulty of building-integrated photovoltaic power generation equipment, this project was deleted. , And distribute the 2% volume reward of this item to other items.

C. In addition, the new crown pneumonia epidemic has changed the global supply chain, which indirectly caused Taiwanese businessmen to return to expand their factories, causing the overall industrial real estate market to be quite enthusiastic. With TSMC's tens of billions of active purchases of land in Nanke, and major returnees' aggressive acquisitions of industrial land The expansion of the factory has also led to the rise of Taiwan's industrial real estate market, shifting from the north to the central and southern land purchase model, changing the market map of the entire Taiwan's industrial real estate in the past, subverting the north-south imbalance in previous years, and dedicating the company's future marketing to the industrial zone. The land is quite favorable.

(4) Macro-economic risk:

A. In response to the epidemic, countries around the world have introduced unprecedented large-scale fiscal, monetary and regulatory measures to maintain household disposable income, ensure corporate cash flow, and support credit supply. The degree of negative growth in advanced economies was not as severe as expected, and the economic recovery in Mainland China was stronger than expected, which led to a slowdown in the global economic recession in the second half of 2020 compared with the first half of the year. Global economic activity is still full of challenges from returning to pre-epidemic levels. Although global economic growth in 2021 years is expected to rebound due to base-period factors, there is still great uncertainty. Much of it will depend on countries' epidemic control and vaccine effectiveness in the post-epidemic period.

B. In terms of the domestic situation, due to the spread of the epidemic to the world, it has

severely impacted global trade, investment and consumption, and caused large fluctuations in the financial market. My country is a small open economy and is deeply affected by the international economy. Various industries in the corporate sector are affected by the epidemic. The situation is different. Among them, the manufacturing industry is closely connected with the supply chain of mainland China, and is vulnerable to the impact of the interruption of production and logistics in mainland China. Some manufacturing industries (such as petrochemical, machine tool and electronic components industries, etc.) may benefit from the transfer order effect. However, the spread of the global epidemic has shrunk overall demand, and the transfer order effect may not be enough to offset the impact of chain disconnection and reduced orders. In the service industry, as the epidemic spreads and affects the willingness of Chinese people to travel, catering, and go out, the revenue of wholesale, retail, transportation and storage, accommodation and catering, entertainment and leisure industries will be greatly affected.

C. Green energy development is a key part of the current government's "5+2 Industrial Innovation Plan" and the six core strategic industries. Through the stable operation of renewable energy, we want to implement Taiwan's 2025 energy transition goal "Non-Nuclear Home" policy. Changhua area is actively renewable energy. Including solar power and wind power generation projects, Nissho Chenya Electric Power Co., Ltd. is located in Changbin Industrial Park, "Zhangbin Lunwei East No. 1 and No. 2 Power Plant" is expected to be integrated into the Taipower system in 2021, and is expected to contribute more than 2.5 100 million kWh of green power is not only the world's largest offshore solar power plant, but also represents a major milestone in Taiwan's energy transition. This effect is also expected to bring significant exposure and the attention of related industry players. Renewable energy industry players will also be key industries for investment promotion, and it is advisable to continue to sell land for sale.

(5) In March 2020, the Federal Reserve lowered the federal funds rate by 4 yards to 0%-0.25%, which is nearly zero interest rate, and launched a quantitative easing (QE) program of up to 700 billion US dollars. Facing the sharp interest rate cuts in the United States, the Central Bank of Taiwan has also followed up with interest rate cuts. In the case of low capital interest rates, it will help manufacturers to reduce their land purchase financing and loan costs.

(6) In the first half of 2020, the price of crude oil plummeted due to the COVID-19 epidemic and the upgrading of shale oil extraction technology in the United States. However, since the second half of the year, global freight volumes have gradually increased with the advent of the new crown pneumonia vaccine and oil exports. National organizations and Russia and other oil-producing countries have jointly reduced production, and international oil prices have gradually recovered.

(7) Risks of changes in water and electricity supply: Taiwan is surrounded by the sea, the hinterland is relatively small, and natural resources are scarce. The development and use of renewable energy has gradually become an international trend. With the increasing development of renewable energy technologies, many international manufacturers have entered Taiwan, and the government has recently made great efforts. To promote, the Ministry of Economic Affairs has set a policy goal of 20% of renewable energy power generation in 2025. It is now actively promoting solar photovoltaic and wind power generation. It is estimated that by 2025, the capacity of solar photovoltaic installations will reach 20 GW, and the capacity of offshore wind installations will reach more than 5.7 GW.

### 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. 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 stablish 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. Continue to promote the development of lands in Changbin area.

B. Strive for land preferential policies.

C. To meet the needs of Taiwanese businessmen returning to Taiwan to set up factories, actively marketing.

(4) Countermeasures for the economic environment:

A. In line with the government's green power policy, the central region's solar energy is greatly benefited by solar photovoltaics, and the Zhangbin hinterland is wide and the sea breeze is beneficial to wind power, so as to actively attract domestic and foreign energy companies to invest and set up factories.

B. Provide diversified products and services to meet customer demand for land use. For example, Lunwei East District (Haiti) is a special area for renewable energy solar power generation.

C. Keep abreast of the global economic fluctuations, strengthen visits to manufacturers, understand the production needs of different industries, and develop customized countermeasures.

(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.

(6) Countermeasures for changes in oil prices:

The oil price is at a low level, which makes the production cost of the enterprises lower. The Company strengthens the promotion of the convenience of the surrounding transportation system, and to enhance the willingness of enterprises to invest and set up plants.

(7) Countermeasures for movement in water and power supply:

In order to expand the promotion of renewable energy, the Ministry of Economic Affairs has set a policy target of 20% of renewable energy power generation in 2025. Solar photovoltaic and wind power generation are being actively promoted. It is estimated that by 2025, the capacity of solar photovoltaic installations will reach 20 GW, and the capacity of offshore wind installations will reach 5.7 GW. The Changbin Industrial Zone Fuma Zhen is expected to be completed and commissioned in mid-June 2021, according to relevant regulations. The water supply plan can provide a stable supply of industrial water. The above operations are conducive to stabilizing the supply of water and electricity in the industrial zone and increase the willingness of enterprises to purchase land and set up factories.

(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: None

(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 deduction of payment resulting from decreased levels of the National Defense Medical Center
Involved Parties	Plaintiff: the Company Defendant: Armaments Bureau, Ministry of National Defense
Summary:	The design of the level height was changed and the client deducted the payment without consent and the refund was claimed.
Subject or amount	NT\$ 13,817,120
Date starting the lawsuit	2013/12/31
Current status	The defendant was defeated in the first instance and was ordered to pay the Company NT\$ 13,817,122, and the Company won the appeal. The defendant abandoned the appeal. The amount of payment in the first instance stood. Case closed.
Item	4
Name of case:	Dispute over contract performance for Xibing Expressway WH49 tender
Involved Parties	Plaintiff: the Company Defendant: Central Region Engineering Office, Directorate General of Highways

Summary:	The payment was claimed due to changes of design and insufficient quantity.
Subject or amount	26,087,607 NTD
Date starting the lawsuit	2015/09/23
Current status	The judgment of the first instance described that the defendant shall pay 21,046,724 NTD to the Company, and both parties reached settlement in the second instance. The defendant pays NT\$21,046,724 and interest of NT\$2,799,503. Case closed.

Item	5
Name of case:	Dispute over the contract performance for the contract of Xibing Expressway WH49-1 Tender
Involved Parties	Applicant: the Company Opposite party: Central Region Engineering Office, Directorate General of Highways
Summary:	The payment was claimed due to changes of design and insufficient quantity.
Subject or amount	NT\$ 20,612,551
Date starting the lawsuit	2015/09/23
Current status	The judgment of the first instance described that the defendant shall pay 11,742,302 NTD to the Company, and both parties reached settlement in the second instance. The defendant pays NT\$11,742,302 and interest of NT\$1,569,930. Case closed.

Item	6
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	7
Name of case:	Dispute over the quantity of scaffoldings for the expansion of Taoyuan Airport
Involved Parties	Plaintiff: the Company Defendant: Civil Aeronautics Administration
Summary:	The quantity of scaffoldings for the expansion of Taoyuan Airport was insufficient, and thus the claim is made.
Subject or amount	64,090,486 NTD
Date starting the lawsuit	2014/12/30
Current status	For the first instance judgment, the defendant shall pay 4,640,263 NTD to the plaintiff. The second trial ordered 2,030,524 NTD; both parties withdrew from the third trial, and the order of the second trial is confirmed. Case closed.

Item	8
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Name of case:	Delay penalty and contingency fees for Yungho 8 tender (Bei-Yuan-105-Chien-Zhi No. 122)
Involved Parties	Plaintiff: the Company Defendant: Construction and Planning Agency
Summary:	The client of Yungho 8 tender recognized three-day delay for the Company. Also due to "Terry" Typhoon, there were four gaps at the embankments that were required for filling by the Mayor of New Taipei City, Chu, Li-Lun and the contingency fees were thus incurred.
Subject or amount	14,349,121 NTD
Date starting the lawsuit	2016/2/22
Current status	The judgment of the second instance described that the client shall pay 7,679,327 NTD to the Company. In the third instance, NT\$7,679,327 is partial confirmed. The prejudicial judgment of NT\$4,845,806 was transferred to the first instance for retrial, and both parties reached settlement in the first instance on the amount of NT\$4,845,806. The interest is NT\$902,913. Case closed.
Item	9
Name of case:	CL311 Dispute over the overdue penalty
Involved Parties	Plaintiff: the Company Defendant: Railway Reconstruction Bureau, Ministry of Transportation and Communication
Summary:	Claim for the refund of the overdue penalty
Subject or amount	86,500,000 NTD
Date starting the lawsuit	2017/12/29
Current status	Mediation reached. Defendant repays 86,500,000 NTD. Case closed.
Item	10
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	11
Name of case:	Mediation for Dispute of Buo-Ai Warranty
Involved Parties	Applicant: the Company The other party: Construction and Real Estate Service Center Armaments Bureau, Ministry of Defense
Summary:	The warranty dispute arose from the extension of working period.
Subject or amount	58,428,796 NTD
Date starting the lawsuit	2019/07/31
Current status	Public Construction Commission, Executive Yuan help both parties reach mediation. After deducting NT\$17,499,132, the client should repay NT\$40,929,664 of the remaining warrant bond to the Company, and the warranty responsibility of the Company is discharged. Case closed.
Item	12
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	13
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 11,020,000 NTD; the both parties appealed the detriments of the order; the second trial is pending.

Item	14
Name of case:	Grain Siz Change in Xiao Gang Airport
Involved Parties	Plaintiff: the Company Defendant: Civil Aviation Administration Kaohsiung International Air Station, Ministry of Transportation and Communications
Summary:	Claiming additional construction payment
Subject or amount	11,945,786 NTD
Date starting the lawsuit	2019/11/29
Current status	Mediation reached. The client should repay NT\$9,361,580. Case closed.

Item	15
Name of case:	Arbitration with ADE Technology
Involved Parties	Petitioner: ADE Technology Inc. Opposite party: the Company
Summary:	ADE Technology has been contracted the electromechanical construction for Shuling Arts and Culture Zone, but the contract was terminated due to breaches; ADE Technology has claimed the damage from the Company.
Subject or amount	Principle claim: -136,803,726 NTD; counterclaim: 113,063,351 NTD
Date starting the lawsuit	2019/10/01
Current status	Arbitration procedure closed. Principle claim by ADE Technology Inc. does not stand; the Company initiated counterclaim, and the arbitration judgment ordered that ADE Technology Inc. should repay NT\$113,063,351

Item	16
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, and ADE Technology Inc. appealed. Pending for the second instance.
Item	17
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	Pending mediation procedure
Item	18
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

(XIII) Other material risks and countermeasures: None

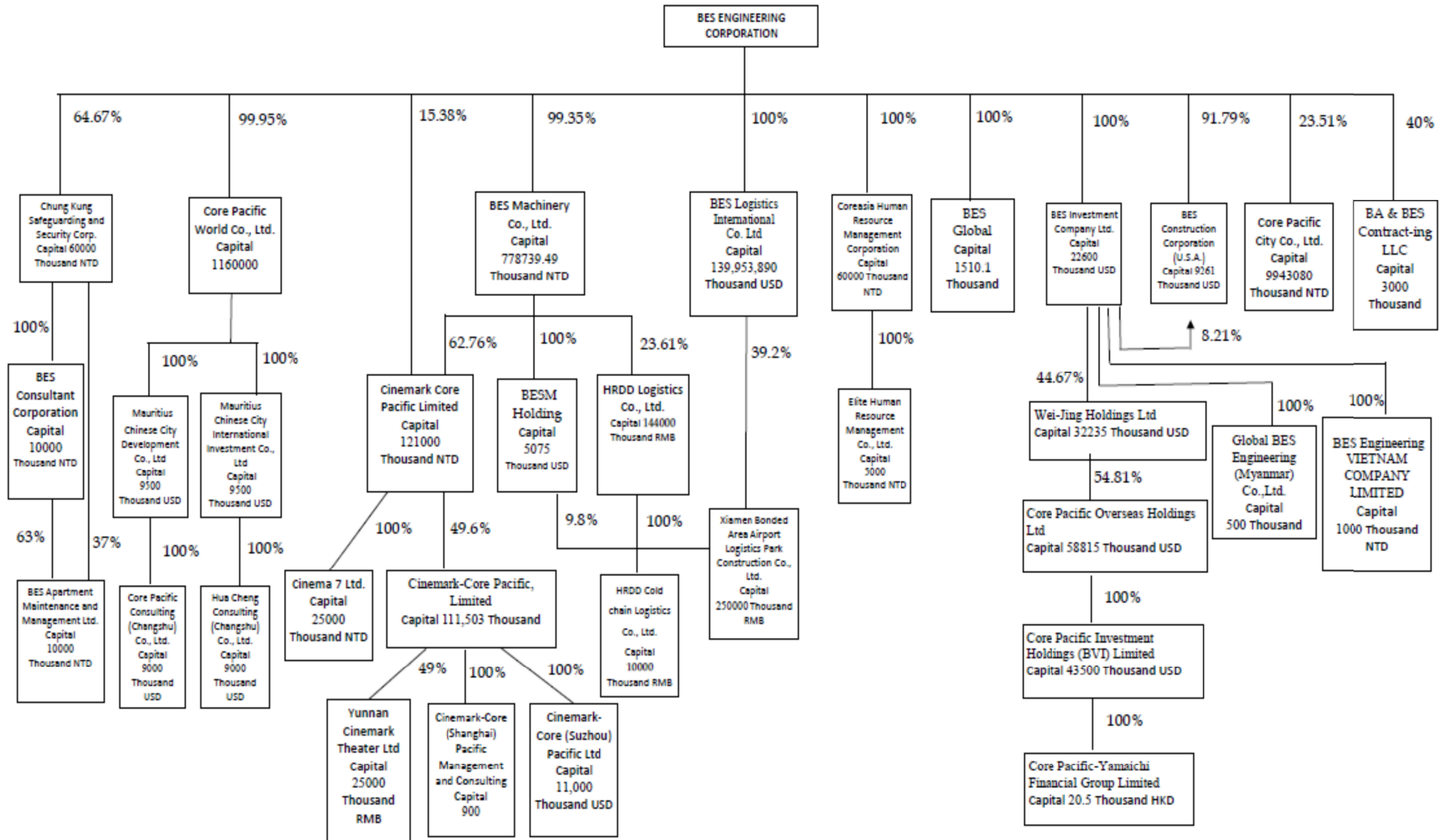
## VII. Other Important Matters: None

# 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	Southeast Economic Development Zone, Changshu City, Jiangsu Province, China	RMB 74,490,000	Engineering and design consultancy
Core Pacific Consulting (Changshu) Co., Ltd.	2003.11.04	Southeast Economic Development Zone, Changshu City, Jiangsu Province, China	RMB 74,490,000	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 22,600,000	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 Management Co., Ltd.	2001.10.23	2F, No. 12, Dongxing Rd., Taipei City	5,000	Manpower Services
Cinemark Core Pacific Limited	1999.03.15	4F, No. 102, Kuanfu S. Rd, Taipei City	121,000	Domestic and overseas movie playing



Name of Enterprise	Date of establishment	Address	Paid-up Capital	Major business or products
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 1000,000	Contracting Construction

2. Information of Same Shareholders with Assumed Related Parties: None

3. Information of Directors, Supervisors, and General Managers of Each Affiliates. (as of March 31, 2021)

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	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	77,319,999	99.29
	General manager	HU, TZU-HSUAN	—	—
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; Chu, Hwei-Lan Representative of Supervisors: Shen, Ching-Kuan	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: Shen, Ching-Kuan	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: Shen, Ching-Kuan; Chu Hui-Lan; Guo, Hong-Jheng	RMB 122,500,000 (Capital Contribution)	49.00
BES Investment Company Ltd.	Director	BES ENGINEERING CORPORATION Representatives: Shen, Ching-Jing; Chen, Kuo-Hsien	22,600,000	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, Wen-Kuo	USD 9,000,000 (Capital Contribution)	100.00
Elite Human Resource Management Co., Ltd.	Directors concurrent	Coreasia Human Resource Management Corporation	500,000	100.00

Name of Enterprise	Position title	Name or Representative	Holding shares	
			Number of shares	Percentage of Holding
	Supervisors	Representatives: Lin, Yu-Bin ; Chiang, Shu-Yi; Hsu, Chia-Lin Representative of Supervisors: Huang, Shi-Shun		
	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	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: Shen, Hua-Yang;	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	100.00
BES Engineering Vietnam Company Limited	Director	BES Investment Company Ltd. Representative: Chu Hui-Lan	USD 1,000,000	100.00

#### 4. Overview of the Operations of Each Affiliates, 2020

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	1,440,276	63,848	1,376,428	0	(4,856)	34,293	2,151
BES Machinery Co., Ltd.	778,739	1,545,622	705,441	840,181	176,684	26,998	(26,659)	(26,682)
Chung Kung Safeguarding and Security Corp.	60,000	130,253	53,956	76,297	282,238	(3,299)	(7,706)	(7,102)
BES Consultant Corporation	10,000	28,454	14,420	14,034	40,694	(3,164)	(8,751)	(6,385)
Chung Kung Management and Maintenance of Apartment Co., Ltd.	10,000	42,384	26,325	16,059	63,575	6,519	6,109	4,887
Coreasia Human Resource Management Corporation	60,000	118,023	24,209	93,814	701,115	197	5,555	5,327
BES Global Investment Co.	12,746,301 (RMB)	3,870,360 (RMB)	7,996 (RMB)	3,862,364 (RMB)	0 (RMB)	(33,553) (RMB)	13,295 (RMB)	13,295 (RMB)
BES Investment Company Ltd.	175,887,454 (HKD)	145,820,142 (HKD)	43,000 (HKD)	145,777,142 (HKD)	0 (HKD)	(55,734) (HKD)	(234,924) (HKD)	(234,924) (HKD)
BES Construction Corporation (U.S.A.)	5,000,000 (USD)	1,270,108 (USD)	288,825 (USD)	981,283 (USD)	0 (USD)	(18,259) (USD)	7,371 (USD)	7,371 (USD)
Elite Human Resource Management Co., Ltd.	5,000	17,681	5,192	12,489	136,642	5,237	5,519	4,415
Cinemark Core Pacific Limited	121,000	404,311	62,992	341,319	102,720	(29,658)	(90,603)	(79,739)
Mauritius Chinese City International Investment Co., Ltd	78,631,500 (RMB)	109,799,768 (RMB)	54,939 (RMB)	109,744,829 (RMB)	0 (RMB)	(99,321) (RMB)	3,224,778 (RMB)	3,224,778 (RMB)
Mauritius Chinese City Development Co., Ltd	78,631,500 (RMB)	108,782,609 (RMB)	54,939 (RMB)	108,727,670 (RMB)	0 (RMB)	(99,330) (RMB)	3,131,832 (RMB)	3,131,832 (RMB)
Hua Cheng Consulting (Changshu) Co., Ltd.	74,490,300 (RMB)	120,645,495 (RMB)	13,075,992 (RMB)	107,569,503 (RMB)	10,809,540 (RMB)	2,131,746 (RMB)	4,632,665 (RMB)	3,473,575 (RMB)
Core Pacific Consulting (Changshu) Co., Ltd.	74,490,300 (RMB)	118,115,747 (RMB)	11,545,939 (RMB)	106,569,808 (RMB)	10,769,670 (RMB)	2,143,923 (RMB)	4,507,869 (RMB)	3,379,441 (RMB)
BESM Holding Co., Ltd.	31,977,068 (RMB)	57,685,677 (RMB)	696,297 (RMB)	56,989,380 (RMB)	0 (RMB)	(20,045) (RMB)	965,048 (RMB)	965,048 (RMB)
Xiamen Bonded Area Airport Logistics Park Construction Co., Ltd.	250,000,000 (RMB)	687,040,152 (RMB)	274,127,777 (RMB)	412,912,375 (RMB)	89,160,333 (RMB)	(7,638,310) (RMB)	9,670,657 (RMB)	7,628,438 (RMB)
Core Pacific City Co., Ltd.	9,943,080	20,718,439	16,009,573	4,708,866	0	(158,013)	(513,295)	(513,295)
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)	162,963,900 (RMB)	10,281 (RMB)	162,953,619 (RMB)	0 (RMB)	(29,820) (RMB)	2,649,654 (RMB)	2,649,654 (RMB)
Hongkong Cinemark Core Pacific Limited	89,636,565 (RMB)	56,720,273 (RMB)	55,977 (RMB)	56,664,296 (RMB)	0 (RMB)	(36,506) (RMB)	(6,216,808) (RMB)	(6,216,808) (RMB)
Cinemark (Shanghai) Investment and Management Consultancy Ltd.	5,685,600 (RMB)	757,239 (RMB)	977,215 (RMB)	(219,976) (RMB)	0 (RMB)	(44,377) (RMB)	(45,384) (RMB)	(45,384) (RMB)
Yunnan Cinemark Theater Ltd	25,000,000 (RMB)	38,435,532 (RMB)	5,728,505 (RMB)	32,707,027 (RMB)	4,854,775 (RMB)	(3,112,602) (RMB)	(3,143,226) (RMB)	(3,143,235) (RMB)
Cinema 7 Ltd.	25,000	186,458	175,343	11,115	58,409	(21,855)	(18,649)	(18,660)
Suzhou Cinemark Theatres Management and Consultancy Ltd.	73,124,130 (RMB)	87,235,770 (RMB)	51,845,930 (RMB)	35,389,840 (RMB)	3,577,709 (RMB)	(4,074,113) (RMB)	(4,710,099) (RMB)	(4,710,099) (RMB)
HRDD Logistics Co., Ltd.	144,000,000 (RMB)	267,732,391 (RMB)	176,127,490 (RMB)	91,604,901 (RMB)	19,221,442 (RMB)	(17,148,103) (RMB)	(16,329,752) (RMB)	(16,329,752) (RMB)
Global BES Engineering (Myanmar) Co., Ltd.	748,635,000 (MMK)	593,111,872 (MMK)	7,281,008 (MMK)	585,830,864 (MMK)	100,069,114 (MMK)	(67,783,747) (MMK)	(67,783,747) (MMK)	(75,829,077) (MMK)
BES Engineering Vietnam CO., Ltd.	23,160,000 (Thousand VND)	21,528,684 (Thousand VND)	112,920 (Thousand VND)	21,415,764 (Thousand VND)	0 (Thousand VND)	(1,744,236) (Thousand VND)	(1,744,236) (Thousand VND)	(1,744,236) (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, 2019 to December 31 2019), under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with 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 17, 2021

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, 2020 to December 31, 2020**

Unit: NT NTD in thousands

No.	Fund loaner	Fund borrower	Item for transaction	Related party or not	Maximum balance of the year (Note)	Balance at the end of year (Note)	Amount actually drafted	Interest rate Range	Nature of Loaning of funds	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			
1	Chung Kung Safeguarding and Security Corp.	Chung Kung Management and Maintenance of Apartment Co., Ltd.	Payables from related party	Yes	16,000	16,000	—	—	—	—	Operating Turnover	—	—	—	30,519 (40% of BES Safeguarding and Security Corporation)	30,519 (40% of BES Safeguarding and Security Corporation)	Note2
1	Chung Kung Safeguarding and Security Corp.	BES Consultant Corporation	Payables from related party	Yes	16,000	16,000	—	—	—	—	Operating Turnover	—	—	—	30,519 (40% of BES Safeguarding and Security Corporation)	30,519 (40% of BES Safeguarding and Security Corporation)	Note2
2	Hua Cheng Consulting (Changshu) Co., Ltd.	Yangzhou Core Pacific City Mid-Town Life Landmark Ltd.	Other receivables	No	47,531	—	—	—	—	—	Operating Turnover	—	—	—	94,166 (20% of Hua Cheng Consulting Co., Ltd.)	188,333 (40% of Hua Cheng Consulting Co., Ltd.)	
3	Core Pacific Consulting (Changshu) Co., Ltd.	Yangzhou Core Pacific City Mid-Town Life Landmark Ltd.	Other receivables	No	47,531	—	—	—	—	—	Operating Turnover	—	—	—	93,291 (20% of Core Pacific Consulting Co., Ltd.)	186,582 (40% of Core Pacific Consulting Co., Ltd.)	
4	Cinemark Core Pacific Limited	Suzhou Cinemark Theatres Management and Consultancy Ltd	Payables from related party	Yes	68,880	—	—	—	—	—	Operating Turnover	—	—	—	136,528 (40% of Cinemark Core Pacific Limited.)	136,528 (40% of Cinemark Core Pacific Limited.)	
5	Core Pacific World Co., Ltd.	Hua Cheng Consulting (Changshu) Co., Ltd.	Other receivables	Yes	39,123	—	—	—	—	—	Operating Turnover	—	—	—	412,928 (30% of Core Pacific World Co., Ltd.)	550,571 (40% of Core Pacific World Co., Ltd.)	
6	Coreasia Human Resource Management Corporation	Elite Human Resource Management Co., Ltd.	Payables from related party	Yes	10,000	10,000	—	—	—	—	Operating Turnover	—	—	—	18,763 (20% of Coreasia Human Resource Management Corporation.)	37,526 (40% of Coreasia Human Resource Management Corporation)	
7	BES Machinery Co., Ltd.	HRDD Logistics Co., Ltd.	Payables from related party	Yes	21,345	21,345	21,345	5	—	—	Operating Turnover	—	—	—	33,607 (4% of BES Machinery Co., Ltd.)	336,072 (40% of BES Machinery Co., Ltd.)	

Note1: The limit of loaning of funds passed by the Board of Directors of the Company and subsidiaries.

Note2: The total amount of capital loan of Chung Kung Safeguarding and Security Corp. is limited to 40% of the net value of the latest financial statement of Chung Kung Safeguarding and Security Corp. (ie NT\$30,519 thousand). Therefore, the board of directors approved the revision on February 19, 2021. The amount of capital loan to Chung Kung Management and Maintenance of Apartment Co., Ltd. and BES Consultant Corporation. is capped at 15,000 thousand yuan each.

**Endorsements and guarantees for others  
provided by BES Engineering Corporation and subsidiaries  
January 1, 2020 to December 31, 2020**

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 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	\$ 50,769,560 (Note1)	\$ 8,200,000	\$ 8,200,000	\$7,318,162	\$ —	40.37%	\$ 60,923,427 (Note2)	—	—	—	Note11
1	Cinemark Core Pacific Limited	Xian Cinemark Theater Ltd.	Company with business relationship	132,353 (Note4)	59,813	59,813	5,912	—	17.52%	132,353	—	—	Y	Note 3
1	Cinemark Core Pacific Limited	Suzhou Cinemark Theatres Management and Consultancy Ltd.	Company with business relationship	45,300 (Note4)	45,300	—	—	—	0.00%	45,300	—	—	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	470,832 (Note5)	298,686	289,118	260,000	289,118	61.41%	941,664 (Note8)	—	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	466,456 (Note6)	298,686	289,118	260,000	289,118	61.98%	932,914 (Note9)	—	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	190,742 (Note7)	25,000	25,000	1,500	—	32.77%	228,891 (Note10)	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	190,742 (Note7)	25,000	25,000	3,409	—	32.77%	228,891 (Note10)	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: Based on the business contract between Cinemark Core Pacific Ltd. with the company.

Note 5: The limit is 100% of the net value of Hua Cheng Consulting (Changshu) Co., Ltd. in the latest financial statement.

Note 6: The limit is 100% of the net value of Core Pacific Consulting (Changshu) Co., Ltd. in the latest financial statement.

Note 7: The limit is 250% of the net value of BES Safeguarding and Security Corporation in the latest financial statement.

Note 8: The limit is 200% of the net value of Hua Cheng Consulting (Changshu) Co., Ltd. in the latest financial statement.

Note 9: The limit is 200% of the net value of Core Pacific Consulting (Changshu) Co., Ltd. in the latest financial statement.

Note 10: The limit is 300% of the net value of BES Safeguarding and Security Corporation in the latest financial statement.

Note 11: The Company and Asia Pacific Industry and Commerce Union Co., Ltd., were the peer guarantors for each other by the contract based on the requirement of contracting construction. The Company is negotiating with the Syndicate to release the Company from the joint guarantor's obligations.

**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**